Garanti BBVA

INTEGRATED ANNUAL REPORT 2020

'The Meaning We Attach to Words...'

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Garanti BBVA

INTEGRATED ANNUAL REPORT 2020

'The Meaning We Attach to Words...'

Contents

Foreword

'THE MEANING WE ATTACH TO WORDS...'

Finance and banking are associated first and foremost with numbers, figures and ratios. Performance and goals are expressed in numbers; so are current position and status. Yes, the finance sector likes numbers, because things that are quantifiable have priority and talking about measurement means talking about numbers since those that are not measured cannot be improved.

As Garanti BBVA, we have transformed figures into data, and data into different dimensions through analyses. Making use of qualitative and quantitative research, we have given direction to individuals' and organizations' decision-making processes and strategies with our expertise and holistic perspective. We have digitalized our business to make our customers' lives easier, and we have developed mobile applications for them to quickly implement the right financial decisions. In brief, we have measured, listened, understood, interpreted, developed, implemented and delivered throughout our existence. Our starting point was to create value for all our stakeholders. With the set of values and principles that define us, as Garanti BBVA, we have promised to use our products and services for the purpose of bringing the age of opportunity to everyone. Most importantly, as much as our good command of data, what set us apart was the meanings we attached to our activities, commitments, and words while interpreting and improving outputs.

In Garanti BBVA Integrated Annual Report 2020, we wanted to share what words meant to us in 2020, a year that was marked by our tireless work to create responsible and sustainable value in uncertain and dire times, especially through the pandemic days. We combined numbers with words. These are the words that empower our story and make us who we are: **TRUST, PIONEER, SUSTAINABILITY, RESPONSIBILITY, AGILITY, SUCCESS, DIGITALIZATION, EXPERIENCE, EMPATHY AND TRANSPARENCY.**

We know that words become meaningful because of the people who utter them. We exist with our employees who utter these words with conviction, and with our customers, business partners and all our stakeholders who find these words worthy of us. And in reality, we sign our name under each one of them and add meaning to our commitment in the story we author with these words. We believe that our success and its continuity are underpinned by **TRUST**. We prove our **PIONEER** position with the firsts we have accomplished in the banking sector to date. With our **SUSTAINABILITY** initiatives, we truly live up to this concept; we shape sustainability with our commitment to create a robust and successful business model for the future by sharing long-lasting values with our stakeholders. We feel responsible, primarily, for the world we live in, for our environment, our employees, our customers, and most of all, for our own operations. We act with this sense of **RESPONSIBILITY** at all times. According to us, **AGILITY**, taking action swiftly, being dynamic and effective in the digitalizing order that races against time, leading innovation while empowering our employees, flexibility and creativity are all absolute essentials for our business. It takes an agile organization to quickly and efficiently respond to opportunities and threats. At Garanti BBVA, its people are the enablers behind the word **SUCCESS**. At the heart of all our achievements, of all the commitments we delivered, and of our sustainable value creation lies the invaluable human capital of Garanti BBVA that works as one team, rendering us successful and bringing us the numerous awards we have been crowned with to date. With our investments in **DIGITALIZATION** and with the projects we have launched that served as a model for the sector and even for the business world, we have proven that we are not influenced by digital transformation, but that we live by digitalization and empower our stakeholders by becoming digitalized. **EXPERIENCE** is the phenomenon that leaves its mark on our lives and underpins the existence of the words we have listed above. Our longstanding experience not only makes us the best and defines our mastery in our business, but it also determines the impact of our human-centric activities as we design the journeys of our employees and customers. For Garanti BBVA, empathy is the most successful way of connecting with its stakeholders. **EMPATHY** is vital within our cordial, real and long-lived relationships, our values, communication and culture. And we believe that all of these are possible only through clearness and **TRANSPARENCY**. Accountability and responsibility are enabled by a transparent governance model and lay the foundation for trust.

In our report, a group of 50 individuals ranging from our Board members to senior management, executives from subsidiaries to directors of business lines, regional office and branch managers shared what all these words mean to Garanti BBVA, the meaning we attach to these words, and the value we create by honoring our commitment. Having ended 2020 successfully, Garanti BBVA will continue in the years ahead to constantly improve its business model, to understand and quickly address and satisfy evolving customer needs and expectations, to empower its employees, to provide for the benefit of society, and to work for creating value for all of its stakeholders and for bringing the age of opportunity to everyone.

About the Report

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

Garanti BBVA aims to communicate its thinking and its approach to long-term sustainable value creation to all its stakeholders in a clear and comprehensive way following the principles of Integrated Reporting Framework (<IR> Framework) of the International Integrated Reporting Council (IIRC).

While providing an overview of the basis of its total value creation, its strategy and long-term sustainable value creation capability in the document titled "Integrated Annual Review 2020", Garanti BBVA provides a thorough account of its annual activities, detailed financial and non-financial performance including value drivers and indicators, and its approach to corporate governance and risk management in the document titled "Integrated Annual Report 2020".

The content of the Report is determined in line with the material issues, which are identified as an intersection of issues raised by our stakeholders and topics that are significant to Garanti BBVA. The information presented in this Report covers the 12-month period ending 31 December 2020, and unless otherwise specified, includes information on Garanti BBVA's operations in Turkey as well as the international subsidiaries in the Netherlands and Romania, foreign branches in Cyprus and in Malta, and one international representative office each in Dusseldorf and Shanghai. Where relevant, the information is supported by historical data.

The connection between the material issues, business strategy and performance in 2020 is clearly established, as suggested in the Integrated Reporting Framework published by the IIRC. Garanti BBVA is a member of IIRC's Global <IR> Network and <IR> Banking Network, and is a founding member of Integrated Reporting Turkey Network (Entegre Raporlama Türkiye Ağı "ERTA").

This report has been prepared in accordance with the GRI Standards: Core option. The Report covers seven main chapters called "Introduction", "About Garanti BBVA", "Our Value Creation", "Our 2020 Material Issue: COVID-19", "2020 Performance in Strategic Priorities and Outlook", "Corporate Governance" and "Financial Reports and Appendices". It also includes the GRI Financial Services Sector disclosures, United Nations Global Compact ('UNGC') and Women's Empowerment Principles ('WEPs') Progress Report, and a summary table of climate related disclosures in accordance with the Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations. This year, the Report includes the Impact Report prepared in accordance with the Principles for Responsible Banking developed by the United Nations Environment Program Finance Initiative ('UNEP FI'), of which Garanti BBVA is a signatory. Garanti BBVA's Integrated Annual Report 2020, which has been audited by KPMG and published with the decision of the Board of Directors, will be presented at the Ordinary General Shareholders' Meeting of Garanti BBVA. KPMG provided reasonable assurance on the financial information, and limited assurance on selective non-financial information defined in detail in the auditor's report.

INTRODUCTION

Integrated Annual Report 2020 opens with the Independent Auditor's Opinion and Assurance Reports and the statements of responsibility by the Audit Committee Members (Independent Board of Directors Members), the CEO, and the Executive Vice President responsible for Financial Reporting on the financial statements and the annual report. The first chapter provides a foreword on the reflection of Garanti BBVA's value creation story on this year's annual report, keynote messages by Charles Tilley (CEO of IIRC), Garanti BBVA Chairman, and Garanti BBVA CEO.

ABOUT GARANTİ BBVA

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

GRI 102-45, 102-49

OUR VALUE CREATION

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

OUR 2020 MATERIAL ISSUE: COVID-19

This year, COVID-19, the material issue of Garanti BBVA, was addressed under a dedicated heading as a summary of the efforts and initiatives aimed at creating responsible and sustainable value for all stakeholders in uncertain and dire times. The chapter describes how Garanti BBVA fulfilled the needs of its employees, customers and the society in an uninterrupted and quick fashion, while protecting its stakeholders' health, which the Bank regarded as its topmost priority, drawing on its organizational agility.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

"2020 Performance in Strategic Priorities & Outlook", which is explained in the fifth chapter, covers our activities regarding 13 different Material Issues, as explained in "Our Material Issues", in relation to our six Strategic Priorities. Each of these sections elaborates on both past performance and also gives an account of future strategies. Furthermore, Garanti BBVA's contribution to the Sustainable Development Goals ('SDGs'), the global plan of action to end poverty, reduce inequalities and protect the environment are linked to each section.

CORPORATE GOVERNANCE

The sixth chapter, 'Corporate Governance', discusses the management of risks related to Garanti BBVA's operations and the corporate governance structure. The chapter covers Internal Systems Governance, Audit Committee's and Risk Committee's assessments, Important Developments regarding 2020 Operations, and Ratings. In keeping with Garanti BBVA's commitment to corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of the Corporate Governance Principles Compliance Report. In addition, relevant headings include the explanations within the scope of Sustainability Principles Compliance Framework addressed within the context of the "Communiqué (II-17.1.a) Amending the Corporate Governance Communiqué (II.17.1)", which incorporates the necessary additions made to Articles 1 and 8 of the Corporate Governance Communiqué on 02 October 2020. At the end of the chapter, Profit Distribution is presented for the approval of shareholders.

FINANCIAL REPORTS AND APPENDICES

The final chapter sets out the audited annual consolidated and unconsolidated financial statements for Garanti BBVA. The Bank prepares its consolidated and unconsolidated financial statements in accordance with the "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published in the Official Gazette dated 1 November 2006 issue: 26333, other regulations governing accounting and records of banks published by the Banking Regulation and Supervision Board, circulars and statements by the Banking Regulation and Supervision Agency (BRSA), and for matters not regulated by the aforementioned, in accordance with the "BRSA Accounting and Financial Reporting Legislation", which incorporates the provisions of the Turkish Financial Reporting Standards (TFRS) enforced by the Public Oversight Accounting and Auditing Standards Authority (in Turkish: KGK). The unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities at fair value through profit or loss, financial assets valued at fair value through other comprehensive income, real estates, and investments in associates and affiliates valued at equity basis of accounting. Consolidated financial statements, on the other hand, are prepared in accordance with the historical cost basis except for financial assets and liabilities at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and real estates. The accounting policies and the valuation principles applied in the preparation of the consolidated and unconsolidated financial statements are explained in relevant footnotes.

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INTRODUCTION

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

TO THE SHAREHOLDERS OF TURKIYE GARANTI BANKASI ANONIM ŞIRKETI

QUALIFIED OPINION

We have audited the annual report of Türkiye Garanti Bankası Anonim Şirketi (the "Bank") for the period between 1 January 2020 and 31 December 2020, since we have audited the complete set consolidated and unconsolidated financial statements for this period.
In our opinion, except for the effects of the matter described in the Basis For Qualified Opinion section of our report, the consolidated and unconsolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated and unconsolidated financial statements and information obtained during the audit and provides a fair presentation.

BASIS FOR QUALIFIED OPINION

As described in the Basis For Qualified Opinion section of Independent Auditor's Report on the complete set of audited consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2020 and 31 December 2020 dated 28 January 2021; the complete set of consolidated and unconsolidated financial statements of the Bank as at 31 December 2020 include a general reserve of total of TL 4,650,000 thousands, of which TL 2,150,000 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 reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

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

AUDITOR'S OPINION ON COMPLETE SET OF CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

We have expressed a qualified opinion on the complete set of consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2020 and 31 December 2020 on 28 January 2021.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles

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and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

a) The Bank's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
b) The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated and unconsolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's consolidated and unconsolidated financial statements. The annual report shall also clearly indicates the details about the Bank's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
c) The annual report also includes the matters below:
- Significant events occurred in the Company after the reporting period,
- The Bank's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL REPORT

Our objective is to express an opinion on whether the consolidated and unconsolidated financial information included in the annual report in accordance with the TCC and the Regulation, and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the audited consolidated and unconsolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated and unconsolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the consolidated and unconsolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Murat Alsan, SMMM, Partner
4 March 2021
İstanbul, Turkey

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INDEPENDENT LIMITED ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF T. GARANTI BANKASI A.Ş.

We were engaged by T. Garanti Bankası A.Ş. (hereinafter "Bank" or "Garanti BBVA") to provide limited assurance on the "Selected Information" contained in Appendix A.1 of the Integrated Annual Report of Garanti BBVA (hereinafter "the Report") for the year ended 31 December 2020.

The scope of our assurance is limited to the Selected Information listed below:

- Total Yearly GHG Emissions in tCO_2e reported under scope 1 and 2 of the GHG Protocol (Revised Edition)
- GHG Emissions Intensity in the reporting period
- Annual percentage change in GHG Emissions Intensity
- Total Yearly GHG emissions from business air travel – Scope 3 & Air Travel in Kilometres
- Total Yearly Avoided Emissions due to operational renewable energy projects under loan from Garanti BBVA (HPP, WPP, SPP)
- Total Yearly Energy Consumption by Source
- Total Yearly Water Consumption by Source
- Total Yearly Waste Generated (Recycled Hazardous and Recycled Non-hazardous)
- Environmental & Social Impact Assessment Process related to projects financed by Garanti BBVA:
    - o Number of assessed projects in 2020
    - o Number of rejected projects in 2020
    - o Risk rating of the assessed projects in 2020
    - o Number of project site visits conducted during 2020
- Renewable energy portfolio:
    - o Amount of investments in renewable energy projects by type as of the reporting period end
    - o Installed capacity of renewable energy projects by type as of the reporting period end
    - o Garanti BBVA's market share of operational installed wind capacity in Turkey as of the reporting period end
- Materiality Analysis
- Sustainability Governance
- Total monetary amount of community investments in the reporting period
- Cardless Transactions from Garanti BBVA ATMs:
    - o Total number of cardless transactions from Garanti BBVA ATMs in the reporting period
    - o Total volume of cardless transactions from Garanti BBVA ATMs in the reporting period
- Women employee ratio:
    - o Senior+Middle Management
    - o Total women employee
- Number of maternity leaves
- Number of paternity leaves
- Ratio of women employees returned to work after maternity leave
- Number of employees registered to Gender Equality trainings in 2020
- Number of employees attended the Female Leadership trainings in 2020

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- Absentee Rate
- Number of Clients (Total, Digital Banking and Mobile Banking) as of the reporting period end

MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the preparation and presentation of the Report for the Selected Information in accordance with the Garanti BBVA's internally developed criteria as described in Appendix A.1 of the Report, and the information and assertions contained within it; for determining the Garanti BBVA's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that Garanti BBVA complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Selected Information are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units

OUR RESPONSIBILITIES

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

The firm International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PROCEDURES PERFORMED

A limited assurance engagement on a Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Inquiries of management to gain an understanding of Garanti BBVA's processes for determining the material issues for Garanti BBVA's key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability

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strategy and policies for material issues, and the implementation of these across the business.

• Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Selected Information.

• Comparing the information presented in the Selected Information to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Selected Information.

•Reading the information presented in the Selected Information to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Garanti BBVA.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.

INHERENT LIMITATIONS

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions. Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Information as defined in Appendix A.1 of the Report of Garanti BBVA for the year ended 31 December 2020 is not presented, in all material respects, in accordance with the Garanti BBVA's internally developed reporting criteria as explained in Appendix A.1 of the Report. In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for Garanti BBVA in connect with reporting to Garanti BBVA and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Garanti BBVA, for any purpose or in any other context. Any party other than Garanti BBVA who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Garanti BBVA for our work, for this independent limited assurance report, or for the conclusions we have reached.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Şirin Soysal, Partner
İstanbul, 4 March 2021

STATEMENT OF RESPONSIBILITY IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD

T. Garanti Bankası A.Ş.'s the year-end Annual Report for the period 01.01.2020 - 31.12.2020, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, has been reviewed by us;

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report does not include any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report honestly reflects the progress and the performance of the business and the financial position of the Bank together with the significant risks and the uncertainties faced.

Sincerely,

RECEP BAŞTUĞ	AYDIN GÜLER	JORGE SAENZ-AZCUNAGA CARRANZA	AVNİ AYDIN DÜREN	BELKIS SEMA YURDUM
GENERAL MANAGER	EXECUTIVE VICE PRESIDENT	AUDIT COMMITTEE MEMBER	AUDIT COMMITTEE MEMBER	AUDIT COMMITTEE MEMBER

STATEMENT OF RESPONSIBILITY IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD

T. Garanti Bankası A.Ş.'s the Unconsolidated and Consolidated Financial Statements and the Independent Auditor's Report for the period 01.01.2020 - 31.12.2020, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, have been reviewed by us;

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the Unconsolidated and Consolidated Financial Statements and the Independent Auditor's Report do not include any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,

- Within the framework of our duties and responsibilities in the Bank and the information we have, we declare that the Unconsolidated and Consolidated Financial Statements and the Independent Auditor's Report honestly reflect the truth relating to the Bank's assets, liabilities, financial position, profits and losses.

Sincerely,

RECEP BAŞTUĞ	AYDIN GÜLER	JORGE SAENZ-AZCUNAGA CARRANZA	AVNİ AYDIN DÜREN	BELKIS SEMA YURDUM
GENERAL MANAGER	EXECUTIVE VICE PRESIDENT	AUDIT COMMITTEE MEMBER	AUDIT COMMITTEE MEMBER	AUDIT COMMITTEE MEMBER

Message from Charles Tilley

167 1 min 1 reporting

In the wake of the COVID-19 pandemic, rising socio-economic inequality and climate change, integrated reporting is assisting organizations across the world to communicate more effectively with investors and key stakeholders.

Positive steps are being made to unify the corporate reporting system and bring greater clarity to organizations to make reporting even more effective. The IIRC is collaborating with fellow standard setters and framework providers, and the recent announcement of the intent to merge with the Sustainability Accounting Standards Board (SASB) further signifies this convergence in the corporate reporting landscape. We are also witnessing a renewed interest in effective reporting from investors and an understanding of the impact resources and relationships from across the six capitals can have on value creation.

We welcome Garanti BBVA's fourth integrated annual report, which signals the organization's commitment to better corporate reporting. By placing equal value on financial performance, material issues and business strategy, organizations are making progress towards long-term sustainable development and responsible capitalism.

CHARLES TILLEY
CEO, INTERNATIONAL INTEGRATED REPORTING COUNCIL

Letter from the Chairman

609 4 min 2 year

Dear Stakeholders,

2020 has been a year that started off with positive expectations regarding the national economy and especially the banking sector, however, with the impact of ongoing pandemic, it turned out to be one we have never experienced before in both social and economic terms. Global markets witnessed the greatest recession since the end of WWII. The effects of this turbulent year were exacerbated even more not just because of the pandemic, but also with the US presidential elections and the ongoing implications of trade wars. Although there were positive developments regarding the much-anticipated vaccine against the coronavirus in the last quarter of the year, the debates about the topic still continue.

In this process, as Garanti BBVA, we have prioritized the health and safety of our society, employees and customers over everything else. The remote working model that we quickly introduced in response to the conditions imposed by the pandemic, the financial support we have provided to our customers, and the financial success we achieved in this challenging environment, once again validated Garanti BBVA as the technology-focused, reliable and solid bank that it is. Notwithstanding the negative impact of the pandemic, lead indicators suggest that Turkey will record an above 1% growth in 2020. Even though this figure is well below Turkey's potential growth, we have been one of the few countries in the world to register a positive growth. The dynamic and young population's resilience against shocks keeps the Turkish economy alive under any circumstance.

Domestic demand driven growth resulted in higher-than-expected rise in interest rates. While reformulated economic policies in the last quarter proved to be effective, they were accompanied by market-friendly normalization steps.

The solid balance sheet and capital structure of the Turkish banking sector enabled our banks to fulfill the liquidity need of all stakeholders in the economy, primarily of the real sector in a short period of time and thus played a major part in the much faster recovery of our national economy as compared to other countries. In this period dominated by uncertainty, as Garanti BBVA, we have successfully fulfilled our responsibility as the bank providing the biggest support to the economy among private banks. Thanks to our sustainable growth strategy and business model, we preserved our leading poisition in the sector in terms of capital, asset quality and profitability.

A major implication of the pandemic has been the transformation of the customer behaviour alongside the increased awareness of digital banking. During this period, given the inevitable surge in digital banking, we have reaped the benefits of our 25 years long investments in digital channels.

Sustainability has gone beyond being a choice and become a necessity. The COVID-19 crisis is regarded as the first "sustainability" crisis of the 21st century and a wake-up call for decision makers to prioritize concrete steps regarding climate change. As Garanti BBVA, we have carried on with our environmental, social and governance investments. Our contribution to sustainable development has reached TL 51 billion as of end of 2020. We are not just managing our Bank's environmental impact; we are contributing to a sustainable world by offering sustainable and green products to our customers.

As we leave behind a year filled with uncertainties, we expect 2021 to be a recovery year for our country and the World. With the sustainable development principle,one of our fundamental strategies, as Garanti BBVA, we will continue to respond to evolving needs in the fastest and most effective manner, while preserving our strong capital on the back of our customer and employee satisfaction focused business model.

I thank all my colleagues, our valuable customers, shareholders and all other partners...

SÜLEYMAN SÖZEN
CHAIRMAN

Letter from the CEO

1,603 9 min 3 growth

Dear Stakeholders,

2020 has been an unprecedented year ,one that embodied several different periods with various dynamics and challenges. As Garanti BBVA, we have ended the year successfully in regards to both our financial and strategic performance targets.

With respect to the national economy and the banking sector, we started the year with very strong growth and positive expectations. However, the COVID-19 outbreak that originated in China in December, quickly spread across the world and took our country in its grip by mid-March. With this, we have embarked upon a period of social and economic uncertainty, which was totally different from what we had anticipated at the start of the year.

In an effort to mitigate the impact of the pandemic on the economic actors, public authorities pursued monetary easing policies and fiscal incentives that can rarely be seen in history. Announcement of support packages for the real sector and implementation of accommodating monetary policies constituted the initial responses to prevent the spreading of the economic shock. The banking system, on the other hand, dispersed the new CGF loan packages that were made available and further low-cost liquidity into the system playing a key role in theprocess with support that corresponded to 10% of the GDP. As a result, the sector registered a TL loan growth of above 40% during the reporting period.

In this period, as Garanti BBVA, our primary focus was the health of our employees and customers. With the help of our technological strength, we were the first bank to adapt to remote working model, manage our operations without any difficulties, and provide uninterrupted, quality service to our customers. Hence, we ended the year with a TL loan growth of above 33%. TL commercial lending growth, in particular, reached 40% proving once again our Bank's ability to book healthy growth together with the real sector under extraordinary circumstances.

In addition, we have accommodated our financially-distressed customers' loan deferral and restructuring demands without a question. We have ended up postponing the installments of a total outstanding of more than TL 40 billion to support over 1.1 million customer accounts during the course of the year.

The policies introduced and incentives provided, coupled with the support of the banking sector, made it possible for the real sector and individuals to overcome this period with the least damage. With the support of the healthcare sector, Turkey attained 6.7% growth in the third quarter, and has become one of the countries that best managed the pandemic and one of the quickest to step into the normalization process. Lead indicators point that Turkey will end 2020 with a growth rate of above 1% and will thus be one of the few countries registering positive growth.

Loose monetary policy, rapid increase in domestic demand and currency depreciation in the 3rd quarter put pressure on inflation. As a result of these developments, the CBRT began tightening its monetary stance as of the end of July. The new economic administration team that took over office in early November switched to "single rate" policy and reaffirmed a strong commitment to tight policy for an extended period of time in the fight against inflation. Thus, the policy rate that stood at 8.25% in the 2nd quarter gradually went up to 17% at the end of the year. Market-friendly steps such as the annulment of asset ratio and withdrawal of the previous regulatory framework such as the CBRT's 'good bank' criteria that led to an increase in lending activity, coupled with the positive developments in monetary policy implementations, brought along higher external fund inflow, and secured growing confidence in our country.

Thanks to our prudent policies, at the time of record credit expansion, we successfully preserved our robust capitalization at 17%, much higher than the required ratio of 12%,. Moreover, despite the rough circumstances, we were not faced with any serious risks on the part of non-performing loans. As Garanti BBVA, we have bolstered our provisions to take countermeasures proactively to the extent possible, based on a cautious approach. We have one of the highest coverage ratios in the sector. In addition to that, we have paid utmost attention to currency risk management. Our balance sheet hedge mechanisms helped to minimize risk. We are not anticipating any difference in the picture in the future. Our prudent approach will remain and we will continue to grow while keeping an eye on asset quality and cost of risk, and to create value for all our stakeholders on the back of our healthy capital structure.

Funding management has gained more importance amid the high-interest environment. While the TL deposits expanded parallel to the TL loan growth in the first half of the year, we have witnessed a powerful dollarization trend in the second half. The share of FC deposits in total deposits went up to as high as 55%. The source of funding to our loan expansion continued to be strong TL deposit growth. Our demand deposit base, in particular, got very strong in this period, and its share in total deposits went up by 12 percentage points to 44%. This attests to the trust our customers hold in us.

On the part of external funding, we have linked our renewed syndication loan to sustainability criteria, a first in the world. Thus, we have taken our environmental commitments one step further despite the uncertainties stemming from the pandemic. On the part of customers, on the other hand, we have introduced a number of novelties in lending structures. We are encouraging our customers to switch to more sustainable and greener formats in the ways they do business, and we are actively using numerous financing mechanisms such as the Green Loan, Gender Loan, and Sustainability-Linked Loan structures. Our contribution to sustainable development has exceeded TL 51 billion as of end of 2020. We will continue to lead the transformation of the business world in order to facilitate

Turkey's transition to a low-carbon economy and achievement of the targets within the scope of Sustainable Development Goals.

For many sectors, "digitalization" has been the greatest gain bestowed by the pandemic. We have seen once more how vital the long years of investments in digitalization have been. We are leaving behind a year that we saw rapid growth in digital banking awareness, in the number of digital customers and transactions. Today, we have 9.6 million customers using our digital channels. Being the bank with the highest amount of investments in digitalization for the past 25 years, we could sustain providing service to our customers through all our channels also during this period. Building on the opportunities regulatory changes may present, we will continue to pioneer the sector in digital transformation with the support of right strategies and right tools.

FOR 2021 AND THEREAFTER...

We are going through a period of increased costs and declined loan demand. In the period ahead, in line with our inflation projection, we are anticipating that the CBRT will maintain its current policy rate for most of 2021. Hence, assuming a balanced outlook in exchange rate after April, we are expecting the annual inflation to decline due to positive base effect and recovered projections, and finish 2021 close to 11%. We project 5% growth in2021, in the absence of no further negative shocks, with the help of positive base, declined risk premium and expected capital inflows.

Amid this economic recovery environment, our Bank will pursue its growth policy in line with its targets of sustainable growth of the national economy and its expansion upon a healthy and solid base. We are maintaining our goal to outperform the average loan expansion of private banks. While we are targeting growth across the board, we are expecting higher demand from business banking. Specifically, we will keep offering financing in line with the needs and demands of the SMEs, and continue to stand by the side of our artisans that make up the backbone of our economy.

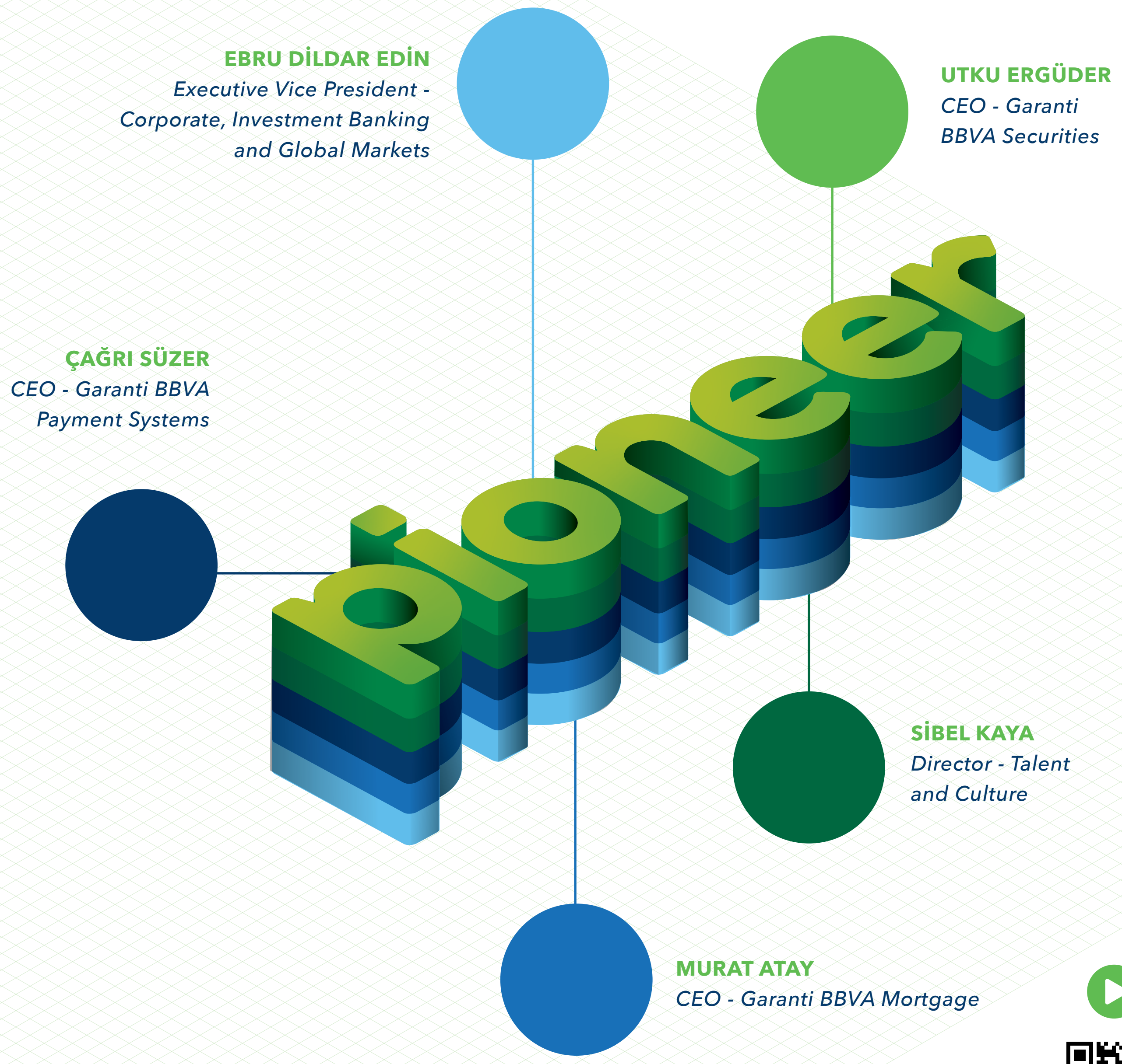
In the period ahead, we will be managing the process and collections in relation to both the deferred and non-performing loans in manner preserving our customers' financial health and our sector's asset quality. We will continue to analyze and closely monitor the portfolio to be able to continue provide the right support to our customers at the right time and focus on maintaining its quality .

Furthermore, our strategic projects and activities will continue at the same speed. We will keep working to fulfill customer needs and demands in the best possible way with the goal of being their trusted financial partner. Carrying on with our investments in our business model and digital infrastructure, we will continue to broaden the service and product range offered on our digital and mobile channels.

As Garanti BBVA, we think that it is critical to act for the future of the environment and the planet we live on, and to integrate them in our business plans. We are striving to reflect this consciousness in our actions. Based on our identity as the pioneering bank in sustainability, we will continue to raise increased awareness of this issue, and to positively influence all our customers, employees and stakeholders also in 2021.

I trust us as an organization that creates differentiation with our sustainable financial success, our leadership in technology and innovation, our highly-skilled employees, and our agile and transparent corporate culture. I can claim that we have ended a very tough year successfully owing to the hard work and hands on monitoring of all my colleagues. I would like to thank my colleagues, and also all our stakeholders for their support and trust in us.

RECEP BAŞTUĞ
PRESIDENT, CEO



Scan the QR code to watch the video.

ABOUT GARANTI BBVA

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

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The Environment We Operate In

3,510 18 min 6 economy

2020 MACROECONOMIC OVERVIEW AND 2021 OUTLOOK

BINDING UP THE WOUNDS INFLICTED BY THE PANDEMIC

The COVID-19 virus that grew into a worldwide pandemic bore an unprecedented negative impact upon global economy. All countries were forced to implement significant lockdown measures to try and stop the pandemic. These measures and the pandemic itself negatively affected all the economic actors, with the services sector being hit the most. In an effort to minimize the negative implications, governments introduced orthodox and unorthodox expansionary fiscal policies (direct cash transfers, credit support, deferred tax collections, etc.) and monetary policies (low interest rates, quantitative easing). According to calculations by the IMF, fiscal support extended throughout 2020 amounted to 24% of GDP in developed countries, whereas it was 6% in emerging market and middle-income economies.[1] Despite these accommodative policies, all economies suffered significant shrinkage in the second quarter of the year. Although asymmetrical across different countries, global economic activity recovered quickly as higher social distancing measures were eased and expansionary economic policies were implemented. In the last quarter of the year, however, the second wave of the pandemic gave rise to more-than-expected negative results particularly in Europe and the US, leading to new lockdown measures although more moderate than the ones in April. This poses a risk on economic activity in the short term. On the other hand, downside risks can be balanced owing to the fact that several high-efficacy vaccines were obtained by the end of 2020 and vaccination commenced more rapidly than anticipated, particularly in developed countries. All in all, we are estimating 2.6% contraction of global economy in 2020. In 2021, we are projecting 5.3% rise with the anticipated momentum gain of economic activity as a result of the positive base effect and loosened lockdown measures as vaccination reaches broader populations. In a similar vein, the IMF and the World Bank[2] also project 5.5% and 4% growth for global economy in 2021, respectively.

Through extremely strict measures, the government in China, ground zero of the pandemic, took the illness under control in April, and reversed the shrinkage in the economy in the first quarter of the year to positive growth in the second quarter with the help of expansionary policies, and particularly of public investments. Notwithstanding, the Chinese economy grew 2.3%, well below its historic average, in 2020. In 2021, we are projecting the Chinese economy to grow by 7.5% with the positive base effects, the sustained accommodative monetary policy and a fiscal policy focused on productivity. On the other hand, the economic impact of the pandemic in Europe and the US has been much deeper. Despite strong fiscal and monetary policies (direct cash transfers, loan packages and quantitative easing, etc.), the US economy narrowed down by 9% on an annual basis in the second quarter of the year, while the Eurozone economies contracted by 11.4%. Although a fast recovery followed in the third quarter upon the easing of restrictions on socialization during the summer, the second wave of the pandemic resulted in a more moderate growth outlook in activity in the last quarter. Eurozone economies shrank by 7% in 2020, while the US economy contracted by 3.5%. We forecast that Eurozone might end 2021 with still a relatively weaker growth rate of 4.1%. Likewise, we are estimating the US economy to grow by 3.6% in 2021. Even though a high growth rate is anticipated in emerging countries in general in 2021 due to the positive base effects, secondary implications of the pandemic such as sustained high unemployment rates are expected to keep the negative output gap alive.

The stress in financial markets quickly increased because of the uncertainties that stemmed from the evolution of the illness into a worldwide pandemic. This situation decreased risk appetite, in turn, leading to sharp capital outflows from emerging countries. On the other hand, developed economies in particular and all countries in general implemented expansionary monetary and fiscal policies encompassing unorthodox policies in an effort to mitigate the deep economic impact of the pandemic. In addition to these policies, somewhat control secured over the pandemic toward the summer abated the stress upon financial markets, but the prudent stance was maintained. To counter the ongoing negative effects of the pandemic, the monetary policy in developed countries will likely remain accommodative for a long time to come, while the fiscal policy is expected to continue likewise in 2021. Faster-than-expected commencement of vaccination and the anticipated recovery in economic activity indicate at a possible -but probably asymmetrical- acceleration of capital inflow to developed countries in the period ahead.

With respect to risks, the effect of the pandemic upon the world economy remains uncertain. This outlook might be altered in connection with the vaccine supply and efficacy, and hence how soon lockdown measures can be lifted. Therefore, any negative development could trigger bankruptcies in numerous sectors with the service industry taking the lead among them, reduced employment and financial stress. In addition, uncertainties in relation to the worldwide expansionist effects of the pandemic, such as low demand, weak tourism and capital flows, might live on.

ANTICIPATED REBALANCING IN THE TURKISH ECONOMY

In Turkey, the government strove to mitigate the negative effect stemming from the pandemic by way of various tools including credit support, direct cash transfer to low-income households, deferred tax collections, debt restructuring and quantitative easing. Yet, due to the nature of the shock, the Turkish economy was significantly affected, and narrowed by 9.9% annually in the second quarter of the year. On the other hand, loosened lockdown practices and the lagging effects of supportive policies created a quick recovery momentum as of June, and the Turkish economy offset the negative course of the second quarter by registering an annual growth of 6.7% in the third quarter of the year. All in all, annual growth as of the end of the first three quarters was 0.5%. Lead indicators for the last quarter and big data activity indicators we have generated based on the Bank's micro data point that the momentum in the economy still remains strong, although somewhat softer, despite the restrictions imposed in connection with the pandemic as of end-November. In this context, annual growth for 2020 could be registered somewhere between 1.5-2%. Lately, the messages implied following the change in the country's economy administration and the measures adopted on the side of the monetary policy coupled with the banking sector led particularly by the Central Bank of the Republic of Turkey (CBRT) secured a decrease in the country risk premium, and therefore, long-term interest rates. From this angle, we are assuming that the downside risks that will result from tight financial conditions upon growth in the coming period might be compensated with the existing strong growth momentum, positive base effects, declined risk premium, and the anticipated continued recovery of the world economy that might lend support to capital flows to emerging markets. Therefore, in the absence of an extremely serious additional negative shock, we forecast 5% growth for 2021. We are anticipating growth to be recorded as 4.5% in 2022 and to converge on its potential of 4% in 2023 and thereafter.

In conjunction with the shock, the inflation outlook deteriorated due to the cost-side pressures resulting from the idle capacity

1 IMF Fiscal Monitor, October 2020
2 IMF January 2021 World Economic Outlook, World Bank January 2021 Global Economic Prospects

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particularly in the services industry, risk-averse tendency stemming from global uncertainties, tumbling exchange rate as a result of the dollarization that increased with worsened expectations of economic actors, the rise in commodity prices, and the negative course in food prices. In November and December, the inflation hiked with the lagging effects in exchange rate pass-through and growing cost-side pressures, and ended 2020 at 14.6%. In 2021, we are anticipating that the inflation will rise until April due to the negative seasonal effects and cost-side pressures, converging on 15%, and then will end the year around 10.5% after declining in connection with the positive base effect and recovery in anticipations assuming a balanced outlook in exchange rate. Presuming that the CBRT will keep implementing the monetary policy so as to back the decline in inflation and that the loss of value in exchange rates will remain moderate, inflation might go down to the order of 9% in 2022.

The CBRT carried on with rate cuts for a while as global interest rates declined as part of the combat against the negative effects of the pandemic, and backed this policy with quantitative easing. In addition, the CBRT made use of required reserve policies based on real credit expansion as a macroprudential policy. In the second half of the year, the value loss in financial assets resulting from global uncertainties and increasing vulnerabilities (higher risk premium, toppled exchange rates, etc.) negatively affected financial stability as well as inflation outlook. To counter these negative effects, the CBRT increased average funding cost and initiated monetary tightening. The quick transformation on the part of monetary policy accompanying the recent change in economy administration turned the policy rate into the one and only instrument. In this vein, the policy rate was increased by 475 basis points in November and set as 15%, slightly above the funding cost that already neared 14.8%. In addition, certain expansionary macroprudential policies were eliminated. On the other hand, messages implying that the combat against inflation was given priority through coordinated operation of fiscal and monetary policies softened the negative effect on asset prices to some extent. The CBRT increased the policy rate by another 200 basis points in December in an effort to positively influence the increased short-term risks on inflation and projections, bringing the policy rate up to 17%. Long-term interest rates fell down with the rebalancing in exchange rate and declined risk premiums. In the period ahead, we believe that the CBRT will preserve its current policy rate until the last quarter of 2021, being in line with our inflation projection. We are expecting the CBRT to implement cautious rate cuts along with the declined inflation in the last quarter of the year and the policy rate to end 2021 at 14%. In 2022, the policy rate might fall down to the order of 11% provided that the inflation drops to single-digit figures.

External balance, on the other hand, began to deteriorate rapidly due to the shrank external demand and weak tourism revenues resulting from the pandemic. The deterioration was further accelerated by imports that remained strong with the supported domestic demand and the rocketed gold imports in connection with the increased demand for gold. Hence, as current account balance produced a 0.9% surplus over GDP , it was reversed to 5.3% deficit in November. According to lead foreign trade data, we are anticipating that the degradation in current deficit will continue in December and we are forecasting the end-2020 ratio in the order of 5.5%. In the year ahead, the lockdown measures introduced against the second wave of the pandemic might give rise to negative effects with respect to tourism revenues and exports alike in the short-term. On the other hand, to the extent that vaccines increasing in efficacy are implemented rapidly, external demand might revive sooner than expected, and the anticipated cooling in domestic demand with tightened financing terms might pull down the import demand. Based on these assumptions, the ratio of current deficit to GDP might decline to 2.5% at year-end 2021.

The budgetary balance, on the other hand, suffered a rapid worsening in the summer months due to the expansionary monetary policies (increased expenditures, deferred tax collections and weak tax revenues stemming from decelerated activity) implemented against the pandemic. Later, expenditures were cut to some extent with the recovery in economic activity. As a consequence, the budget deficit was almost 3.5% of GDP at the end of 2020 as economic activity turned out to be stronger than projections. In 2021, we are expecting a restricted fiscal consolidation, and tax revenues to be backed by recuperated activity. Therefore, we are forecasting that the deterioration of the budget deficit in 2021 will be limited and its ratio to GDP will be around 3.6%.

OPPORTUNITIES AND CHALLENGES OF THE TURKISH ECONOMY

The country's geopolitical position and the dynamic population continues to act as the biggest strengths of the Turkish economy. The advantageous positioning of Turkey hands major opportunities in various sectors including transportation, energy and tourism. Turkey preserves its status as an important hub for the shipment of oil and gas particularly from the Middle East and surroundings to Europe; the projects carried out to date such as the TurkStream add to this muscle. The plans announced by the government particularly in the fields of energy (the plan for the involvement of the Turkey Wealth Fund in fixed capital investments in the fields of petrochemistry, mining, and energy generation from domestic resources), tourism (Tourism Master Plan) and transportation (Logistics Master Plan) will allow the country to capitalize better on the advantages emanating from her geopolitical position.

The fact that Turkey's demographic structure continues to grow and has a young composition, i.e. population ageing is slower than in other countries, presents a big window of opportunity for the period ahead. According to TurkStat's base projections, the population is expected to grow by 1% on average by 2030. As opposed to the negative growth in Europe and the CEEMEA region, the population in Turkey is anticipated to reach 93 million in 2030. In addition to that, median age is 32.3 according to 2019 data, which manifests a highly younger population versus other countries (40 years in developed countries). Furthermore, with the weak labor force participation rate in women, overall labor participation rate still remains low. On the other hand, some recent studies in certain developed countries indicate that the current risk of automation created by digitalization and automation upon existing employment ranges between 54% to 64%. Therefore, these indicate at a possible significant contribution to the potential growth of the Turkish economy in connection with the population's being supported with a possible reform in the education system in alignment with the digital age.

The high dependence of production on intermediate goods imports in Turkey and her continued place in the lower part of the global supply chain result in higher trade and current account deficit. Consequently, while current account surplus was generated due to cyclical reasons in 2019 (ratio to GDP: 0.9%), this ratio degraded significantly due to weak goods exports, low tourism income and continued expansion in imports because of the domestic demand that remained strong, and turned into a current account deficit of 5.5%. For this reason, the situation got worse by the capital outflows during the reporting period in view of the risks in the world economy. Therefore, it is critical for Turkey to bolster capital inflows by way of accurate policies as and when the risk appetite will have normalized in 2021 and thereafter. The current situation and projections might secure continued capital inflow to developing economies by ensuring the cost of financing and liquidity in financial markets to remain accommodative. On another note, striving to take place in the high added-value part of the global value chain will be significant in terms of providing structural transformation in the current account balance. Other important considerations for the solution of the problem include branding, apart from production, and brand management steps. Finally, the economy administration has already begun implementing some structural reforms such as increasing savings tendencies and attempting to lower intermediate goods imports by replacing them with domestic production. Furthermore, it is a known fact that the current deficit substantially stems from energy dependency. Therefore, pursuing alternative domestic energy resources will also be supportive in this sense.

Fiscal discipline has long been an important anchor for the Turkish economy when compared with other countries. Hence,

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the recently growing FX share within the composition of the public debt stock has been worrisome as much as the recent rapid expansion of the budget deficit. On the other hand, the general government debt stock to GDP ratio has been meeting the EU Maastricht Criteria of 60% since 2004. For this reason, providing financial consolidation in a manner to support the fight against inflation once the effects of the pandemic are cleared might eliminate these concerns. The inflation that increased to double-digit numbers as a result of the recent shocks and increased volatility in inflation pose a challenge with respect to the economy, as they diminish predictability and welfare level. In this respect, the change in the economy administration and the recent measures that followed might reverse this tendency.

The real sector's open FX position that remains high as compared with emerging countries results in vulnerability to external shocks. Continued decrease in the external debt of the private sector after the exchange rate shock of 2018 also somewhat alleviated the problem. However, the current outlook might increase exchange rate volatility during a turbulence in global financial markets and continue to deepen the vulnerabilities against external shocks. Therefore, together with the program initiated to increase savings, both external financing needs and vulnerabilities in the economy could be diminished as the government continues to implement the essential structural reforms.

OPPORTUNITIES AND CHALLENGES OF THE TURKISH BANKING SECTOR

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

According to the BRSA sector data as of December 2020, there are 52 banks operating in Turkey (29 private commercial banks, 3 state-owned deposit banks, 14 development and investment banks, 6 participation banks). The top seven banks, three of which are state-controlled, are holding 71% of the banking sector's total assets, loans and deposits in Turkey. The current fragmented structure presents future opportunities for mergers and acquisitions between the banks.

The fact that 54% of Turkey's population is younger than 35 years old is one of the key indicators of the growth dynamic of the Turkish banking sector. The Turkish banking sector had a cumulative average growth rate of 21% in total assets since 2002. Sustainable credit growth is considered around 15%, given the population dynamics and the banking penetration levels. However, above-projected credit growth occurred as a result of the additional loan packages that were introduced due to the COVID-19 pandemic and the relatively low interest rate environment that dominated the most part of the year in 2020. In 2021, credit growth is expected to be normalized at 15%.

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

BRSA has been monitoring the liquidity position of the banks closely. Liquidity Coverage Ratio requires banks to carry high quality liquid asset reserve sufficient to cover their net cash outflows and the ratio is well above the required levels indicating at Turkish banks' solid liquidity position. Customer deposits constituting 57% of the total assets serve as the main source of funding of the Turkish banking sector. However, average maturities of deposits are mostly 1 to 2 months due to the high inflation/high interest period in Turkey's past. Given this short-term nature of deposits, maturity mismatch is unavoidable for the Turkish banking sector. As a result, faster deposits pricing occurs versus loan pricing. As observed from the second half of 2020, this situation could exert short-term pressures upon the Net Interest Margin (NIM) amid increased funding costs. Against this volatility in interest rates, the Turkish banking sector invests in CPI-linkers in order to hedge their balance sheets.

The uptrend in inflation in 2020, particularly in the last quarter of the year, drove the returns on CPI-linkers upwards as compared to 2019. This helped the returns on CPI-linkers to support NIM despite the rise in funding costs. Also in 2021, higher growth and anticipated rate cuts towards the end of the year will possibly support NIM.

The sector funds 16% of its assets from foreign currency external funding resources. As Turkish banks do not fund their long-term loans such as project finance loans or mortgages with short-term deposits, they turn to long-term borrowings from international markets. While that indicates at the sector's sensitivity to external developments, the Turkish banking sector's dependence on external borrowing decreased from 2017 given the slumped demand for long-term FC loans and their redemption, and it will continue to do so.

As a result of the economic activity that decreased because of the virus, asset quality continued to be a matter of importance for the sector in 2020. However, the vaccine and other developments are anticipated to lead to revival in economic activity and betterment in asset quality in 2021.

Source: BRSA monthly data of December 2020 were used for sector data. Population data are based on TurkStat's Address-Based Population Registration System Results on 31 December 2019.

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Corporate Profile

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Established in 1946, Garanti BBVA is Turkey's second largest private bank with consolidated assets of close to TL 541 billion (USD 73.3 billion) as of December 31, 2020.

Garanti BBVA is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania.

Its custom-tailored solutions and wide product variety play a key role in reaching TL 416 billion (USD 56.3 billion) performing cash loans and non-cash loans. Garanti BBVA's capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. The Bank has a leading position in key banking service areas:

- With 18 million retail customers, Garanti BBVA has 11.7% market share in consumer loans. The Bank has a leading position in Mortgage, credit card business and auto loans.
- The Bank has 9.6% of FC loans market share.
- In TL business banking loans, with 8.3% market share, Garanti BBVA ranks #2 among private banks
- Subsidiaries contribution to assets is 12%.

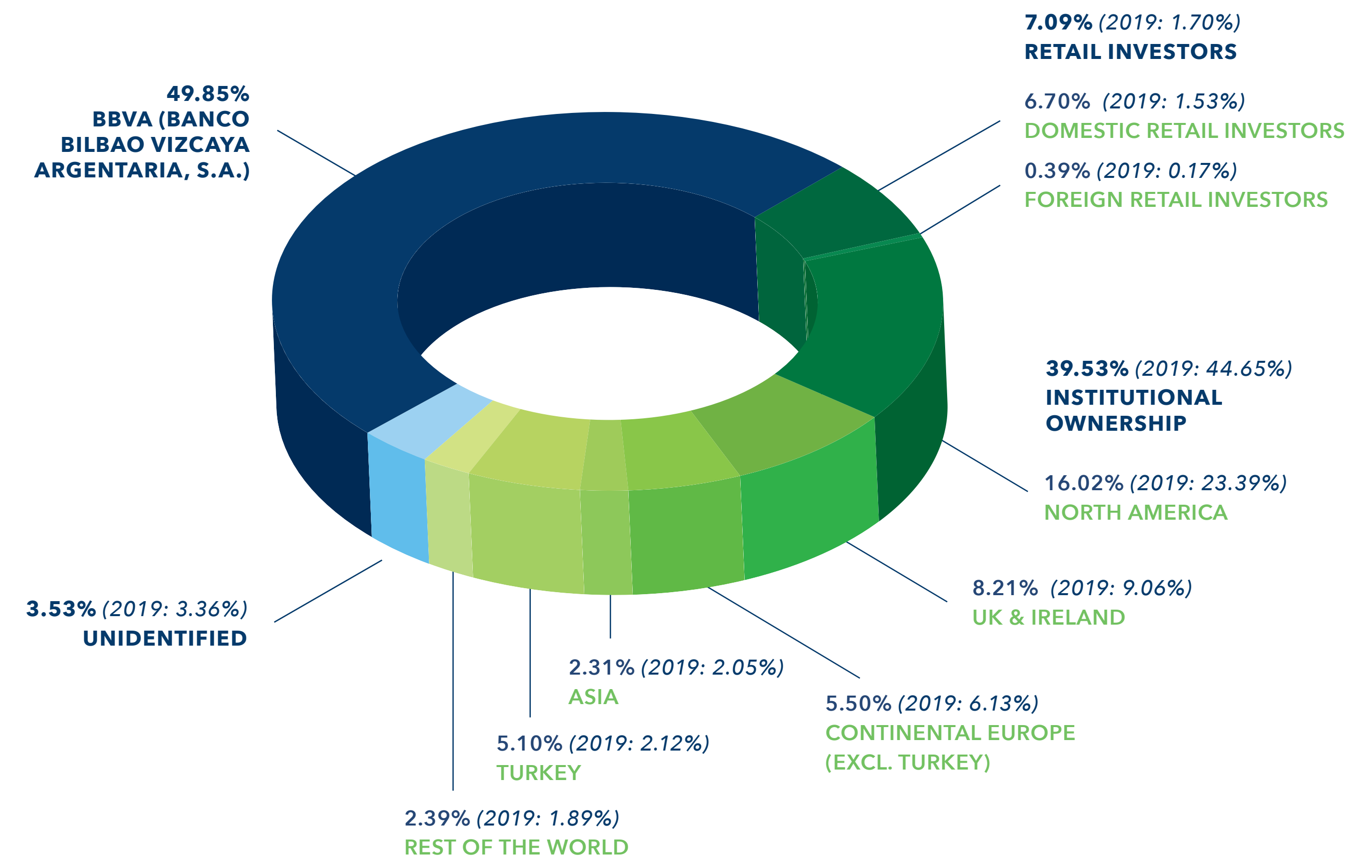
Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti BBVA has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares are publicly traded in Turkey, and its depositary receipts in the UK and the USA. Garanti BBVA has an actual free float of 50.07% in Borsa Istanbul as of December 31, 2020.

Garanti BBVA's purpose is to bring the age of opportunity to everyone, and with this purpose the Bank works to create value for all of its stakeholders. In the light of strategic priorities; the Bank focuses on improving the customers' financial health by providing advice and actionable insights to them. The Bank puts emphasis on influencing decision-makers and other players in the sector regarding sustainability and making sustainability as mainstream. Garanti BBVA creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti BBVA and its stakeholders.

Garanti BBVA constantly improves its business model and processes with operational excellence priority and keeps a close eye on financial and non-financial risks. In order to accelerate and drive its value creation; the Bank continues to focus on reaching more customers by being wherever customers are. As of December 31, 2020, Garanti BBVA provides a wide range of financial services to its almost 19 million customers with 18,656 employees through an extensive distribution network of 884 domestic branches, 7 foreign branches in Cyprus and one in Malta, and 2 international representative offices in Düsseldorf and Shanghai. Garanti BBVA offers an omni-channel convenience with seamless experience across all channels with 5,309 ATMs, an award winning Customer Contact Center, internet, mobile and social banking platforms, all built on cutting-edge technological infrastructure.

Data, technology and "best and engaged team" are the key accelerators of strategy. The Bank continuously invests in robust and reliable technology, leverages advanced data analytics and artificial intelligence. Recognizing that human capital is the driving force behind all progress, the Bank builds systems to recruit, train and develop young and innovative individuals on a continuous basis, to provide a working environment that encourages full utilization of employees' skills, offers a wide range of opportunities and ensures recognition and awarding of their accomplishments.

Garanti BBVA Shareholding Structure



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

NOTE: *There is no ultimate non-corporate controlling shareholder holding more than 5% share in the shareholding structure. Institutional shareholder and foreign individual shareholder composition data based on IPREO Shareholder ID Analysis dated December 2020; the actual free float ratio and the share of local individual shareholders are all based on Central Registry Agency data.*

Detailed information on the shareholding structure of Garanti BBVA is available in the section Garanti BBVA Share.

Garanti BBVA's Position in the Business Areas

RETAIL BANKING

INNOVATIVE BANKING EXPERIENCE THAT MAKES A DIFFERENCE

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

ACQUISITION OF 1.1 MILLION NEW CUSTOMERS
compared to 2019

11.7%
CONSUMER LOAN MARKET SHARE
(#1 in consumer loans among private peers)

10.2%
CUSTOMER DEPOSIT MARKET SHARE
(Demand deposits share in customer deposits: 42% vs. sector 31%)

SME BANKING

INFORMATION AND ADVISORY SERVICES SUPPORTING CUSTOMERS' DEVELOPMENT

8.3%
BUSINESS BANKING LOANS MARKET SHARE

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

COMMERCIAL & CORPORATE BANKING

PRIMARY BUSINESS PARTNER OF CUSTOMER

9.6%
FC LOANS MARKET SHARE

28
COMMERCIAL BRANCHES

4
CORPORATE BRANCHES

PAYMENT SYSTEMS

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

17.6%
ISSUING MARKET SHARE
Leader

16.9%
ACQUIRING MARKET SHARE

7.3 MILLION
CREDIT CARD CUSTOMERS
Leader

685 THOUSAND
POS

DIGITAL BANKING

FOCUS ON FINANCIAL HEALTH, ADVISORY AND FACILITATING CUSTOMERS' LIVES

9.6 MILLION
DIGITAL BANKING CUSTOMERS

79% of our active customers use digital banking

97%
DIGITAL TRANSACTIONS IN NON-CASH FINANCIAL TRANSACTIONS

95%
SHARE OF MOBILE CUSTOMERS IN DIGITAL CUSTOMERS

Garanti BBVA Mobile named Best by World Finance for 4 consecutive years

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

1.4 MILLION PEOPLE
make cardless transactions via QR code at ATMs

INTEGRATED SUBSIDIARIES

Asset Contribution: **5.74%**

Asset Contribution: **4.06%**

Asset Contribution: **0.53%**

Asset Contribution: **1.08%**

Asset Contribution: **0.54%**

Asset Contribution: **0.31%**

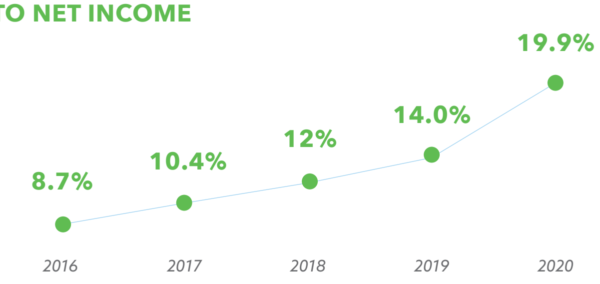
Asset Contribution: **0.04%**

Note: Market shares are calculated based on BRSA Unconsolidated Financials as of December 31, 2020 and BRSA weekly data of December 31, 2020 for commercial banks.

Garanti BBVA Integrated Financial Services Group

666 4 min 2 total

CONTRIBUTION OF OUR SUBSIDIARIES TO NET INCOME



A year-over-year growth of 23% is budgeted for the 2021 net income of our subsidiaries.[1]

Garanti BBVA Romania

Garanti BBVA Romania (GBR) and its two subsidiaries, Motoractive (Leasing) and Ralfi (Consumer Finance), continue to offer services in all business lines to approximately 430 thousand customers in Romania with 1,117 active employees[2] and 121 branches in total.

In terms of asset size, GBR is the 10th biggest bank in Romania.[3] Having 2.6% market share in total loans, the bank enjoys a pioneering position driven by the brand equity of Bonus as it controls 5.6% market share in the number of POS devices and 5.5% market share in credit cards.

The Best Consumer Digital Bank in Romania according to Global Finance

ASSET CONTRIBUTION: 4.1%

Garanti BBVA International

Garanti BBVA International is a mid-sized European bank established in Amsterdam, the Netherlands in 1990.

Offering financial solutions in the areas of trade and commodity finance, corporate banking and global markets to its commercial and corporate customers, GBI furnishes retail banking services in the Netherlands and Germany.

CAPITAL ADEQUACY RATIO: 23.88%
ASSET CONTRIBUTION: 5.7%

Garanti BBVA Leasing

Established in 1990 to engage in leasing activities in Turkey and abroad, Garanti BBVA Leasing serves its clients in Turkey through its 13 branches, Garanti BBVA branch network, call center, its website, mobile site and social network channels. In addition to its contribution to the Bank's BRSA consolidated financials, the Company continues to create value through its 100% owned subsidiary Garanti BBVA Fleet, which ended the year 2020 generating TL 313.6 million in profits.

TOTAL ASSETS (UNCONSOLIDATED): TL 5.846 MILLION
TOTAL ASSETS (CONSOLIDATED): TL 8.613 MILLION
CAPITALIZATION NEW
BUSINESS VOLUME: TL 2.086 MILLION
ASSET CONTRIBUTION: 1.1%

1 Based on BRSA consolidated financial statements
2 Refers to the number of actively working personnel as of the end of the year, excluding employees on unpaid time-off due to maternity leave etc.
3 The National Bank of Romania data as of 3Q20

Garanti BBVA Pension and Life

Established in 1992 as a life insurance company, the company expanded its scope with private pension operations in 2002.

The most preferred private pension company in terms of the total number of PPS participants [4]
The most profitable private pension company in terms of pension technical profitability [5]

TOTAL PPS FUNDS: TL 22.779 MILLION
TOTAL PPS PARTICIPANTS: 1.9 MILLION
ASSET CONTRIBUTION: 0.5%

Garanti BBVA Securities

Established in 1991, Garanti BBVA Securities is among Turkey's leading brokerage houses in brokerage and investment banking services in domestic and overseas capital markets, as well as in advisory services for investments, company mergers and acquisitions, public offerings, corporate bond issues and privatization.

Garanti BBVA Securities furnishes brokerage and investment banking service in domestic and overseas capital markets to investors with its extensive distribution network, superior technology, powerful brand image, experienced teams, innovative character and solid shareholding structure.

EQUITY MARKET SHARE: 5.7% (#4)
DERIVATIVES MARKET SHARE: 5.9% (#4)
NET PROFIT: TL 492.9 MILLION
MODEL PORTFOLIO OUTPERFORMED THE INDEX BY: 19%
ASSET CONTRIBUTION: 0.3%

Garanti BBVA Factoring

Established in 1990, the company offers service through 11 branches in cities across Turkey. It develops innovative products and services aligned with customer needs on the back of its constantly invested-in technology, customer-oriented approach to service, and expert team.

Garanti BBVA Factoring is included in Borsa İstanbul's Corporate Governance Index with a Corporate Governance Rating of 9.42/10.

TOTAL ASSETS: TL 2.9 BILLION
BUSINESS VOLUME: TL 13.5 BILLION
TOTAL NUMBER OF FACTORING TRANSACTIONS: 36,784
ASSET CONTRIBUTION: 0.5%

Garanti BBVA Asset Management

Established in 1997 as Turkey's first asset management company, Garanti BBVA Asset Management provides services in the management of Mutual Funds, Pension Funds, and Discretionary Portfolios with its consistent asset management performance, comprehensive research activities, robust risk management and pioneering products.

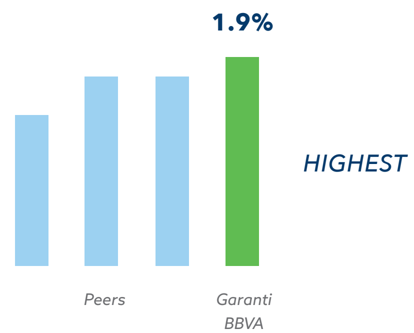
Garanti BBVA Asset Management ranks 5th in the sector with a total mutual funds size of TL 9.9 billion and 6.9% market share. In pension funds, it is the 5th company with the highest amount of funds under its management among portfolio management companies with TL 21.3 billion in total funds managed and 12.5% market share.

TOTAL ASSETS UNDER MANAGEMENT: TL 32.2 BILLION
TOTAL MUTUAL FUNDS: TL 9.9 BILLION
TOTAL PENSION FUNDS: TL 21.3 BILLION
ASSET CONTRIBUTION: 0.04%

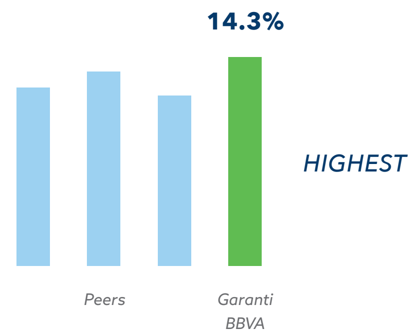
Note: Unless otherwise specified, based on year-end financial data.
4 Sum of Voluntary PPS + Auto Enrollment PPS according to Pension Monitoring Center data as of 31 December 2020
5 According to Insurance Association of Turkey data as of 30 September 2020

Garanti BBVA's Position in the Sector

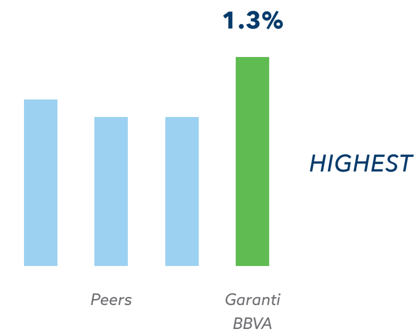
ROAA
(when adjusted with free provisions)



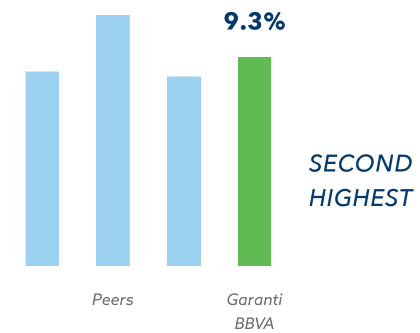
ROAE
(when adjusted with free provisions)



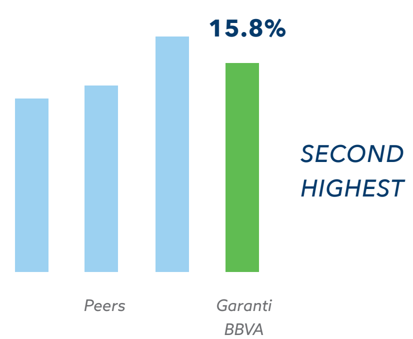
NET FEES & COMMISSIONS / IEA & NON-CASH LOANS



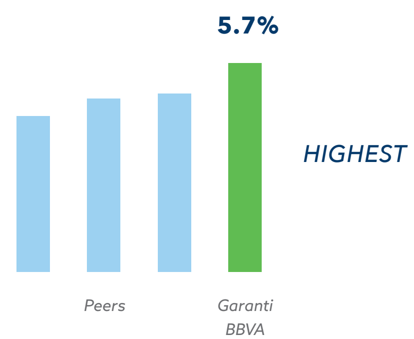
ASSETS MARKET SHARE*



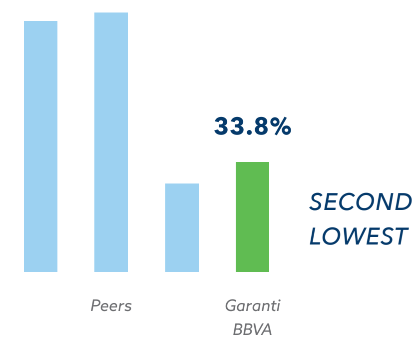
CET-I
(excluding BRSA's forbearance)



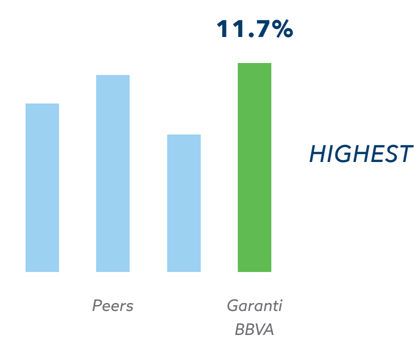
NIM INCLUDING SWAP COST



COST/INCOME RATIO**



MARKET SHARE IN CONSUMER LOANS*



Note: Figures are per December 2020 BRSA Bank-only financials for fair comparison. Peer banks include Akbank, İşbank and YKB.

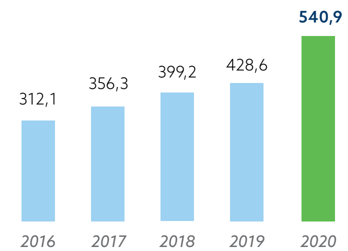
** Based on BRSA weekly data as of December 31, 2020, for commercial banks only.*
*** Cost/Income defined as NII + Net F&C +Trading gains/losses excluding FX provision hedges + Other income excluding provisions reversals + Income from subsidiaries.*

Garanti BBVA in Numbers

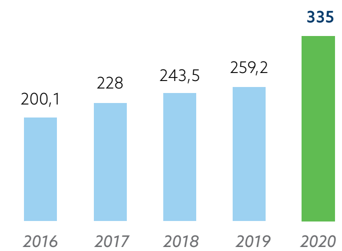
	2016	2017	2018	2019	2020
BRANCHES	971	948	936	914	894
POS**	635,865	670,259	669,435	651,860	684,896
ATMs	4,825	5,003	5,258	5,260	5,309
TOTAL CUSTOMERS	14,615,584	15,143,274	16,378,165	17,639,895	18,779,492
MOBILE BANKING CUSTOMERS*	3,683,684	5,087,521	6,460,538	7,731,683	9,074,914
DIGITAL BANKING CUSTOMERS*	4,879,155	5,957,966	7,174,066	8,352,034	9,571,289
NUMBER OF EMPLOYEES	19,689	18,851	18,338	18,784	18,656
DEBIT CARDS	8,930,780	9,796,696	10,885,643	12,309,813	14,156,702
CREDIT CARDS	9,792,199	10,213,151	10,141,008	10,131,725	10,308,368

* Active customers on - min. 1 login per quarter.
** Includes shared and virtual POS.

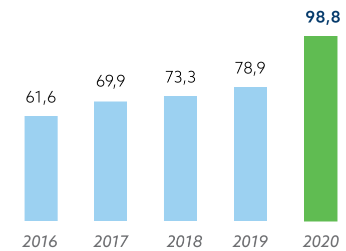
ASSETS
(TL billion)



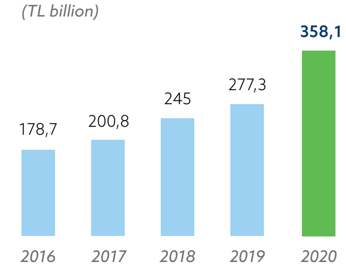
PERFORMING CASH LOANS
(TL billion)



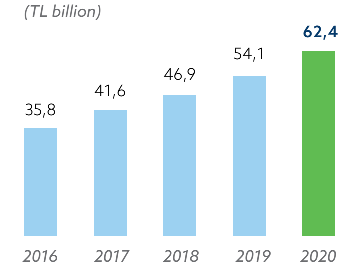
CONSUMER LOANS***
(TL billion)



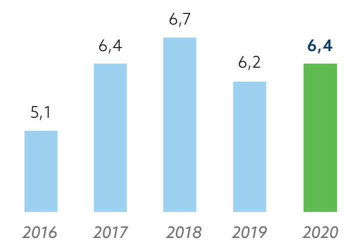
DEPOSITS
(TL billion)



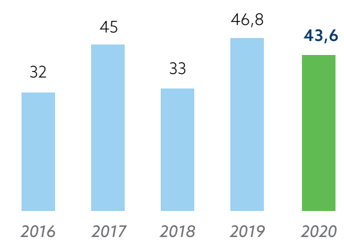
SHAREHOLDERS EQUITY
(TL billion)



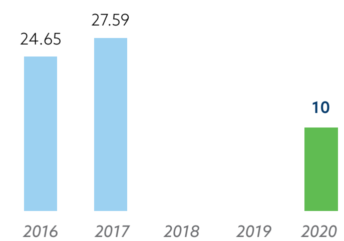
NET INCOME
(TL billion)



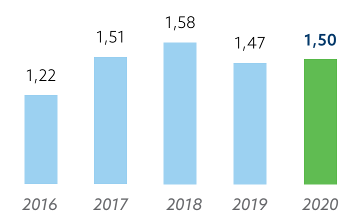
MARKET CAPITALIZATION
(TL billion)



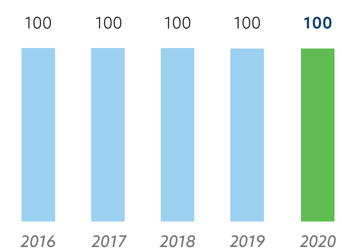
DIVIDEND PAYOUT RATIO
(%)



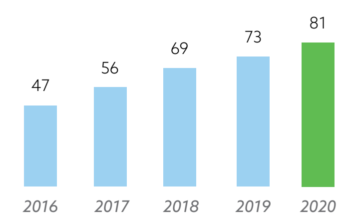
EARNINGS PER SHARE
(TL)



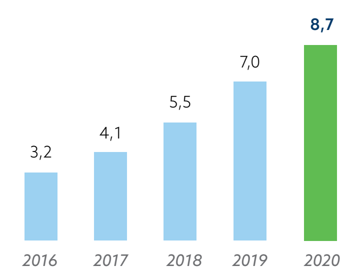
% OF RENEWABLES IN ENERGY PRODUCTION PORTFOLIO
(in new PF greenfield commitments)



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



TOTAL LOANS GRANTED TO WOMAN ENTREPRENEURS
(Cumulative, TL billion)



*** Including consumer credit cards.
**** Numbers also include projects (i) that are not included in the scope of ESIAP but are assessed voluntarily, (ii) are in financial evaluation stage, and (iii) are assessed but not-funded projects.
Note: Per December 2020 BRSA Consolidated Financials.

Garanti BBVA Share

889 5 min 2 garanti

GARAN TICKER AND CODES

İSTANBUL - BORSA İSTANBUL
SYMBOL: GARAN
SEDOL: BO3MYP5
ISIN: TRAGARAN91N1
CUSIP: M4752S106

Depositary Receipts Level-1
NEW YORK - OTCQX INTERNATIONAL PREMIER
SYMBOL: TKGBY
ISIN: US9001486029
CUSIP: 900148602

Depositary Receipts-144A
NEW YORK - OTC MARKETS
SYMBOL: TKGZY
ISIN: US9001486029
CUSIP: 900148602

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

Garanti BBVA's Depositary Receipts are listed on the OTC (Over-The-Counter) Markets in the USA. In 2012, Garanti BBVA participated in the prestigious tier of the U.S. Over-The-Counter (OTC) market, OTCQX International Premier, where companies traded must meet high financial standards and an effective disclosure process. Trading on this market with 58 leading companies of the world, Garanti BBVA has established itself among the top Depositary Receipts traded on the OTCQX marketplace and ranked 36th per Market Capitalization, 37th per Dollar Volume and 6th per Volume in 2020.

Garanti BBVA has a market capitalization of TL 43.6 billion (USD 5.9 billion) as of 31 December 2020, and with a free float ratio of 50.07% and TL 21.8 billion floating market capitalization, Garanti BBVA also has the highest free float in BIST 100.

Garanti BBVA share (GARAN) is the most traded banking stock in Borsa İstanbul with an average daily turnover of TL 1,426 million (USD 195 million), and has 7.5% market share in BIST 100 turnover and 34% share in XBANK turnover. GARAN was the most traded stock by foreign investors with a total foreign transactions turnover of USD 29 billion in 2020. Furthermore, GARAN has the highest weight in BIST 100 and in BIST 30 as of 2020 year-end.

80%* of Garanti BBVA's shares in the free float is owned by foreign investors that are spread to 33 countries. The composition of the institutional shareholding structure of Garanti BBVA by geographical regions is 40.5% North America, 20.8% UK and Ireland, 13.9% Europe, 5.8% Asia, 12.9% Turkey and 6.1% the rest of the world. In 2020, the exacerbated risks due to the pandemic led to remarkable fund outflow from emerging markets in the first half of the year. Accordingly, there was a decrease particularly in the share of North America-based shareholders as compared to 2019, whereas the shares of domestic individual and institutional shareholders went up by 5% and 3%, respectively.

Communicating the value created in a proactive, transparent and consistent way, during 2020, Garanti BBVA Investor Relations held 561 meetings by participating in 33 investor conferences and roadshows. Garanti BBVA continued to organize live webcasts/teleconferences bringing its senior management together with the investment community in 2020, and made presentations on its financial results four times a year, as well as a video cast on its operating plan for the following year that described its forward looking projections. Investor Relations published the recordings of these presentations on its website. The full audio recordings of all of these events were posted on Garanti BBVA Investor Relations website, mobile and tablet applications. Furthermore, in 2020, Garanti BBVA Investor Relations website was revamped, offering an improved user experience with the shortcuts and informative greeting pages.

The Most Traded Stock by Foreign Investors / BIST 30 & BIST 100 Highest Weight

TL 43.6 BILLION
MARKET CAPITALIZATION

TL 1.426 MILLION
AVERAGE DAILY TURNOVER

TL 1.49
EARNINGS PER SHARE

TL 21.8 BILLION
HIGHEST FLOATING MARKET CAPITALIZATION IN BIST 100

USD 29 BILLION
TOTAL FOREIGN TRANSACTIONS IN 2020

7.7% Turnover Market Share
THE MOST TRADED BANKING STOCK OF BIST100

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

Commitment to its irreplaceable values of the principles of trust, integrity, accountability and transparency serves as the guarantee of the Bank's strong reputation and is Garanti BBVA's main responsibility to all its stakeholders. The steps Garanti BBVA takes to create value for the economy, the society and all its stakeholders are recognized by national and international authorities. Having qualified for BIST Sustainability Index and BIST Corporate Governance Index in 2014, Garanti BBVA still continues to be listed in these indices. In 2020, Garanti BBVA continued to be the only bank from Turkey listed in the Dow Jones Sustainability Emerging Markets Index (DJSI), after being qualified in 2015. Companies included in the DJSI index are determined upon evaluation against a number of criteria including ethics, corporate governance, financing activities, environmental and social performance throughout the value chain, risk management, climate change mitigation, transparency, supply chain, human and employee rights. Garanti BBVA qualified for this index also in 2020, and thus, preserved its place in the index for the sixth consecutive year.

In line with its innovative and pioneering activities, Garanti BBVA earned a spot in 2020 Global A List in the Climate Change Program of CDP, the world's most eminent environmental reporting initiative. Garanti BBVA is the only bank in the list that features just two companies from Turkey.

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

EQUITY ANALYSTS' RATINGS

Garanti BBVA shares are widely covered by research analysts of leading domestic and international investment banks and brokerage houses. In 2020, 24 institutions have regularly issued equity research reports on Garanti BBVA. As of the end of 2020, **20 ANALYSTS** had **"BUY"**, **3 ANALYSTS** had **"HOLD"** recommendation on Garanti BBVA stock.

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

Our Governance

436 3 min 1 board

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

KEY CHARACTERISTICS OF THE BOARD OF DIRECTORS

Garanti BBVA has a one-tier Board of Directors that is formed by 11 members with the composition of 2 female and 9 male board members as of 31 December 2020. In accordance with the principle of separation of powers and authority, the Chairman and the CEO have different roles at Garanti BBVA. This clear distinction establishes a balance between authorities and powers within the scope of the Bank's corporate structure, drawing the lines of decision-making capacity of each position. The CEO is the only executive member of the Board of Directors.

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

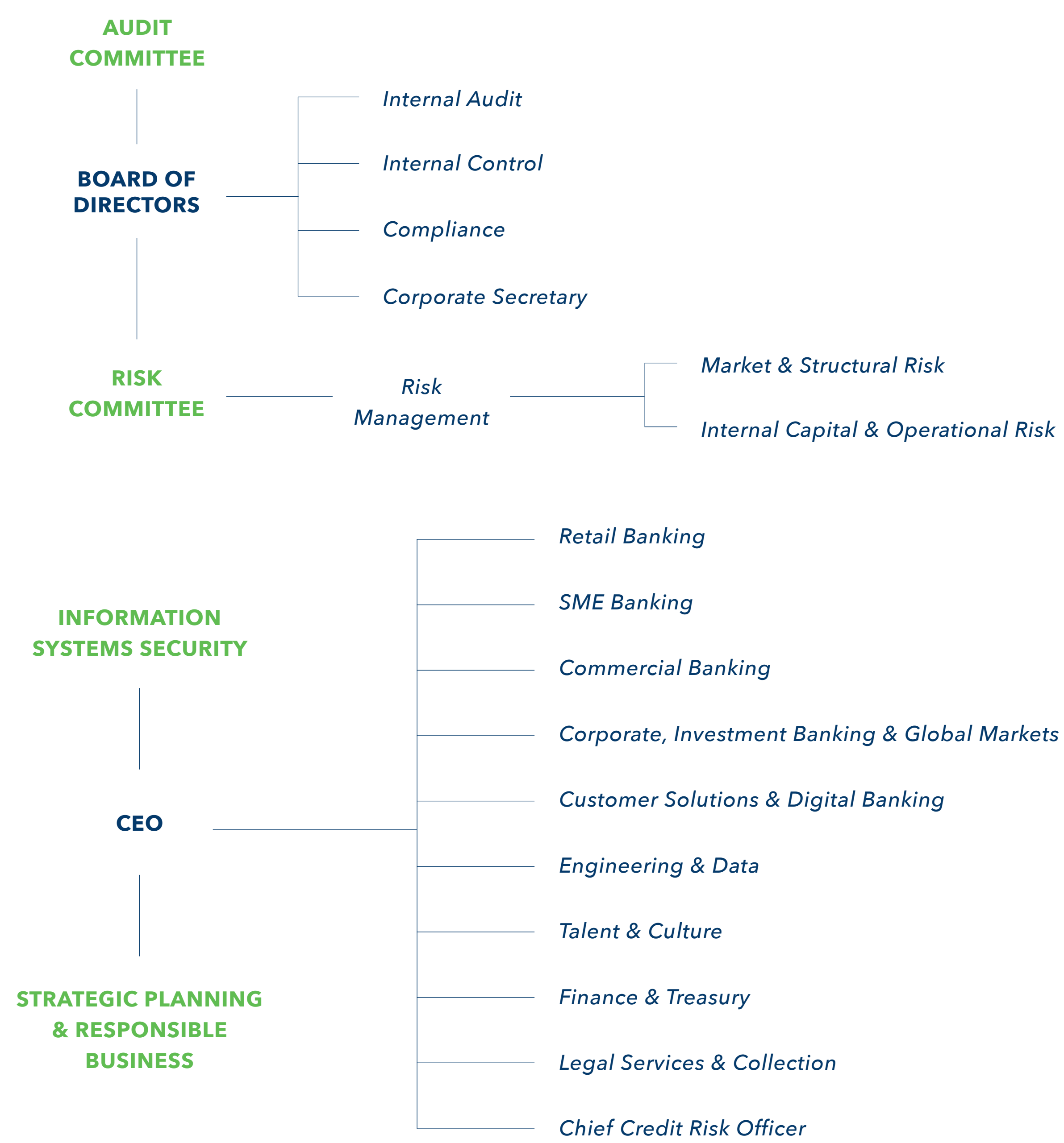
BOARD MEETINGS

The Board of Directors operates on the principle that it must convene as and when necessitated by the Bank's affairs and transactions, but at least once a month. Pursuant to the Articles of Association of the Bank, the Board of Directors meets with the attendance of seven members minimum and resolutions of the Board of Directors are taken by affirmative votes of at least seven members present in the meeting. In 2020, the Board of Directors passed 26 decisions by satisfying the required quorums for meeting and decision.

CORPORATE GOVERNANCE

The Corporate Governance Committee is responsible for monitoring the Bank's compliance with corporate governance principles, undertaking improvement efforts, nominating the independent board members, and offering suggestions regarding the nominees to the Board of Directors. As an indication of its commitment to, and the emphasis it places on, corporate governance, Garanti BBVA has been receiving Corporate Governance Rating since 2014. Increasing its score every year ever since, Garanti BBVA continues to be included in Borsa İstanbul Corporate Governance Index with a score of 9.77 assigned to it in 2020.

Organizational Structure



Board of Directors

AVERAGE TENURE

INDEPENDENT MEMBERS *4 YEARS*

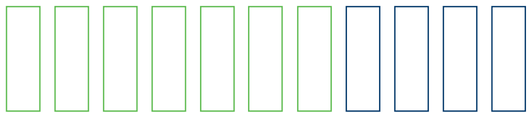
OTHER MEMBERS *11 YEARS*

AVERAGE EXPERIENCE

32 YEARS

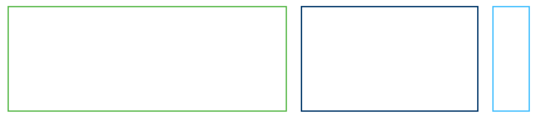
33 YEARS

NATIONALITY



Turkish *Spanish*

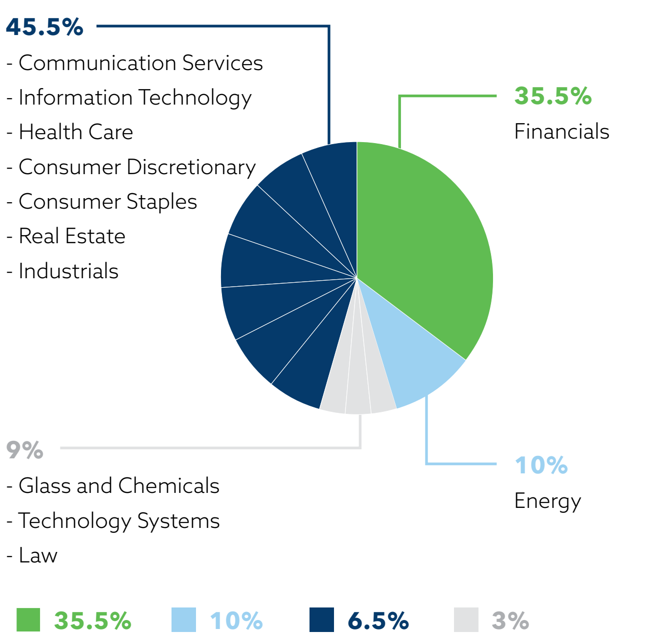
EDUCATION



Bachelor's 55%
Master's 36%
Doctorate 9%

EXPERIENCE COMPOSITION

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



COMMITTEE MEMBERSHIP

1 *Credit*
2 *Audit*
3 *Corporate Governance*
4 *Remuneration*
5 *Risk*
6 *Risk Management*
7 *Local ALCO*
8 *Cost Management and Efficiency*
9 *Information Security*
10 *Employee*
11 *Integrity*
12 *Operational Risk Admissionand Product Governance*
13 *Corporate Assurance*
14 *Responsible Business*
15 *Data Governance and Protection Steering*
16 *Corporate Crisisand Business Continuity Management*
17 *IT Strategy*
18 *Portfolio Strategy*
19 *Information Systems Steering*
20 *Information Systems Continuity*

The resumes of Garanti BBVA Board of Directors are available on the report website under Board of Directors section.

SÜLEYMAN SÖZEN
CHAIRMAN
Experience: 40 years
5

RECEP BAŞTUĞ
PRESIDENT & CEO
Experience: 31 years
1-7-8-9-10-11-13-14-16-17-18

ERGUN ÖZEN
BOARD MEMBER
Experience: 34 years
4-5

JORGE SÁENZ-AZCÚNAGA CARRANZA
VICE CHAIRMAN,
INDEPENDENT BOARD MEMBER
Experience: 26 years
1-2-3-4

M. CÜNEYT SEZGİN, PH.D.
BOARD MEMBER
Experience: 33 years
9-10-11-12-13-14-15-16-18-19

JAVIER BERNAL DIONIS
BOARD MEMBER
Experience: 31 years
1-3-5-8-10-18

RAFAEL SALINAS MARTINEZ DE LECEA
BOARD MEMBER
Experience: 30 years
1-5

JAIME SAENZ DE TEJADA PULIIDO
BOARD MEMBER
Experience: 29 years
1

MEVHIBE CANAN ÖZSOY
INDEPENDENT BOARD MEMBER
Experience: 32 years

SEMA YURDUM
INDEPENDENT BOARD MEMBER
Experience: 41 years
2-3

AYDIN DÜREN (*)
INDEPENDENT BOARD MEMBER
Experience: 29 years
2-8-19-20

(*) The Board of Directors with its resolution dated 17.06.2020 accepted the resignation of Mr. Ricardo Gomez Barredo from his position as the Board Member and resolved to appoint Mr. Avni Aydın Düren as the Board Member vacated as a result of such resignation.

Senior Management

İLKER KURUÖZ
Executive Vice President
Engineering and Data

CEMAL ONARAN
Executive Vice President
SME Banking

SELAHATTİN GÜLDÜ
Executive Vice President
Commercial Banking

AYDIN GÜLER
Executive Vice President
Finance and Treasury

IŞIL AKDEMİR EVLİOĞLU
Executive Vice President
Customer Solutions and Digital Banking

ALİ TEMEL
Executive Vice President
Chief Credit Risk Officer

DİDEM DİNÇER BAŞER
Executive Vice President
Talent and Culture

RECEP BAŞTUĞ
President & CEO

EBRU DİLDAR EDİN
Executive Vice President
Corporate, Investment Banking and Global Markets

MAHMUT AKTEN
Executive Vice President
Retail Banking

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

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Senior Management

GENDER

FEMALE

MALE

AVERAGE EXPERIENCE

27 YEARS

EDUCATION

Bachelor's
60%

Master's
40%

COMMITTEE MEMBERSHIP

1 Credit
2 Audit
3 Corporate Governance
4 Remuneration
5 Risk
6 Risk Management
7 Local ALCO
8 Cost Management and Efficiency
9 Information Security
10 Employee
11 Integrity
12 Operational Risk Admission and Product Governance
13 Corporate Assurance
14 Responsible Business
15 Data Governance and Protection Steering
16 Corporate Crisis and Business Continuity Management
17 IT Strategy
18 Portfolio Strategy
19 Information Systems Steering
20 Information Systems Continuity

(*) With the decision of our Bank's Board of Directors dated January 18, 2021, the resignation of Mr. Selahattin Güldü, EVP responsible of Commercial Banking, was accepted. Mr. Cemal Onaran, EVP responsible of SME Banking was appointed as EVP responsible of Commercial Banking. Currently serving as Director of Talent and Culture Front, Ms. Sibel Kaya was appointed as EVP responsible of SME Banking.

(**) With the decision of our Bank's Board of Directors dated 20 November 2020; The resignation of Mr. Ali Temel resignation was accepted and Mr. Murat Atay, who was the General Manager of Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş., was appointed as EVP, Chief Credit Risk Officer.

The resumes of Garanti BBVA Senior Management are available on the report website under Senior Management section.

RECEP BAŞTUĞ
PRESIDENT & CEO
Experience: 31 years
1-7-8-9-10-11-13-14-16-17-18

MAHMUT AKTEN
EXECUTIVE VICE PRESIDENT
RETAIL BANKING
Experience: 22 years
7-8-9-10-13-14-16-17-18-19

DİDEM DİNÇER BAŞER
EXECUTIVE VICE PRESIDENT
TALENT AND CULTURE
Experience: 26 years
8-9-10-11-12-13-14-15-16-17-18-19-20

EBRU DİLDAR EDİN
EXECUTIVE VICE PRESIDENT
CORPORATE, INVESTMENT BANKING AND GLOBAL MARKETS
Experience: 27 years
7-8-9-10-11-13-14-16-17-18-19

IŞIL AKDEMİR EVLİOĞLU
EXECUTIVE VICE PRESIDENT
CUSTOMER SOLUTIONS AND DIGITAL BANKING
Experience: 17 years
8-9-10-11-13-14-16-17-18-19-20

SELAHATTİN GÜLDÜ (*)
EXECUTIVE VICE PRESIDENT
COMMERCIAL BANKING
Experience: 30 years
7-8-9-19

AYDIN GÜLER
EXECUTIVE VICE PRESIDENT
FINANCE AND TREASURY
Experience: 30 years
7-8-9-11-19

İLKER KURUÖZ
EXECUTIVE VICE PRESIDENT
ENGINEERING AND DATA
Experience: 29 years
8-9-10-11-12-13-15-16-17-18-19-20

CEMAL ONARAN (*)
EXECUTIVE VICE PRESIDENT
SME BANKING
Experience: 30 years
7-8-9-10-13-14-16-17-18-19

ALİ TEMEL (**)
EXECUTIVE VICE PRESIDENT
CHIEF CREDIT RISK OFFICER
Experience: 30 years
6-7-8-9-10-12-13-14-16-17-18-19

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Committees and Policies

439 3 min 2 committees

There are a number of committees set up at the Bank to fulfill the supervisory function. The Board of Directors oversees and audits the entire Bank via these committees. In 2020, the structures and efficiencies of the committees were reviewed in line with the agile transformation undertaken at the Bank and were redesigned to ensure their management within a framework that is more effective, supportive of decision-making processes and structurally strengthening. Along this line and purpose, the structures, numbers and members of the committees were revised.

The number of committees approved by the Board of Directors was increased from five to eight. These committees are Credit, Audit, Corporate Governance, Risk, Remuneration, Information Security, Information Technology (IT) Strategy, and Information Systems Steering Committees. In addition to these, there are Employee, Corporate Assurance, Portfolio Strategy, Local ALCO, Risk Management, Data Security and Protection, Cost Management and Efficiency, Corporate Crisis and Business Continuity Management, Responsible Business, Operational Risk Admission and Product Governance, Integrity, and Information Systems Continuity committees. While at least one member of each committee is a senior executive, the ratio of committees having a Board of Directors member to total committees went up to 90%.

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

Detailed information about each policy and committee can be found on the website by clicking on the relevant link.

In line with its responsible and sustainable business concept, and the importance the Bank attaches to Corporate Governance Principles and ethical values, Garanti BBVA establishes a number of policies, codes and statements governing conduct and business relationships. Through these documents, there is an interaction structure established between the Board of Directors, senior management and committees and the Bank, which strengthens corporate culture and plays an important part in implementing the good governance practices.

POLICIES

Personal Data Protection and Processing	Garanti BBVA Code of Conduct
Declaration of Human Rights	Disclosure
Dividend Distribution	Human Resources
Anti-Money Laundering	Donation and Contribution
Compensation	Employee Compensation
Sustainability	Environmental
Environmental and Social Loan	Climate Change Position Statement & Action Plan
Garanti BBVA Code of Conduct for Suppliers	Working Principles and Procedures of the BoD
Anti-Corruption Policy Statement	Competition Policy Statement
Corporate Governance Committee Working Procedures and Principles	

COMMITTEES

BOARD OF DIRECTORS

CREDIT	AUDIT	CORPORATE GOVERNANCE	RISK
REMUNERATION	INFORMATION SECURITY	IT STRATEGY	INFORMATION SYSTEMS STEERING

RISK MANAGEMENT	LOCAL ALCO
COST MANAGEMENT AND EFFICIENCY	INTEGRITY
OPERATIONAL RISK ADMISSION AND PRODUCT GOVERNANCE	CORPORATE ASSURANCE
RESPONSIBLE BUSINESS	DATA GOVERNANCE AND PROTECTION STEERING
CORPORATE CRISIS AND BUSINESS CONTINUITY MANAGEMENT	PORTFOLIO STRATEGY
INFORMATION SYSTEMS CONTINUITY	EMPLOYEE

Detailed information about committees and attendance to committees is available in www.garantibbvainvestorrelations.com, under the section Environmental, Social and Governance > Committees.

Risk Management

1,675 9 min 4 risk

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

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

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

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

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

IDENTIFIED RISKS AND OUR RESPONSE

REPUTATIONAL RISK

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

ENVIRONMENTAL AND SOCIAL RISK

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

OPERATIONAL RISK

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

MARKET RISK

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

STRUCTURAL INTEREST RATE RISK

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

STRUCTURAL EXCHANGE RATE RISK

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

LIQUIDITY RISK

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

CREDIT RISK

Credit Risk management, which is a process for consistently evaluating and monitoring credit risk, is carried out within the framework of the policies approved by the Board of Directors, and covers all credit portfolios. In order to rate customers using objective criteria, outputs from scorecard models and internal risk rating models, which were developed using statistical methods on historical data, are incorporated into relevant lending policies and procedures. Risk-adjusted return systems and limits are actively used as risk management tools. Stress tests and scenario analyses are employed to evaluate solvency. Measurement methods are developed for credit concentration risk and capital requirement is calculated.

COUNTERPARTY CREDIT RISK

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

COUNTRY RISK

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

CONCENTRATION RISK

The Bank defines and monitors Concentration Risks on the basis of different types of risks or individual risks, which might result in material losses that would endanger the ability to sustain fundamental activities or the financial structure or lead to a significant change in the risk profile, within the framework of the policy approved by the Board of Directors.

RISK MANAGEMENT IN AFFILIATES

The Bank determines the needs for risk management of affiliates and ensures that required studies and reports with the scale appropriate for the structure, complexity level, size and risks are effectively managed in coordination with risk management units/functions in affiliates.

Detailed information about the risks identified by Garanti BBVA is accessible on the website by clicking the relevant link.

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MONITORING OF IMPORTANT DEVELOPMENTS WITH RESPECT TO RISK MANAGEMENT

Upon the COVID-19 pandemic, a number of major regulatory changes were introduced including changes in Assets Ratio, required reserves, and additional restrictions in derivative limits in 2020. However, gradual normalization steps began to be taken in the last quarter.

In this framework, regulatory changes, macroeconomic environment, their impact with respect to the Bank's risk management and the Bank's compliance with regulatory indicators were monitored closely at the Risk Committee level and within the Bank's risk appetite. In the process, Risk Committee members were promptly informed of regulatory changes and their implications, in addition to regular committee reporting. No regulatory limits were breached in terms of risk management framework monitoring.

As part of risk management, lawsuits arising from operational risk incidents were followed up; allocated provisions were entered as loss into the operational risk loss database, root cause analyses were performed, and necessary actions were taken to avert recurrence.

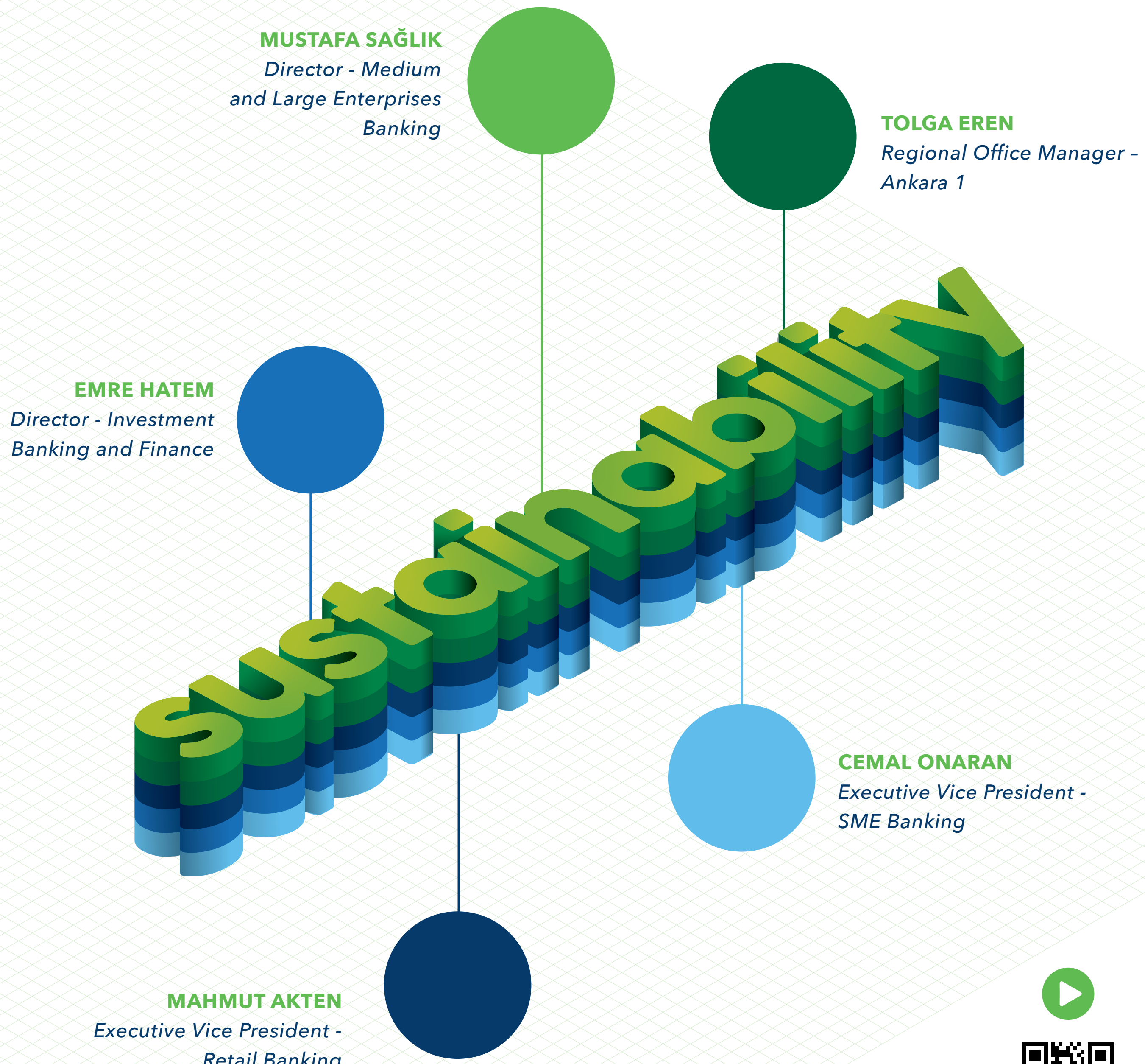
Within the scope of measures adopted against COVID-19, financial support was made available to customers in the form of loan restructuring and deferral of principal amount and interest repayments, skip statement option up to 3 months for credit card payments, Credit Guarantee Fund loan package utilization, extension of commercial loan principal amount repayments up to 6 months, and additional credit lines offered to SME customers to support their cash flows.

Moreover, development of liquidity and structural risks were watched more closely through Early Warning Indicators that began to be monitored daily from the start of the pandemic, daily monitoring reports and detailed analyses conducted, thus, ensuring proactive and effective management of risks.

	Strategic Priorities	*Main Risk Areas*
FINANCIAL HEALTH	→ Financial advisory to our customers to help them make the right/healthy financial decisions → Offer our customers solutions and suggestions that cater to their needs so as to help them attain their goals → Deliver an excellent customer experience by placing the customers at the center of all our activities → Build long-lasting relationships with customers and be their trusted partner	REPUTATIONAL RISK ENVIRONMENTAL AND SOCIAL RISK OPERATIONAL RISK MARKET RISK STRUCTURAL INTEREST RATE RISK STRUCTURAL EXCHANGE RATE RISK LIQUIDITY RISK CREDIT RISK COUNTERPARTY CREDIT RISK COUNTRY RISK CONCENTRATION RISK RISK MANAGEMENT IN AFFILIATES
SUSTAINABILITY	→ Positively influence customers, decision-makers and the sector being the leading bank in sustainability; continue to support raising increased awareness of this matter → Increase the diversity and use of our sustainable products offered to customers → Observe climate change-related risks and opportunities; integrate them into our business processes and risk policies → Focus on community investment programs which deliver impactful outcomes on material topics and observe impact investment principles	
REACHING MORE CUSTOMERS	→ Expand our customer base and deepen our customers' relations with our Bank → Be wherever our customers are; make effective use of new channels including digital customer acquisition and partnerships → Grow in areas of focus while monitoring risk and cost	
OPERATIONAL EXCELLENCE	→ Constantly build on our business model in various ways including process automation, transaction convenience and enriched remote services, etc. → Increase end-to-end digital solutions, continue to improve experience through investments in our digital platforms → Use capital effectively and maximize our value creation while focusing on sustainable growth → Constantly improve our business model and processes with operational efficiency point of view while pursuing cost and revenue synergies → Effectively manage financial and non-financial risks	
DATA AND TECHNOLOGY	→ Increase the agility and strength of our technological infrastructure and platforms → Speed up our solution processes through artificial intelligence, machine learning and big data interpretation, which is important in the day-to-day operations of the Bank → Effectively use data analytics in various areas such as offering the right product to our customers, pricing, risk management, etc.	
THE BEST AND MOST ENGAGED TEAM	→ Invest in our human capital with a focus on their development, happiness and well-being in order to ensure work-life balance → Form teams nurturing our values, possessing team spirit, acting with shared wisdom, thinking big, are socially responsible and result- oriented → Adopt a fair and transparent management policy based on performance, focused on equal opportunities, diversity and internal promotion	

Detailed information on Internal Systems Managers and Anti-Fraud, Information Security, Data and Business Analytics Managers can be found in the Corporate Governance section in the report web site.

Mega trends and Garanti BBVA's response to relevant risks and opportunities are explained in the section Risks and Opportunities.



Scan the QR code to watch the video.

OUR VALUE CREATION

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

Our Material Topics

1,267 7 min 3 financial

GRI 102-46,102-47, 102-49

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

We performed our first materiality analysis in 2013. As we want to make sure that we are always in line with the needs of our stakeholders and that the identified material issues are still the most important, we perform an update of our materiality analysis approximately once in every two years. The revision in the first quarter of 2017 formed the basis for our 2017 and 2018 reports, whereas the revision in 2019 made the basis of our 2019 report. The last revision was finalized in 2020. As we brought our new analysis to completion, we once again listened to our internal and external stakeholders, and reviewed the connection between our corporate strategy and global trends which impact the banking sector.

In 2019, with the aim of 'bringing the age of opportunity to everyone', Garanti BBVA reviewed and revised its strategic priorities in alignment with the BBVA Group and in the light of the main trends reshaping the world and the financial services sector. With the new strategic priorities set, revisions were made to the materiality analysis to ensure that the stakeholders as well as Garanti BBVA maintain an optimum focus. These revisions paved the way for a review of material topics based on data gathered from a variety of sources both globally and locally while also providing a database that is auditable and objective, which, together, put the analysis on a more solid basis as compared with the previous years and in greater alignment with the current trends.

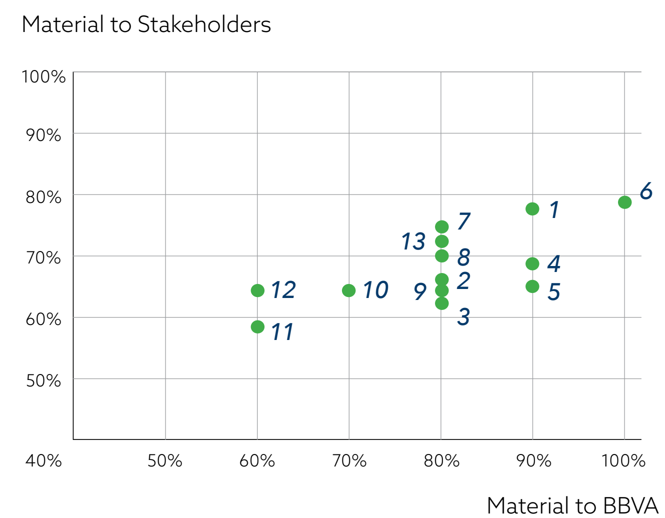
In our 2020 analysis where we, as Garanti BBVA, gathered the existing and potential expectations, risks and opportunities from the perspective of all internal and external stakeholders and group strategy, we studied the sectoral reports, global reports, and advice by international professional organizations such as the United Nations Environment Programme Finance Initiative (UNEP FI) and Global Reporting Initiative (GRI), and took into consideration the Group-wide evaluation of a total of 59 international reports that shed light on current trends. On another front, we identified the material topics taking into account the outputs from the analyses finalized at the BBVA Group for global scale investors and NGOs. Then, we conducted a comprehensive stakeholder analysis by reaching all key stakeholder groups via questionnaires, meetings and phone calls to gather their opinions. We tackled the governing and optional regulatory framework, conducted analyses on all printed and printed media platforms, and reviewed the relevant publications by similar establishments. In addition, we analyzed our mainstream and sustainability-sensitive investors, national and international NGOs with which we belong on a global scale, and we studied the current trends in the external trend analysis.

We finalized our 2020 materiality analysis considering the alignment of all topics also with our integrated business strategy. According to the analysis, the following issues were assigned greater priority as compared to the others within the 13 material topics: Solvency and Financial Performance, Climate Change, Responsible Use of Data, Cybersecurity and COVID-19. All our material topics including the highlighted ones above were clustered under six main headings in our report: (1) Financial Health, (2) Sustainability, (3) Reaching More Customers, (4) Operational Excellence, (5) The Best and Most Engaged Team, and (6) Data and Technology. In addition to these six main headings, Corporate Governance and Strong Management of All Risks, and COVID-19 that plagued the entire 2020 are addressed in detail in individual sections in an integrated manner with all performance sections.

We have established that all our key stakeholders, internal and external alike, regarded Climate Change as the most material topic in 2020. We know for a fact that solid and sustainable solvency and financial performance were assigned higher ranks in previous years. This year, it was evident that both our internal and external stakeholders take greater heed of the fact that we are running out of time for attaining the UN Sustainable Development Goals (SDGs) and for taking the actions that will minimize Climate Change Impact, and all our stakeholders treat every step we will be taking together to this end as the most material topic. Differing from previous years, in 2020, the COVID-19 pandemic that infiltrated our lives was among the material topics that gained the foreground among others as the pandemic that broke out in the first quarter of the year occupied the top ranks in the agenda of all our stakeholders. As was the case in earlier years, our analysis in 2020 once again revealed that the solid and sustainable solvency and financial performance topic must be addressed in conjunction with the businesses' approach to managing climate change and the fight against the pandemic and with the steps they take based on this approach. Notwithstanding, we see that digital risks, which incorporate aspects such as the importance of data privacy and handling cyber risks, took place among priority expectations also in the 2020 analysis.

GRI 102-46,102-47, 102-49

MATERIAL TOPICS FOR GARANTI BBVA AND ITS STAKEHOLDERS



NO	MATERIAL TOPIC
1	Solvency and Financial Performance
2	Corporate Governance and Strong Management of All Risks
3	Business Ethics, Culture and Customer Protection
4	Easy, Fast & DIY
5	Financial Health and Advice
6	Climate Change: Opportunities & Risks
7	Responsible Use of Data (data privacy, responsible AI)
8	Cybersecurity (cyber-attacks, data theft, fraud...)
9	Employee Engagement and Talent Management
10	Diversity and Work-Life Balance
11	Human Rights
12	Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education)
13	COVID-19

GRI 102-46,102-47

SUSTAINABLE DEVELOPMENT GOALS AND GARANTI BBVA

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

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

Strategic Priorities

		Description of Material Topic	SDGs We Contribute
FINANCIAL HEALTH	3	Business Ethics, Culture and Customer Protection	1, 5, 8, 9, 10
	5	Financial Health and Advice	
SUSTAINABILITY	2	Corporate Governance and Strong Management of All Risks	4, 5, 6, 7, 8, 11, 12, 13, 14, 15, 17
	5	Financial Health and Advice	
	6	Climate Change: Opportunities & Risks	
	12	Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education)	
REACHING MORE CUSTOMERS	3	Business Ethics, Culture and Customer Protection	8, 9
	4	Easy, Fast and DIY	
OPERATIONAL EXCELLENCE	1	Solvency and Financial Performance	8, 16
	2	Corporate Governance and Strong Management of All Risks	
	4	Easy, Fast and DIY	
DATA AND TECHNOLOGY	3	Business Ethics, Culture and Customer Protection	9
	4	Easy, Fast and DIY	
	5	Financial Health and Advice	
	7	Responsible Use of Data (data privacy, responsible AI)	
	8	Cybersecurity (cyber-attacks, data theft, fraud)	
THE BEST AND MOST ENGAGED TEAM	9	Employee Engagement and Talent Management	4, 5, 8, 16
	10	Diversity and Work-Life Balance	
	11	Human Rights	
CORPORATE GOVERNANCE AND RISK MANAGEMENT	2	Corporate Governance and Strong Management of All Risks	16
	3	Business Ethics, Culture and Customer Protection	
COVID-19	13	COVID-19	3, 8

Stakeholder Engagement

3,557 | 18 min | 5 | customer

GRI 102-40,102-42, 102-43, 102-46

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

In 2020, as Garanti BBVA, we maintained the dialogue with all our internal and external key stakeholders through various channels all year round. Based on the feedback from these dialogues and the outputs from the task group at BBVA Group in which Responsible Business Unit participated, we identified our material topics. In view of these topics, we updated our materiality analysis and revealed how they are prioritized by our internal and external stakeholders and which topics need to be given the forefront depending on the materiality of the determined issues. Firstly, we grouped our stakeholders according to three criteria as directly impacting Garanti BBVA, indirectly impacting Garanti BBVA, and bringing in new opportunities, insights and approaches.

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

We reached most of the prioritized stakeholders via surveys. Participated by 500 customers and 697 employees, the survey was conducted by an independent company and the related teams within the Bank. In addition, all regulatory content currently in force was reviewed and 22,694 social network posts were looked into as part of the studies. 20 sources prepared by NGOs and 59 sector-specific reports were screened.

We asked our stakeholders to prioritize the 13 material topics identified in terms of the ones they deem important and wish to highlight, and share their perception of important trends, their opinions and expectations about Garanti BBVA's practices.

We finalized our 2020 materiality analysis, ensuring the alignment of all topics also with our integrated business strategy. According to the analysis, the following prevailed over the others within the 13 material topics: Solvency and Financial Performance, Climate Change, Responsible Use of Data, Cybersecurity and COVID-19. All our material topics including the highlighted ones above were clustered under six main headings in our report: (1) Financial Health, (2) Sustainability, (3) Reaching More Customers, (4) Operational Excellence, (5) The Best and Most Engaged Team, and (6) Data and Technology. In addition to these six main headings, Corporate Governance and Strong Management of All Risks, and COVID-19 that plagued 2020 entirely are addressed in detail in individual sections in an integrated manner with all performance sections.

GRI 102-43,102-44

PROXIMITY Garanti BBVA's interaction frequency, engagement in daily activities, long-term relations	**DEPENDENCY** Direct or indirect dependency for the continuity of the company's activities	**INFLUENCE** Impact on the company or decision-making power
REPRESENTATION Officially representing certain groups	**RESPONSIBILITY** Garanti BBVA's financial, operational and legal responsibility	**POLICY AND STRATEGIC INTENT** Supporting the company in developing policy and strategy about emerging new risks and issues

CUSTOMERS

Issue	Material Topic Relevancy	What Do We Do About It?
→ Post-pandemic increased need for borrowing, debt deferral/restructuring, free-of-charge transacting in connection with growing need for financial support → Increasing expectations for faster service, less waiting time and better experience especially in branches → The need for precautions to prevent COVID-19 infection at touchpoints of customers with our Bank → The need for customers to stand in line outside the branches and to shorten waiting times in order to comply with the social distancing and maximum number of people allowed in enclosed spaces rules → The need for sustaining communication uninterruptedly through different channels following reduced vis-a-vis contact → Decreased number of customers receiving service from branches and the increased need for non-branch channel use such as digital banking and ATMs → Increasing need for being informed about the regulatory changes surrounding FX loans and foreign trade	→ Responsible Use of Data (data privacy, responsible AI) → Easy, Fast & DIY → Solvency and Financial Performance → Business Ethics, Culture and Customer Protection → Human Rights → Easy, Fast & DIY	→ Questionnaires were administered with the customers to understand their expectations and needs reshaped by the pandemic. In the questionnaire, 1 out of every 3 customers said they are in need of financial support. To satisfy customers' financial needs, Garanti BBVA extended various supports. → Under the Central Customer Services Representative (C-CSR) Project, operational transactions were performed by a central team, thus alleviating the operational workload on SME portfolios in branches. Thus, portfolios were supported to allocate more time to customer relationship management. At present, 209 C-CSRs are offering service to 757 branches in total, including all branches having an SME portfolio. → With the outbreak of the pandemic, the need for taking the necessary hygiene and prevention measures at the customers' touchpoints with the Bank came to the fore. Numerous measures were adopted at the branches and ATMs from the start of the pandemic in order to prevent transmission of the virus. During the process, customers receiving service from our branches conveyed their contentment both with the service we have rendered and the measures we have adopted. 97% of branch customers commented that the measures taken are adequate.In this framework, all Garanti BBVA locations implemented increased cautionary practices including face mask/disinfectant usage, body temperature measurement, and social distancing. → As customers began to stand in line outside the branches waiting for their turns, some of them conveyed their discomfort with the practice. In questionnaires administered for branches, customers commented that they do not want to wait outside/want to wait for shorter periods of time. This was more strongly expressed particularly in hot weather. Hence, Gmatik algorithm was reformatted on first come, first served basis and priority was given to customers over 60. → The number of customers coming to the branches decreased due to the pandemic. Therefore, face-to-face communication between employees and customers was restricted. Uninterrupted communication and service expectation of customers, on the other hand, remained unchanged. In order to deliver uninterrupted communication, branch employees and central teams called our customers and kept fulfilling their needs. → Customer representatives continued to offer teleservice from their homes. Our agents called our customers, inquired after their health and needs, and produced the solutions that best fit their new needs. They brought offers such as credit/debt deferral and the like for our customers who were financially affected by the pandemic. → Our employees more intensely encouraged customers to use digital channels in order to protect community health and prevent the spread of the illness. → Actions were taken for execution of transactions by customers from ATMs in addition to digital channels, instead of branches. Accordingly, cash withdrawal limits were increased and customers were provided the opportunity to withdraw money from other banks' ATM networks free-of-charge. → Services offered to SME customers through mobile and Internet channels were redesigned to let them easily track critical products and accounts, as well as their cash flows and account statements. → In 2020, chatbot and KoBilge applications went live to let our SME portfolios reach information and service our customers more quickly with the right information. With nearly 100 questions in KoBilge content, users were able to easily and instantly reach the answers they are searching. Our constantly evolving KoBilge application keeps supporting our portfolios for a better customer experience.

GRI 102-43,102-44

EMPLOYEES

Issue	Material Topic Relevancy	What Do We Do About It?
→ Increasing employees' focus on, and satisfaction with, the Bank's practices; ensuring employee representation in HR processes and decision mechanisms existing within the employee journey.	→ Solvency and Financial Performance → Responsible Use of Data (data privacy, responsible AI) → Easy, Fast & DIY → Corporate Governance and Strong Management of All Risks → Business Ethics, Culture and Customer Protection	→ Garanti BBVA makes available structured training for idea conception to its employees, while offering them the necessary infrastructure and technical capabilities for developing feasible ideas and for thinking big and taking innovative steps. → In 2020, a wide variety of topics were addressed on idea and opinion development platforms, Önersen, GONG, Atölye and Ask/Share. → Since 2007, more than 25,000 ideas and suggestions were conveyed through the Önersen platform. 18 ideas were suggested via GONG for 4 different projects. The highlights included the mobile application that will be launched for the use of employees in 2021 and increasing the effectiveness of digital learning programs particularly after COVID-19. → During the idea workshop intended to build on corporate values in the last quarter of 2020, more than 2,500 employees developed ideas that will more efficiently capture the values and strategic priorities, employing the design thinking technique. As a result of the workshops, over 250 ideas were conveyed for consideration by the BBVA Group. → Agile project methodologies launched in Head Office units in 2019 and expanded across different units in 2020 contributed to business development by employees based on shared wisdom in improvement areas, and to presentation of their projects to the committees. → The annual BBVA Group Employee Engagement Survey and Employee Satisfaction Survey were conducted also in 2020. Additionally, a questionnaire was administered to understand the effects of the remote and alternating working model upon employees enforced due to COVID-19, and several practices were put into implementation in line with employees' feedbacks.

SHAREHOLDERS AND INVESTORS

Issue	Material Topic Relevancy	What Do We Do About It?
→ Communication of macroeconomic indicators with increased volatility during the pandemic. → Expecting greater transparency on the following issues: - Actions taken by the Bank during the pandemic and their operational and financial impact Extent of asset quality deterioration due to rapidly changing market conditions and specific sectors - New regulatory framework affecting the banking sector and their implications - Currency Volatility - Interest Rates - Repayment deferrals and repayment performance of these loans → Expectation for comparable and easily accessible data in the areas of Environmental, Social and Governance.	→ Solvency and Financial Performance → Corporate Governance and Strong Management of All Risks → Climate Change: Opportunities & Risks → Cybersecurity (cyber-attacks, data theft, fraud...)/ Responsible Use of Data (data privacy, responsible AI) → Business Ethics, Culture and Customer Protection → Financial Health and Advice	→ In Macro Talks video series featuring our Chief Economist and Principal Economist broadcast on Garanti BBVA TV, comments on current macroeconomic developments were shared with the investors. → The situation we are in and the precautions taken during the pandemic were communicated in detail and transparently in financial result presentations. → Transparency in financial result presentations was increased: detailed sectoral breakdown of the loan book, and the implications of regulatory changes during the pandemic were communicated. → Detailed explanation about the differentiated and prudent staging as well as the coverage details were communicated. → Additional TL2.15bn free provisions were set aside in 2020 on the back of sustainable revenue generation capacity. Total free provisions in the balance sheet reached TL 4.65 billion . → In 2020 characterized by rapidly changing market dynamics triggered by the pandemic, the IR team kept coming together with investors via video conferences and conference calls. → High share of CPI-linkers in TL securities serves as a hedge against volatility in interest rates & inflation. → Information was provided about the high margin and profitability that the Bank successfully preserved over the years despite volatile macro indicators. → Information was shared regarding the Bank's action plans against actual and potential regulatory implications. → To bolster effective communication with shareholders and investors, the IR website was revamped to offer a better user experience and an Environmental, Social and Governance Information Document was added to the website. → Garanti BBVA has been responding to CDP Climate Change since 2009 and CDP Water since 2015. The Bank makes all of its reports public on its website. In addition to the CDP programs, the Bank is also among the first supporters of the TCFD Recommendations. In this year's Integrated Annual Report, as it does every year, the Bank disclosed the ratio of its loans extended to companies with carbon-related risks and total financing mobilized to low-carbon investments in Project Finance. → In this year's Integrated Annual Report, Garanti BBVA, for the first time, shared its Impact Report with the stakeholders in line with the UNEP FI Principles for Responsible Banking launched in 2019 which Garanti BBVA was among the 30 banks invited around the world for the development of Principles as only company from Turkey.

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FINANCIAL INSTITUTIONS

Issue

- Credit ratings of debt instruments were lowered by some rating agencies during the year

Material Topic Relevancy

- Solid and Sustainable Financial Performance
- Human Rights
- Business Ethics and Customer Protection
- Environmental Impact and Climate Change
- Diversity and Work-Life Balance
- Corporate Governance

What Do We Do About It?

- Negotiations and amendments to relevant clauses in existing and new agreements have been made throughout the year.
- The Global Compact Turkey Sustainable Finance WG co-headed by the Bank expanded the scope of the Sustainable Finance Declaration to include a decrease in investment amount limit and some provisions to ensure better control of banks on the impact of projects financed by them, and provide guidance for the management of environmental and social risks.
- A series of stakeholder feedback meetings were organized with other banks and international financial institutions for the final version of the UNEP FI Principles for Responsible Banking. The Principles were launched on 22 September 2019 during the UN General Assembly meeting in New York City. Garanti BBVA was among the banks pledging to implement the UN Principles for Responsible Banking, together with six other banks from Turkey.
- UNEP FI Impact Analysis WG organized a series of feedback meetings to work on the portfolio impact analysis methodology in the finance sector.

NON-GOVERNMENTAL ORGANIZATIONS AND ASSOCIATIONS

Issue

- Sharing our know-how and in-depth experience in ESG Management and Sustainable Finance
- Aligning our portfolios with low carbon pathways

Material Topic Relevancy

- Diversity and Work-Life Balance
- Corporate Governance and Strong Management of All Risks
- Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education)
- Solvency and Financial Performance
- Human Rights
- Business Ethics, Culture and Customer Protection

What Do We Do About It?

- Garanti BBVA transformed its Sustainability Website launched in May 2018 into a living platform within the frame of stakeholders' best practices, global trends and developments and continued to post relevant materials actively in the reporting period.
- Garanti BBVA kept integrating the UNEP FI Principles for Responsible Banking, of which it has become a signatory in 2019, in its internal way of doing business. Defining the new role of the banking in the 21st century society and economy in compliance with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement, the Principles aim to maximize the impact of the banking sector on achieving a sustainable, equal and prosperous future.
- Since 2014, 100% of the total amount of financing to greenfield electricity generation investments in project finance activities has been allocated to renewable investments.
- Owing to the importance it attaches to gender equality and diversity and to the steps it has taken in this area, Garanti BBVA qualified to be included once again in 2020 in the Bloomberg Gender Equality Index from Turkey. In the reporting period, the Bank continued to convey its initiatives and experiences in this area to all of its stakeholders via associations it chairs or belongs to.

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GOVERNMENT AGENCIES AND REGULATORY AUTHORITIES

Issue

- TBB (The Banks Association of Turkey) Role of the Financial Sector in Sustainable Growth Working Group
- PMR (Partnership for Market Readiness PMR Turkey Initiative)
- CMB Sustainability Principles Compliance Report
- Borsa Istanbul Sustainability Guide for Companies: Surviving in the Future
- CBRT Instant and Continuous Transfer of Funds (FAST) Project and BKM (Interbank Card Center) Easy Address Project Work
- Remote onboarding arrangements enabling becoming a Bank customer through digital channels eliminating the need to face-to-face authentication, using wet signatures and hard-copy agreements.
- Open banking arrangements giving authorized third party service providers access to data in the financial system via standard APIs in accordance with predetermined regulations.

Material Topic Relevancy

- Climate Change: Opportunities & Risks
- Easy, Fast & DIY
- Inclusive Growth (contribution to society, entrepreneurship, financial inclusion, financial education)

What Do We Do About It?

- Garanti BBVA Sustainable Finance Team submitted its opinions regarding the National Energy Efficiency Action Plan 2017-2023 and the planned climate finance reporting to the BRSA.
- Garanti BBVA Sustainable Finance Team participated in the 2. Implementation Phase information meetings held by the PMR Initiative, and presented opinions about the improvement of regulatory and institutional infrastructure of the Emissions Trading Scheme (ETS) pilot.
- The Bank incorporated the Sustainability Principles Compliance Report published by the CMB within its 2020 Integrated Annual Report. Additionally, the business world was informed about the topic via the NGOs that the Bank belongs to. Executive Vice President (EVP) Ebru Dildar Edin delivered the inaugural speech at the related event organized by the ERTA (Integrated Reporting Turkey Network).
- EVP Ebru Dildar Edin kept raising awareness of this field by referring to the guide prepared by the Istanbul Stock Exchange in reports in which she has taken part.
- The money transfer system named FAST (Instant and Continuous Transfer of Funds) will allow the Bank's customers to instantly transfer money within a certain limit 24/7 via the CBRT.
- Under "Easy Address", customers can match their IBAN with their mobile phone number, e-mail address, ID, tax or passport number via Garanti BBVA Mobile or Corporate BBVA Mobile branch to facilitate incoming money transfer. Similarly, senders can now make a money transfer by entering, for example, the mobile phone number instead of IBAN.
- In a presentation to the BRSA, Garanti BBVA shared its research and activities related to practices in other countries, advancements in technology, risks considered in process design and risk mitigation methods.
- The Bank took on an active role in The Banks Association of Turkey's (TBB) working group in setting the implementation principles for execution of the remote onboarding process, maintaining the best possible balance between the security level and customer experience.
- The Bank participated in training activities organized by the TBB and undertook joint assessments and research with the other sector players and the regulatory body.
- The Bank presented its opinions regarding open banking arrangements in working groups with the CBRT.
- Garanti BBVA assumed an active role in determining the principles for the execution of open banking in the most beneficial and secure manner.

TOP MANAGEMENT

Issue

- Improving risk management
- Constant improvement of customer experience and continued improvement efforts following the new service model
- Provide the employees with flexible, safe and healthy working environment
- Sustain projects at the same speed and effective use of resource
- Active monitoring of the pandemic by top management

Material Topic Relevancy

- Solvency and Financial Performance
- Employee Engagement and Talent Management
- Corporate Governance and Strong Management of All Risks
- Business Ethics and Customer Protection
- Easy, Fast & DIY

What Do We Do About It?

- Due to the pandemic, the Bank's focus on the part of risk management diverted to other issues such as the Bank's credit deferrals, restructuring and the increase in provision amounts (as a result of prudent approach including regulatory changes). On the finance part, required asset ratio, compliance with other limits, credit deposit growth balance, liquidity management, interest rate and margin management have become the critical topics. In this scope, comprehensive reports were generated by related teams for monitoring with BBVA and for Top Management's monitoring.
- With the outbreak of the pandemic, momentum was given to steps taken to minimize operational workload on branches, digitization of processes and constantly enhancing service quality offered to customers.
- On the HR front, the main agenda topics included employee health, disinfection, COVID-19 follow-up, remote working-office balance and return-to-work plans. Through active collaboration with the technology front, remote working was enabled for employees within the scope of employee satisfaction.
- Speed of change in technological transformation is captured with agile approaches by quarterly dynamic management of investment budgets in compliance with the new strategy. In quarterly PSM (Project Setting Meetings), main priorities are reviewed and adapted according to new developments. Based on decisions taken in the meetings, and using effective prioritization processes, resource allocation is prioritized for projects that are utmost compliant with the Bank's strategy and that will make the biggest impact.
- At the initial phase of COVID-19, top management got together in daily meetings for several months. Agenda topics included COVID-19 precautions and employees' situation, as well as close monitoring of critical metrics and financial position. These meetings now continue at weekly intervals.

Risks and Opportunities

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Mega Trends	Risk Drivers	Strategic Priority Relevancy
BUSINESS (1)	Customer Empowerment Remote Working Competition for Talent Transparency Efficiency Rapid Alignment Gender Equality Next-Gen Workforce Social Media Resilience Agility Occupational Health and Safety	*Operational Excellence* *The Best and Most Engaged Team* *Data and Technology*
ECONOMY (2)	Sustainable Finance Green Recovery Inclusive Capitalism Sharing Economy Financial Health and Inclusion Circular Economy Reduced Globalization	*Sustainability* *Financial Health* *Reaching More Customers*
SOCIETY (3)	21st Century Skills Gap Sustainable Development Growing Inequalities Forced Migration Food Security Entrepreneurship Pandemic Rise of the Individual Megacities Prosumerism	*Sustainability* *Financial Health* *Reaching More Customers*
ENVIRONMENT (4)	Climate Crisis Extreme Weather Events & Natural Disasters Resource Scarcity Environmental Awareness Biodiversity Plastic Pollution Water Scarcity	*Sustainability*
TECHNOLOGY (5)	Automation Big Data, IoT & AI Cloud Cybersecurity Blockchain and Cryptocurrencies Data Privacy and Responsible Use of Data Digitalization Increased Connectedness and Decreasing Privacy	*Data and Technology* *Operational Excellence*

2020 has turned out to be a severe test for the whole world. The COVID-19 pandemic is putting us through the biggest crisis after WW2. Perhaps the one and only positive outcome of the pandemic was our realization, yet again, that it is impossible to achieve sustainable development and growth with the existing order. We have seen once again how comprehensively companies must address risk and opportunity management.

In this chapter, Garanti BBVA deals with 10 topics of risks and opportunities that it believes are relevant for the banking sector, shaped by this year's mega trends and how they impact Garanti BBVA and its stakeholders.

Below mentioned risks and opportunities are addressed through a variety of hard and soft controls such as Garanti BBVA's risk management approach and through initiatives carried out under the framework of material topics as explained in the Strategic Priorities, 2020 Performance and Outlook, Risk Management and Corporate Governance sections.

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

BUSINESS

Due to the COVID-19 pandemic, 2020 has been the stage to worldwide developments and events unexperienced ever before. Experts refer to the pandemic, which broke out by mid-2020 and was still ongoing at the end of the year, as the greatest recession since World War 2. Having taken the whole world in its grip from the second month of the year, the pandemic deeply impacted businesses, societies and lifestyle, and continues to do so. Having already deflected due to the effects of the Coronavirus, the agenda of the markets was highly affected by the US presidential election in November and the ongoing implications of trade wars. Despite the positive developments regarding the much-anticipated vaccine against Coronavirus, the debates surrounding it also remain. In conjunction with the other factors, the vagueness around the vaccine prevents weakening of the volatility and uncertainty dominating the global markets since the onset of the year. The effect of the pandemic upon the banking sector can be classified under three headings: Operational effects, effects on credit risk, and changes in customer habits.

Thanks to its strong technological infrastructure, Garanti BBVA adapted quickly to the pandemic and continued its operations under its priority of health and safety.

During the course of the pandemic, Garanti BBVA was able to make the transition in its operations frictionlessly thanks to its robust technology. In a bid to ensure the safety of its employees in this period, the Bank provided the equipment necessary for working from home, and more than 1,000 call center agents began offering service from their homes within just 10 days. At present, 92% of the Head Office employees, 60% of branches and the entire body of call center employees are working from home. Thanks to its solid technological infrastructure, the Bank adapted to this period rapidly and carried on with its transactions without an interruption.

Net cost of risk was another area of the banking sector affected by the pandemic. We are going through times when businesses are financially challenged with the effect of the economic slowdown resulting from the pandemic. The continued uncertainty of the process of the pandemic renders the risks herein permanent. A series of measures were introduced in monetary, banking sector and fiscal areas to stand by businesses and minimize the effects stemming from the pandemic in this period. Loan packages were announced and Credit Guarantee Fund limits were increased in the banking sector area to extend financial support to businesses. After March, Garanti BBVA offered the possibility to defer credit principal amount, interest, installment payments and credit card debts, depending on the needs of our customers, without imposing any additional conditions or stricter repayment terms. "Postpone Payment" function was activated so that customers could postpone their credit card payments for 3 months, without the minimum payment requirement. Minimum payment required on personal credit cards was reduced to 20%. In this period, the provision rates for loans of sector players that were gradually more affected by the pandemic was increased with a prudent approach. In the period ahead, the repayment performance of loans deferred in the corporate and commercial segments will be important for net cost of risk. However, balance sheet composition was strengthened with the increased provisional rates in this period, and betterment is anticipated in the net cost of risk over the years with the expected improvement in economic growth in 2021.

Customer habits was another area affected by the pandemic. The most fundamental change for the banking sector was the rise in the usage rates of active distribution channels and the number of digital customers. The pandemic has been instrumental in more active use of these channels by the customers as well. March 2020 saw the highest increase in the number of digital customers. The ratio of transactions realized at branches went down from 5-6% to 2-3%. In this period, transactions aimed at market needs were also routed to digital channels. Today, mobile banking facilitates the performance of approximately 500 transactions. Despite the increased share of digital channels, branches are not far behind them in terms of the number of transactions performed. In the period ahead, we might see in-branch services being restructured and digital channels beginning to furnish advisory services designed to improve customers' financial health, rather than operational services.

According to the JPMorgan report released on July 1st, investors call the COVID-19 crisis as the 21st century's first "sustainability" crisis and a wake-up call for decision makers to prioritize concrete steps regarding climate change. This is a period when not just the "E" of Environmental, Social and Governance (ESG) topics, but also social issues such as employee health and safety and income inequality are on the table again. Given the decisions companies made to protect their employees' health and supports extended for the sake of community health, a wider group of investors will likely look at companies through this lens. Hence, organizations' environment and climate-related actions and the steps they take in the social area can be better priced by the market.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT (2) (3) (4)

2020 had started off with continued full support to Sustainable Development Goals (SDGs) from countries and companies. COVID-19 pandemic, however, abruptly changed the entire agenda in an instant. One of the greatest fears in the first several months when the pandemic was very effective and complete shutdowns were ordered across the world was a cessation, if not a regression, of SDGs. But the dreaded has not happened. Many governments and private companies declared that the post-pandemic new order must be established with a focus on sustainability. Therefore, 2020 can be regarded as a milestone in many aspects. We have witnessed that the funds taking ESG criteria into account were less affected by the pandemic. This year, the sustainable debt market reached the USD 1.9 trillion mark, for the first time in its history. A tremendous momentum was captured in social funds, which used to be issued in a much limited number and volume as compared to green bonds in the previous years.

These positive developments once again highlighted the commitment to achieve SDGs. In the 2020 SDG Global Index, Turkey ranks 70th with a score of 70.3 within 166 countries.[1] Being a financial institution, Garanti BBVA is aware of the important role it has in achieving these goals. With this awareness, the Bank continues to play an active role in Turkey's sustainable development journey in accordance with the UN Environment Program – Finance Initiative (UNEP FI) Principles for Responsible Banking, in the formation of which it was involved and of which it is a signatory.

As set out in the Sustainability Policy adopted in 2014, Garanti BBVA aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental & social risk assessment as part of its risk management framework. The Bank is also aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices & products, and remain a sustainability leader in Turkey. The Bank positions itself as an advisor in sustainable business for all of its stakeholders. In 2020, Garanti BBVA offered 43 different types of loans and products to contribute to sustainable development.

In addition to the Sustainability-Linked Syndicated Loan introduced as a first, Garanti BBVA signed two new loan agreements participated by IFC and EBRD and obtained funds totaling USD 700 million.

Garanti BBVA signed the Gender Loan structure, the world's first and introduced by the Bank in 2019, with 4 more companies engaged in the leisure industry, which are affiliated to a corporate company operating in our country. The gender loan worth TL 151.2 million in total incorporated the United Nations Development Program (UNDP) Gender Equality Seal for Public and Private Enterprises criteria, in addition to the criteria set by Garanti BBVA.

Another major deal was Turkey's largest Sustainability-Linked Loan in which Garanti BBVA participated as a Sustainability Agent, signed with an energy company in September 2020. In this facility worth EUR 650 million, the loan interest was tied to predetermined environmental and social criteria.

Another groundbreaking major deal introduced in the world by Garanti BBVA was the Sustainability-Linked Syndicated Loan. Having renewed the syndicated loan it received from international markets under its wholesale funding program, Garanti BBVA signed two new loan agreements participated by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) and obtained funds totaling approximately USD 700 million from overseas markets. This syndication signed by Garanti BBVA is the first green syndication loan obtained by any bank in the world tied to sustainability criteria. According to the terms of the loan, an international independent consultancy firm will periodically evaluate Garanti BBVA's performance against the agreed criteria. Interest rate will be reduced to the extent Garanti BBVA improves its performance and fulfills the criteria it has committed to. Signed in May 2020, the deal was received with great interest despite all the uncertainties of the pandemic, and once again demonstrated the trust held by the international market in Garanti BBVA.

The Bank is working to instigate its customers to employ sustainable finance mechanisms in their borrowings and to adopt sustainable business models. In July 2020, the Bank acted as a Bookrunner for a client's green bond issuance worth TL 100.5 million. This was also the first green bond issue in Turkish Lira. Acting like an advisor in the process, Garanti BBVA supported its client at every stage from the preparation of the framework document for the bond to the meetings with the rating agency, and shared its knowledge and experience in this

1 https://s3.amazonaws.com/sustainabledevelopment.report/2020/2020_sustainable_development_report.pdf

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field. Following the issuance, the Bank made use of its digital and mobile channels to inform its corporate, retail and private banking customers and investors about the opportunities arising from investments that contribute to sustainable development.

Our Material Topics section explains how Garanti BBVA addresses Sustainable Development Goals through the actions undertaken under each material topic, and reference is made to the relevant sections of this Report.

CLIMATE CHANGE ADAPTATION (3) (4)

As projected in the World Economic Forum Global Risk Report 2020, environmental risks due to climate change continue to dominate the top ten major risks list in both impact and likelihood. While the world struggled with the COVID-19 pandemic on one hand, it also had to deal with never ending extreme weather events on the other. Natural disasters that claimed lives and destroyed property globally dominated the news throughout the year. Many people died in devastating floods, typhoons, heatwaves, wildfires and similar disasters. The number of weather and climate disaster events with losses exceeding USD 1 billion each reached a record level.[2]

Besides all the downsides it embodies, the pandemic offers an important opportunity in terms of the combat against climate change. The whole world agrees that the post-pandemic new order to be established must have sustainability in its focus. With the Green Recovery concept that entered our lives this year, it is anticipated that environment-friendly solutions will be preferred, especially in the economy.

We see that awareness of this issue is increasing by the year. According to a research conducted in 2020, one out of every two people in Turkey considers the climate crisis a bigger crisis than the virus, and seven out of every 10 people say that they are concerned about climate change. A substantial segment of the society wants investments to be made into agriculture and renewable energy for post-pandemic economic recovery.[3]

In order to achieve the 1.5 degrees goal stipulated in the Paris Agreement, we must reduce global greenhouse gas emissions by 7.6% every year.[4] Even in 2020 when we had several months that a substantial portion of life came to a standstill because of the pandemic, we will only achieve a reduction by 7%.[5] This is the highest decrease recorded recently, but it is still not enough to reach the targets.

Garanti BBVA is the only bank in Turkey to qualify for the global A List of 2020 CDP Climate Change Program.

Countries recognizing the urgency of the situation started announcing zero-carbon targets. We began to see private companies follow suit of this initiative coming from major countries including the European Union, Canada, China and Japan. Our majority shareholder BBVA also became a carbon-neutral bank in 2020. Keeping pace with the Group, Garanti BBVA also offset its carbon emissions arising from its direct impact in 2020.

2020 proved to be a historic year also with respect to the combat against climate change. The highlights of the reporting year that saw a number of important developments take place despite the pandemic were, surely, EU Taxonomy and the European Green Deal.

2 https://www.ncdc.noaa.gov/billions/
3 https://ekoiq.com/2020/11/26/turkiyede-toplumun-yarisi-iklim-krizini-virusten-daha-buyuk-bir-tehdit-olarak-goruyor/
4 https://unfccc.int/news/cut-global-emissions-by-76-percent-every-year-for-next-decade-to-meet-15degc-paris-target-un-report
5 https://www.carbonbrief.org/global-carbon-project-coronavirus-causes-record-fall-in-fossil-fuel-emissions-in-2020#:%7E:text=Global%20carbon%20dioxide%20(CO2)%20emissions,effects%20of%20Covid%2D19%20lockdowns

Enforced in response to the longstanding debates about the definition of a green investment, the EU Taxonomy is in the nature of a dictionary describing which environmental investments in nearly 70 different sectors can be included within sustainable investments. At the same time, the Taxonomy introduces the reporting obligation for financial institutions and large companies in the EU about their activities in this field.

The European Green Deal, on the other hand, discloses the action plans the EU set for achieving its zero-carbon target by 2050. With this Deal, EU intends to upgrade not only the companies within its territory, but also those in other countries with which it has trade relations, to its own environmental standards through mechanisms such as the carbon border adjustment. If and when this mechanism that is still internationally debated is introduced, it will clearly have serious economic implications for Turkey that ships nearly 50% of its exports to EU.

On the other hand, divestment from fossil fuels was again a growing trend in all sectors, especially the financial sector. As declared in its Climate Change Action Plan in 2015, Garanti BBVA continued to prioritize renewable energy investments in 2020. As a pioneer in financing renewable energy projects and being the market leader for wind projects financing in Turkey, Garanti BBVA exceeded its goal of prioritizing renewables in project finance as 100% of the total resources allocated to greenfield energy investments was allocated to renewable investments in 2020. Since 2014, 100% of greenfield energy generation projects in the Bank's project finance portfolio have been renewable energy investments.

To date, financing provided to renewable energy projects reached above USD 5.3 billion. Garanti BBVA's share in Turkey's Garanti operates on installed wind power stood at 24.7%. On the portfolio decarbonization side, the Bank no longer provides project financing to greenfield coal power plants since 2014, and 100% of total amount of financing extended to greenfield electricity generation investments have been allocated to renewable energy investments.

Moving forward, Turkey's climate-smart investment potential is estimated to be USD 270 billion between 2016 and 2030. This also clearly shows the future investment need and the critical role of financial institutions. Just like the rest of the world, Turkey is both physically and economically prone to climate change risks and must take immediate action for adaptation and mitigation. Garanti BBVA contributes to Turkey's battle against climate change by prioritizing renewable investments, applying detailed environmental & social due diligence, promoting energy efficient buildings and electric & hybrid cars, as well as increasing awareness among its stakeholders. Garanti BBVA's environmental and social impact assessment process is fully compliant with international standards and best practices. In 2020, 5 projects with a total loan amount of USD 307 million were subjected to ESIAM process. 1 project was rejected within the frame of this model. Through action plans based on these due diligences, E&S impacts were minimized.

Taking place among high-risk regions in terms of water stress, Turkey will experience severe precipitation and floods in addition to increasing droughts and extreme heatwaves. Turkey is among the countries that will be extremely water-stressed by 2040. If projections come true, with the expected population growth to 100 million people, Turkey will be among the water poor countries by 2030. As explained in the 2019 CDP Water Security Report, all of the projects financed in 2019 were projects prone to water-related risks. ESIAM was applied to all of these projects in order to manage E&S risks including those that are water-related.

A holistic approach is being implemented to raise awareness and encourage each segment of the society to take action. Green Mortgage product was launched to promote efficient and environmentally-friendly buildings in the retail banking segment; Garanti BBVA's total financing provided in this scope to date amounted to TL 520 million.

Garanti BBVA also took an important step in 2020 to manage its direct impacts on climate change and switched to renewable energy consumption at all of its branches and locations having compatible infrastructure. 73 million kWh of electricity need of 809 branches and 46 buildings were totally provided from renewable energy, thus avoiding nearly 34.790 tonnes of CO_2-equivalent emissions were avoided which corresponds to the carbon sink capacity of roughly 2.2 million trees. Early this year, the Bank announced its absolute carbon emissions reduction target based on Science-Based Targets methodology in line with Paris Agreement's 1.5 degree goal. Accordingly, Garanti BBVA pledges to reduce its Scope 1 and Scope 2 emissions by 29% by 2025 and 71% by 2035. In 2020, the Bank became carbon-neutral for its emissions arising from its own operations, and has realized its 2035 goal 15 years earlier.

In line with its innovative and pioneering activities, Garanti BBVA qualified for the 2020 Global A List in Climate Change Program of the CDP, which is the most respected environmental reporting initiative in the world. Including just two companies from Turkey, the A List features Garanti BBVA as the only bank.

In the period ahead, Garanti BBVA will continue to support its stakeholders in the transition to low-carbon economy and opportunities along the way. As the Bank continues to encourage its customers to become aware of their own individual impact and to play a key role as an advisor for its customers, it will facilitate and accelerate their efforts in sustainable trends such as circular economy, sustainable investment funds and sustainable innovation.

More examples can be found in the Sustainability section.

TRANSITION RISKS (1)

As governments and the business world started to take concrete actions for climate change, these steps also brought along some regulatory updates. In this context, the "European Green Deal" incorporating the Carbon Border Adjustment as one of the mechanisms to curb carbon emissions has been a hot topic of 2020. The aim of carbon border adjustment mechanism (CBAM) is to prevent carbon leakage, where climate policies are not strict enough to reach the 1.5 degree goal. In addition to preventing such emissions' relocation (or 'carbon leakage'), a carbon border adjustment also exerts pressure to strengthen climate policy efforts. Considering that nearly 50% of Turkey's export volume goes to the EU coupled with the close commercial relations with the EU, Turkey will be significantly affected. Hence, a working group for compliance with the European Green Deal was set up under the Ministry of Trade, which released an action plan in November 2020. The action plan serves as a guide providing the roadmap to be followed by companies in Turkey to align themselves with this transformation. The CBAM will have a significant impact on carbon intense sectors such as iron and steel.

The New Climate Regime through the Lens of Economic Indicators report, to which Garanti BBVA contributed support and content, analyzed the possible impact of the CBAM upon industries exporting from Turkey to the EU for 24 manufacturing industries representing the entire economy. To do that, two scenarios were studied, in one of which carbon was priced at 30 EUR/tonne and at 50 EUR/tonne in the other. The adjustment produced a total impact of EUR 1.1 billion in the first scenario, whereas the figure rose to EUR 1.8 billion in the second. In addition, the GDP that can be attained in 2030 under the Baseline Scenario was calculated as TL 5,358 trillion at 2018 prices; it was also calculated that the GDP in 2030 would be lower by 2.7% in the scenario pricing CBAM at 30 EUR/tonne and by 3.6% in the scenario pricing CBAM at 50 EUR/tonne. Taking Turkey's current export distribution and its sectoral carbon efficiency into account, (with a carbon price of € 30/ton and €5 ton respectively) the potential export revenue losses were calculated as follows: cement industry (13.2–22%), iron and steel (1.7-2.8%), chemical industry (1.1-1.9%) and automotive industry (0.7-1.2%). When we solely take the steel industry into account, in the first 10 months of 2020, main metal industry had 3% share in total loans among the banks operating in Turkey with a total amount of TL 127 billion. This serves as a clear indicator that such an adjustment mechanism would indirectly affect banks as well.

Work for alignment with the Law on the Protection of Personal Data (in Turkish: KVKK) enacted in 2016 continued heavily also in the reporting period. Every new process, product and activity designed at the Bank underwent an assessment in terms of personal data actions. At Garanti BBVA, investments in this area continued for addressing personal data activities in a more holistic manner and for increasing the depth of the KVKK action plan. In this context, one tool each was purchased for personal data discovery and personal data governance. The personal data discovery tool is intended to identify personal data used in all of the Bank's operations completely. This will allow more detailed and accurate review of such headings as the cost-benefit analysis of the KVKK compliance program and prioritization of actions. With its installation phase finalized, the tool is on the verge of launch. The personal data governance tool will allow systemic monitoring of the inventory housing the processes that dwell on personal data, which processes are required to be developed by Law, and risk impact analysis of these processes can be performed more efficiently. The installation of the tool is in progress. New areas of responsibility will be created across the Bank for active utilization of these two tools in the period ahead.

GROWING INEQUALITIES (1) (3)

We are in the midst of a global transformation, the painful construction of a globalized market economy. The income distribution system of the 20th century has broken down, and will not come back. During this construction phase the widening gap between the rich and the poor damages the economies and tears the societies apart. The rich gets much richer and the poor gets much poorer. The world's richest 1% have more than twice as much wealth as 6.9 billion people. On the other hand, almost half of humanity is living on less than USD 5.50 a day.[6] Growing inequalities brings despair among young population as well.

At Garanti BBVA, the overall ratio of women employees is 58% for the whole Bank and 40% for medium level and senior managers. With its pioneering practices in this field, Garanti BBVA has been the only company from Turkey to qualify to be included in the Bloomberg Gender Equality Index for five consecutive years.

On another note, climate change started to have a deep impact on forced displacement. It is estimated that 200 million people will be forced to relocate due to climate change by 2050, where Turkey is considered to be among the countries that will attract immigrants and consequently will be significantly affected due to limited resources. Climate change was not the only factor in the increasing inequality trend. Turkey is one of the countries hosting the most refugees. Considering the predicted migrations due to climate change in addition to the current situation, the issue will become even more urgent and challenging.

Growing inequality is resulting in devastating economic and social impacts. The fight against inequalities related to wealth gap, gender, race, ethnicity and social class will be of paramount importance in the coming years.

All these developments brought up a new concept called inclusive growth. Inclusive growth serves equality and diversity, also cares for the ecology of our planet while driving returns to shareholders. Recently, companies have started to embrace

6 https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620928/bp-time-to-care-inequality-200120-en.pdf?sequence=36

7 http://www3.weforum.org/docs/WEF_GRR18_Report.pdf

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more environment- and society-friendly practices that create long term value. Similarly, Garanti BBVA has been offering various positive impact-focused products and services. The Bank is dedicated to tackle this problem by improving financial health of its customers and offering innovative solutions for financial inclusion. With 43 different products and solutions, the Bank helped 92% of its customers to make better informed financial decisions in 2020. To date, the Bank has contributed TL 51 billion to sustainable development that creates shared value.

In 2020, we have deeply felt the effects of gender inequality, particularly in business. We have witnessed worldwide that women were affected 1.8 times more than men by this pandemic.. It gets even more perceptible with the fact that household chores including feeding, cleaning and care is done more by women. According to the UN, the unpaid work done by women is three times the volume of unpaid work done by men. The post-COVID-19 period reveals the necessity for organizations to change their perspectives and approaches in relation to various matters including talent retention, work-life balance of employees and employee satisfaction.

To counter this risk, Garanti BBVA kept offering sustainable support to its employees also during this period through such initiatives as the maternity project, domestic violence platform and women leadership mentoring program.

At Garanti BBVA, the overall ratio of women employees is 58% for the whole Bank and 40% for medium level and senior managers. With its pioneering practices in this field, Garanti BBVA has been the only company from Turkey to qualify to be included in the Bloomberg Gender Equality Index for four consecutive years. The Bank creates initiatives on female leadership and talent, equal pay and gender pay parity, inclusive culture, and sexual harassment policies.

More examples can be found in The Best and Most Engaged Team and Financial Health sections.

SUPPORTING ENTREPRENEURSHIP (1) (3)

Youth unemployment is set to remain an important global challenge - particularly as demographic shifts in developing countries gather pace - and will continue to amplify numerous domestic and global risks, including social exclusion, mass migration and generational clashes over fiscal and labor market policies.[7] The purpose of Garanti BBVA is "Bringing the age of opportunity to everyone" and the Bank is strongly urging its customers and society to tackle this challenge.

This year, Garanti BBVA Partners hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 22 million.

In order to realize its purpose, Garanti BBVA carries out many initiatives that support entrepreneurship. In 2015, the Bank has launched Garanti BBVA Partners Entrepreneurship Acceleration Program to help flourish the entrepreneurial ecosystem in Turkey. Garanti BBVA Partners helps startups grow with specific support, develops strategies together with the entrepreneurs, assisting them in the preparation of a comprehensive business plan to put their projects into action, and contributes to their sustainable growth. During this process, these initiatives are provided with working space, mentorship, cooperation and references, marketing activities, consultancy services, training and seminars, technical and infrastructure support and access to finance for these projects. Garanti BBVA helps flourish the entrepreneurship ecosystem in Turkey and aims to support and accelerate early startups and initiatives with the potential to attract investment and grow. Through Garanti BBVA Partners Acceleration Program, the Bank supports early startups of any scale and sector, the SMEs and growing ventures. Under the holistic support mechanism covering provision of office space, mentoring, networking, marketing and training support, the Bank offers versatile and differentiated services at every stage of the entrepreneurial cycle. This year, Garanti BBVA Partners hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 22 million.

Another important segment that we focus on is women entrepreneurs. Women's share in the workforce is only 34% in Turkey, whereas the OECD average is 64%. If Turkey can reach the OECD average by 2025, the GDP will increase by USD 250 billion.

Realizing the support that women need in this area, Garanti BBVA launched its Women Entrepreneurship Program in 2006. The Bank's efforts in empowering women entrepreneurs are categorized under 4 topics: "providing finance", "encouraging", "training" and "accessing new markets". To date, financing provided to women entrepreneurs amounted to TL 8.7 billion. In 2019, Garanti BBVA started the on-lending of a social bond for USD 75 million with a maturity of 6 years in collaboration with the World Bank-member IFC (International Finance Corporation) to be allocated for the financing of women entrepreneurs. In 2020, the Bank continued to make funds available to women entrepreneurs from this facility, which is the first social bond issued by a private bank in an emerging country.

Aimed at encouraging women entrepreneurs, Turkey's Women Entrepreneur Competition received 39,000 applications in its 13th year. 3,000 women completed the Women Entrepreneurs Executive School, which is offered in partnership with Boğaziçi University Lifelong Learning Center. Women Entrepreneurs Executive School initiative was awarded Gold Sardis in the Gender Equality category at the Sardis Awards for its contribution.

On the other hand, digital transformation enables customer empowerment in a variety of ways. As customers now expect to be better understood by companies, they also proactively offer their insights and creative ideas to companies for better product development. They expect companies to support their ideas or ventures, sometimes even develop partnerships to grow their businesses. As a financial institution, Garanti BBVA closely monitors the developments in the FinTech sector. FinTech companies introduce disruptive changes to the business models of conventional financial institutions by creating differences in technological developments they present on the financial vertical they are focused on. These innovations are underpinned by better customer insight, cost reduction and incorporating customer preferences and needs within business models. As a pioneer in digital banking, Garanti BBVA has been interacting and building partnerships with such companies for a while. Furthermore, as part of the BBVA Group, the Bank is a member of BBVA's Open Innovation Team, a dedicated team that looks into various opportunities through FinTech companies. This team also organizes the biggest FinTech Competition in the world. Garanti BBVA has been organizing the Turkish chapter of this competition which provides FinTech startups offering direct or indirect solutions to the finance world with the opportunity to compete at the international level. This competition provides a great opportunity for these startups to advertise themselves globally.

Further details can be found in the Operational Excellence and Sustainability sections.

DIGITAL TRANSFORMATION (1) (5)

2020 generated a tremendous momentum in digitalization with the added effect of the pandemic. As companies shifted their working environments to the digital, they did the same for the services rendered to the customers to the extent possible. Leading the digitalization path for over two decades, Garanti BBVA has been one of the companies that realized this transition period in the fastest and most effective way.

End-to-end digital finalization of the Garanti BBVA Mobile Onboarding process launched in 2019 with its final step designed to be completed at the branches will be enabled upon completion of the regulatory framework in 2021. This way, the growing non-Bank customers population on online platforms

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will also be able to reach Garanti BBVA banking products any time they need them, from wherever they may be. Upon integration of the application processes for products such as credit, credit card, shopping loan, overdraft account etc. in the onboarding process, the process from the moment the customer need arises until the product is reached will become digital end-to-end. Furthermore, with the inclusion of salary customers in the "mobile onboarding process", Garanti BBVA will be presenting individuals with the chance to complete the onboarding process any time, anywhere. This new step will mitigate the workload on branches resulting from the onboarding process and will also open channels for new customer acquisition. Garanti BBVA Mobile onboarding, being an easy and quick experience, will set the Bank apart from its competition upon expansion with business partnerships.

Garanti BBVA's contribution to sustainability will go on also on digital channels. The GoGreen Project will create a mutual contract between the Bank and the customers, whereby customers will be incited to increase their contribution to sustainability. This project is intended to serve to increased support to social responsibility and to consolidate the bonds between customers who are sensitive about the topic and the Bank.

2020 was another important year for the Bank's AI and big data practices. Throughout the year, various teams developed groundbreaking applications in light of better data management and AI. The most important reflection of the Bank's AI applications is UGI, Turkey's first voice process assistant launched in 2016. UGI underwent major upgrade with respect to its interface and infrastructure. The renewed smart assistant UGI 2.0 now features written message exchanging capability. Hence, when users are in an environment where they want to avoid communicating orally, they can exchange messages with UGI 2.0 and receive support for their banking transactions. Its revamped infrastructure and the wide set of transactions allows UGI 2.0 to understand users better and to provide guidance and support with a greater variety of transactions. Having rapidly kept abreast with the changing current topics and extended support to users during the pandemic thanks to its revamped infrastructure, UGI 2.0 is now much more flexible and compatible with the fast pace of the current events and technological trends. UGI has been used more than 53 million times by 4.6 million customers since 2016. With its use increasing by the year thanks to its revamped visage and natural language understanding capabilities, UGI 2.0 has more than 400 thousand unique users per month. The WhatsApp chatbot of Garanti BBVA was also reinforced with the same infrastructure and a joint assistant intelligence was created at all touchpoints with the customers.

While robust technology and data infrastructures that had been devised turned out to be a significant benefit during the pandemic, a sweeping digital transformation has been experienced and the sharp changes in people's behaviors led to uncertainties about the future. In order to develop solutions rapidly for the emerging demands in this period, Garanti BBVA took advantage of the power drawn from agile development of analytical models and launched new ones very quickly, continuing to create value for its customers. The power of Artificial Intelligence was used in processing customer suggestions and demands with text mining and referring them to the right solution centers in order to better respond to the fast-changing customer demands during the pandemic. This allowed the Bank to address customer demands within the same day.

Further details can be found in the Data and Technology section.

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

Operational Excellence is one of Garanti BBVA's strategic priorities. Through its financial health priority based on "Transparent, Clear and Responsible" principles, the Bank provides accurate, clear and timely information and protects its customers' earnings in short, medium and long term. With this focus, Garanti BBVA aims to be the most responsible bank and help its customers make conscious decisions as well as deepening and strengthening its relationships with customers.

In order to protect their financial health, the Bank utilizes the insights gained from behavioral economics analysis. The Bank supports its customers to be aware of their financial wellbeing, control their financial situations, have a balanced budget, make conscious decisions for their expenses based on their needs, make savings and investments for their dreams and future. Through these efforts, the Bank maintains strong ties and long term relationships with customers.

The Financial Health program launched on Garanti BBVA Mobil application presents completely personalized insights to help the customers better monitor their finances, be prepared against unexpected situations, and build on their financial planning skills by acquiring saving-up capability, as well as planning today. With these suggestions, the Bank aims to act as a long-term financial coach. As the first step in doing that, customer's finances are accurately pictured, spending habits are analyzed in an effort to raise awareness of his/her budget. Customers are guided to take action through customized suggestions. Suggestion mechanisms are developed where necessary to improve customers' financial health; once they are achieved, new suggestions and plans are created, so that they can sustain their motivation. In this context, more than 70 financial insights were developed. Customers were presented with insights and action plans raising awareness, getting them ready in advance for major expenses, and steering them to save up easily and perform controlled spending. Presented to Android users in 2020, these suggestions were viewed 8 million times by 1.6 million customers per month. Developments will continue in 2021 to take the financial health initiatives to a better level.

Financial health of corporate customers affects the health of the country's economy collectively. Potential improvements that can be attained in customers' finances through suggestions to be made are considered as important opportunities that might contribute added value to customers and the economy as a whole. Therefore, it is being planned to perform a professional analysis of customers' finances using financial data to be uploaded from digital channels and to make personalized risk assessments for each one. It is intended to offer financial advice to provide the customers with correct guidance for a healthier balance sheet composition, higher profitability and sustainable growth, and borrowing accurately. Along this line, insights and action plans contributing to financial health will be shared with the customers through digital channels.

With the open banking services, with their developments scheduled for next year, customers will, upon request, be able to access their financial data at other licensed institutions, and thus have the convenience to view and manage their accounts with different institutions. With the structure that will cover capabilities such as payment order initiation and money transfer, customers will be able to reach the external financial ecosystem again via Garanti BBVA channels. Hence, the integrated experience offered within Garanti BBVA channels to date can be taken one step further.

Guiding customers to use QR on the Bank's ATMs doubled efficiency: Ratio of customers who use QR vs. card to withdraw money is around 30%.

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

With the open-market concept, Garanti BBVA aims to make financial solutions accessible to all customers wherever they may be. Until very recently, Customer Contact Center and ATMs used to be the only alternatives to the branches. Then, services on digital channels rapidly expanded and adopted a multi-channel strategy. Soon after, Garanti BBVA transformed its strategy into an omni-channel one where the Bank began offering seamless experience across all channels. The Bank has made improvements to enable even non-Garanti customers to reach the Bank's products and services from all channels. For example, the cardless transaction option offered through our ATMs lets everyone, even non-Garanti BBVA customers, transfer, deposit or withdraw money; they can even pay their bills with this function. Guiding customers to use QR on the Bank's ATMs doubled efficiency: Ratio of customers who use QR vs. card to withdraw money is around 30%. In 2020, 59 million cardless transactions occurred in TL, and 353 thousand cardless transactions occurred in foreign currency. QR has a huge impact on the Bank's migration efforts from branches to ATMs. Thus, in the beginning of 2020, the Bank expanded the scope of QR code transactions by adding card and loan debt payment. Branch employees also encourage customers to do more transactions through ATMs. Moving forward, the Bank has already commenced its e-commerce initiatives to reach the customers and non-Garanti BBVA customers via non-Garanti BBVA channels.

THE FUTURE OF WORK (1) (3) (5)

Pandemic-related issues dominated the agenda of the work life in 2020. During this period, we have seen the vitality of robust technology and data infrastructures. As a sweeping digital transformation took place, the sharp changes in people's behaviors led to uncertainties about the future. The pandemic also presented the opportunity for the emergence of different working methods amid "the new normal". New approaches such as work-from-home and hybrid models will be around more frequently in the period ahead.

The effects of some pre-pandemic trends perpetuated also in 2020. Be it the millennials or the disruptive technological advancements, this is only a telling sign of a much more serious paradigm shift in the workplace and in the way we do business.

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

Garanti BBVA defines agile thinking as a "journey" for delivering faster and higher quality service to customers and for constantly increasing the value created for all stakeholders, rather than a target to be achieved.

Creating and fostering a more diverse workplace for our employees is part of the Diversity and Inclusion strategy of Garanti BBVA. In keeping with the Bank's "the best and most engaged team" strategic priority, the Bank embraces a fair and transparent HR management policy based on performance, focused on equal opportunities, diversity, and internal promotion, which invests in the human capital while observing their work-life balance and putting their development, satisfaction and well-being at the center. The Bank follows up data analysis concerning different aspects like gender, age, education, etc. and take measures for these groups.

In order to attract, maintain and cultivate talent in a company, it is essential to have modern diversity and inclusion policies capable of integrating people from different professional and personal backgrounds and allowing them to grow professionally. In order to survive in this environment dominated by constant and rapid change, organizations must evolve into structures that can adapt to change. With this vision, a value-focused organizational and cultural transformation journey was initiated in all of the Group geographies, completely changing the conventional way of doing business, with a continuous adaptation capability.

Agile transformation journey at Garanti BBVA was launched by mid 2018. As agility continues to be rolled out across the Bank, scaling initiatives will be ongoing in 2021. Within the transformation journey, the status and evolution of the organization will be monitored transparently, and focus will be maintained on continuous development while productivity and agility skills will be increased.

Garanti BBVA defines agile thinking as a "journey" for delivering faster and higher quality service to customers and for constantly increasing the value created for all stakeholders, rather than a target to be achieved.

More examples can be found in The Best and Most Engaged Team section.

21ST CENTURY SKILLS GAP (3)

Quality education, which makes the foundation of equal opportunities, is still one of the greatest challenges worldwide, and remains important within the scope of UN Sustainable Development Goals. According to the World Development Report, the quality and quantity of education vary widely within and across countries. Accessing the education that will pave the way for the skills and competencies required by the 21st century has become a luxury in many countries attainable only by a specific socioeconomic status class.

On the other hand, the continuously advancing technology constantly modifies job contents, ways of working and the competencies required of the workforce. As of 2020, global workforce is made up of by millennials by 35%, Gen Z by 24%; by 2025, it is forecasted that 75% of the global workforce will be composed of employees under 35. In this context, skill and competency development of new generations becomes critical in order to adapt to the change mentioned before. Companies establish close collaborations with public institutions, educational institutions, NGOs and individuals as they must plan and take action now according to the future economic benefits and potential effects of social changes that will result from technological developments. While companies' support to close the skills gap means bringing the age of opportunity, it also contributes to the sustainable future of the world.

Based on its commitment to create shared value, Garanti BBVA has been conducting community investment programs in the field of quality education for many years. The Bank's initiatives in this context are Teachers Academy Foundation (ÖRAV) founded by Garanti BBVA in 2008, 5 Pebbles: Social and Financial Leadership Program, and Teachers Without Distance web seminar series, which are carried out in cooperation with ÖRAV. To date, ÖRAV reached nearly 199,069 teachers from all over Turkey. While the 5 Pebbles Program reached 20,000 students and 1,248 teachers, the web seminar series Teachers Overcoming Distances launched in 2020 reached 14,939 teachers in 4 months.

More examples can be found in the Sustainability section.

Our Values

1,306 7 min 2 employees

At the heart of Garanti BBVA's employee-centric approach lies its Values spelled out with the involvement of its employees in 2017.

The values that have been identified through workshops and focus groups with the employees in a bid to redefine them reflect not only the attitudes and the vision of Garanti BBVA employees, but also their working models.

CUSTOMER COMES FIRST
Underlining the customer-centric approach of Garanti BBVA, this value identifies empathizing with the customer as the top priority of employees, describes the necessity to disclose all kinds of information when responding to customer needs within the frame of responsible business principles, and calls for a result-oriented approach.

WE THINK BIG
Innovation is embedded in the corporate culture of Garanti BBVA that heeds employee opinions. Employees in each position inspire their colleagues and their circles with the job they do. When serving their customers, Garanti BBVA employees go beyond meeting their needs and offer solutions that amaze the clients.

WE ARE ONE TEAM
Fostering Garanti BBVA's work culture, this value encompasses employee collaboration, the importance of commitment to work, and the sense of responsibility that needs to exist in order to achieve the "common purpose".

Entailing three actions that support each value around the three core values, this activity is reviewed annually by Garanti BBVA Group employees. On this occasion celebrated as the Values Day on the same date in all countries to re-familiarize with, assimilate and live the values, employees redefine organizational strengths, improvement areas of leadership, and the future of teamwork, in addition to taking part in entertaining activities.

Grounding its corporate culture on its Values, Garanti BBVA continues to work towards raising increased awareness by frequently incorporating these values in employee communications. On the other hand, the Values take place in the basis of all employee-centric practices.

While the Values make up the foundation of employee attitudes and actions towards customers, they also serve as the guarantee of Garanti BBVA's reputation. In this context, the Bank keeps displaying a holistic approach to corporate reputation management and takes the necessary actions through related planning in this direction, while creating a culture that is designed, assimilated and recognized by the employees themselves. For instance, the notion "This is our bank" is reflected in the maximum performance attained by all employees as they do their jobs devotedly and enforce this value in their attitudes towards all stakeholders that they touch; all employees know what that maxim means.

Employee career and development model measures the extent to which these values are enforced by the employees through performance assessments; specific educational and development tools are made available as part of the development plan resulting from these measurements, which also aim to ensure continued development throughout the year.

In addition, adherence to values are evaluated in a dedicated category in the reward program.

The formation of the culture around the values are addressed from a number of different angles and all employees are supported in this regard. Created by the Corporate Reputation and Community Programs team and the Training Department, and assigned as a compulsory training program to all Bank employees, "Corporate Reputation Awareness Video Series" dwells on the importance of the Values as a component of corporate reputation. The Series also underlines how the Values function within the framework of the responsibilities of employees who are reputational ambassadors and how they serve to managing reputational risks. This awareness training is set apart as it features employees themselves as speakers, sharing their everyday stories. It offers examples of the distinction of Garanti BBVA and how it contributes value to its stakeholders' lives.

Stakeholder interaction and the involvement of beneficiaries in decision-making processes is another key constituent of value creation. In terms of talent and culture management, it is reflected not only in HR processes but also in platforms enabling all employees to share their opinions and suggestions; it makes the foundation of the strategy within the scope of the values.

Set up under the Talent and Culture team in a bid to sustain a culture within which Values are molded by employee opinions and enforced, the Culture team is in charge of initiatives designed to improve and better employee life at Garanti BBVA, such as employee happiness and assimilation of the leadership model, as well as the Values project.

The highlight of the team's activities within the scope of 2021 strategy will be a cultural climate project that will be developed through talks with the employees.

Our Purpose

To bring the age of opportunity to everyone

Customer **Comes First**

We are empathetic
We are integrity
We meet their needs

We Think **Big**

We are ambitious
We break the mold
We amaze our customers

We Are **One Team**

We are committed
We collaborate
This is our Bank

Our Competitive Advantages

TALENT AND CULTURE MANAGEMENT

- Practices focusing on employee happiness and work-life balance
- Awarded talent programs
- Platforms for employees to share their suggestions and innovative ideas
- Development model aligned with changing dynamics, where employees take responsibility for their own development in line with their career goals and shape their developments
- In accordance to the strategic priority of "The best and most engaged team", continuous investment mindset with a focus on their development, happiness and well-being in order to ensure work-life balance
- A fair and transparent management policy based on performance, focused on equal opportunities, diversity and internal promotion
- Management approach that supports diversity - the only company from Turkey to be included in the Bloomberg Gender Equality Index for four consecutive years
- 31 hours/employee training on average per annum
- High conversion rate from physical to virtual training: 33,000 participants in 3,200 digital live training programs

STATE-OF-THE-ART TECHNOLOGY AND DATA SCIENCE

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

SEAMLESS CUSTOMER EXPERIENCE MANAGEMENT

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

STRONG BRAND AND CORPORATE REPUTATION

- Holistic reputation management approach and strong reputation index
- Garanti BBVA is described by consumers as "A pioneer in technology, offering innovative solutions to its customers' needs, approaching its customers in a close, convenient and clear manner"
- Holistic communication and community investment programs focused on social impact contributing to corporate reputation and brand equity
- The only company from Turkey listed for the sixth consecutive time after qualifying also in the reporting period in the Dow Jones Sustainability™ Emerging Markets Index, one of the most eminent platforms evaluating global sustainability performances of institutional companies

SEAMLESS EXPERIENCE ACROSS ALL CHANNELS

- Service model at branches capturing the benefits of digital world for better customer experience
- Presence in 81 cities with widespread branch network
- Leading position in mobile & internet banking; exceeding 9.6 million digital active customer base
- BonusFlaş: Campaigns, card activities and new generation payment technologies in a single platform
- Rapid and secure e-commerce payment without sharing card information in more than 2,100 entities via GarantiPay
- >5,300 ATMs, also serving non-bank customers through cardless transactions
- Leading financial Customer Contact Center with more than 72 million customer contacts per year

Our Strategic Priorities

GRI 102-46

What We Stand For

FINANCIAL HEALTH

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

SUSTAINABILITY

- Positively influence customers, decision-makers and the sector being the leading bank in sustainability; continue to support raising increased awareness of this matter
- Increase the diversity and use of our sustainable products offered to customers
- Observe climate change-related risks and opportunities; integrate them into our business processes and risk policies
- Focus on community investment programs which deliver impactful outcomes on material topics and observe impact investment principles

Drivers of Superior Performance

REACHING MORE CUSTOMERS

- Expand our customer base and deepen our customers' relations with our Bank
- Be wherever our customers are; make effective use of new channels including digital customer acquisition and partnerships
- Grow in areas of focus while monitoring risk and cost

OPERATIONAL EXCELLENCE

- Constantly build on our business model in various ways including process automation, transaction convenience and enriched remote services, etc.
- Increase end-to-end digital solutions, continue to improve experience through investments in our digital platforms
- Use capital effectively and maximize our value creation while focusing on sustainable growth
- Constantly improve our business model and processes with operational efficiency point of view while pursuing cost and revenue synergies
- Effectively manage financial and non-financial risks

Accelerators to Deliver on Our Strategy

DATA AND TECHNOLOGY

- Increase the agility and strength of our technological infrastructure and platforms
- Speed up our solution processes through artificial intelligence, machine learning and big data interpretation, which is important in the day-to-day operations of the Bank
- Effectively use data analytics in various areas such as offering the right product to our customers, pricing, risk management, etc.

THE BEST AND MOST ENGAGED TEAM

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

Our Value Creation

GRI 102-46

INPUT

FINANCIAL CAPITAL

We use capital effectively so as to maximize the value to be created. Our dynamically managed and deposit driven funding base together with well diversified funding mix and opportunistic utilization of alternative funding drives our disciplined, sustainable and capital generative growth. With a 13 points reduction of cost to income ratio since 2015, it is our goal to constantly improve our business model and processes with an operational and environmental efficiency point of view and seek cost revenue synergies.

DIGITAL & INTELLECTUAL CAPITAL

We constantly invest in digital platforms so as to provide transaction convenience, unrivaled customer experience and pioneering solution suggestions to our 9.6 million digital banking customers. We expand our digital customer base and increase the share of digital channels in our sales. We take precautions against all risks which could prevent secure and uninterrupted service (e.g. cyber threats) ensuring information security.

HUMAN CAPITAL

We invest in our employees by focusing on their development, satisfaction and well-being through 3,200 virtual training programs, an average of 31 hours of training per FTE and 7 well-being programs. We strive to form teams possessing team spirit, acting with shared wisdom, social responsibility and delivering results. We embrace a fair and transparent management policy based on performance, focused on equal opportunities and diversity.

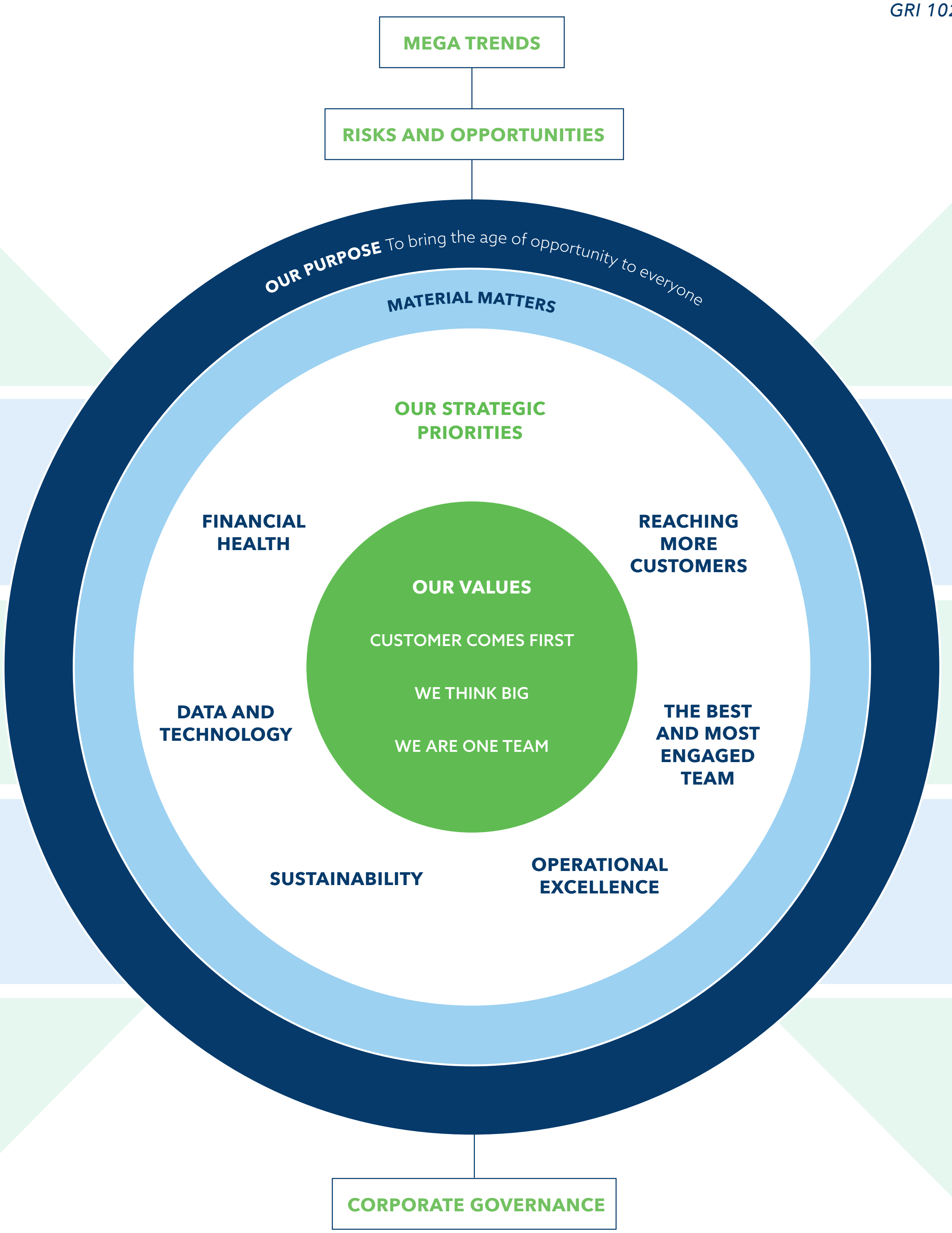
RELATIONSHIP CAPITAL

We strive to offer our 18.8 million customers an excellent customer experience by placing them at the center of all our activities and by designing our processes from their perspective. We aim to be transparent, clear and responsible towards our customers and establish long-lived relationships built on trust. We help our customers in making informed decisions supporting financial literacy, health and inclusion through solutions we offer.

NATURAL & SOCIAL CAPITAL

We transform savings into sustainable investments by offering sustainability products & credit lines and TL 51 billion lending based on impact investment principles. We advise our customers to grow their businesses in a sustainable manner in our daily communication and initiatives tailored to their needs. We strive to drive positive change through 44 engagement platforms and 27 memberships. We focus on community investment programs and invested TL 60 million delivering impactful outcomes on material issues.

GRI 102-46



GRI 102-46

VALUE CREATED

GRI 102-46

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

FINANCIAL CAPITAL

We contributed TL 416 billion (USD 56 billion) to the economy, through cash and non-cash lending and our operations produced a Return on Average Equity of 11% and a Return on Average Assets of 1.3% with a Capital Adequacy Ratio of 16.9% and CET-I of 14.3%. Garanti BBVA's market capitalization reached TL 43.6 billion (USD 5.9 billion) at the end of 2020. We contribute to the economy and the society by paying dividends to our shareholders, salaries to our employees, invoices to our suppliers and tax revenues to governments. We make a significant contribution to public finances not only through our own tax payments, but also, through third party tax collection due to our economic activity. The total tax contribution of Garanti BBVA to public finances is disclosed voluntarily on Garanti BBVA Investor Relations website.

DIGITAL & INTELLECTUAL CAPITAL

As a result of our investments in digital channels and technology, we provided uninterrupted and swift access to support the increased channel use especially during the pandemic period, protected the health and safety of our customers and employees, and achieved the highest increase in our digital customer base. The share of digital sales in total sales increased to 57%. As a pioneer in digitalization, we empower our customers with state-of-the-art digital solutions and set an example for our peers in keeping up with the latest technological advancements.

HUMAN CAPITAL

We created employment for 18,656 people and our efforts in promoting equal opportunities and enabling professional development contribute to our high employee engagement score and low turnover. With a women ratio of 40% in management levels and a variety of initiatives promoting women's advancement in their career, Garanti BBVA is the only company in Turkey having qualified for the Bloomberg Gender Equality Index four years in a row since 2017.

RELATIONSHIP CAPITAL

Our relationship with our customers is built on trust by exceeding their expectations and enhancing their satisfaction. Having the highest Net Promoter Score in SME banking and the second highest in retail banking is a result of our customer experience focus that is at the core of our business model. Our efforts in supporting financial literacy, health and inclusion resulted in touching the lives of 898,212 customers that started using savings products.

NATURAL & SOCIAL CAPITAL

Our impact investment principles and participation in financing renewable energy projects led to avoided GHG emissions of 7.2 million tonnes of CO_2e based on total operational installed capacity, while the Scope 3 footprint of our energy production portfolio is 0 in new PF commitments. Our engagement activities led to 11 policies/position papers that are issued to contribute SDGs and we invested TL 60 million in community investment programs addressing 4 different challenges. As a result of these efforts, Garanti BBVA has qualified in 10 leading sustainability indices.

Summary of the Board of Directors' Annual Report

873 5 min 2 loans

2020 has been a year never experienced before, both socially and economically, that global economy and markets were dominated by COVID-19. Governments announced a series of support packages in an effort to mitigate the negative impacts upon economic actors. According to IMF's calculation, the financial support provided to GDP throughout 2020 was 24% in developed countries and 6% in emerging and middle-income economies. Similarly, Turkey strove to alleviate the negative impact resulting from the pandemic through an array of policies that included, the CGF packages, along with deferred collection of loans, part-time work support, deferred collection of taxes, debt restructuring and quantitative easing. Although the influence of the pandemic upon growth was felt in the 2nd quarter, loosened lockdown measures and lagging effects of supportive policies led to a quick recovery momentum from June onwards. The momentum in the economy, although somewhat softened, still remains strong, despite the pandemic-related restrictions imposed by end-November and the recent financial tightening. In this context, 2020 growth is estimated to be above 1%, which positively decouples Turkey from other emerging countries.

In the midst of this backdrop, Garanti BBVA, while preserving its asset quality on one hand, continued to extend loans to its customers under any circumstances, in an effort to help mitigate the economic impact of the pandemic on them. The Bank posted a consolidated profit of TL 6 billion 385 million in 2020. In this highly volatile year, given the prudent risk approach of Garanti BBVA, the bank set aside free provisions of TL 2 billion 150 million, and increased its total free provision reserve to TL 4 billion 650 million. Free provision adjusted return on equity was registered as 14.4% and return on assets was 1.8%.

Garanti BBVA recorded a growth of 29%in total loans in a period of high liquidity demand by the real sector. . While the growth was led by TL business banking loans that registered an annual increase of 40%, consumer loans picked up in the second half of the year along with normalization. FC loans continued to shrink with the effect of declined loan demand due to volatile exchange rates. FC loans ended the year with 1% contraction.

Customer-driven deposit base continued to make up the largest portion of Garanti BBVA's diversified and dynamic funding structure. The rate of increase in customer deposit base was close to loan growth, realized at 30%. Hence, the Bank was able to preserve its LDR at 94% on a consolidated basis.

In terms of liquidity, the Bank maintained its healthy stance throughout 2020. Garanti BBVA has significantly less need for external borrowing due to shrinking FC loan portfolio since 2013. While the Bank's total external debts decreased from USD 12.4 billion to USD 8.0 billion in 2020, increased its FC liquidity buffer to USD 12.5 billion.

Despite the pressure of declined loan rates, Garanti BBVA was able to increase its Net Interest Margin (NIM) as compared to year-end 2019 on the back of its effective management of deposit costs, its diversified funding structure and the increased share of demand deposits in total deposits during the year. Today, with 5.4%, the Bank has the highest NIM (including swap costs) among its peers.

Garanti BBVA kept continually exhibiting a proactive and prudent approach to risk management. Including free provisions, it remained one of the banks setting aside the highest amount of provisions for its loans.. Net NPL formation was negative because of deferred loans and change in NPL recognition term from 90 to 180 days, which were introduced by the regulatory authorities due to the pandemic. NPL ratio decreased to 4.5% in 2020 from 6.8% in 2019 with o the strong growth in lending, negative net additions and written-down loans. Despite the additional provisions set aside during the course of the year because of the pandemic, Net cost of risk (CoR) realized below guidance at 231bps.

The fee regulation and declined economic activity due to the pandemic resulted in relatively weaker growth in commissions. Net fees and commissions grew by 5% year-over-year in 2020. Operating expenses, on the other hand, increased by 15% in the reporting period, due to currency impact and the effect of unbudgeted fines. Excluding these impacts, OPEX growth would have been 9% in 2020, in line with the operating guidance plan.

Recognizing that the impact it creates is not restricted to banking, Garanti BBVA works with a focus on responsible and sustainable development to continuously create value for its stakeholders. Total financing extended to fields supporting sustainable development to date exceeded TL 45 billion. Since 2015, the Bank has been providing financing exclusively to renewable energy projects, mostly to wind power plants within the scope of project finance. Within this framework, Garanti BBVA will keep consolidating its pioneering position in the sector by continued extension of Renewable Energy Finance, Green Bonds, Social Bonds, Green Loans and credit products designed to ensure equality of women and men in business life. The solid balance sheet composition and the capital adequacy ratio at 16.9% that is well above the required level shelter the Bank amid the recent volatile market conditions. Its strong revenue generation capability and robust provision buffers ensures Garanti BBVA's leading position in the sector.

2020 Key Performance Indicators

472 3 min 2 garanti

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

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

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

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

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

FINANCIAL HEALTH

LEADING NET PROMOTER SCORE
HIGHEST IN SME
2ND HIGHEST IN RETAIL
Among peer group

DISABLED FRIENDLY ATMS
5,276
99% of all ATMs

CUSTOMERS THAT STARTED USING SAVING PRODUCTS
898,212

CUSTOMERS INFORMED ABOUT THEIR FINANCIAL POSITIONS
92%

SUSTAINABILITY

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT
TL 51 BILLION
(to date)

SUSTAINABILITY INDICES IN WHICH GARANTI BBVA IS INCLUDED
10

INVESTMENT IN COMMUNITY PROGRAMS
TL 60 MILLION

% OF LOANS WITH ESG PROVISIONS IN LOAN AGREEMENTS
100%

THE BEST AND MOST ENGAGED TEAM

EMPLOYEE ENGAGEMENT SCORE
71

HIGH PERFORMER TURNOVER
1.6%

WOMEN EMPLOYEES IN DECISION MAKING POSITIONS
40%

33,000 participants in **3,200** virtual training programs

OPERATIONAL EXCELLENCE

RETURN ON AVERAGE ASSETS
1.3%

RETURN ON AVERAGE EQUITY
11.0%

NON-PERFORMING LOANS RATIO
4.5%

CAPITAL ADEQUACY RATIO
16.9%

COMMON EQUITY TIER 1 RATIO
14.3%

COST / INCOME
36.5%

SHARE OF DIGITAL SALES IN TOTAL SALES BASED ON PRODUCT RELATIVE VALUE
57%

DIGITAL TRANSACTIONS IN NON-CASH FINANCIAL TRANSACTIONS
97.4%

CUSTOMER CONTACT CENTER
Leader in the sector with **96.8%** Call Response Rate and **76.8%** Service Level

DATA AND TECHNOLOGY

PROGRAMS FOR RAISING AWARENESS OF CUSTOMER PRIVACY AND INFORMATION SECURITY
12

EMPLOYEES PARTICIPATING IN CYBERSECURITY TRAINING
99%

NUMBER OF ROBOTIC PROCESS AUTOMATION IN PRODUCTION
44

VALUE-ADDED PROJECTS USING BIG DATA AND MACHINE LEARNING
41

NUMBER OF QUERIES ANSWERED BY CHATBOT BILGE (THE WISE)
321 THOUSAND

REACHING MORE CUSTOMERS

GROWING CUSTOMER BASE EFFECTIVELY
18.8 MILLION
Customers chose Garanti BBVA, Active digital customers increased to
9.6 MILLION

AMOUNT OF CARDLESS TRANSACTIONS VIA GARANTI BBVA ATMS EXCEEDED
TL 50 BILLION

Yearly transactions performed through internet and mobile banking channels
580 MILLION

SHARE OF ACTIVE CUSTOMERS USING DIGITAL BANKING
79.2%

Garanti BBVA | Integrated Annual Report 2020

OUR 2020 MATERIAL ISSUE: COVID-19

Our 2020 Material Issue: COVID-19

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CREATING RESPONSIBLE AND SUSTAINABLE VALUE FOR ALL STAKEHOLDERS IN UNCERTAIN AND DIRE TIMES

Looking Out for Our Employees' Health

Standing by Our Customers

Providing for the Benefit of Society

Considering the health of its employees, customers and the society as its topmost priority during the pandemic, Garanti BBVA, as always, focused on taking responsible and sustainable actions through these times. The Bank maximized its precautions against the extremely rapidly spreading Coronavirus pandemic that took hold of Turkey along with the whole world. As the impact and status of the pandemic fluctuated, the Bank reviewed and reshaped its efforts and initiatives with measures classified as to be suspended, updated, strengthened and initiated. One of the strongest muscle of the Bank in this period has been its organizational agility, which provided the ability to rapidly shift its focus for redefining its priorities, fulfill the society's, customers' and employees' needs uninterruptedly and rapidly while protecting their health, and consequently to deliver good experiences.

Looking Out for Our Employees' Health

Having spelled out its primary responsibility as delivering uninterrupted service to the society, stakeholders and customers being Turkey's leading financial institution, Garanti BBVA defined its employees' health as its topmost priority.

To this end, each step taken was built, first and foremost, on the basis protecting employee and customer health and managing this strategy in a balanced manner. The steps taken and precautions adopted are addressed under the headings monitoring the current situation and health processes, physical environment, hygiene and employee services, and finally, technology and data.

MONITORING THE CURRENT SITUATION AND HEALTH PROCESSES
Close follow-up of the current status of employees' health and management of health processes

PHYSICAL ENVIRONMENT
Arrangement of physical working environments and facility services in accordance with the conditions dictated by the pandemic

HYGIENIC MEASURES AND EMPLOYEE SERVICES
Providing the hygienic working environment needed by employees and adoption of all necessary hygienic precautions

TECHNOLOGY AND DATA
Utilizing the means and possibilities offered by technology, integration of robust data infrastructures and data within decision-making processes

In doing so, Garanti BBVA took utmost care to achieve complete alignment with the instructions and guidance of local and international health authorities.

Transition to remote working infrastructure within 2 weeks in March

As one of the most vital steps of preventing the spread of the pandemic, all employees falling under the "vulnerable group" as defined by local health authorities are kept away from working environments. All events, trainings and foreign trips were canceled. A broader group of employees began working from home under the remote access model from March 17th onwards. Garanti BBVA was fast to adapt to this situation that obligated a shift in the working model of the financial services sector at a highly unforeseen time. At the same time, rotating working model of home-based working and in-office presence was introduced in regional offices and branches. Working hours were modified in line with the decisions made by the authorities. Flexibility was provided in the dress code to allow employees to work more comfortably and to facilitate their adherence to hygiene guidelines.

In order to guarantee no setbacks in their work and to sustain service availability, the Bank focused on constantly supporting and upgrading the technological infrastructure and capabilities made available to its employees.

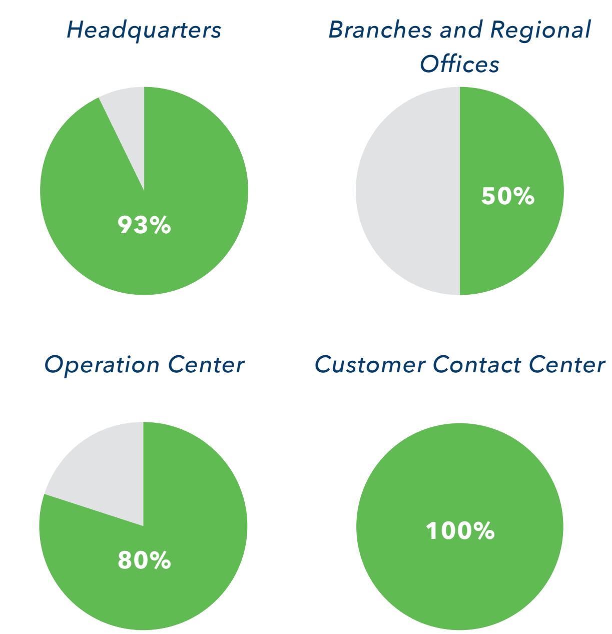
Investments in robust technological infrastructure which was existing before the pandemic, provision of hardware aimed at mobilizing employees that was already initiated, digital business processes and agile working methods adopted allowed Garanti BBVA to quickly adapt to teleworking, and to work in the most productive manner during the pandemic.

Remote access model, Full provision of hardware with enterprise devices

To secure business continuity and service excellence in certain work areas, role-specific hardware was set up in designated teleworking locations. All employees were given remote access authorization to their work computers. Laptops were procured for 1,735 employees in total, whose roles are appropriate for teleworking to enable them to work from home.

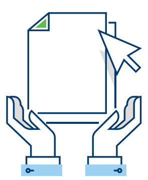
To guarantee business continuity, transactions especially carried out at branches and are fit for digitalization were centralized and necessary procedures were created. The Operation Center was particularly critical at this point. Garanti BBVA rendered 80% of the Operation Center capable of teleworking. In addition, teleworking was initiated also for Customer Contact Center and banking service. For delivering the best service quality in work areas that saw significant increase in customer demands during the pandemic, employees possessing the appropriate capabilities were rapidly identified, a quick transformation was secured in this context thanks to the flexible organizational structure of Garanti BBVA, and competencies of employees falling in this category were strengthened with necessary training programs. With an agile approach, finding solutions to suddenly arising customer needs was successfully managed with a much-faster-than-expected approach.

Transition to Remote Work



Plexiglass separators were installed in branches in order to protect the health of customers and branch employees contacting the customers. All branches and buildings were disinfected. Masks, disinfectants, gloves and similar protective products continue to be supplied on an ongoing basis to all the employees in work locations. Besides all these measures and efforts, work continues uninterruptedly for rendering the working environments healthier.

Given the conditions that the employees are in, the performance system covering sales targets was reviewed and revised when necessary, in an effort to minimize lengthy contact that might increase the risk of infection.



Daily inventories to follow-up the the health of employees and their families

Through the inventory that was created to follow-up the health of employees and also their families, which can be easily reached through digital platforms, the Bank enabled all of its employees to report illness and suspected cases for themselves and their families on a daily basis. In line with the information gathered from the inventory, Occupational Health and Safety Team made the necessary medical assessments and followed up employees' isolation processes. Contact was established with all employees reporting a suspicious case within 24 hours. Employees who are confirmed or highly suspected COVID-19 cases were followed up closely through their recovery. Adherence to the Bank's corporate policies and practices not just by Garanti BBVA employees but also by 3rd party service providers was monitored closely.

Infrastructures capable of tracking the course and impact of the pandemic and of strengthening data-driven decision-making were developed; regular analysis of data using the pandemic-linked comprehensive, up-to-date database backed proactive action plans. In principle, the Bank closely followed the course of the pandemic around the world, and its evolution across the country, along with certain high-risk hinterlands. Accordingly, proactive measures for the days ahead were adopted, rather than reactive ones for today. In addition, available data were monitored constantly; decisions were updated as and when necessary, and needs were fulfilled with an employee-centric flexible structure. Along this line, data from the COVID-19 Assessment survey that collected employee opinions measured the Bank 4% above the Turkey benchmark score in terms of the top management's suitable response to the crisis and attentiveness, closely dealing with the health of employees. In general, employees think that technological infrastructure and equipment needs were procured rapidly, adaptation to teleworking arrangements was quick during the pandemic, and with the intensive and inclusive occupational health and safety practices introduced, holistic practices were more successful and employee-centric as compared to those in other companies.

The course of the pandemic across the country was regularly monitored, as a result of which protective measures were developed tailored to high-risk or projected high-risk regions, and ratios of office- or home-based working were dynamically arranged. Social distancing and close contact tracking processes in buildings were backed by technological infrastructure and mobile applications, and steps were taken as necessary.

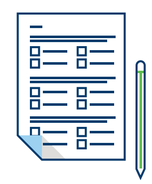
COVID-19 Hotline for employees

Believing in the high value of information provision and transparent communication in every step along the way, Garanti BBVA keeps its employees informed about the evolution of the situation through live streams. Bringing its employees together with occupational physicians and subject matter experts on respective fields, as well as the senior management, the Bank facilitates access of its employees to the most accurate and quality information needed. The COVID-19 Hotline was set up to give all employees fastest access possible to information from the most reliable sources. The information page created on the intranet lets all employees instantly track the implementations and developments.

Psychological Support

- *Employee Support Hotline*
- *Seminars*
- *Monthly Bulletins*

Putting emphasis and dwelling also on its employees' psychological well-being since 2010, Garanti BBVA incorporated additional psychological support service for the negative effects of the pandemic to its existing "Employee Support Hotline" service. In this context, employees who feel the need benefit from the online psychological support service on this line. Additionally, monthly interactive seminars were organized whereby expert psychologists gave information about the different aspects of the pandemic. Moreover, in September the Bank began publishing monthly bulletins covering suggestions to increase the wellbeing of employees.



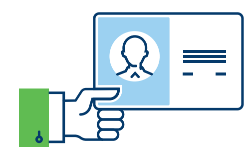
Training Modules on Health and Safety in Home-Based Working

Numerous training programs were designed within the scope of COVID-19, protection measures, and alignment with new working arrangements. Two training modules were offered to employees, which were titled "Health and Safety in Home-Based Working" aimed at helping establish healthier and more secure settings at home, and "Return-to-Office Plan and the Measures Adopted", describing the precautions for when in-office presence is required. Other Occupational Health and Safety Training Programs were designed and made available to employees in formats compatible with the conditions inflicted by the pandemic, and as online programs whenever possible.

While all efforts within this scope helped employees feel secure, they also constituted an element strengthening the employee-centric HR strategy of Garanti BBVA. They also served to complete fulfillment of the employees' responsibilities towards customers, stakeholders and the society.

Standing by Our Customers

The pandemic deeply impacted customers' lifestyles. Changes occurred in many aspects of life including social distancing, new health and hygiene routines, homes converted into offices, or going to work under abnormal conditions and embracing digital services. Garanti BBVA included its customers within its top priorities also in these challenging times as it always does, and worked to stand by its customers and to take the actions that will create value for them at all times.



Custom-tailored solutions to +65 customers

The Bank continued with its investments to solidify its technology with the aim of increasing the speed and success of its past and future steps. Thanks to its robust infrastructure, no system failures occurred despite the record number of daily active user logins; nearly 16 thousand employees that were referred to working from their homes within a very short period of time, including Customer Contact Center employees, were able to access all banking platforms through their company equipment, and instantly reach the necessary information and announcements. The Bank was able to respond to customer needs independently from location through the online banking platform installed to tablets. Despite the doubled number of incoming calls to the Customer Contact Center, customer demands were satisfied easily and rapidly.

Percentage of customers satisfied with branch services and precautions: ***95%***
(April-September)

Communication satisfaction rate: ***78%***
(April-May)

In this period, Garanti BBVA more tightly embraced its goal of being more than a bank for its customers and being positioned in their lives as a solution partner; the Bank relentlessly carried on with its surveys to hear its customers, and to gain insight into their changing behaviors and needs.

With the emergence of the pandemic, Garanti BBVA has seen that its relationship with its customers acquired a new dimension; the customers no longer regarded the Bank just as a financial advisor, but expected the Bank to adopt all hygienic measures being a healthcare expert at the same time. The Bank took actions to prevent density in branches; it did not apply any amount limitations for its +65 retail upscale customers' cash withdrawals via order Again for +65 customers, the Bank destroyed credit cards, which were to be received in branches, had them re-issued and delivered to their addresses. Some customers wishing to open a salary account were extended support by Head Office teams, without being referred to a branch. For protecting its employees' and customers' health, the Bank lifted the mandatory use of the G-Matik device used for arranging the lobby traffic in branches because of its touchscreen, and admitted a limited number of customers, one by one. Also, plexiglass separators were fitted on customer advisor desks. By means of the measures implemented, 95% of the customers visiting branches between April and September commented that they were very satisfied with branch services and precautions.

The Bank took care to maintain a clear and open communication with its customers regarding the decisions and implementations enforced in response to the pandemic; information was provided for 17 different situations by email, SMS, push notifications, social networks and the website. Precautions implemented in branches were announced with notices posted on branch entrances and monitors. Customers were kept constantly informed about new measures and practices. Hence, the Bank successfully maintained a high 78% satisfaction score with its COVID-19-related communication in April and May, when changes were the most intense.

Referral to Digital Channels

Uninterrupted service despite a record number of daily active user logins

Increase in digital and ATM money transfer limits

Fees and commission exemptions

Nearly 500 transaction sets on mobile banking app

Enhanced customer experience through new mobile banking functions

To guarantee service continuity, the Bank took important steps to enrich functionality on digital channels, and reached nearly 500 transaction sets on its mobile banking app, and informed its customers about how they can perform these transactions. To incite its customers to perform their transactions digitally, the Bank applied no fees for digital money transfers, organized new campaigns, updated existing ones, and increased money transfer limits on digital channels.

Robust Growth in Digital Customer Base

March 2020
2019
+1 MILLION

9.3 million active digital customers with the highest increase in digital customer base in March

To allow its customers to transact more conveniently using ATMs, daily cash withdrawal limits and automatic refund limits for cash that get stuck in ATMs was increased, while hourly transaction limits were doubled. In order to remove all the obstacles concerning digital transacting during the pandemic, "obtain and renew password for digital channels through video call" function was added to the mobile banking app within a short period of time. The Bank attained the highest-ever rise in digital customer base in March and reached 9.3 million active customers. At the same time, 69% of customers are stating that they are using digital channels at a higher extent and 54% are saying that they are going to the branches less frequently.

To protect customers' financial health in this period, the Bank offered the chance to defer and restructure the debts on its loan products. The Bank extended the deadlines for prizes earned in campaigns. Credit card payment limits were increased to facilitate spending for retail customers. Limit increase campaign was initiated to help commercial credit card holders to sustain their businesses and ease their product purchases. Credit card due deferral offer was launched for customers financially distressed because of the pandemic. The Bank also suspended the closure of credit cards to cash advance during the course of the pandemic, and allowed existing ones to be used for cash advance. Additional conveniences included 3 month postponement and a 6-installment repayment plan for easy repayment of total debt resulting at the end of this period. With this solution, the Bank stood by its customers in several respects including temporary payment difficulties of customers during the pandemic, preserving their cash assets amid the uncertainty environment, postponing their card debts while continuing to use their cards, and preventing downgrading of their credit scores.

Deferrals & Restructuring

TL 40 billion loan deferral

1.1 million accounts

13.5% of the entire loanbook

Support Packages

TL 7.5 billion TL CGF Cheque & Expense Package Support

~12 thousand SME and Commercial Customers

18% market share

The Bank put its visionary investments and leadership in payment systems to use for sustainable economic development and contributing value to its customers during the pandemic. The Bank engaged in intense information campaign regarding contactless shopping solutions such as Payment with QR, Mobile Payment and GarantiPay. The Bank replaced POS devices used in member merchants with contactless terminals enabling payment without touching the POS device, and offered PIN pad devices with contactless capability. The Bank quickly adjusted itself to contactless transaction limits being increased to TL 250 by the Interbank Card Center (in Turkish: BKM). While the number of annual contactless transactions tripled, the Bank kept standing by its customers owing to its operational excellence prioritization. In a similar move, the Bank increased the number of QR-enabled devices to promote payment with QR. To facilitate customers' shopping without leaving their homes, the Bank established cooperation with a

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number of e-commerce companies. Garanti BBVA invested in its remote payment infrastructure so that commercial activity of physical business places would not be hurt, and end users would be able to make their payments without leaving home, and thus launched Collection by Code. At its own discretion and also in accordance with the decisions of regulatory agencies, Garanti BBVA suspended interests and fees charged to a variety of transactions including cash-to-account money transfer, cash deposit from a different bank's ATM, postpone transaction, money withdrawal, as well as commissions charged to restructured loans. The Bank lengthened the time stipulated for classification of customer loans in non-performing loan category by two.

Pioneering solutions in payment systems during the pandemic

Keeping its customers among its priorities in this period, as it always does, Garanti BBVA continued to understand their changing needs and expectations and to offer the solutions aligned with their needs. With its initiatives, the Bank not only keeps pace with the evolution in customer behaviors, but also invites its customers to change and continues to evolve together with them.

Providing for the Benefit of Society

The COVID-19 pandemic, which deeply impacted our country along with the rest of the world and negatively affected every aspect of social life -particularly the economy besides community health-, has been a process that bared the importance of cooperating in the face of changing social needs, taking responsibility by institutions, and undertaking a pioneering role.

In the initial phase when the pandemic spread rapidly, Garanti BBVA has led the first step on behalf of the banking sector within the frame of the nationwide cooperation in response to the urgent needs arising in the healthcare sector and infrastructure. The Bank set aside a TL 10 million-fund for supplying the equipment urgently needed by state university hospitals where the combat against the pandemic was at its most intense in March. The fund was intended to urgently finance technical equipment that was critical for the treatment of the illness, and materials needed in great quantities particularly by doctors and healthcare workers such as masks, face shields, gloves, protective coveralls, scrub caps, watertight aprons and footwear. A critical support of this extent has, in a sense, pioneered the sector as well.

In keeping with the responsibility of being one of the largest banks in our country, Garanti BBVA fulfilled its share economically, while paying attention to the society's sensitivities, closely monitoring and extending support for arising or potential needs, and taking on a pioneering role during the pandemic. In this respect, the Bank took an important step for procurement of ventilators, which was the priority need of ICUs in our hospitals across the country, and fulfilled a vital need by undertaking the procurement of 500 locally-produced ventilators worth approximately TL 30 million under the slogan "Your Breath is Our Breath Turkey", within the frame of the assistance package organized in all BBVA Group countries.

Although a new phase started in the pandemic with the vaccine studies getting underway that gave rise to different expectations, its effects on community life persist. At this point, Garanti BBVA approaches the new needs arising from the process or imminent needs with the same sensitivity, and sustains its contribution to the society in these respects through sustainable projects and programs. One of the most important examples in this regard came to life in education, an area that was worst hit by the pandemic. The Teachers' Academy Foundation (ÖRAV) founded by Garanti BBVA kept supporting the teachers uninterruptedly from the start of the remote education semester via eKampüs, its remote learning platform the infrastructure of which was constructed eleven years ago and updated last year. Having quickly adapted to the requirements of the digital age with eKampüs, ÖRAV kept a close eye on the emerging needs of teachers and students in this period. Based on these needs, Garanti BBVA, in cooperation with ÖRAV, authored a new educational project launched in September: Teachers Without Distances web seminars series... Web seminars conducted through ÖRAV'S remote learning platform eKampüs will continue to be held across 81 cities in Turkey throughout the year, and will contribute to equipping the teachers with the necessary skills and capabilities that will help them manage the remote education process in the most effective way and to make a difference.

TL 40 Million Donation

TL 10 MILLION

- First donation among banks
- Technical and protective equipment for state university hospitals

TL 30 MILLION

Donation of 500 locally-produced respirators to 53 hospitals

Garanti BBVA aims to keep contributing to our country with its long-term sustainable investments that will support sustainable development goals and respond to the needs in different areas that will move the society forward, as it does in the field of education.

While successfully reshaping its business model recognizing its role and responsibilities during uncertain and dire times, the Bank continues to understand evolving customer needs and expectations, to cater to them rapidly, to help its employees develop so that they can adapt to new processes while protecting them, and to use its power for the benefit of society.

Detailed information about the actions taken by Garanti BBVA within the scope of COVID-19 is available in Risk Management, Stakeholder Engagement, Risks and Opportunities, 2020 Performance and Outlook in Strategic Priorities, and Corporate Governance sections of the report.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

FINANCIAL HEALTH

BURAK ALİ GÖÇER
CEO - Garanti BBVA Pension

ELİF GÜVENEN
Director - Corporate Brand Management and Marketing Communication

HÜLYA TÜRKMEN
Director - Customer Experience and Satisfaction

ZEYNEP ÖZER YILDIRIM
Istanbul, Kozyatağı Commercial Branch Manager

MAHMUT KAYA
CEO - Garanti BBVA Asset Management

Scan the QR code to watch the video.

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

Financial Health

7,307 | 37 min | 12 | customer

Related Material Topics	Value Drivers	Indicators	2019	2020
	OFFER OUR CUSTOMERS SOLUTIONS AND SUGGESTIONS THAT CATER TO THEIR NEEDS SO AS TO HELP THEM ATTAIN THEIR GOALS	New and updated products, services and channels that aim to support the customers in terms of managing their financials	5	5
		Customers informed about their financial positions	85%	92%
	FINANCIAL ADVISORY TO OUR CUSTOMERS TO HELP THEM MAKE THE RIGHT/HEALTHY FINANCIAL DECISIONS	Disabled-friendly Garanti BBVA ATMs	5,214	5,276
#3 BUSINESS ETHICS, CULTURE AND CUSTOMER PROTECTION		Customers that started using saving products	943,541	898,212
		Products or services that are changed and developed through customer feedback	40	27
	DELIVER AN EXCELLENT CUSTOMER EXPERIENCE BY PLACING THE CUSTOMERS AT THE CENTER OF ALL OUR ACTIVITIES	Individual Net Promoter Score* (Ranking)	#2	#2
#11 FINANCIAL HEALTH AND ADVICE		SME Net Promoter Score* (Ranking)	#4	#1
		Net TCR Score **	41%	63%
		Target customers surveyed	9%	10%
	BUILD LONG-LASTING RELATIONSHIPS WITH CUSTOMERS AND BE THEIR TRUSTED PARTNER	Feedback received	1,068,000	1,296,702
		Decrease in customer complaints (%)	22%	0.5%
		Proactive actions taken against potential situations likely to cause customer dissatisfaction	18	6

** Net Promoter Score research is conducted by independent research agency Ipsos for Garanti BBVA. According to the research results, Garanti BBVA has the 2nd highest Net Promoter Score among retail customers representing its own profile and the highest one among SME customers, in both cases compared to its competition, which includes İşbank, Akbank, Yapı Kredi Bank, and QNB Finansbank. Research was conducted between October 2020 and December 2020. Main bank customers, who have communicated with the banks over the last 3 months, were surveyed using online panel and telephone techniques by quota sampling.*

*** Net TCR (Transparent, Clear and Responsible Banking) Score measures whether the information which bank provides is complete and clear. It is calculated like Net Promoter Score.*

Contributed Sustainable Development Goals

1 NO POVERTY | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES

Moving forward with its value 'Customer comes first', Garanti BBVA shapes its products and services around the customer positioned at the heart of its operations. Underlining the customer-centric approach of Garanti BBVA, this value identifies empathizing with the customer as the top priority of employees, describes the necessity to disclose all kinds of information when responding to customer needs within the frame of responsible business principles, and calls for a result-oriented approach. When serving their customers, Garanti BBVA employees go beyond meeting their needs and offer solutions that amaze the clients.

As one of its strategic priorities, 'Financial Health' for Garanti BBVA means offering its customers solutions and suggestions that cater to their needs so as to help them attain their goals, financial advisory to help them make the right/healthy financial decisions, delivering an excellent customer experience by placing its customers at the center of all its activities and building long-lasting relationships with its customers and be their trusted partner.

In order to measure the performance in terms of fulfillment of customer expectations and to reveal improvement areas, Garanti BBVA conducts Net Promoter Score (NPS) studies and after-service questionnaires with customers receiving service from branches, Customer Contact Center, Customer Experience Support Team and digital channels.

One of the main design principles of Garanti BBVA is to be able to offer to customers the financial solutions that can be easily performed anytime, anywhere. To this end, Garanti BBVA conducts monthly usability surveys to better observe its users' needs. Based on these surveys, solutions are devised for user experience problems associated with existing functions, and user experience is kept in the focal point in relation to new products to be launched.

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

While offering solutions catering to the needs of its SME customers, Garanti BBVA also continues to offer advisory to help them make sound financial decisions. The Bank keeps them informed about the developments in their respective sectors and other matters that have implications for their business lives and supports their growth.

Making proposals that are aligned with customer needs in order to help them make healthy financial decisions, Garanti BBVA offers suggestion systems that help customers make the best financial decisions which are backed by smart solutions integrated with new generation payment technologies.

Garanti BBVA will continue to broaden the proposals designed to improve customers' financial health and offer suggestions and solutions to help them easily manage their daily financial lives and reach their life goals.

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

1 - CUSTOMER UNDERSTANDING CAPACITY

COVID-19 that deeply impacted our lives reshaped our banking habits, financial needs and expectations from financial institutions. New variables of the pandemic such as infection anxiety, socially distanced relationships and economic uncertainty continue to modify consumer behavior.

Adapting its insight generation studies to the current conditions, Garanti BBVA conducted new monitoring and deep understanding initiatives. The resulting customer insights were combined with internal data, which the Bank used to closely monitor the evolved customer behavior, needs and sentiments in this period. In 2020, the Bank contacted nearly one million customers and received their feedbacks concerning their needs and expectations during the pandemic, whether they are content with the measures adopted at branches, along with brand perception and their journeys. The Bank upgraded its services by taking into consideration approximately 2,147 opinions of employees in relation to customer experience, which have been conveyed through the Ask/Share platform.

All insights that become a part of Garanti BBVA's corporate intellectual capital have been regularly utilized by employees also in 2020. The design teams, in particular, made use of customers' and employees' opinions throughout the entire process from problem identification to solution generation.

2 - DESIGN PHILOSOPHY

The design philosophy of Garanti BBVA is built on designing the experience at all moments and channels of contact, i.e. the entire journey, from the perspective and standpoint of customers end-to-end. The 'Customer Journey' methodology adopted by the Bank has become a powerful tool in creating consistent, seamless and supportive experiences for customers.

Customer behaviors and needs that changed with the pandemic, coupled with the priority to protect public health, made it even more critical to reconstruct the experience in physical channels in a manner to protect customer and employee health, and to enable completion of every possible step of the journey through digital channels. Garanti BBVA captured its design philosophy centered around standing by the customers at every step in real life by implementing the necessary health-related precautions at branches and ATMs, steering the customers to digital channels at every possible moment of contact, publishing guiding content about the topic, offering advantages such as period-specific limits, no-fee transactions and the like as well as variety for digital functions.

3 - EMPATHETIC CULTURE

In 2020, people's need for empathy and compassion has been greater than ever before. With the transition of almost all of the employees to permanent or rotating work-from-home order within a very short period of time opened the door to a new and totally unfamiliar world. New routines, new responsibilities, creating a new order, communicating not face-to-face but through remote access have been challenging. Garanti BBVA employees worked very hard to maintain the human touch, in addition to offering the fundamental services uninterruptedly throughout this extraordinary period. Ensuring continued communication with customers, checking on their health and well-being, and standing by them by providing financial support through this difficult period became the main goals.

4 - MEASUREMENT SYSTEMS

Based on the priority to help protect public health, Garanti BBVA suspended all of its face-to-face measurement studies and turned to digital solutions during the pandemic for continued measurement of its performance in fulfilling customer needs and expectations.

- 93% of customers who came to and were serviced at branches between April and December stated that they were content with the measures implemented against the pandemic and with the service furnished.
- 75% of customers commented that the information and guidance provided in this period were satisfactory.
- About 30% of customers stated that their banking habits changed after the Coronavirus outbreak. While one out of every 4 customers had expressed this comment at the start of the pandemic, this ratio became one out of every 3 customers in the following months. 70% of the customers who stated that their habits have changed said they began using digital channels more, whereas 53% said they decreased their branch visits.*
- The number of complaints by the Bank's 1,000 active customers kept falling down in 2020. There was a decrease by 0.5% as compared with the previous year.

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

- For the sixth consecutive year, Garanti BBVA was named the Best Retail Bank in Turkey in 2020 for its innovative services and products by the World Finance Magazine, one of the world's eminent business and finance magazines.
- The Bank was given the Best Retail Bank in Europe award for the third time by the European CEO Magazine published in Europe.
- The Retail Banking Family acting with its ever-adaptable dynamic structure and with the "customer comes first" principle was named the Best Brand of the Decade in retail banking in Europe by the World Finance.
- As a result of the assessment based on various criteria including product diversity and market share by Global Finance in the "Best Treasury and Cash Management Banks" category, Garanti BBVA once again earned the "Best Cash Management Bank in Turkey" title in 2020, after claiming the same title for three consecutive years in 2016, 2017 and 2018, for its broad product range covering, mainly, supply chain, collections and payment solutions.

WHAT WE DID IN 2020

In an effort to better understand and follow up the evolving customer needs and expectations, in-depth interviews with customers from diverse segments, regular questionnaires with active customers, and regular surveys monitoring the economic assessments of metropolitan customers were conducted in 2020. Net Promoter Score (NPS) studies were conducted with customers in the Retail, SME, and Commercial segments, Digital Channel and credit card users in order to measure the performance of Garanti BBVA in terms of fulfillment of customer expectations and to reveal improvement areas. With the same purpose, after-service surveys were carried on with customers receiving service from branches, Customer Contact Center, Customer Experience Support Team and digital channels. Advertising research measuring the performances of advertisements, brand surveys measuring the brand's share on the minds, and corporate reputation surveys measuring the reputation of the organization were among other regular surveys conducted. In addition, the annual music and basketball sponsorship surveys were carried out, which measure the effects of sponsorships.

Garanti BBVA finished the year second in Net Promoter Score study among retail customers in 2020 within the context of its focus on disciplined and sustainable growth and competitive priorities. Notwithstanding, having remained adhered to its seamless and high quality service principle in line with its "customer comes first" principle also during this trying year, the Bank was assigned a good score by customers in this respect, as stated in the Measurement Systems section. Among the SME customers, on the other hand, Garanti BBVA has been the most recommended bank in the sector. Taking utmost care to stand by its customers and to maintain continuous contact, the Bank was rewarded for its efforts.

Conducted regularly to prevent recurrence of customer dissatisfaction, root cause analyses continued, this time also incorporating the variables stemming from the pandemic. Actions taken in this context served to preclude 4% of situations giving rise to customer dissatisfaction in 2020. The circumstances surrounding the pandemic also took their toll on the actions that could be taken proactively; thanks to six actions taken in 2020, potential situations likely to cause customer dissatisfaction were also prevented.

Garanti BBVA adopted regular precautions to make the working environments healthier during the pandemic. Frequency of cleaning cycles was increased and necessary hygienic measures were taken. The entire branch network was disinfected within a central plan. Delivery of gloves, masks and hand disinfectants to branch employees continued regularly. Transparent separators were fitted on employee desks in branches, and customers were invited inside the branches one by one. These steps helped maintain the social distance between employees and customers.

** Results from the After-Service Survey conducted by independent research company Ipsos on behalf of Garanti BBVA in the April-December period.*

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While Garanti BBVA strongly urged its customers to use digital channels and contactless transactions on one side, it also worked to rapidly improve its capabilities on digital channels. The Bank backed this quick-moving transformation process via its employees, brief videos and other contents serving as a guide, and also with its compensation policy. In the same vein, daily cash withdrawal limits from ATMs were increased and cash withdrawal from other banks' ATMs became free-of-charge.

Digitalization protocols were reviewed, and actions were taken for swift and smooth digital onboarding of customers contacting physical channels. Non-digital customers were guided to the "get password" step via voice instructions or ATMs at the most suitable step of the journey, and their digitalization processes were followed up. Non-users of credit cards were able to create password via video call or NFC technology. On another note, guides were prepared to digitalize the newly-acquired and existing customers with a coherent experience in branches. These guides were designed to introduce new customers to the mobile app from the first moment of the relationship.

Besides upgrading its existing capabilities, the Bank introduced innovative solutions to customers with the goal of perfecting the customer experience delivered on digital channels. Apps offering the best customer experience in their respective fields were taken as model and integrated in design processes in order to enable practicability and fast transaction flows.
One of the main design principles of Garanti BBVA is to be able to offer to customers the financial solutions that can be easily performed any time, anywhere. To this end, Garanti BBVA conducts monthly usability surveys to better observe its users' needs. Based on these surveys, solutions are devised for user experience problems associated with existing functions, and user experience is kept in the focal point in relation to new products to be launched. Some upgrades that were implemented along this line include the following:

- Garanti BBVA Mobile app home pages were redesigned in a simpler and usable format; usability problems were solved.
- Transactions that would compel a customer visit to the branch during the pandemic were identified and digitalized. These steps can now be easily carried out through digital channels with such technological means as NFC, video call, etc. In addition, the "Do It Digitally" page explains how transactions are performed on digital channels to first-time digital customers.

- WhatsApp chatbot and UGI experience was improved to respond to identified needs more quickly, and provided users with the means to easily find the answers they need.
- Now able to communicate also in writing, UGI, the smart assistant of Garanti BBVA Mobile, can better understand customers thanks to its broadened transaction set and the new AI solution.
- To enable contactless transacting for customers, the QR transactions set was expanded with credit card debt payment and credit installment payment in addition to the Withdraw Money with QR and Deposit Money with QR transactions.
- The branch leg of the customer acquisition process was improved and redesigned. In parallel, the flow allowing the customers to self-initiate mobile onboarding was introduced, which digitalized and facilitated the customer acquisition process.
- Additionally, transaction flows were simplified and redesigned with functions incorporating data-driven developments in order to facilitate the most frequent transactions Garanti BBVA customers come to the branch for. Customer steering suggestions were incorporated in branch flows to raise awareness of transactions that customers can perform digitally.
- Thanks to its advanced infrastructure, Garanti BBVA quickly adapted the money transfer without an IBAN or account number when the TR ID No., Foreigner ID No., Passport No., Tax ID No. or E-mail Address is defined on the relevant account through Easy Addressing System to its mobile channel.

Timely and clear information provision about each new measure adopted has become more critical in this period. Best efforts were spent to provide timely and adequate information and guidance on all channels including the website, texting, branch monitors, etc.

Certainly, one of the greatest worries of customers in this period was suffering loss of income and defaulting on their debts. Garanti BBVA closely monitored and contacted the customers disclosing their need for financial support in the Bank's regular surveys, and strove to offer the best financial solution. While the regulatory framework governing credit and credit card debts in this period helped ease the financial stress, Garanti BBVA mobilized all of its teams to rapidly implement the necessary arrangements.

In 2020, Garanti BBVA continued with its initiatives that facilitate access to service from branches and Garanti BBVA ATMs for customers with disabilities, and that contribute to their physical and financial freedom through Disabled-Friendly Banking. Garanti BBVA is delighted that over 10 thousand employees completed the web-based Sign Language training to provide better service to disabled customers. In 2020, Garanti BBVA served through 5,276 disabled-friendly Garanti BBVA ATMs.

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

Supporting primarily customers wishing to find solutions to their problems via branches, the smart platform "Empathy Assistant" began supporting the employees to accommodate the circumstances stemming from the pandemic. Helping the employees reach current versions of the practices that frequently changed due to the pandemic, the platform extended support for the solution of more than 49,000 issues despite the reduced number of branch visits. The platform offers service to employees with more than 120 topics in its content.

Actions were taken in complaint handling, which take into consideration the effects of the pandemic. Accordingly, improvements were made on channels to enable first-contact resolution of issues by customers. Resolutions for most frequent customer feedbacks were added to channels. These solutions were kept up-to-date in keeping with the changing circumstances of the pandemic, thus minimizing their implications for customers. Upon the start of the pandemic, customers increasingly tended to convey their complaints through government agencies. As some customers chose the BRSA as a channel to convey their complaints, the number of complaints and demands received through this channel increased by more than five times as compared with the previous year. The collaborative efforts of a team dedicated to complaints received via government agencies and all related teams within the Bank allowed handling customer demands and complaints as quickly as possible. Within the frame of complaint handling digitalization, customers began communicating their complaints, suggestions and appreciation through Garanti BBVA Internet Branch starting from October. Besides communicating their feedbacks through this channel, customers can also view the status of their existing complaints and past feedbacks.

Regular meeting series launched in 2020 were intended to eliminate the disadvantages emanating from physical distance and to ensure continued communication and information flow among all employees and teams.

Garanti BBVA's initiatives that help its customers manage their personal finances are as follows:

- Garanti BBVA has been the first bank from Turkey to join Global Payment Innovation (GPI) launched n 2017 by SWIFT, and made available Outbound Tracking on Garanti BBVA Internet Banking for SWIFT transfers to domestic and overseas banks. In 2020, it has become the first bank across the world to complete the integration of SWIFT GPI Pre-Validation, the new service developed by SWIFT for international money transfers.
- In addition to Outbound Tracking and SWIFT GPI Pre-Validation, Garanti BBVA has been one of the first banks in the world to offer Inbound Tracking Service in December, whereby initially SWIFT-member institutions will be able to track the SWIFT payments from domestic and overseas banks from the moment the funds leave the originating bank. Garanti BBVA customers will soon be able to access this service through Internet Banking or API (Application Programming Interface),

which will be a significant contributor to cash flow management.

→ Garanti BBVA joined FAST (Instant and Continuous Transfer of Funds), a system operating on the Central Bank of the Republic of Turkey (CBRT) infrastructure allowing money transfers as an instant transaction at any hour of the day on weekdays and weekends, which is an additional option to the Bank's existing money transfer systems.

→ Along with the FAST System, the Easy Address system was also launched, which enables replacement of the IBAN used in money transfers with a mobile phone number, email, TR ID/ Tax ID number or passport number. Customers can match their personal data with their IBAN via Garanti BBVA Mobile, and can send and receive money by sharing that information only.

→ Corporate customers working with several banks are now able to add their accounts with other banks to Garanti BBVA Internet and easily access and view on One Screen their account balances and movements through Garanti BBVA Internet.

→ The discounting transaction volume with Supplier Finance product increased by 48%, which contributed to short-term working capital needs of customers.

→ To alleviate the negative impact of the pandemic upon economic life and to support customers financially in this period, actions were taken to postpone Overdraft Account principal amount risk payments of customers working on the Direct Debit System infrastructure.

PRODUCTS AND SERVICES FOR CUSTOMERS' FINANCIAL HEALTH AND INCLUSION

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

WHAT WE DID IN 2020

Garanti BBVA carries on with its initiatives in relation to Financial Health, one of its key strategic intents. The target audience of the Financial Health Project launched in 2019 on Garanti BBVA Mobile as part of its financial advisory project conducted for this purpose grew by four times in 2020. The Smart Transactions service, designed to let customers fulfill their daily financial obligations, is intended to let users perform their everyday banking transactions more easily and gain awareness with respect to their money management. Within the scope of Smart Transactions, customers are able to better manage their time and keep their money under control using the "Regular Deposit Order" rule. "Spend and Save" rule lets them save up a given portion of their spendings incurred with a credit card without spending effort for it. With the "Regular Gold Saver" rule, customers can save up the quantity of gold they wish every month regularly from their credit cards or checking accounts. "Pay Bill" rule allows automated payment of frequently paid bills and easy tracking of bills without allocating time to do it. Garanti BBVA keeps working to add new functions to Smart Transactions.

Going beyond banking products and services, Garanti BBVA also has initiatives underway for its corporate customers, in order to give advice to support the betterment of its customers' financial health, and to warn them in case of an issue. Custom-tailored insight and action plans are intended to be presented by analyzing customers' behaviors and financials. The Bank increases the services that can be offered to corporate customers by the day. For example corporate customers are automatically notified when the current exchange rate reaches a level set by them, allowing them to quickly adapt to changing market conditions.

Also in 2020, Garanti BBVA framed all communications according to the principles of "Transparent, Clear and Responsible Banking". In this context, customer communications such as contracts, forms and informative messages became even more important during the pandemic. The Bank took extra care to establish clear and easy to understand communication with its customers regarding the new measures and practices implemented within the scope of the pandemic. Various methods were employed for giving information, including emails, SMS, push notifications, social media and the website. The precautions taken in branches were announced on branch gates and monitors. Thus, the Bank was able to maintain a high 78% satisfaction rate with the communication regarding COVID-19 in April and May, which were the busiest months in terms of the intensity of the pandemic-driven changes. The Bank kept designing "Product Summary Pages" that summarize products and services in a clearer and more intelligible manner and support the customers with their decision making, and added the bank overdraft account product to the set of available summary documents.

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

2020 has been a year of extremely high volatility of physical assets, besides the financial markets, owing to the effect of the pandemic. As a result, Garanti BBVA observed that its customers' need for its financial advisory was greatest than ever before. The Bank spent intensive efforts to inform the customers about the right investment instruments, and maintained continuous communication. The number of digital transaction sets was increased, thereby enabling customers to satisfy many investment and borrowing needs without a branch visit.

Garanti BBVA led the sector by being the first bank during the pandemic to implement debt postponement on all channels, i.e., branch, mobile, internet, call center, and applied more affordable interest rates during the deferment. The Bank offered the single-click debt deferral function on digital channels to its customers wishing to avoid branches due to the pandemic. In this way, customers were able to postpone their debts without going to a branch or calling the call center. In addition, the Bank increased the customers' transaction limits on alternative channels, and supported them by cancelling out numerous commissions and fees.

The Bank exercised the same care and attention for its employees as it did for its customers, and made the necessary arrangements for working-from-home order in the quickest way possible. Since all employees already had tablets configured for mobile working, the Bank was able to realize this conversion very quickly, and thus has been the first bank in the sector to send its employees home. Employees continued to offer portfolio service by phone from their homes. The Bank covered the customers serviced by portfolios that were unable to work for a variety of reasons in this process under the remote service model named "My Banker" and carried on with uninterrupted financial advisory service.

Through all these efforts, Garanti BBVA strove to avert possible losses of its customers and extended them the necessary support to capitalize on investment opportunities fitting their financial profiles. Displaying an example of great devotion, rotating branch teams made sure that customer service was not interrupted on any channel.

Garanti BBVA delivers most of the retail products through a completely multi-channel experience. This is best exemplified with the general purpose loan. While customers can apply for a general purpose loan from a branch, the same application can be completed digitally, and can be approved by the customer contact center which has an end-to-end smooth experience in credit documents.

Furthermore, using the Quick Loan function, customers can learn their credit limit within seconds simply by entering their TR ID number and instantly use the amount from out of their allocated credit line. This function can be used not only by Garanti BBVA customers, but by anyone. Thus, they can find the answer to the question "How much can I borrow?" in a very short period of time.

To make life easier also for business owners, salary agreement process was digitalized. Fast and practical solutions were offered

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for salary agreement and salary payments of tradespeople who are having a hard time due to the pandemic.

In 2020, satisfaction of pension customers has been a top priority for Garanti BBVA. All customer needs were fulfilled through mobile and customer contact center to protect customers' health, particularly during the pandemic, and to enhance their satisfaction.

In line with this strategy, Garanti BBVA succeeded in becoming the fastest-growing private bank in terms of the number of pension customers in 2020.

Garanti BBVA, in 2020, strongly fulfilled the financial advisory service needed by its customers, and introduced various instruments for their financial investments, thus expanding its deposit customers pool. In doing that, the Bank employed the best channel to contact the customers in an effort to maximize customer satisfaction. Besides the regular ones, several deposit products were the favorites of customers, as they were in 2019: "Inflation-Indexed Deposit Products" providing above-inflation returns at all times, "Multi-Currency Deposit" allowing transition between various currencies during the term, and "Interim Interest Payments", a long-term account that makes interim advance payments on the interest income.

In addition, the Bank launched new options on Garanti BBVA Mobile to back its customers wishing to save up: "Spend and Save", an accumulating deposit account allowing customers to save up an amount that suits their budget from their credit cards which at the same time offers daily interest income; "Regular Gold Saver" that enables saving up gold monthly, and "Regular Deposit Order" that automatically transfers money to time deposit accounts.

With the increased use of digital channels in connection with the pandemic, personalized customizations went live also in time deposit accounts. In this context, transactions performed at branches were integrated into digital channels, and demand deposit service was substantially made available on channels.
Besides deposit products, Garanti BBVA focused on the returns secured for customers, and ensured active asset management with SMART Funds, which are mutual funds with absolute income targets and invest in domestic and overseas markets, Structured Borrowing Instruments with guaranteed minimum interest, and bonds issued by Garanti BBVA and its subsidiaries.

During 2020 when investor interest in precious metals grew by the day, the Bank issued the Silver Based Precious Metals Fund Basket Fund, which is the first Silver Based mutual fund that began to be traded on TEFAS (Turkey Electronic Fund Distribution Platform). Likewise, the Bank kept responding to needs with the Foreign Technology ETF Fund Basket Fund in this period that sees intense interest in the global technology sector.

INFORMATION AND ADVISORY SERVICES SUPPORTING THE DEVELOPMENT OF SMEs

Garanti BBVA listens to the needs, feedbacks and complaints of its SME customers, and develops its products and services accordingly. All these developments and information provision allow SMEs to perform their transactions uninterruptedly, while maintaining a perfect customer experience. At the same time, the Bank continues to offer advisory to help its customers make sound financial decisions.

While offering solutions catering to their needs, Garanti BBVA also keeps its SME customers informed about the developments in their respective sectors and other matters that have implications for their business lives. In this context, the KOBİ Girişim magazine being published for many years in cooperation with the Ekonomist Magazine is mailed free-of-charge to all SME customers electronically.

WHAT WE DID IN 2020

Garanti BBVA introduced a series of precautions in order to make life easier for its SME customers that were affected by the restrictions imposed in connection with the pandemic, to ensure the sustainability of their businesses, and to protect them against being affected by the virus when performing their banking transactions.

- Garanti BBVA referred its customers to digital channels for non-cash transactions. In this period, SME customers had increased demand for digital channels. The Bank increased daily minimum cash withdrawal limits from ATMs and money transfer/EFT upper limits for a certain period of time, in order enable faster and easier performance of financial transactions by customers and also to alleviate the density in branches. Also, cash withdrawal from other banks' ATMs was free-of-charge for a specific period of time. No fees were charged to SMS customers for money transfers via mobile application or internet banking for a given period of time. Also upper limits for SWIFT and forward import transfer via digital channels were updated.
- SME customers were regularly reminded of the contactless cash withdrawal/ depositing capability from ATMs using QR code and of the Garanti BBVA Mobile capabilities including money transfers, credit card, bill and loan payments to shorten the time they spend in branches during the pandemic. Corporate customers were also informed about the contactless cash withdrawal with QR code function made available on the ATMs. Garanti BBVA believes that it has thus raised awareness among customers of the practical and healthy ways to digitally perform the transactions they most frequently perform in branches.
- In addition, the Bank postponed the loan repayments of all its customers who requested it due to reduced turnover, exclusively during the pandemic. In addition, SME customers were informed about their entitlement to Social Security Institution payment deferrals granted by the government to companies engaged in specific sectors and to benefit from this incentive.
- SME customers having time deposit accounts continued to be informed that they can receive financial advisory about custom-tailored interest rates through mobile banking app push notifications made 3 days prior to maturity date.
- During this timeframe that precluded visits, the Bank further strengthened its connection with the customers, made more customer calls, and offered solutions befitting their needs specific to the period. Also through this period, Garanti BBVA stood by its customers with solutions customized according to its customers' needs.

All these efforts resulted in the number one spot Garanti BBVA clinched in the SME Net Promoter Score (NPS) study conducted to gain a better insight into its customers.

SOLUTIONS HELPING CUSTOMERS ACHIEVE THEIR TARGETS WITH NEW GENERATION PAYMENT TECHNOLOGIES

Garanti BBVA makes proposals that are aligned with customer needs in order to help them make healthy financial decisions. The suggestion systems that help customers make the best financial decisions are backed by smart solutions integrated with new generation payment technologies.

WHAT WE DID IN 2020

Garanti BBVA offered a solution to its temporarily financially stressed customers during the pandemic with the New Postpone Payment product launched on 30 March 2020.

With the New Postpone Payment feature, the Bank offered customers the possibility to defer their debts without any payments on their cards for 3 account statement periods, and benefit from a 6-installment repayment plan for comfortably paying their total debts arising at the end of the 3 periods. With this solution, Garanti BBVA addressed various problems facing the customers during the pandemic, such as temporary hardships in payment, protecting cash assets amid a volatile environment, deferring their card debts and keep using their cards, and preventing any downgrades in their credit scores.

With the solutions suggested, Garanti BBVA aimed to enhance customer experience and increase the trust held in the Bank, as well as keeping them from undergoing follow-up due to temporary financial stress and maintaining customer relationship.

Credit card due deferment proposal was brought for customers who are financially distressed due to the pandemic. From 1 June 2020 until 31 December 2020, the Bank made this offer to customers for up to 6 months, making them feel that Garanti BBVA is standing by them. About 85 thousand customers benefited from the proposal.

On August 19th, cash advance feature was redefined to credit cards of customers, for which this feature was canceled during the pandemic due to non-payment of the minimum payment amount three times during the course of the year. In addition, denial of cash advance via cards was suspended during the course of the pandemic. Thanks to the implementation which will be available until 30 June 2021, customers will be able to fulfill their cash needs with their credit cards through this economically trying period.

BONUS CHECK-UP

In October 2020, Garanti BBVA introduced Bonus Check-up, a first of its kind in Turkey, to provide financial information to, and guide, its customers whose card applications were declined. With this function, Garanti BBVA targets to offer financial advisory by giving recommendations and providing guidance regarding their shortcomings to users in relation to the credit card application process.

In case of a declined credit card application, Garanti BBVA customers can use the Bonus Check-up service via BonusFlas application to clearly learn about the custom-tailored actions they can take for re-evaluation of their applications. Users can easily view the financial reason why their application was declined or whether the information required for the application was complete and up-to-date via BonusFlas, for re-applying upon completion of the lacking elements. They can clearly see the state of their financial health on one hand, and increase their chances of having a credit card on the other.

Offering transparency for the customers, the function steers the customers wishing to get a card from Garanti BBVA with the right actions and helps them reach their objective, while contributing to the Bank's new customer acquisition and increased credit card issuing volume.

OUTLOOK

COVID-19 has been a factor that impacted and changed every aspect of life both for individuals and entities. Many routines from the way we do business to our shopping habits, from our communication tools to how we spend our free time, from the entities we contact to our expectations have all changed and evolved. This change will live on in 2021 and thereafter to a substantial extent.

Health was undoubtedly the pivotal focus for consumers in 2020. Consumers voluntarily changed their long-lasting habits in order to avoid the risk of infection. The greatest impact for the banking world occurred in the rush to channels excluding face-to-face contact such as mobile applications and call center. Customers achieved a major transformation that would normally take several years within just several weeks and began to opt for digital channels at a growing extent. Consumer behavior during the pandemic also varied according to the course of the pandemic and the measures adopted. For example, the spending trend in various categories changed over the course of the pandemic. Having largely restricted expenses on entertainment, dining out, cosmetics, accessories etc. in March and April, consumers, worn out by the pandemic, later recaptured the same levels in their expenses on some of these categories. It can be suggested that these changes will continue in the year ahead.

During this period, brands that care about the well-being of its customers and society, and act transparently and cordially in their communications gained the foreground. Similarly, customers began to detect and engage with businesses working for a sustainable environment and society, and exercising care in this regard in their operations. Completely aware of the role and responsibility that falls upon it in this vague and difficult period, Garanti BBVA will keep modifying its service model in an agile fashion to timely and satisfactorily respond to changing customer needs and expectations. In this context, it will remain as an essential priority for the Bank to ensure the well-being of its human capital and to build on their competencies to facilitate adaptation to the new normal.

Driven by the desire to be accessible and to reach the customers through their top-choice channels, Garanti BBVA, during this period, will work with the target of creating new channels for its customers by integrating various communication applications into banking applications. In view of the gradually increasing use of video and digital content by customers, the Bank will begin using these channels more often for conveying the solutions for their financial needs.

Although anticipating to have a more positive year in terms of the economy in 2021, Garanti BBVA predicts that its customers will have an extreme need for financial advisory as was the case in 2020. Therefore, the Bank will keep working towards increasing the number and frequency of its services and products that will contribute to its customers' financial health. In 2021, the Bank will be closely watching global trends and broaden its product range by issuing new mutual funds that invest in different themes. The Bank will continue to stand by all of its customers in the personal segment, be them employees, retirees, or tradesmen, with sustainable products.

Garanti BBVA already began the infrastructure work for expanding its portfolio with its environment-friendly products taking global trends into account, which are slated for introduction in 2021, namely Clean Energy, Sustainability Stock and the new member of the SMART fund family. Product diversity will continue to increase with new fund products in 2021.

During 2020, the Bank worked on fund trading and management monitoring of customers via garantibbva.com.tr and Garanti BBVA Mobile, resulting in the development of much more user-friendly screens. These initiatives will be brought to completion and launched in the first quarter of 2021.

Garanti BBVA will also continue to work towards ensuring the financial health and sustainability of the SMEs that make up 99% of the economy in Turkey. By offering solutions aligned with the evolving conditions in the world, the Bank will make their lives easier and help them improve the way they do business.

It will carry on with its product and service developments in a bid to facilitate penetration of SMEs to new markets, contribute to their digitalization, and support their development.

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

Proposals designed to improve customers' financial health will be broadened, and suggestions and solutions will continue to be offered to help them easily manage their daily financial lives and reach their life goals. Garanti BBVA's vision in 2021 will remain as supporting its customers to correctly manage their assets and liabilities and acquire the skill to plan an independent and secure lifestyle in the future as they fulfill their financial obligations, and being positioned as their "Trusted Financial Coach" in their lives.

Garanti BBVA believes in the importance of making a contribution, starting with the improvement of each corporate customer's financial health, in order to support a healthier commercial life and to consolidate the strength of the economy; it considers this vision as a key constituent of the benefit we can contribute as a bank to our country. To this end, the Bank aims to regularly monitor corporate customers' financial performance, determine in advance the points that might be financially challenging for customers with the help of the smart structures it will build, and warn its customers in a timely manner. It intends to suggest the pathways to a stronger financial structure in the form of personalized proactive advice enriched with product and service proposals that Garanti BBVA can offer them. Garanti BBVA's vision for the years ahead is to stand by its customers not only when they come to the Bank for assistance but at all times, and to be able to offer a comprehensive financial advisory service based on a banking concept that goes beyond the conventional description at all points they need the Bank, even when they are not aware of their need.

In a bid to offer the best user experience, Garanti BBVA will maintain constant communication with its users, and continue to observe the customer journey continuously, to be followed by steps designed for its further betterment.

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2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

SUSTAINABILITY

DEVRİM ÖZDEMİR
Bodrum Branch Manager

DİDEM DİNÇER BAŞER
Executive Vice President - Talent and Culture

ÜNAL GÖKMEN
CEO - Garanti BBVA Leasing

AYDIN GÜLER
Executive Vice President - Finance and Treasury

UFUK TANDOĞAN
CEO - Garanti BBVA Romania

Scan the QR code to watch the video.

TRUST | PIONEER | SUSTAINABILITY | RESPONSIBILTY | EXPERIENCE | TRANSPARENCY | SUCCESS | AGILITY | EMPATHY | DIGITALIZATION

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Sustainability

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Related Material Topics	Value Drivers	Indicators	2019	2020
#2 CORPORATE GOVERNANCE AND STRONG MANAGEMENT OF ALL RISKS #9 CLIMATE CHANGE: OPPORTUNITIES & RISKS #11 FINANCIAL HEALTH AND ADVICE #12 INCLUSIVE GROWTH (CONTRIBUTION TO SOCIETY, ENTREPRENEURSHIP, FINANCIAL INCLUSION, FINANCIAL EDUCATION)	POSITIVELY INFLUENCE CUSTOMERS, DECISION-MAKERS AND THE SECTOR BEING THE LEADING BANK IN SUSTAINABILITY; CONTINUE TO HELP RAISE INCREASED AWARENESS	Participation in sustainability related initiatives and memberships	27	27
		Engagement platforms	44	44
		Sustainability indices in which Garanti BBVA is included	9	10
		Policies/position papers Garanti BBVA contributed	13	11
		Environmental and Social workshops and conferences	11	7
		Topics addressed/discussed in workshops and conferences	15	22
	FOCUS ON COMMUNITY INVESTMENT PROGRAMS WHICH DELIVER IMPACTFUL OUTCOMES ON MATERIAL ISSUES AND OBSERVE IMPACT INVESTMENT PRINCIPLES	Contribution to Sustainable Development (TL billion, cumulative)	38.4	51
		Issues addressed by community programs	3	4
		Amount of investments in community programs (TL million)	22.3	60
		SME initiatives (including applications and events)	10	5
		Women Entrepreneurs encouraged to apply to Woman Entrepreneur Awards (cumulative)	38,450	39,750
		Women who participated in woman entrepreneurship events and whom Garanti BBVA helped raise increased awareness	10,250	8,500
	OBSERVE CLIMATE CHANGE-RELATED RISKS AND OPPORTUNITIES; INTEGRATE THEM INTO OUR BUSINESS PROCESSES AND RISK POLICIES	Market share in wind power plants (WPP)	27.5%	24.7%
		Avoided GHGs through renewable portfolio (million tons of CO_2e)	5.9	7.2
		Scope 3 footprint of greenfield energy production portfolio (in new PF commitments)	0	0
		Renewables in greenfield energy production portfolio (in new PF commitments)	100%	100%
	INCREASE OUR SUSTAINABLE PRODUCTS DIVERSITY OFFERED TO CUSTOMERS, AND PROMOTE THEIR INCREASED USAGE	Total Sustainability Funds utilized from IFIs (TL million)	1,087	1,359
		Sustainable products/credit lines	42	43

Contributed Sustainable Development Goals

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

For the whole world, 2020 has seen habits replaced by radical changes due to the COVID-19 virus that emerged in Wuhan. From March when the first virus case in Turkey was reported until the end of 2020, Garanti BBVA continued to work at full speed on innovative products, services and initiatives in the area of sustainable finance and development amid the pandemic. One of the main enablers of this speed was the digital investments that the Bank has been making for more than 25 years. During this period when the whole world was confined to their homes with the spread of the pandemic, the banking sector witnessed an unprecedented speed in terms of digital transformation.

The Bank continued to mobilize its human and intellectual capitals along with financial capital also in this period in a bid to support responsible and sustainable development, one of its strategic goals. Taking into consideration the effects of the pandemic process that plagued 2020, the Bank strove to understand the conditions surrounding its customers and other stakeholders, and to develop solutions catering to their needs.

Green and sustainable loans/bonds are quite important within the 2030 Agenda that ranks high among material topics. As of year end2020, the total volume of sustainable borrowing market exceeded USD 1.9 trillion.[1] Just in the first half of 2020, the total volume of sustainable bonds and loans reached USD 270 billion despite the pandemic. This figure is reached at USD 655 billion as at the end of the year. Developing innovative financial instruments and solutions such as the green loan and gender loan, Garanti BBVA keeps supporting the expansion of the sustainable bonds and loans volume in Turkey with the steps it has taken.

The Bank collaborates with its peers and the business world at a global level to identify new opportunities, to determine emerging best practices and products, and to remain a leader in sustainable finance and development in Turkey.

In this framework, Garanti BBVA actively takes part in, or holds seats as chair or member on the boards of directors of, 27 initiatives in total, including a number of intermediary platforms such as the United Nations Environment Program Finance Initiative (UNEP FI), Principles for Responsible Banking, Global Compact Turkey, and the Turkish Business Council for Sustainable Development (BCSD Turkey).

Garanti BBVA considers the Principles for Responsible Banking, in the constitution of which it was actively involved, which reached 200 signatories worldwide by end-2020 and was signed by seven banks from Turkey, as a global guide in the projects that it finances. The Bank evaluates the products in its loan book against non-financial criteria that make an environmental, social and/or governance (ESG) risk or impact, as well as financial parameters in the light of these Principles. The Bank, guided by the Principles, aims to set new targets and further improve its performance each time, rather than following the same decisions.

Remaining as a constituent of 10 sustainability indices in total including the Dow Jones Sustainability Emerging Markets Index, Garanti BBVA analyzes the sector's leading practices in environmental and social areas, and originates new areas for continuous improvement. The Bank shows the way for sustainable pathways through being involved in the development of collective policies and position papers of the private sector, which numbered 11 in 2020.

1 Sustainable Debt Monitor Report: The Institute of International Finance, January 2021

Garanti BBVA diversifies financial instruments provided for low-carbon and inclusive growth, and cooperates with international financial institutions for low-cost funding. Drawing on its intellectual capital, the Bank introduces innovative financial resources that incorporate pioneering applications and sustainability criteria, as well as the first social bond issue ever carried out by a private bank in an emerging country.

With the Green Loan it has launched in 2018, Garanti BBVA urge borrowers to improve their sustainability performances throughout the term of the loan. Borrowers may become entitled to advantageous loan interest or commission rates made available against improved performance in environmental, social and corporate governance areas that satisfy the predefined criteria during the term of the loan. The Gender Loan, which was introduced in a similar structure in 2019 by Garanti BBVA, represents a first in the world. Under the Gender Loan, Garanti BBVA grants discount both on cash loan margins and non-cash loan commission for improvements borrowers secure in gender equality.

In 2020, we have seen the effects of the economic and social crisis stemming from the pandemic in every department of life. Notwithstanding, Garanti BBVA kept offering gender loans, sustainability-linked loans to encourage its customers to adopt more sustainable business models. Again in 2020, Garanti BBVA authored the world's first-ever Sustainability-linked Syndicated Facility by tying its own borrowing processes to ESG criteria.

As climate change continues to be one of the most significant global crises in the 21st century, responsible finance approach is molded to address climate change issues in addition to societal challenges such as fostering employment through supporting SMEs in growing their businesses. Having allocated 100% of its project finance support for greenfield energy investments to renewables in recent years, and thus increasing the total lending to this area to date above USD 5.3 billion. Garanti BBVA's support to green and environmentally-sensitive energy continues with the use of 100% renewable energy for electricity in all of its branches and buildings outfitted with compatible infrastructure. Garanti BBVA considers its systematic and long-lived initiatives carried out within the scope of its community investment programs as a key element of its responsible business concept. The Bank identifies its strategic priorities in this framework in line with the social sensitivities in the country and the world, BBVA Group priorities, stakeholders' expectations and necessity areas.

Accordingly, the Bank creates shared value through its strategic community investment programs focusing on material topics such as quality education, culture and arts, entrepreneurship, and environment.

It is among the various goals of Garanti BBVA to support the growth and resilience of SMEs, women entrepreneurs and startups, who are key to sustainable development of the economy, and help them improve their environmental, social and ethical performance, besides producing solutions for their financial needs.

Through Garanti BBVA Partners Acceleration Program, the Bank helps flourish the entrepreneurial ecosystem in Turkey, and aims to support and accelerate early startups and initiatives with the potential to attract investment and grow.

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

Carried out by the Teachers Academy Foundation (ÖRAV) founded and sponsored by Garanti BBVA, the 5 Pebbles: Social and Financial Leadership Program is intended to build on teachers' knowledge of social and financial literacy and to enable them to teach these skills to their students as well. ÖRAV's support to teachers is ongoing during the formidable pandemic that is affecting the whole world via innovative online activities. The Foundation's initiative to this end launched in 2020 with the support of Garanti BBVA is the web seminars series named Teachers without Distance.

Culture and art make another area in which Garanti BBVA intensifies its initiatives within the scope of the Community Investment Programs. Regarding active participation in cultural life, the development of individual and collective cultural liberties among the core components of personal and also sustainable societal development, Garanti BBVA founded SALT in 2011. SALT reaches the society through SALT Beyoğlu, SALT Galata locations and SALT Ankara Office; being an archetype and constantly evolving cultural institution, it plays a major part in the creation of the memory of Turkey's cultural heritage and in raising awareness of it.

Making it a priority to assume responsibility and take action in emergencies prevailing in the countries where it operates, Garanti BBVA took big steps in fighting the coronavirus pandemic throughout 2020. After making donations for provision of equipment and supplies for state university hospitals, the Bank procured 500 ventilators to be delivered to the Turkish Ministry of Health. Last but not least, the Bank donated 45 thousand saplings for reforestation efforts in Hatay that suffered from forest fires.

By focusing on responsible and sustainable development, the Bank actively contributes to Sustainable Development Goal 1:No Poverty, Goal 3: Good Health and Well Being, Goal 4: Quality Education, Goal 5: Gender Equality, Goal 6: Clean Water and Sanitation, Goal 7:Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth, Goal 9:Industry, Innovation and Infrastructure, Goal 10:Reduced Inequalities, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production, Goal 13: Climate Action, Goal 14: Life Below Water, Goal 15: Life on Land, Goal 16: Peace, Justice and Strong Institutions, Goal 17: Partnerships for the Goals.

INTRODUCE NEW SUSTAINABLE PRACTICES THROUGH PARTNERSHIPS

The Sustainable Development Goals (SDGs) emphasize the importance of cooperation among all stakeholders from governments to individuals in reaching the 2030 targets.

In line with its leading position in the implementation of sustainable finance and development initiatives, the Bank is transforming the sector through engaging and building partnerships with key stakeholders

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

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

WHAT WE DID IN 2020

Ebru Dildar Edin, Garanti BBVA Executive Vice President responsible for Corporate, Investment Banking and Global Markets, continued to serve as the Chair of the Business Council for Sustainable Development Turkey (BCSD Turkey). With a total of 68 members from 19 sectors representing 15% of Turkey's gross domestic product, BCSD Turkey has been working for 16 years to make sustainability one of the key strategies of the business community.

UNEP FI Principles for Responsible Banking, among the 30 founding members of which Garanti BBVA was the only bank invited from Turkey and which was launched in New York in

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September 2019, reached 200 signatories. The Principles, which are expected to significantly contribute to the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement objectives, focus on six main pillars: Alignment, Impact, Clients and Customers, Stakeholders, Governance and Target Setting, Transparency and Accountability. In its 2020 Integrated Annual Report, Garanti BBVA is sharing also its first Impact Report within the scope of the UNEP FI Principles for Responsible Banking.

UNEP FI Principles for Responsible Banking Impact Report can be found on page 569.

In recognition of the innovative steps it has taken to drive the private sector to integrate the 2030 Agenda into their business models, in 2020 Garanti BBVA was named the "Best Bank for Sustainable Finance in CEE" by Euromoney, and the "Best Investment Bank for Sustainable Finance in CEE" and the "Best Investment Bank in Turkey" by Global Finance. In 2020, Garanti BBVA was also honored with the "Best Bank for Sustainable Finance in Turkey" and "Best Investment Bank in Turkey" awards by the Global Economics, a leading financial publication in the world, for the project finance loans it has provided to major projects in Turkey, for its pioneering and innovative initiatives in sustainable finance, and for sector-leading investment notion. The Gender Loan structure, which was signed for a Wind Power Plant project and a first in the world, was honored with the ESG Finance Innovation of the Year award in 2019, while Garanti BBVA was the recipient of the Partnership for Sustainability Award in the Human category granted by the United Nations Global Compact (UNGC) Network Ukraine.

The only company operating in Turkey to have qualified for the 6thconsecutive time in the Dow Jones Sustainability Emerging Markets Index, one of the leading sustainability indices in the world, Garanti BBVA is the only bank from Turkey included in the index. Having also remained as a constituent of the BIST Sustainability and the Corporate Governance Indices, Garanti BBVA has been the only company to be included in Bloomberg Gender-Equality Index for the 4th consecutive year since 2017, and also continues to take place in the FTSE4Good Emerging Markets Index.

OUTLOOK

Garanti BBVA is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices and products, and remain as a leader in sustainable finance and development in Turkey. The COVID-19 pandemic that swept the whole world in 2020 served as a particular reminder of the vitality of sustainable development and the importance of collaborating to achieve it in the formation of post-pandemic new economic models.

Governments and businesses around the globe underlined that the post-pandemic new order to be established must have sustainability in its focus. Organizations directly involved in sustainable development such as the European Union (EU) already began planning the post-pandemic rehabilitation around green and sustainable criteria. It was recently announced that the seven-year EU budget worth EUR 1 trillion and the EUR 750 billion recovery package will be utilized in accordance with green and digital transformation terms and that 25% of this budget will be allocated to climate action.

In parallel with this, with the European Green Deal[2], the policy initiative designed to ensure the sustainability of the EU economy and a major driver of transformation of the European economy, it was resolved to make Europe carbon-neutral by 2050 and to decouple economic growth from resource use. The transformation plan detailed in the Deal entails important opportunities for the transformation of businesses in Turkey, as well. In this context, Garanti BBVA will continue to support its customers in this department with the sustainable borrowing instruments and green/sustainable loan options that it has been pioneering in Turkey.

2 https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

Specifically, mechanisms such as the carbon border adjustment that will be incorporated in economic systems through the EU Green Deal will impose additional tax liabilities on all countries and sectors having an export relationship with the EU, and especially on carbon-intensive industries. All private and public actors wishing to avoid being negatively affected in their commercial relationships will have to contribute to post-pandemic green recovery.

The interest in green and sustainable investments fueled by the pandemic brings along certain risks. In particular, it becomes a real challenge to figure out whether sustainable investments are truly sustainable as the total volume grows larger. Hence, the sector players need guides detailing all aspects before they decide on their investments. There are standards on this topic published by the Loan Market Association and the International Capital Market Association.

The most important step in relation to strict definitions about being green or sustainable has been the EU Taxonomy[3] published in June 2020 by the EU. The Taxonomy provides a comprehensive definition of environmentally sustainable investments. While it serves as a glossary, it also obligates big companies and financial institutions in the EU to report their sustainable finance activities.

We are witnessing that sustainability reporting, particularly in relation to climate change, is becoming more and more important. So much so that governments began to introduce obligations in this respect. For instance, the United Kingdom announced that TCFD reporting will become mandatory by 2025. As the Taxonomy studies expand, these reportings will encompass much broader regions and industries. In addition, Sustainability Principles Compliance Framework published by the Capital Markets Board of Turkey (CMB) in October 2020 constituted one of the most important steps taken towards raising increased ESG awareness of the companies in Turkey and to expand the transparency and accountability principles in this respect. In the period ahead, Garanti BBVA targets to convey its knowledge acquired in this area to its customers acting just like an advisor, and drive the development of green investments in Turkey.

Garanti BBVA will mainly focus on enhancing non-financial risk management approaches within the Turkish banking sector. Additionally, the Bank will support activities to boost public–private sector partnerships. As part of the BBVA Group, the Bank will continue to contribute to BBVA Group's Sustainable Finance Pledge designed to support the combat against climate change and financing sustainable development.

CREATING SHARED VALUE FOR ALL THROUGH IMPACT INVESTMENT

Garanti BBVA diversifies financial instruments it offers for low-carbon and inclusive growth, and establishes cooperation with international finance institutions focusing on sustainable development. By developing products and services for diverse needs, the Bank pays attention to providing financial solutions facilitating transition to a sustainable economy. Total financing provided to sustainable development amounted to TL 51 billion in 2020.

Additionally, the BBVA Group, which is the main shareholder of Garanti BBVA, contributed EUR 50.2 billion in total to the Pledge 2025[4] declared in 2018, whereby the Group committed to securing EUR 100 billion financing for sustainable development and combating climate change.

BORROWINGS AND SECURITY PRODUCTS ENTAILING ESG CRITERIA BOND ISSUANCE

During 2020, Garanti BBVA secured funds worth USD 700 million in this scope from international finance institutions. This amount accounts for 52% of the total financing the Bank secured in 2020.

3 https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en
4 https://www.bbva.com/en/infographic-2025-pledge/

SECURITY PRODUCTS

Garanti BBVA Pension's sustainability stock pension investment fund was worth TL 91 million as at end-2020 and makes up 10.75% of Garanti BBVA Pension Investment Funds.

WHAT WE DID IN 2020

Garanti BBVA signed the second Gender Loan structure, the world's first that made its debut in 2019, with 4 more companies engaged in the leisure industry, which are affiliated to a corporate company operating in our country. The Gender Loan worth TL 151.2 million in total incorporated the UNDP Gender Equality Seal for Public and Private Enterprises criteria, in addition to the criteria set by Garanti BBVA.

Turkey's largest Sustainability-Linked Loan in which Garanti BBVA participated as a Sustainability Agent signed with an energy company in September 2020 was another major deal. In this facility worth EUR 650 million, the margin of the loan was tied to predetermined environmental and social criteria.

Another groundbreaking major deal introduced in the world by Garanti BBVA was the Sustainability-Linked Syndicated Loan. Having rolled over the syndicated loan it received from international markets under its foreign borrowing program, Garanti BBVA signed two new loan agreements participated by the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) and obtained funds totaling approximately USD 700 million from overseas markets. This syndication signed by Garanti BBVA is the first ESG-linked syndication loan obtained by any bank in the world tied to a bank's sustainability criteria. According to the terms of the loan, an international independent consultancy firm will periodically evaluate Garanti BBVA's performance against the agreed criteria. Interest due will be reduced to the extent Garanti BBVA improves its performance and fulfills the criteria it has committed to. Signed in May 2020, the deal was received with great interest despite all the unknowns of the pandemic and once again demonstrated the trust held by the international market in Garanti BBVA.

The Bank is working to motivate its customers to employ sustainable finance mechanisms in their borrowings and to adopt sustainable business models. In July 2020, Garanti BBVA intermediated green bond issuance worth TL 100.5 million of a client. This was also the first green bond issue in terms of Turkish Lira. Positioned like an advisor in the process, Garanti BBVA stood by its client at every stage from the preparation of the framework document for the bond to the meetings with the rating agency, and shared its knowledge and experience in this field. Following the issue, the Bank made use of its digital and mobile channels to inform its corporate, retail and private banking customers about the opportunities stemming from investments that contribute to sustainable development and helped the green bond issue reach a much larger group of investors.

OUTLOOK

In the period ahead, Garanti BBVA will continue to motivate its customers to adopt more sustainable business models by way of innovative products and services. Targeting to provide a financing of TL 2.5 billion minimum to sustainable development and the combat against climate change in 2021, the Bank commits to allocate a minimum funding of TL 14 billion in this field over the next 4 years by 2025.

FINANCING THE TRANSITION TO A LOW-CARBON ECONOMY

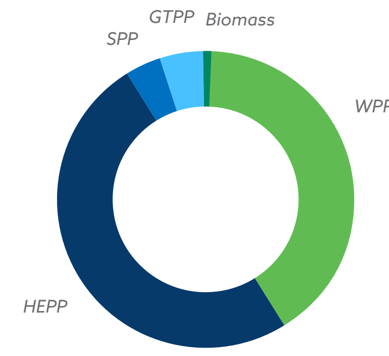
It is a primary objective for Garanti BBVA to provide the necessary financing for renewable energy, which is making exponential progress through global technological developments, and to contribute to utilization of renewable energy potential of our country.

Garanti BBVA published its Climate Change Action Plan in October 2015, which focuses on carbon pricing, reducing deforestation, managing climate-related water risks and implementing green office standards. Garanti BBVA has been the first bank in Turkey to commit to UN Global Compact's Business Leadership Criteria on Carbon Pricing. Closely watching the National Emissions Trading System activities carried out by the Ministry of Environment and Urbanization within the scope of the PMR Project, Garanti BBVA keeps applying shadow carbon pricing to 100% of greenfield electricity generation projects in its project finance deals in order to reflect global developments in this respect in its business model.

With this Action Plan, Garanti BBVA also pledged that a minimum of 60% of the total funds allocated to greenfield energy production facilities will be allocated to renewable investments. In 2016, Garanti BBVA took its pledge one step further and committed to a renewable energy share at a minimum of 70% of the greenfield power sector financing to be provided by 2020 in new project finance transactions. In 2020, this ratio was far exceeded as it reached 100% similarly to previous years. Hence, once again in 2020, all of the project finance loans Garanti BBVA provided for greenfield power plants have been allocated to renewable energy projects. By the end of 2020, the percentage of green assets to Project and Acquisition Finance loan portfolio is 26% which corresponds to a total volume of 2.1 billion USD. The percentage of green assets to the loans granted for electricity generation purposes in the Project and Acquisition Financing portfolio is 73%; while the percentage of green assets to the loans granted for infrastructure projects such as energy, highway, airport, port and health campus projects, is 33%. The Bank hold the market leader position with 24.7% market share. The cumulative amount of financing provided for renewable energy investments has exceeded USD 5.3 billion. Financing 100% renewable energy in greenfield electricity generation projects within the scope of Project Finance since 2014, the total percentage of coal related exposure to the Bank's entire portfolio is 2%.

Also, in 2020, total avoided emissions of operational solar power plant, wind power plant and hydro power plant projects, in the financing of which Garanti BBVA was involved, was 7.2 million tCO_2e based on the current average grid emission factor for Turkey.

AS OF 31 DECEMBER 2020, GARANTI BBVA HAS ALLOCATED:



- USD 2.66 billion to **WIND POWER PROJECTS (WPP)**, for 2,553 MW current installed capacity, which will reach a total installed capacity of 2,796 MW once fully operational,
- USD 2.42 billion to **HYDROPOWER PROJECTS (HEPP)**, for 3,014 MW current installed capacity, and fully operational hydroelectric power plant projects,
- USD 263 million to **GEOTHERMAL POWER PLANT PROJECTS (GTPP)**, which will have a total installed capacity of 337 MW once fully operational,
- USD 244 million to **SOLAR ENERGY PROJECTS (SPP)**, which will have a total installed capacity of 326 MW once fully operational,
- USD 57 million to **BIOMASS TO ENERGY PROJECTS**, which will have a total installed capacity of 58 MW once fully operational.

Garanti BBVA also launched its Environmentally-Friendly Auto Loan in May 2017 for the financing of hybrid and electric automobiles that provide fuel efficiency and stand out with their environmental features. Total lending reached TL 34 million at the end of 2020. The Bank believes there is strong potential moving forward given the international pledges and developments in this area. The Environmentally-Friendly Auto Loan will offer advantages to consumers with more attractive interest rates from 2020.

Total financing provided under the Green Mortgage product introduced in 2017 to encourage individuals to live in green and environmentally-friendly buildings amounted to TL 520 million.

Through the Green Corporate Loan introduced by Garanti BBVA for the first time in Turkey in 2018 and followed by the Green Project Finance Loan, a multi-bank loan agreement in which Garanti BBVA acted both as lender and green loan agent, the Bank helped establish credit mechanisms encouraging borrowing companies to improve their sustainability performance throughout the term of the loan in the market. In 2020, Garanti BBVA defied the backbreaking effects of the pandemic upon the market and continued to act as a pioneer in green and sustainable products. In the reporting period, the Bank signed its name under the second Gender Loan agreement and Turkey's highest Sustainability-linked Loan Agreement in which it was both a lender and Sustainability Agent. Under 5 green and sustainability-linked loan agreements, Garanti BBVA provided a total funding of USD 295 million as at year-end 2020.

ENVIRONMENTAL IMPACT OF OUR OPERATIONS

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

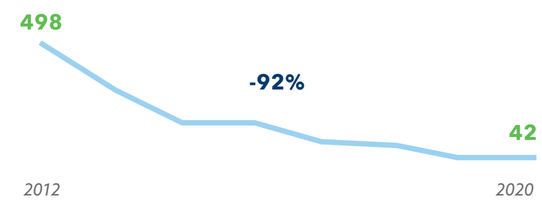
Besides its environmentally-friendly buildings, Garanti BBVA took some actions related to plastic use within the Bank in 2019. In this context, the Bank has become a signatory of the Business Initiative for Plastic led by BCSD Turkey, Global Compact Turkey and Turkish Industry and Business Association (TÜSİAD). As part of this initiative that started off with 26 companies and exceeded 40 in 2020, the Bank targets to end the consumption of single-use plastics within the Bank.

Financing 100% renewable energy in greenfield projects since 2014, the Bank took its efforts in this department one step further and launched an initiative that will be marked in the history. As a result of the contacts held with two different energy companies, 100% Renewable Energy Agreements were executed for the electricity consumed by the Bank. In 2020, 809 Garanti BBVA branches and 46 buildings met all of their 73 million kWh electricity needs from renewable energy. Thus, nearly 34,790 tonnes of CO_2-equivalent emissions were avoided which corresponds to the carbon sink capacity of roughly 2.2 million trees.

Additionally, at Garanti BBVA branches and buildings that are technically fit, energy is supplied from natural and renewable resources. Currently, Garanti BBVA Bodrum Branch, Sivas Customer Contact Center and Antalya Akdeniz Branch procure their electricity needs through rooftop photovoltaic panels. The Head Office building, on the other hand, secures saving from electric energy consumption with the trigeneration system that has been in operation since 2018.

The Bank has secured significant reduction in carbon intensity over the years as a result of the long-standing efforts in relation to carbon footprint. Since the introduction of ISO 14001 Environmental Management System in 2012, the Bank's carbon intensity lessened by 92%.

CARBON INTENSITY (tCO_2E/TOTAL ASSETS)



In 2020, Garanti BBVA set itself the target of reducing its carbon emissions by 29% by 2025 and 71% by 2035 under the Science Based Target initiative compliant with the Paris Agreement goal to limit global warming to below 1.5ºC. The Bank has been the first company in Turkey to declare such a target.

In 2020, the Bank purchased carbon credits for its emissions arising from its operations and has become a carbon-neutral Bank. Thus, the Bank has far exceeded its reduction goal of 71% for 2035 already at the end of 2020, i.e. 15 years earlier than targeted.

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

Resource consumption and carbon emissions of Garanti BBVA by years are presented in detail in the Appendix A3.

SUPPORTING WOMEN ENTREPRENEURS

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

The loan amount provided to women entrepreneur customers, categorized as a special customer group, reached TL 8.7 billion by the end of 2020.

Besides financing, the Bank provides entrepreneurship training for women through Women Entrepreneurs Executive School and supports women entrepreneurs in developing their businesses by creating ecosystems that enable knowledge and experience sharing.

Women Entrepreneurs Executive School initiative was awarded Gold Sardis in the Gender Equality category at the Sardis Awards for its contribution.

Supporting active participation of women in employment and economic life, Garanti BBVA's loan amount provided to women entrepreneurs reached TL 8.7 billion by the end of 2020.

2 Calculated according to the official Small and Medium Sized Enterprises (SME) definition (enterprises employing less than 250 people annually and not exceeding TL 125 million either in annual net sales proceeds or financial balance sheet). Unless otherwise specified, the numbers cited are based on the SME definition of Garanti BBVA.

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FOSTERING EMPLOYMENT THROUGH SUPPORTING SMES AND ENTREPRENEURSHIP

Making up 74% of the total employment in Turkey, SMEs are important contributors to the economy, domestic development, and inclusive and value-added growth. Garanti BBVA supports SMEs in increasing their financial resilience and making value-added production that will benefit the economy.

In 2020, the amount of cash and non-cash loans provided to small and medium enterprises as SME Banking[2] reached TL 81.2 billion.

PARTNERING WITH FINANCIAL INSTITUTIONS

Leading the sector in transforming the real sector's way of doing business, Garanti BBVA signed a 5-year agreement for USD 150 million equivalent TL 540 million with the International Finance Corporation (IFC), a member of the World Bank Group, within the scope of the Mortgage Backed Securities Issuance program. The issuance is the first green bond issued by Garanti BBVA and is also the first Mortgage Backed Securities issuance that the IFC invested in in Turkey.

Garanti BBVA makes available this fund, which is also its first deal in local currency with the IFC, mainly to finance "Green Mortgage" extended to environmentally-friendly projects covering high energy-efficient buildings.

In addition, a Green Mortgage agreement for EUR 75 million equivalent TL 313 million was executed with the EBRD in July 2017, under which total on-lending to date amounted to TL 100 million. These funds falling under the scope of Green Mortgage constitute 46% of the funding Garanti BBVA has secured from the Mortgage Backed Securities market.

In a bid to create equal opportunity in business life, Garanti BBVA has been extending support to women entrepreneurs since 2006. Within the scope of this support, The Bank, in cooperation with the IFC, issued Turkey's first social bond, Gender Bond, for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. Under the facility, the Bank provides working capital up to TL 400,000 and up to maturities of 36 months exclusively to women entrepreneurs. Additionally, the Bank signed the Women Entrepreneurs Export Support Loan protocol with Turk Eximbank in 2019.

Garanti BBVA carried on with its pioneering stance with the new products launched in 2020. In this context, Garanti BBVA provided financing support worth USD 133 million to energy efficiency and renewable energy projects across 22 provinces, to SMEs and women entrepreneurs within the scope of the protocols executed with the IFC, Development Bank of Austria (OeEB) and the Green for Growth Fund (GGF). Under the protocol signed with Garanti BBVA and the IFC, a member of the World Bank Group, a financing package of USD 90.75 million was made available to Garanti BBVA to be on-lent to small enterprises mostly in provinces in the South and Southeastern Anatolia, where majority of the population provided with temporary protection in Turkey lives. In addition to this support package, Garanti BBVA obtained access to financing in the amount of USD 22 million from the Development Bank of Austria (OeEB) to be used for supporting women entrepreneurs. Finally, Garanti BBVA signed a financing agreement for USD 20 million with the GGF to be extended to energy efficiency and renewable energy projects.

Having developed innovative products that serve sustainable development over the last 15 years, Garanti BBVA issued 5-year maturity Green Bond for USD 50 million abroad in December under the GMTN (Global Medium Term Notes) program. This is the Bank's first green bond issuance in line with Green Bond Principles. With the fund generated on this issuance, the Bank will extend support to renewable energy and resource efficiency projects that produce solutions for climate change within the scope of the BBVA SDGs Bond Framework[3].

3 https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/04/BBVA-SDGs-Bond-Framework_23042018_Eng.pdf

Maintaining its market leading position in innovative products in 2020, Garanti BBVA secured the first green syndication loan obtained by any bank in the world tied to a bank's sustainability criteria. According to the terms of the loan, an international independent consultancy firm will periodically evaluate Garanti BBVA's performance against the agreed criteria. Price will be reduced to the extent the criteria are fulfilled. With this facility, Garanti BBVA has added yet another one to its sustainability practices and used its commitments in renewable energy for the first time in an overseas borrowing instrument.

2020 has been a year in which economies and markets all over the world were negatively affected due to the COVID-19 pandemic. In this period, Garanti BBVA took some steps to back its stakeholders against the negative effects of the pandemic. Accordingly, in an effort to support the sustainability of its SME customers that suffered from negatively affected cash flows due to the pandemic, the Bank secured financing in the amount of USD 50 million and USD 54.7 million from the IFC and the EBRD, respectively. Garanti BBVA aims to help strengthen the market against the adverse impacts of the pandemic by extending support to economic development.

As the negative implications of the pandemic continued, Garanti BBVA realized the Bank's first risk sharing deal with the Risk Sharing Agreement made with the EBRD by late 2020. Under the agreement, funding up to 50% will be provided to commercial and project finance loans to be extended by Garanti BBVA in TL, USD or EUR, and the risk weight responsibility of half the amount will be transferred to EBRD. The agreement will facilitate lending to investment projects hit by the pandemic and priority will be given to investments with high sustainability performance or wishing to improve it.

OUTLOOK

Garanti BBVA will carry on with financing activities that create positive impact. The Bank will expand its green products and services to support Turkey's transition to a low-carbon economy and to contribute to the global goal of 1.5-degree warming. In that respect, Garanti BBVA will continue to prioritize renewable investments and take more ambitious actions regarding carbon-intense sectors in its portfolio.

Garanti BBVA will continue to support the empowerment of women entrepreneurs through various programs and initiatives, which eventually will contribute to creating employment opportunities and providing the sustainable development of the Turkish economy. In tandem, the Bank will sustain its support to help render SMEs sustainable businesses with the contribution of the entrepreneurs, as well.

Garanti BBVA pursues a prudent external funding strategy, which is an important pillar underpinning a sustainable and well-diversified funding base. The Bank targets to expand its correspondent network in different geographies and meet the client needs for international transactions. Garanti BBVA aims to provide customized trade finance solutions for its clients and enter into new cooperation in this area with correspondent banks and export credit agencies.

COMMUNITY INVESTMENT PROGRAMS

QUALITY EDUCATION

Worldwide failure to achieve sufficient progress with respect to "Quality Education", which is Goal 4 under the Sustainable Development Goals espoused by the United Nations, exhibits the utmost importance of expanding educational opportunities in our day. The shared value to be created in this respect is attainable through fulfillment of the world's and present day's requirements that are rapidly evolving as a result of the current technology and digitalization, and through closing the skills gap for better preparing the young generations for the future.

The Teachers Academy Foundation (ÖRAV), established by Garanti BBVA in 2008, continues its activities with the goal of helping ensure that the society gives the much-deserved value to teachers, one of the key focal points of education, as they practice a profession requiring specific knowledge, skills and attitude. The Bank aims to be instrumental in helping the teachers lead the education and training of the future generations so that they can build a contemporary and healthy world as they set the course of the future.

Launched in 2017 as a collaborative initiative of Garanti BBVA and the Teachers Academy Foundation, 5 Pebbles: Social and Financial Leadership Program contribute to primary school teachers' social and financial literacy knowledge and employs a child-centered approach and active learning methods to instill these skills in students. While raising the students' awareness of social and financial topics, the ultimate goal is to create a consciousness of "good citizenship". Under the Project comprised of five modules, education is given and various activities are carried out in the areas of "Self-Exploration and Understanding", "Rights and Responsibilities", "Saving and Spending", "Planning and Budgeting" and "Social and Financial Entrepreneurship".

To help the teachers handle the distance learning process as effectively as possible, ÖRAV keeps extending support to them in this respect. One of the initiatives in this framework is Teachers without Distance web seminar series, and is conducted via its online platform (eKampüs). Covering 17 topics, the web seminar series was launched in September 2020 and will be held in all 81 provinces of Turkey throughout the year.

The support Garanti BBVA has been extending to Tohum Autism Foundation's Continuing Education Unit continued also in 2020. In this framework, Tohum Autism Foundation provides theoretical and practical education about autism to special education teachers, parents with autistic children, related experts and university students.

Sports and physical education can motivate children and youth to attend and engage in formal and informal education, as well as improve their academic performance and learning success. Sports can teach transferable life skills and key values such as tolerance, inclusion and lead towards learning opportunities beyond school. Sports can advocate for gender equality, address constricting gender norms, and provide inclusive safe environment.

With this perspective, Garanti BBVA has been supporting 12 Giant Men (National Men's Basketball Team) since 2001, Pixies of the Court (National Women's Basketball Team) since 2005, 12 Brave Hearts (National Men's Wheelchair Basketball Team) and 12 Magical Wrists (National Women's Wheelchair Basketball Team) since 2013. With the inspiration drawn from the 12 Giant Men, the 12 Giant Men Basketball Academies project finds and trains the 12 Giant Men and Pixies of the Court of the future.

ENTREPRENEURSHIP

Garanti BBVA conducts educational and skills development programs such as Women Entrepreneurs Executive School and Women Entrepreneur Meetings in order to support its customers in the SME segment. These programs create positive impact on gender equality.

Furthermore, Garanti BBVA started its Garanti BBVA Partners Accelerator Program in 2015 in order to meet entrepreneurs' needs in all aspects of their new ventures. Under the program, the Bank hosted 5 entrepreneurs and provided assistance in various departments such as office space, mentorship, networking, marketing and training. Total investments received by the entrepreneurs exceeded TL 22 million.

CULTURE AND ARTS

Cultural aspects, including active participation in cultural life, the development of individual and collective cultural liberties, the safeguarding of tangible and intangible cultural heritages, and the protection and promotion of diverse cultural expression are core components of personal and also sustainable development.

In 2011, Garanti BBVA unified Platform Garanti Contemporary Art Center, Ottoman Bank Museum and Garanti Gallery that had been operating under its organization to support active participation in cultural life under a not-for-profit umbrella institution named SALT, which contributes to the society and cultural development.

Garanti BBVA also aims to make cultural activities become widespread. As the main sponsor of İstanbul Jazz Festival for 23 years, Garanti BBVA has been supporting the leading music venues in İstanbul under the name of "Garanti BBVA Concerts" series and "Turn Up the Music with Garanti BBVA" project.

ENVIRONMENT

Garanti BBVA has been the main sponsor of WWF-Turkey for 29 years. Contributing to the sustainability of the planet through its efforts and initiatives worldwide, WWF is one of the largest wildlife protection associations in the world, with 6,200 employees in more than 100 countries. WWF-Turkey conducts projects in the areas of seas, freshwater, wildlife, climate-energy, forests and food.

Garanti BBVA also supports the Earth Hour movement organized by the WWF every year in order to highlight the world's environmental problems. Garanti BBVA is also part of WWF-Turkey's Green Offices network, and contributes to the Foundation's nature protection initiatives with its employee volunteerism.

In addition, Garanti BBVA is the main sponsor of CDP Turkey, the Turkey office of the world's most powerful green non-governmental organization which is engaged in the fight against climate change and conservation of natural resources.

SOCIAL IMPACT ANALYSIS

Garanti BBVA conducts Social Impact Analysis using the Social Return on Investment (SROI)[4] method in order to assess the value and the social impact of its ongoing programs among the target audiences.

WHAT WE DID IN 2020

While ÖRAV reached 19,529 teachers in 81 cities, the number of active users of its online platform (eKampüs) reached 18,340 in 2020.

The 5 Pebbles: Social and Financial Leadership Program reached 564teachers and 9,000 students in 78 cities in 2020.

Teachers Overcoming Distances web seminars series reached 14,939 teachers in 4 months in 2020.

3,152 people were reached with initiatives carried out by Tohum Autism Foundation with the support of Garanti BBVA in 2020.

In the reporting period, 2,013 participants followed the events held at SALT locations. The three SALT locations welcomed a total of 144,663 visitors free of charge. On the other hand, 114,534 people attended the online events organized since March 2020.

In 2020, national basketball teams, which have Garanti BBVA as their main sponsor, competed in the qualification rounds of the European Championship. While Pixies of the Court represented our country in the qualification round of 2021 European Women's Basketball Championship, 12 Giant Men competed in the qualification round of 2022 European Basketball Championship.

In this context, Garanti BBVA invested TL 60 million for community investment programs in 2020.

OUTLOOK

Garanti BBVA aims to develop its community investments so as to produce shared value. In 2021, the Bank will continue to make investments focused on creating high social impact in the

⁴ Social Return on Investment (SROI): SROI is an approach created to measure social impact of projects. According to technical literature, projects with an SROI value higher than 1:1 are considered as successful projects in terms of social return, whereas projects within financial sector with an SROI value higher than 2:1 are accepted as very successful.

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fields of quality education, entrepreneurship, culture & arts, and environment that make up its priority fields.

SUPPORTING CUSTOMERS TO GROW THEIR BUSINESSES SUSTAINABLY

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

WHAT WE DID IN 2020

Garanti BBVA helps flourish the entrepreneurial ecosystem in Turkey, and targets to support and accelerate early startups and initiatives with the potential to attract investment and grow. Through Garanti BBVA Partners Acceleration Program, the Bank supports early startups of any scale and sector, the SMEs and growing ventures. Under the holistic support mechanism covering provision of office space, mentoring, networking, marketing and training support, the Bank offers versatile and differentiated services at every stage of the entrepreneurial cycle. This year, Garanti BBVA hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 22 million.

Garanti BBVA facilitates women entrepreneurs' access to financing, executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive School, and encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition. With the Women Entrepreneurs Meetings, which attracted the participation of 8,500 women to date, the Bank seeks to help women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need. Women Entrepreneurs Meetings conducted on digital platforms this year served to share experiences with a higher number of women entrepreneurs. The SROI (Social Return on Investment) value of the Women Entrepreneurs Executive School project is estimated as 5.

This year, Garanti BBVA hosted 5 startups and the total amount of investments granted to startups included in the Program exceeded TL 22 million.

Within the frame of the international borrowing program, Garanti BBVA, in cooperation with the World Bank-member IFC, introduced a social bond for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. The Bank carried on with on-lending of this fund, which is the first social bond issued by a private bank in an emerging country, to women entrepreneurs in 2020.

For Garanti BBVA, it is also important to keep the SMEs advised of the developments in their sectors and matters affecting their business lives. The KOBİ Girişim magazine published for many years in cooperation with the Ekonomist Magazine is mailed free-of-charge to all our SME customers electronically.

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

Furthermore, in 2020, the Bank sustained its information provision about the most current topics related to national and global sustainability trends, sustainable bonds and loans markets, international guidelines and best practices in environmental and social risk management at events such as the CDP Turkey Workshop, of which the Bank is the main sponsor and supporter, and The Sustainable Finance Forum, in the launch meetings of international principles such as the UNEP FI of which it is a founding signatory, and two live streaming events that it took part in during the year.

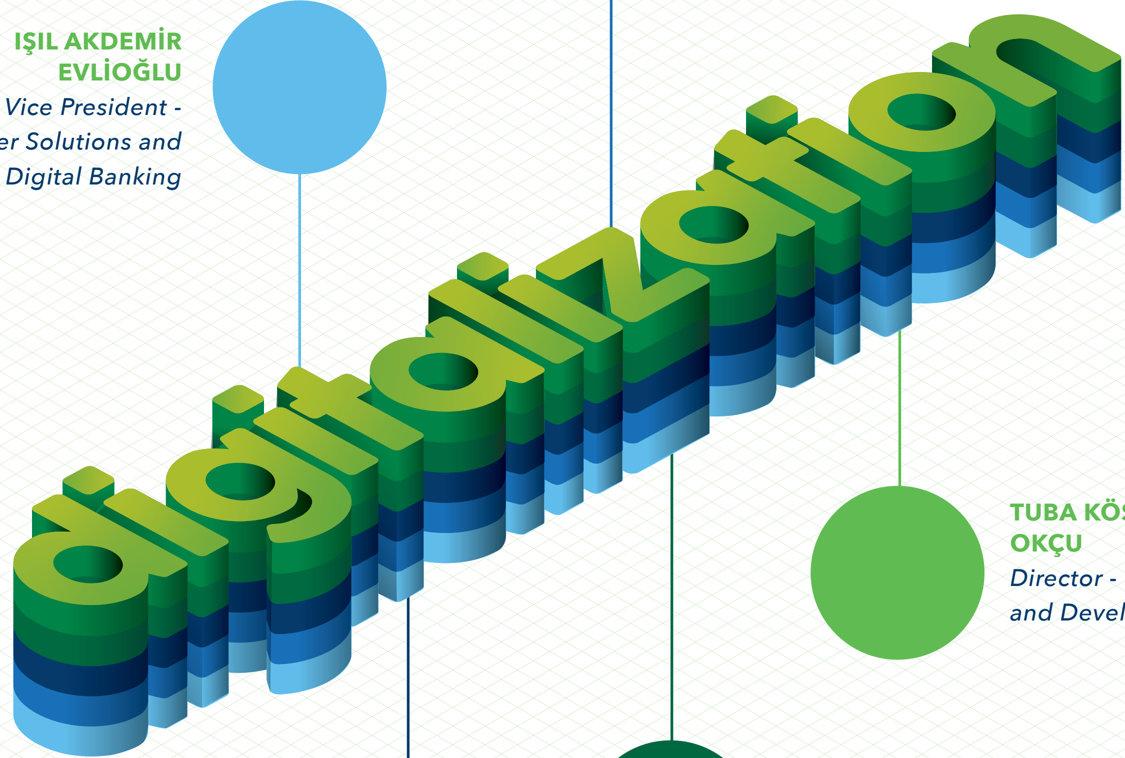
In this framework, 22 different topics were addressed in a total of 7 events during 2020, and information was provided to corporate and commercial customers and financial institutions on a one-on-one basis.

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

OUTLOOK

In 2021 and beyond, Garanti BBVA will continue to highlight entrepreneurship, digitalization, sustainable finance, the combat against climate change, and environmental and social risk management issues in its capacity building efforts. Organizing summits and meetings where stakeholders can share experiences and information, and providing informative trainings on emerging new trends will continue to play a key part in the support extended to customers. Setting up partnerships and specialized teams and providing technical support making use of technological infrastructure in various topics such as sustainable finance and digitalization will be a part of the roadmap for the years ahead. Informing the customers on environmental and social trends will continue to take an important place in the Bank's agenda.

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



İLKER YAVAŞ
Director - Abacus Operation Center

IŞIL AKDEMİR EVLİOĞLU
Executive Vice President - Customer Solutions and Digital Banking

TUBA KÖSEOĞLU OKÇU
Director - Learning and Development

MÜGE TÜRÜT
Istanbul, Suadiye Branch Manager

ALİ ÖZGÜR TÜZEMEN
Director - Data and Business Analytics

Scan the QR code to watch the video.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

REACHING MORE CUSTOMERS

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

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Reaching More Customers

5,259 27 min 10 customers

Material Topics

BUSINESS ETHICS, CULTURE AND CUSTOMER PROTECTION

EASY, FAST & DIY

Value Drivers

BE WHEREVER OUR CUSTOMERS ARE, EFFECTIVELY USE NEW CHANNELS SUCH AS DIGITAL ONBOARDING AND PARTNERSHIPS

EXPAND OUR CUSTOMER BASE AND DEEPEN OUR CUSTOMERS' RELATIONS WITH OUR BANK

GROW IN AREAS OF FOCUS WHILE KEEPING AN EYE ON RISK AND COST

Indicators	2019	2020
Customers	17,639,895	18,779,492
Digital banking customers	8,352,034	9,571,289
Mobile banking customers	7,731,683	9,074,914
Digitally Onboarded Customers	3,100	15,544
Yearly transactions performed through Internet and Mobile Banking channels	428 million	580 million
Number of Garanti BBVA Log-ins	1,5 billion	2 billion
% of Active Digital Customers	73.4%	79.2%
Branches	914	894
ATMs	5,260	5,309
Number of cardless transactions via Garanti BBVA ATMs	44,8 million	59,3 million
Amount of cardless transactions via Garanti BBVA ATMs (TL billion)	26,7 billion	50,7 billion
Number of Transactions performed with QR (million)	29,4 million	51,2 million
POS Terminals	651,860	684,896
Number of Merchants	400,700	406,258
Credit Cards	10,131,725	10,308,368

Contributed Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

DIGITALIZATION FOR UNRIVALED CUSTOMER EXPERIENCE AND VALUE CREATION THROUGH DIGITALIZATION

As digitalization changes the way companies do business, it is also rapidly transforming customer demands and consumption model. The fact that people spend most of their time on mobile platforms paves the way for companies to scheme their businesses on a mobile-to-mobile format. Therefore, mobile banking platforms come to the fore as the key channel of customer interaction for banks. As the way of doing business and products are digitalized, the resulting customer experience is also completely digitalized. Strictly focused on offering a better experience on digital channels at all times and a follower of omni-channel strategy, Garanti BBVA aims to reach the users at the right time with the right message. Since the banking business requires an intensive set of functions, it becomes more and more important to balance it with a simple user experience. Garanti BBVA puts emphasis on creating unrivalled user experience through thorough analysis of data, and determines any deficiencies by way of regular usability surveys, thus ensuring sustainability of perfect experience. The Bank acts with the consciousness that "human" is at the center of each and every service or design.

Smart decision techniques are employed to approach customers through the best-fitting channel. Technology is utilized to upgrade customer experience; developments continue on every possible platform based on the Bank's vision of being accessible by customers anywhere they need banking services.

Furthermore the Bank transforms digital channels into an environment where customers can receive financial advisory. The Bank also contributes to its customers' preparation for the digital future by developing financial tools supporting digital transformation. Taking digital channels way beyond being merely a platform for transacting and product applications, the Bank acts with the vision of delivering an experience that interacts smartly with the customers at every point and that establishes a true bond of trust.

Garanti BBVA aims to maintain its leadership in digital channels by continued monitoring and implementation of new technologies putting mobile channels at the heart of this experience.

With "Garanti BBVA'ya Sor" (Ask Garanti BBVA), which is the first 24/7 social media customer satisfaction channel in the Turkish banking sector, the Bank offers an efficient customer satisfaction service.

Garanti BBVA takes care to listen to the needs of its customers on every channel they are present and to develop fitting solutions. With "Garanti BBVA'ya Sor" (Ask Garanti BBVA), which is the first 24/7 social media customer satisfaction channel in the Turkish banking sector, the Bank offers an efficient customer satisfaction service. On social network platforms, Garanti BBVA carries out initiatives that contribute to business results by offering a description of products and services supporting its corporate image, and that are intended to make customers' lives easier with contents on financial and digital literacy, which are at the same time aligned with the entertaining and dynamic nature of social networks.

On average, 45 thousand related content is followed up and an average of 7 thousand customers are responded to every month. With the growing use of social media platforms by users, the number of customers contacting the Bank via Ask Garanti BBVA increases every year. The usage of social media channels is increasing visibly within all communication channels of the Bank. While social platforms had 7.6% share within total complaints received by the Bank in 2015, this ratio is around 20% today. Rapid responses provided to customer suggestions, comments and complaints contribute to customer satisfaction.

In view of the number of platforms it makes use of for social network interactions, Garanti BBVA boasts the most comprehensive complaint handling capability in the financial services sector.

The Executive Vice President in charge of digital banking responsible for digital channels, customer contact center, customer analytics, innovation and product development, customer experience and satisfaction, together with the Executive Vice President in charge of technology, operations, organization and process development, leads digital transformation within the Bank, in collaboration with the senior management team. Furthermore, the Board of Directors closely monitors the progress and the performance.

WHAT WE DID IN 2020

Managing the largest digital customer base among the private banks in Turkey, Garanti BBVA Digital Banking enables 9.6 million digitally active customers to execute any banking transaction anytime, anywhere, with 5,309 Garanti BBVA ATMs, an award-winning Customer Contact Center, Garanti BBVA Mobile and Internet that have been leading novelties. While about 9 million of these customers actively use mobile banking, 7 million are mobile-only customers. Approximately 580 million transactions are performed through Internet and Mobile banking channels annually. Utilizing digital channels effectively, 97% of all non-cash financial transactions go through digital channels at Garanti BBVA. The number of monthly logins to Garanti BBVA Mobile also increases regularly and we have reached 2 billion logins in 2020.. Aiming to offer its customers an instant, convenient and seamless experience, Garanti BBVA succeeds in remaining the leader of digital banking year after year.

This year, in a world where branches were unable to offer service due to the pandemic, digital channels went beyond being an alternative and came to the fore as the sole banking method. The entire sector discerned that fully digitalized banking enabling 100% remote execution of processes, a concept long owned by Garanti BBVA, was not the vision of a remote future but the necessity of today's world.

Keeping the trade running during the pandemic was critical for the national economy to come through this transition period as healthily as possible and for keeping the daily life from limping. In this context, the sole enabler of uninterrupted and smooth continuation of financial life was the power of digital channels. In this process, all sorts of needs of corporate customers could be fulfilled instantly through the digital channel network and remote access capabilities. Contingency action plans were implemented and projects that would contribute to digital channel use were prioritized in an effort to service more customers during the pandemic.

Utilizing digital channels effectively, 97% of all non-cash financial transactions go through digital channels at Garanti BBVA.

During 2020, 134,000 enterprise customers became first-time digital customers. Continuous developments are in progress to become digitally accessible by a larger group of corporate customers and to present them with more secure and faster ways to log in to digital channels and access their personal accounts. Customers having a commercial presence embodying several companies or those managing both their own personal accounts and company accounts naturally need to switch between accounts, and logging-out just to re-log-in wasted time. "Switch User" feature among digital channels provided a faster transition between a customer's own accounts.

EMPOWERING CUSTOMERS

Garanti BBVA analyzes customer behavior with a data-driven approach and develops its platforms according to customers' needs along the way. For these developments, the Bank undertakes detailed customer life cycle analyses.

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

WHAT WE DID IN 2020

In 2020, Garanti BBVA Mobile's smart assistant UGI began offering support to customers in writing, in addition to voice communication, thanks to its revamped visage and infrastructure. This way, users, at their option, can receive support in a number of banking matters in writing in locations where they wish to avoid communicating orally. In addition, the new infrastructure lets UGI understand users better and provide support with a much broader transaction set. While furnishing all these services, Garanti BBVA acts with the awareness of the importance of adding the human touch wherever needed. The Bank is headed towards a structure where users, when unable to find a solution talking to the virtual assistant, will be able to receive customer representative support without logging out of Mobile. Along this line, it is working towards making Garanti BBVA Mobile the main center of customer experience. With the guidance provided by Garanti BBVA Mobile's smart assistant UGI, customers can receive banking support and perform their transactions within the mobile app by reaching live support assistants through Live Chat, the newly developed channel that is currently in pilot run.

Quick Loan is another feature aimed at being there for the customers at the time of need. Using this function, every user, whether or not a Garanti BBVA customer, can find out about the amount of loan they can get with a brief journey using the form "How much can I borrow?" available on garantibbva.com.tr, and have the loan deposited in his/her account instantly. After filling in the "How much can I borrow?" form, non-customers are referred to the onboarding process, and then complete the borrowing transaction with a frictionless process experience.

The Bank aims to create fully digital products designed to respond to customers' all needs as they remain at home. Garanti BBVA customers can promptly become a Bonus Diji credit card owner, for which they can apply through bonus.com.tr; following application approval, they can digitally approve credit card agreements without the need to execute a wet signature. This way, they no longer need to wait for receiving the plastic card and can instantly start using their credit cards for online shopping, or in business places, using the QR or NFC technology via their mobile phones. Bearing only the cardholder's name and surname on it, and associated card number, expiry date and security code viewable only on Garanti BBVA Internet, Garanti BBVA Mobile and BonusFlas, Bonus Diji card offers customers a more secure shopping experience.

Another tool backing digital transformation is Salary Company Acquisition; enterprises can easily complete Non-Promotion

Salary Agreements and Institution Code creation processes via Garanti BBVA Mobile, without going to a branch.

At the same time, Garanti BBVA generates targeted solutions to ensure customer engagement offer the products that best fit their needs, and thus touch the customers instantly. For example the Canceled Ticket Insurance provides assurance for the ticket price against last-minute changes in travel plans, and 90% of the fare unreturned by the airline is reimbursed by the insurance policy subject to certain principles, in case of cancellation of a purchased airline ticket. FX Pricing Engine is another example in this sense. This function renders the exchange rates offered via Garanti BBVA's digital channels according to the customer's FX transaction volume and habits, and segment-based exchange rates are displayed.

Garanti BBVA is working to offer its customers a holistic user experience. The Bank has been striving to provide branch comfort on digital channels for customers wishing to perform their banking transactions without leaving their homes, particularly since March because of the pandemic. With the renewed Do It Digitally feature, the Bank tells users in detail about the transactions they can perform via Garanti BBVA Mobile with the aim of offering them the best experience. The Bank also enjoyed the advantage of possessing the capabilities that fully satisfy the increased need for contactless transacting in this period. Garanti BBVA Mobile users are able to easily carry out Withdrawal, Deposit, Transfer, Credit Card Debt or Credit payments with QR code via ATMs, without making a branch visit. During this period, the ratio of retail customers performing Money Withdrawal with QR reached 27%.

Garanti BBVA continues to author novelties that make customers' lives easier also in money transfers. Money transfer without IBAN or Account Number is enabled by matching personal data such as Mobile Phone No., T.R. ID No. and e-mail with the IBAN for retail customers, and by matching Mobile Phone No., Tax ID No, and e-mail for corporate customers. In 2021, QR services will be updated according to TR Karekod (Turkish 2D Code) Standard, and transactions customers can perform via digital channels will continue to be enriched.

Garanti BBVA maintains its customer-centric perspective for all products and transactions made available on various channels. The Bank offers a similar experience for these products and transactions on all of its platforms. While transactions performed on any channel can be followed up on another, specific requirements of each channel are also taken into consideration. While channel-specific campaigns are offered for products, it is ensured that the same rates are available on all channels.

In brief, Garanti BBVA keeps implementing its customer empowerment strategies based on its customer-centric perspective and its solutions putting technology in their focus on all of its channels.

MOBILE BANKING

The number of monthly transactions carried out through Garanti BBVA Mobile surpassed 55 million. Active digital customers increased to 9.6 million while mobile-only customers significantly grew to 9 million. Garanti BBVA Mobile got 82.6% share of non-cash financial transactions. The number of active mobile banking customers grew by 17% in the twelve months to end-2020.

While the number of active digital customers increased by more than 1.2 million to 9.6 million, the number of customers using mobile channels increased by more than 1.3 million to over 9 million.

Aiming to enable customers to satisfy all their banking needs on digital channels and deliver a perfect experience, Garanti BBVA further improved the available capabilities and also enriched its digital channels with new and innovative solutions in 2020.

Targeting to accompany users at every step of their daily lives, Garanti BBVA put an end to "insufficient balance" era in public transportation, the most frequent problem of users, and launched top-up function for İstanbulkart, the prepaid transportation card for İstanbul, in addition to Kentkart. With İstanbulkart Top-up, the Bank reached more than 200 thousand customers, and successfully created a value that touches customers' lives.

Garanti BBVA users are given the capability to access e-Government gateway through Garanti BBVA Internet and Mobile channels.

Smart Transactions on Garanti BBVA Mobile application are intended to let users execute their daily banking transactions more easily and gain awareness of their finances. In addition to the "Regular Deposit Order" and "Spend and Save" rules previously introduced, "Pay Bill" and "Regular Gold Saver" rules were launched. Customers using the Regular Gold Saver function can regularly save up gold in predetermined gram equivalents of gold every month. With the Pay Bill function, customers can easily view their frequent bill payments and issue an automatic payment order, keeping their bills under control. Customers can save up easily thanks to Smart Transactions, and thus, become financially healthier. The Bank targets to introduce new features that will help customers easily manage their financial activities under Smart Transactions.

Garanti BBVA conducts monthly usability surveys to better observe its users' needs. Based on these surveys, solutions are devised for user experience problems associated with existing functions. Additionally, these surveys keep user experience in the focal point in new products to be launched. Some developments along this line include the following:

- Home pages of the mobile application was redesigned in a simpler and more usable format and usability issues were resolved.
- Transactions that would compel a branch visit for users were identified and these steps were made available on digital channels. They can now be easily completed on digital channels with technologies such as NFC, video call, etc. In addition, the steps on digital channels were explained to low-digital users under the Do It Digitally page during this period.
- WhatsApp chatbot and UGI experience, which were upgraded to respond to identified needs more rapidly, provided areas where users can easily find the answers for their needs.

INTERNET BANKING

Garanti BBVA continues to touch its customers and listen to their voices on all of its channels. Through the Contact Us section added to Internet banking, the Bank keeps hearing customer opinions through different channels. From the Contact Us section, customers convey their complaints, suggestions and appreciation to customer experience teams, and follow up the responses to their messages and the outcomes of their complaints.

Arrangements targeting frequently made transactions on Internet banking such as money transfer and frequently used products such as loans and credit cards continue on this channel along with those on mobile banking.

In response to the changing circumstances resulting from the pandemic, Garanti BBVA allows customers to easily perform their transactions under any circumstance through installment deferral up to 6 months and term extension up to 12 months in its general purpose, auto and mortgage loans and advance account products.

As the onboarding process has been fully digitalized, non-customers are also able to finalize the loan applications initiated

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through garanti.com.tr on Garanti BBVA Mobile by becoming a customer of the Bank, and take out the loan.

GARANTI BBVA ATM

Garanti BBVA ATM network reached 5,309 ATMs in 2020. While 337 million transactions were carried out from the ATMs, the number of contactless transactions exceeded 59 million. The ratio of money withdrawal and depositing with QR increased by 60% on average, whereas the ratio of money withdrawal with QR approached 30% within all withdrawals. SIM card change notification was added to the transaction set, thus enabling customers unable to perform this procedure via Garanti BBVA Customer Contact Center to do it without a branch visit. For customers who do not use Mobile and Internet channels, the feature for easily getting a digital password from the ATM was launched. Retail customers' receipt preferences were made applicable for all their cards, a step that decreased receipt consumption and made the transactions environmentally friendlier.

BONUS CREDIT CARD

A new era began, where users will be able to complete the application and approval process for Bonus credit card via bonus.com.tr website, and start using their virtual cards immediately. Wet signature requirement is cancelled for Bonus credit card applications; moreover, instant use credit card implementation has commenced along with the new regulation in the credit card agreement. When a Garanti BBVA customer who does not have a Bonus credit card applies for one via bonus.com.tr, he/she can digitally complete all the steps within just minutes. A customer whose card application is accepted can approve the Credit Card Agreement within minutes without a wet signature via Garanti BBVA mobile, have his/her new Bonus card immediately, and instantly begin using the virtual Bonus card that will be created simultaneously for online shopping. Physical credit cards are delivered to the customers' addresses, again without requiring a signature on the agreement.

Very soon, customers will be able to digitally approve credit card agreements through all application channels and for all credit card brands.

BONUS PIU

Easy-to-get prepaid Bonus Piu virtual card enabling secure online shopping was put on the market on 28 September 2020. Every user, whether or not a bank customer, wishing to do shopping from e-commerce platforms is able to create Bonus Piu prepaid virtual card by entering the website bonuspiu.com.tr without having to open a bank account, top up the card and start using it immediately. Anyone without a credit or debit card but having the need to do online shopping (youngsters aged 12-18, frequent shoppers on e-commerce websites, game enthusiasts, etc.) can have prepaid Bonus Piu without paying for a card and usage fee.

Those who wish to use Bonus Piu prepaid virtual card first create their cards on the website. After completing this step, users can load cash to their cards up to determined upper limits with their Garanti BBVA cards, through Garanti BBVA ATMs, through BKM Ekspres or MoneySend or via EFT from other banks, and do shopping.

Game enthusiasts can design their Bonus Piu cards with the visuals of the League of Legends characters, one of the most favored and most played games in the world.

Following the launch, the first co-branding was initiated with Hepsiburada.com, Turkey's leading e-commerce platform. In this context, users earned 5 percent extra Hepsiburada bonus points for the launch for their shopping worth TL 100 and above after creating their Bonus Piu-Hepsiburada cards specific to the platform through Hepsiburada.com website or bonuspiu.com.tr. Users will also be able to apply for physical cards through bonuspiu.com.tr website very soon.

COLLECTION BY CODE

Collection by Code product was introduced in August, which enables remote payment collection for business places that were forced to close down their physical stores due to the pandemic and did not carry out online sales through their websites.

While Collection by Code made remote collection possible for business places without the need for additional software, card holders can also securely make their payments with the card of their choice through kod.garantibbva.com.tr. Quickly familiarizing business places suffering from significant turnover losses with e-commerce, Garanti BBVA made its Collection by Code product available for use by more than 700 business places within a short period of time.

BONUS DIJI

Bonus Diji card was launched on September 30th. Garanti BBVA customers apply for Bonus Diji credit card through bonus.com.tr; following the approval of the application, they digitally approve their agreements without the need to execute a wet signature, and have their cards immediately; they can start using their cards instantly for online shopping, QR and NFC-enabled mobile payments without waiting for the receipt of the plastic card. Bonus Diji gives customers access to all features and campaigns offered by Bonus Trink. Moreover, customers do not have to wait to receive their cards; as soon as the application is approved, they can do online shopping using the card number, expiry date and CVV data they can reach through BonusFlas, Garanti BBVA Mobile and Garanti BBVA Internet.

Number of transactions with GarantiPay, which enables fast and secure payment at more than 2,100 e-commerce businesses without sharing card data increased by 1.8 times as compared to 2019 and topped 3 million.

Bonus Diji plastic card bears only the name and surname of the cardholder and not the card number, expiry date and CVV. Customers can view the said card data on BonusFlas, Garanti BBVA Mobile and Garanti BBVA Internet. If they wish, they can easily do shopping using the QR and mobile payment feature through BonusFlas even before taking delivery of their card. In order to open a Bonus Diji card for use with physical POS devices and ATMs, the Bank must have received the information that the card has been delivered.

Customers already having a Garanti BBVA credit card can apply for Bonus Diji credit card through BonusFlas, whereas Garanti BBVA customers can do so through bonus.com.tr and BonusFlas, and will be able to instantly start online shopping, QR and NFC-enabled mobile payments without any additional procedures.

BONUSFLAŞ

With the increased tendency to use digital channels in 2020, BonusFlas continued to be the channel of choice by Garanti BBVA card customers for all their needs associated with cards and payment solutions. BonusFlas made users' lives easier particularly during the period they stayed home with the solutions it offers for e-commerce and contactless payments.

Campaigns organized with rich contents in view of customer needs in this period helped increase campaign enrollments by 1.7 time as compared to 2019 and exceeded 28 million. Payment with QR and Mobile Payment transactions increased by more than 4 folds as compared to 2019, driven by communications and campaigns. Number of transactions with GarantiPay, which enables fast and secure payment at more than 2,100 e-commerce businesses without sharing card data increased by 1.8 times as compared to 2019 and topped 3 million. In addition, the volume of GarantiPay also increased by 2.1 times as compared to 2019 and reached 1.2 billion TL.

CEPPOS VE ANDROID POS

With the Garanti BBVA CepPOS product allowing SMEs and micro businesses to quickly and securely receive payments through mobile phones, businesses continue to receive contactless payments with their Android mobile phones.

Member merchants that own the product can log in to the app using their Garanti BBVA Internet passwords, and accept fast and easy payment without a password via contactless cards and mobile wallets up to the contactless transaction limit, making use of the NFC (mobile payment) capability of their phones. The app also lets instant tracking of sales and viewing the amounts received in the account.

In addition to Garanti BBVA CepPOS product, a banking payment solution compatible with the new generation Android-enabled physical POS devices was provided, which allows integrated running of different applications adapted to the member merchants' needs on the same device. While this provided end-to-end completion of the sales transaction on a single device, it also paved the way for payment by customers in the department without going to the cashier.

MEMBER MERCHANT SOLUTIONS

As part of the measures against the pandemic in 2020, POS devices that did not possess contactless payment feature were replaced in order to make customers' lives easier and to allow payments without touching the POS device in the case of face-to-face payments, and payment was facilitated with contactless PIN pads in business places where customer access was restricted. Hence, the number of contactless transactions in 2020 tripled as compared to 2019.

In a similar vein, the number of devices enabling payment with QR code was increased, thus supporting cardless payments and enhancing customer satisfaction.

The Bank enabled Member Merchant applications to be made via the Customer Contact Center and Garanti BBVA Mobile in addition to the branch channel. Upon digitalization of agreement approvals and necessary documentation uploads, customers wishing to become member merchants were able to complete the application process from their homes or business places without a branch visit.

Garanti BBVA CepPOS product allows micro businesses having a smart Android phone and working on simple entry basis to accept payment quickly and easily with contactless cards instead of cash.

Prioritizing customers' health during the pandemic, Garanti BBVA renewed POS devices that did not possess contactless payment feature, and the number of contactless transactions in 2020 tripled as compared to 2019.

On the e-commerce front, all processes touching the customer on the application side were carefully reviewed and upgraded. In this period, application time in virtual POS devices was decreased from 7 days to 2. Initiatives were also commenced that would make everyday lives of existing customers easier.

OUTLOOK

Democratization of financial data that entered our lives through open banking arrangements will be turned into a experience that will offer the highest benefit to customers in the most secure manner. It is a critical priority in the use of open banking services to provide the customers with the right information at every step of the way, ensure maximum security for customers, and guarantee responsible use of data. In terms of experience, the Bank's priorities both for retail and corporate customers include converting customers' financial data into value-added services so as to facilitate their lives, contributing to their improved financials with more data-driven advanced analytical models, and enriching holistic Garanti BBVA experiences.

Upon enactment of the Open Banking law in 2020, which will reshape digital banking and payment services also in our country, efforts began to produce new services and products. Through imminent initiatives planned for corporate customers, it is targeted to offer interfaces that will be incorporated within the business cycles of SME customers at a much higher degree and will let them view their cash flows in a much better way, along with a number of new payment solutions. With Open Banking services that will be introduced to our lives in 2021, corporate customers will be able to automatize numerous operational processes through Garanti BBVA Corporate Mobile and Internet channels, and thus achieve increased productivity.

Upon introduction of the regulatory framework and technological advancements, onboarding process will continue on digital channels. With Garanti BBVA Mobile, onboarding starts at Garanti BBVA Mobile and is completed at the branch simply by signing. Thus shortening the onboarding process at the branch, Garanti BBVA carries on with the steps to complete the onboarding process end-to-end digitally upon the regulatory arrangement slated for enactment in 2021. Upon end-to-end digitalization of the onboarding process, the usage of this channel will be expanded through business partnerships. End-to-end digital onboarding process will also be developed for sole proprietorships and salary customers.

Going beyond the goal of enriching the diversity of life-facilitating products and services to customers, giving financial advice to leverage their finances and helping them be prepared against contingencies through early warnings will be among he key focuses of the Bank in the period ahead. Garanti BBVA will carry on with its initiatives and efforts, conscious of the fact that building on customers' financial literacy and helping them be more aware of their finances are among the indispensable factors for customer satisfaction and for fulfilling its social responsibility towards the society as a bank.

Garanti BBVA relentlessly works on new services to be delivered digitally so that customers will be able to execute banking processes without having to go to a branch, and is looking forward to the times these services will be launched. For example, corporate customers provide a great amount of documentation to the bank due to the requirements of commercial life. This prevents end-to-end digital handling of banking transactions for corporate customers at certain points and restricts digitalization. Developments are being finalized to let customers digitally upload the documents they regularly provide to the bank without a branch visit and informing branches of these transactions concurrently.

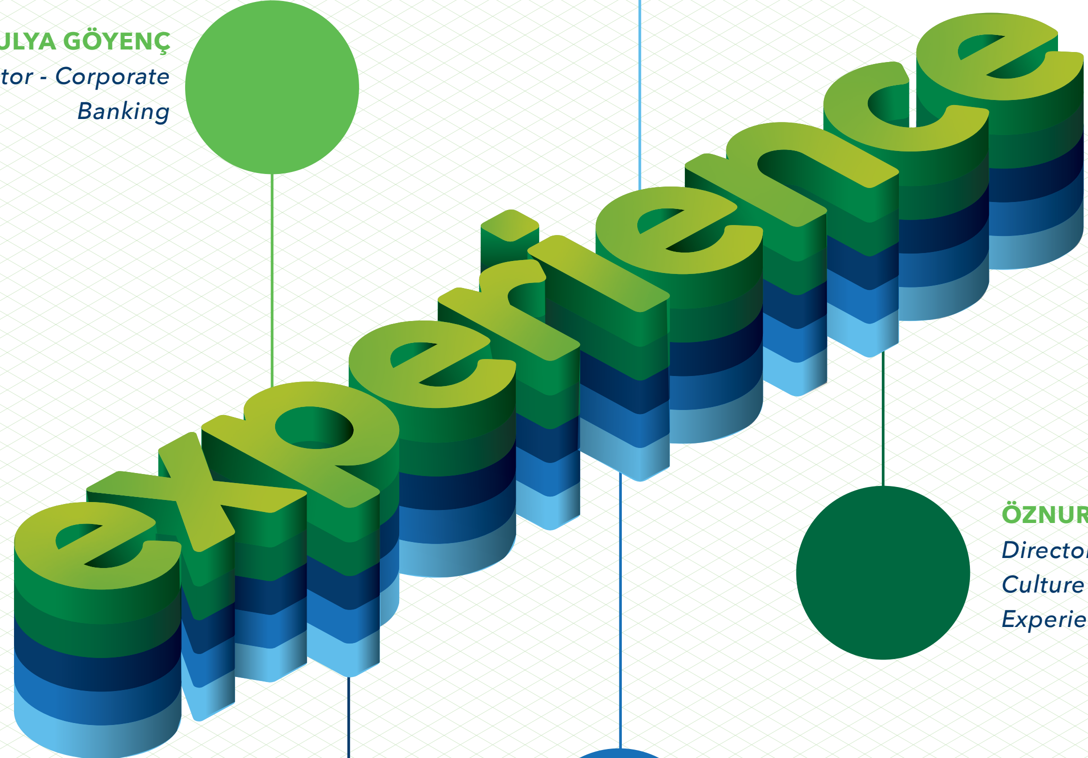
The Bank targets to set up the smart structures that will offer remote assistance to all corporate customers at times they need support during the ongoing pandemic and thereafter. Garanti BBVA places much emphasis on more effective utilization of the branch workforce to reach more customers from the corporate world. The Bank targets to have branch employees touch the customers at the maximum extent possible without being pressed under operational workloads and be a part of the commercial life outside, independent from branch locations. The Bank is working on smart tools and service models that will result in more efficient use of the Bank's data, so that existing personnel can use their time more efficiently and thus can reach more customers and so that they are better equipped when responding to customer needs.

Backed by its broad set of initiatives, Garanti BBVA leads sustainability practices. The Bank aims to effectively communicate its sustainability initiatives also through digital channels and to get its users' support as well.

In a bid to deliver the best user experience, Garanti BBVA will maintain constant contact with its users, observe customer journey at all times, and adapt current technology quickly, and thus remain the sector's leader in digital banking.

ERGUN ÖZEN
Board Member

FULYA GÖYENÇ
Director - Corporate Banking



ÖZNUR METİNER
Director - Talent and Culture Employee Experience

ERHAN ZEYNELOĞLU
CEO - GarantiBank International

SELAHATTİN GÜLDÜ
Executive Vice President - Commercial Banking

Scan the QR code to watch the video.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

OPERATIONAL EXCELLENCE

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

Operational Excellence - I

6,298 | 32 min | 14 | assets

Related Material Topics	Value Drivers	Indicators	2019	2020 Actual	2020 Projection	Actual vs. Projection
#1 CAPITAL ADEQUACY AND FINANCIAL PERFORMANCE **#2 CORPORATE GOVERNANCE AND EFFECTIVE MANAGEMENT OF ALL RISKS** **#4 EASY, FAST SOLUTIONS AND DIY OPTIONS**	**FOCUS ON SUSTAINABLE GROWTH AND USE OF CAPITAL EFFECTIVELY SO AS TO MAXIMIZE THE VALUE TO BE CREATED** **CONSTANTLY IMPROVE AND ENABLE BUSINESS MODELS AND PROCESSES WITH AN OPERATIONAL EFFICIENCY POINT OF VIEW** **ACTIVELY MANAGE FINANCIAL AND NON-FINANCIAL RISKS**	ASSET GROWTH (%)	7%	26%	-	-
		TL LOAN GROWTH (%)	7%	33%	~25%	Beat
		FC LOAN GROWTH (%)	(6%)	(1%)	Contraction	In-line
		NPL RATIO (%)	6.8%	4.5% (5.7% when adjusted with TL 4.7 billion written-down)	~6.5%	Beat
		NET COST OF RISK (BPS)	272	231	<300 bps	Beat
		NIM INCL. SWAP COSTS EXCL. CPI (%)	4,3% (+78 bps YoY)	14 bps expansion (21 bps expansion incl. CPI)	50 bps expansion	Miss (due to higher-than-projected rise in funding costs and denominator effect)
		FEE GROWTH (%)	23%	+5%	High single-digit contraction	Beat
		OPEX GROWTH (%)	18%	15% (Bottom line impact: <9%. Due to hedging mechanisms and preset provisions)	<10%	In-line
		COST / INCOME[1] (%)	39%	36.5%	-	-
		LEVERAGE	6.9x	7.7x	-	-
		ROAE (%)	12.4%	11.0% (adjusted with free provisions: 14.4%)	10-13%	Beat (Adjusted with unbudgeted free provisions)
		CAPITAL ADEQUACY RATIO (%)	17.8%	16.9% (Excl. BRSA temporary measures)	-	-
		CET-1 RATIO (%)	15.4%	14.3% (Excl. BRSA temporary measures)	-	-

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

Contributed Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FINANCIAL PERFORMANCE

For Garanti BBVA, financial performance is at the core of value creation process and is both the cause and effect in delivering sustainable growth. The Bank has a direct and indirect impact on the economy, by making its products available to customers, investing in its facilities and constantly improving its business model and processes with an operational and environmental efficiency point of view.

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

In 2020,Garanti BBVA increased its consolidated total assets by 26% on an annual basis, bringing it to TL 541 billion, attained 29% growth in total performing loans and increased the percentage of interest-earning assets to total assets from 82% to 84%. Standing by its customers at all times, Garanti BBVA brought the share of loans within total assets from 60% to 62%. Today, Garanti BBVA pioneers the sector across various segments from retail banking to payment systems, mortgages to auto loans, SMEs to project finance, transaction banking to digital banking.

Garanti BBVA preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management in 2020 that was characterized by high volatility induced by the pandemic. Diversified and dynamic funding base of the Bank continued to be largely composed of customer-driven deposits. Growth rate in customer deposits base was 30%, parallel to the expansion in lending, which helped Garanti BBVA keep its loan to deposit ratio (LDR) at 94% on a consolidated basis. Garanti BBVA's strength in consumer deposits is the outcome of its innovative business model, which places customers' needs and satisfaction at the core of its business.

Lending rates relatively decreased as a result of the financial support packages made available to the sector because of the pandemic. The plunged currency followed by expansionary policies, in conjunction with stronger domestic demand triggered inflation. The CBRT began implementing tight monetary policy due to inflationist pressures, resulting in higher funding costs in the second half of the year. In spite of the growing pressure of funding costs and declined lending rates, Garanti BBVA succeeded in expanding its Net Interest Margin (NIM) as compared to year-end 2019 thanks to its diversified funding structure, increased share of demand deposits in total deposits, and income on CPI-linkers. Garanti BBVA was able to increase its NIM including swap costs by 21 basis points on a year-over-year basis, and with 5.4%, continued to have the highest NIM level among its peers.

Garanti BBVA follows a prudent and risk-return focused lending strategy. The Bank displays a proactive and consistent approach to risk assessment that ensures preservation of its solid asset quality. In the reporting period, provisions remained high for maintaining the prudent stance due to negative effects stemming from the pandemic, decelerated economic activity and increased unemployment. Net cost of risk, excluding currency impact, was 2.3% in 2020. Since the Bank maintains on-balance sheet FX long positions against currency impact on provisions, increased provisions resulting from devaluated currency does not have an effect upon bottom line profit. Payment deferral was introduced in an effort to support the sector players against the pandemic-related challenges in 2020, and the time allowed for loans to remain unpaid before they are classified as NPL was doubled to 180 days from 90 days. Therefore, net new Non-Performing Loans (NPL) remained on the negative side. Due to this arrangement, the NPL ratio went down from 6.8% in 2019 to 4.5% in 2020 with the effect of the strong growth in lending and loans written down.

Garanti BBVA's diversified and actively managed funding base, its capital adequacy ratio of 16.9% excluding BRSA's temporary measures, its growing deposits with approximately 19 million customers' trust, and continuous access to foreign funding sources bolster the Bank's business model and long-term sustainable growth.

Garanti BBVA | Integrated Annual Report 2020

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

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

2020 was characterized as a year when the Covid-19 pandemic dominated global economy and markets, central banks quickly loosened their monetary policies, monetization increased, and countries implemented comprehensive fiscal incentives in their fiscal policies. On another note, significant shrinkage in domestic - and international trading volume were the main risks facing the economies.

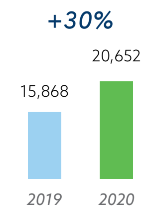
Although Turkish assets experienced a market environment of flexible monetary policy and loose liquidity conditions for a substantial part of the year in an effort to restrain the effects of the pandemic, tightening monetary policy regained importance with the deteriorated inflation outlook in the last quarter of the year, and interest rates took an upturn. In this context, credit expansion calmed down in keeping with the normalization steps taken in relation to the economy in the last quarter.

Garanti BBVA continued to extend loans to its customers, while paying attention to maintaining its asset quality at times when TL interest rates and the country risk premium were high, and strove to help mitigate the economic toll the pandemic took on its customers. At the same time, the Bank was able to remain quite healthy in terms of liquidity during 2020.

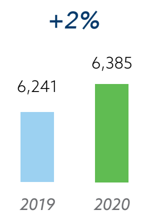
1. SOLID AND SUSTAINABLE PRE-PROVISION PROFIT GENERATION CAPABILITY

In a year of high volatility, Garanti BBVA was able to elevate its pre-provision income by 30% year-over-year, and set aside TL 2 billion 150 million in free provisions during the year based on its cautious risk policy, bringing total free provisions to TL 4 billion 650 million; the Bank bookedTL 6 billion 385 million in consolidated income. Garanti BBVA's dynamic balance sheet management was reflected on the robust and high quality earnings, delivering a Return on Average Equity (ROAE) of 11.0% and Return on Average Assets (ROAA) of 1.3%. Adjusted with free provisions, ROAE was 14.4% and ROAA was 1.8%.

PRE-PROVISION INCOME *(TL million)*



NET INCOME *(TL million)*

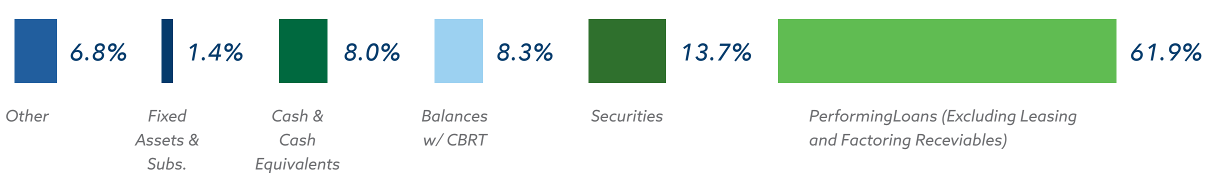


Note: Pre-provision income= Net income + expected credit loss + tax provisions – FC loan provision hedges - Provision cancellations under other operating income

2. CUSTOMER-DRIVEN AND HIGH-YIELDING ASSET MIX

In a year when the real sector's need for liquidity was high and credit expansion was extremely strong, Garanti BBVA increased its consolidated assets by 26% on an annual basis, bringing it to TL 541 billion, and increased the percentage of interest earning assets in total assets to 84% by attaining 29% growth in total performing loans. While the securities portfolio was strategically managed as a hedge against volatility, loans constituted 62% of assets.

ASSETS (TL 541 BILLION)



2.1 BALANCED LENDING MIX

Companies' increased need for liquidity in the first half of 2020 due to the pandemic brought along a strong expansion in business banking loans. On the other hand, in the second half of the year , consumer loan demand recovered owing to recuperated economic indicators.

Garanti BBVA preserved the balanced composition of its loan portfolio also in 2020. Total performing loans was made up of business banking loans by 33%, consumer loans by 29% and FC loans by 38%.

TL loans grew by 33%. While annual TL loan expansion occurred in all business lines, TL business banking loans were the driving force behind growth (40% annual growth). TL consumer loans showed a recovery in the second half of the year. (25% annual growth including individual credit cards).

Shrinkage in foreign currency loans continued due to declined credit demand because of the volatile currency. FC loans ended the year with 1% contraction.

2.1.1 LEADING POSITION IN RETAIL BANKING

With its effective delivery channels and successful relationships with its customers, Garanti BBVA's market share in retail lending among private banks is 21%. Preserving its leading position in retail products, Garanti BBVA continues to respond to its customers' needs with its 884 branches spread around all the cities in Turkey.

MARKET SHARES[1]

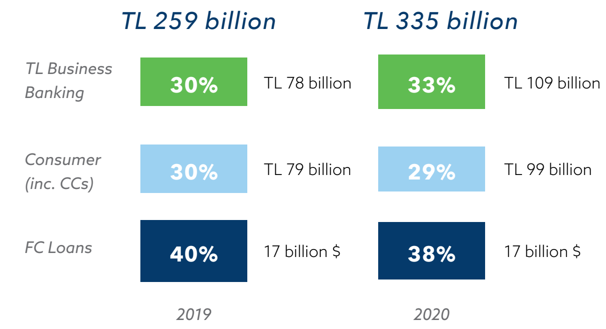
	DECEMBER'20	QOQ	RANK
Consumer Loans (Credit Card inc.)	11.7%	+12bps	#1*
Consumer Mortgage	8.5%	+5bps	#1*
Consumer Auto	26.5%	+20bps	#1*
Consumer GPLs	11.1%	+23bps	#2*
TL Business Banking	8.3%	+27bps	#2*

** Market shares and rankings are among private banks, as of September 2020.*

1 Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 31.12.2020

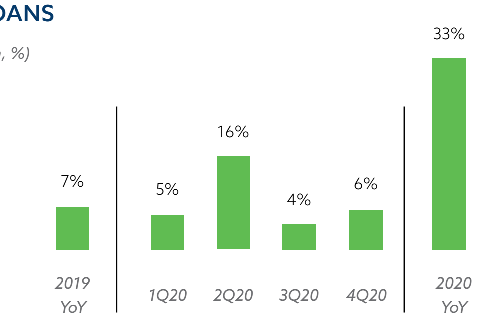
LOAN PORTFOLIO

(62% of Total Assets)

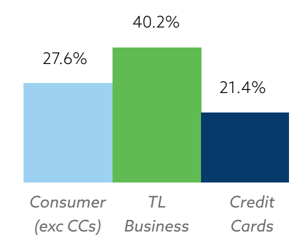


TL LOANS

(Growth, %)

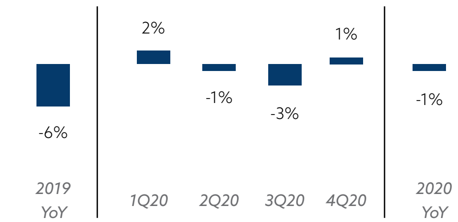


TL LOAN EXPANSION BY PRODUCT

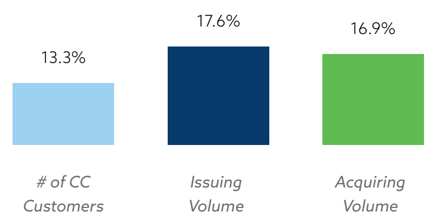


FC LOANS

(Growth, %)



PIONEER IN CARDS BUSINESS[1]



1 Cumulative figures as of December 2020, as per Interbank Card Center data.

Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 31 December 2020. Market shares among private commercials banks.

2.1.2 PIONEERING PAYMENTS SYSTEMS

Garanti BBVA commands a pioneering position in payment systems and credit cards with Garanti Payment Systems, which was founded 21 years ago. With 684,896 POS devices and a market share of 17.6% in issuing volume and 16.9% in acquiring volume, it is one of the leading players in the market.

2.1.3 FOREIGN CURRENCY LENDING

Investment appetite remained weak due to ongoing domestic and global uncertainties. The decreasing demand combined with Garanti BBVA's risk/reward priorities and rational pricing focus reflected on the Bank's large base of Foreign Currency (FC) loan book, and FC loans portfolio shrank 1% in USD terms.

Garanti BBVA continued to support Turkey's sustainable growth with its pioneering role in the project, acquisition and structured finance. Despite challenging market conditions, Garanti BBVA's new loan commitments in 2020 reached approximately USD 1.3 billion. The portfolio was worth USD 10.4 billion as at year-end 2020 including the new loans extended and the repayments made during the reporting period.

In 2020, financing needs in the energy sector decreased due to hardships stemming from the pandemic and the loss of momentum in energy investments. As in earlier years, new financing activities concentrated mostly in renewable energy projects. Taking place in the financing of renewables only since 2015, Garanti BBVA continued to support renewable energy investments that are vital for Turkey's sustainable growth in spite of the difficulties presented by the year. In addition to this support, the Bank participated in Turkey's biggest-ticket sustainability-linked loan package for Enerjisa with EUR 140 million and was involved in this facility as a Sustainability Agent. Within the frame of our sustainable goals, we are proud of another major step with respect to our principles for green power generation and supporting gender equality in business.

In the Public Private Partnership (PPP) and infrastructure sector, Aydın-Denizli Motorway and Nakkaş-Başakşehir Motorway tenders took place in the reporting period. In addition, the tenders were carried out also for the High Speed Train Projects, the financing of which is anticipated to be closed in 2021 and which will be constructed with the EPC-F method. We are expecting 2021 to be a more active year in the field of infrastructure financing. Mega projects such as motorways and high-speed railways will presumably take to the fore in terms of financing need. In 2021, our Bank will continue to support PPP and infrastructure projects, as it has done in previous years.

For the Credit Sales and Syndication team that buys and sells loans for concentration risk and balance sheet management purposes, 2020 has been relatively quiet as compared to previous years. The number and volume of transactions in the sector were quite low than before.

In terms of M&A, the course of the pandemic in 2020 affected transaction closures in Turkey, as it did for the rest of the world. Stagnant at the start of the year, the M&A market gained momentum after June. As market dynamics picked up, the Project Finance and Corporate Finance teams organized under Garanti BBVA Investment Banking and Finance team kept playing an active role in acquisition transactions drawing on the synergy they create. Despite the negative effects of the pandemic, the Corporate Finance team advised and successfully finalized 5 M&A transactions during the reporting period, exhibiting a leading stance. Project Finance and Corporate Finance teams successfully coordinated and completed the sales of Zorlu Rüzgar with a total installed capacity of 80 MW to Akfen Yenilenebilir, and of Bereketli WPP having an installed capacity of 32 MW to İş Portföy Yönetimi A.Ş. Altyapı Girişim Sermayesi Yatırım Fonu, which take place among the largest acquisition deals of 2020 in the renewables sector. In 2021, we are anticipating sustained improvement in the interest towards the Turkish market and assets, and hence, continued betterment of financing demand. We are also expecting public offerings and M&A deals to be more active as compared to the previous year. As Garanti BBVA, we will keep supporting the sector with financing and advisory services.

3. PRUDENT APPROACH AND SOLID ASSET QUALITY

Garanti BBVA constantly displays a proactive and prudent approach to risk assessment. Accordingly, the performing loans book is monitored in two categories: Stage 1 and Stage 2. Stage 2 loans are subjected to quantitative (Significant Increase in Credit Risk) or qualitative (Watchlist, Overdue, Restructured) assessment using IFRS 9 models. In 2020, there was TL 14.3 billion rise in the Significant Rise in Credit Risk book after the annual IFRS-9 calibration, which drove the share of Stage 2 loans in total lending upward. However, it is worthwhile to state that 90% of the Significant Rise in Credit Risk (Qualitative) book are loans that are not overdue. The share of Stage 2 loans of Garanti BBVA in total loans went up from 14% in 2019 to 17% in 2020.

48% of Stage 2 loans consist of loans classified as quantitative, whereas 52% consist of those classified as qualitative. Total provision ratio of Stage 2 loans is 14.4%.

New additions to Stage 3 loans were negative due to deferred collection of payments and doubling of the time for putting a loan under follow-up from 90 days to 180 days introduced by the regulatory authorities. NPL ratio was decreased from 6.8% in 2019 to 4.5% in 2020 due to the solid expansion in lending, negative net new additions to NPL book, and written-down loans. In 2020, cumulative net Cost of Risk (CoR) and NPL ratio were lower than our year-end projections.

NPL EVOLUTION[1]

(TL million)

	1Q20	2Q20	3Q20	4Q20
Net New NPL *(Exc. currency impact, active sales and write-downs)*	(427)	(102)	(183)	(161)

NPL
4.5%
GUIDANCE MET

CoR
231BPS
GUIDANCE MET
(Exc. currency impact)

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

Garanti BBVA preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management in 2020, a year that was characterized by high volatility induced by the pandemic. Diversified and dynamic funding base of the Bank continued to be largely composed of customer-driven deposits. Growth rate in the customer deposits base was 30%, parallel to the expansion in lending, which helped Garanti BBVA keep its loan to deposit ratio (LDR) at 94% on a consolidated basis.

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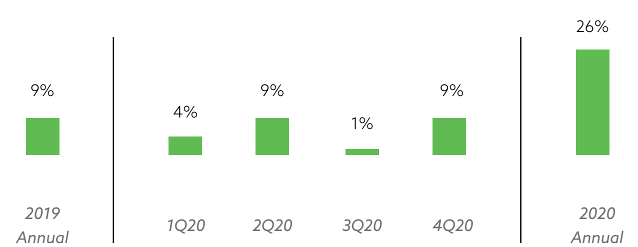
Garanti BBVA's strength in consumer deposits is the outcome of its innovative business model, which places customers' needs and satisfaction at the core of its business. The Bank kept focusing on sticky and low-cost mass deposits during 2020. As at year-end 2020, SME and consumer deposits, which can be considered as sticky and low-cost, had 73% share in TL customer deposits and 77% in FC customer deposits.

Garanti BBVA has a solid demand deposit base that supports funding cost optimization. The Bank also further strengthened its demand deposit base by 76% on an annual basis and succeeded in increasing the share of demand deposits in total deposits by 12 points, compared to the sector's average of 9 points, to 44%, outperforming the sector's average of 31%.

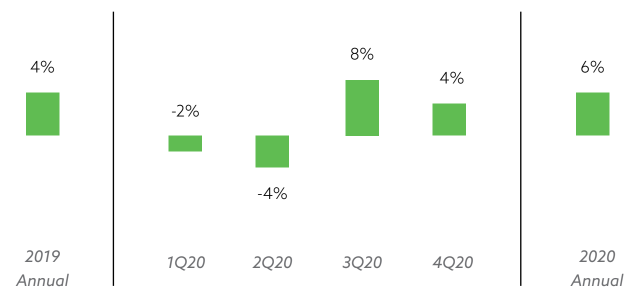
TL DEPOSITS

(40% of Total Deposits)



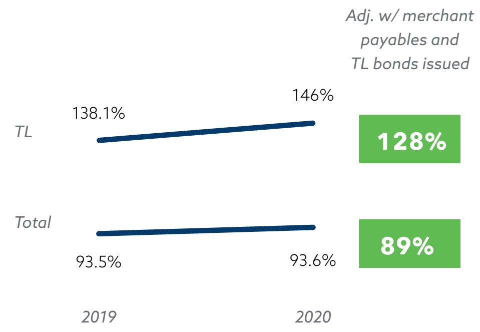
FC DEPOSITS

(60% of Total Deposits) (in US$ terms)



DEMAND DEPOSITS / TOTAL DEPOSITS 29%

LOAN[1] TO DEPOSIT RATIOS (%)



4.1 SOLID LIQUIDITY BASE AND MANAGEABLE EXTERNAL DEBT STOCK

Due to shrinking FC loan portfolio since 2013, Garanti BBVA has significantly less need for external borrowing. While the Bank's total external debts decreased from USD 12.4 billion to USD 8.0 billion in 2020, Garanti BBVA was able to keep its FC liquidity buffer at USD 12.5 billion.

On the basis of maturity profile of the external debt that amounts to USD 8.0 billion, the long-term portion of this debt is worth USD 5.5 billion, whereas short-term debt and the short-term portion of the long-term debt amounts to USD 2.5 billion. For this short-term debt, Garanti BBVA has a highly solid liquidity buffer of USD 12.5 billion.

Thanks to its leading position in the sector, its reputation in international markets and solid correspondent relationships, Garanti BBVA continued to diversify its funding structure by accessing international funds at the most favorable costs and terms. The Bank secured funds worth approximately USD 1.4 billion in 2020.

During 2020, the Bank kept the markets under close watch and managed its funding base with dynamics keeping an eye on the

LOAN TO DEPOSIT RATIO

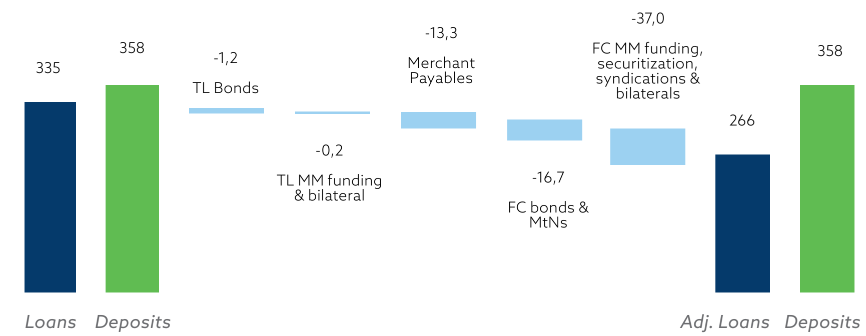
(TL billion)

Total Loans / Deposits: **94%**

FC Loans / FC Deposits: **59%**

TL Loans / TL Deposits: **146%**

Adjusted Loans / Deposits: **74%**



needs of the real sector in the light of its solid balance sheet and high FC liquidity. Accordingly, in May, the Bank secured two facilities, USD 50 million from the International Finance Corporation (IFC) and USD 54.7 million from the European Bank for Reconstruction and Development (EBRD) to support the cash flows of its SME customers impacted by the pandemic that continued to affect the whole world and Turkey.

The bank increased its product diversity with the Risk Sharing Agreement signed with the EBRD. In December, and carried out the first-ever transaction based on risk sharing with an international agency.

Actively continuing to borrow from credit markets, the Bank renewed two syndication loans with high rollover ratios in 2020, involving over 30 banks from more than 18 countries in each facility, thus strengthening its trust-based relations with correspondent banks, and carefully managed the external funds on its balance sheet. This serves as a testament to Garanti BBVA's power to be selective in tapping external funds thanks to its high FC liquidity, its intrinsic financial strength and solid banking relationships.

The syndicated loan Garanti BBVA signed in the first half of 2020 was the first syndication loan obtained by any bank in the world tied to a bank's sustainability criteria. Securing low-cost long-term external funds for renewable energy and energy efficiency projects, the Bank kept supporting sustainable energy.

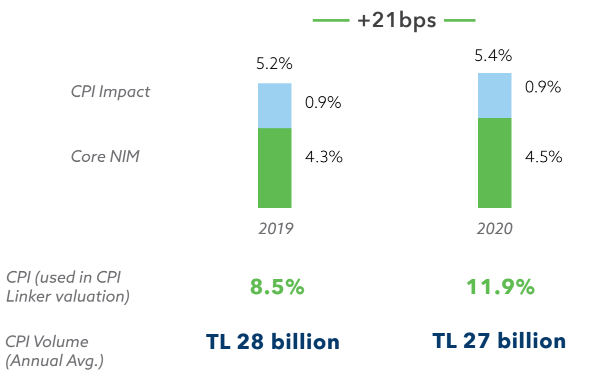
Syndications
$ 598 mn equivalent (2Q20)
$ 660.5 mn equivalent (4Q20)
EBRD and IFC Covid Support Loans
A total of $104,7 mn 1-yr maturity (with the option for extension) loan (2Q20)

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

Despite the pressure of declined interest rates, Garanti BBVA was able to increase its Net Interest Margin (NIM) compared to year-end 2019 on the back of its effective management of deposit costs, diversified funding structure and the increase in the share of demand deposits in total deposits during the year. With 5.4%, the Bank maintained the highest NIM among peers, increasing total net interest margin including swap costs by 21 basis points year-over-year.

QUARTERLY NIM

(Including Swap Funding Costs)

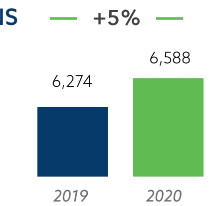


6. DIVERSIFIED FEES AND COMMISSIONS

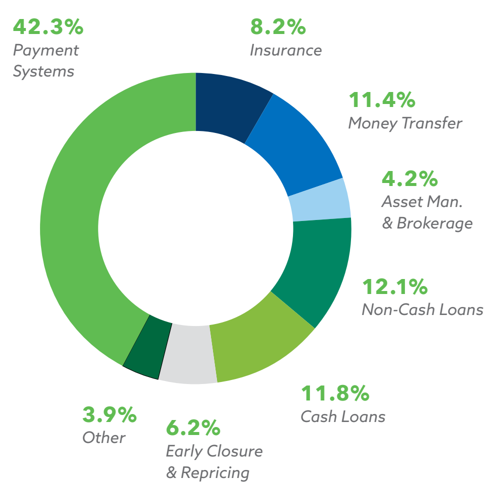
Regulatory framework governing commissions and economic activitydecline in connection with the pandemic resulted in relatively weaker growth of commission income. In 2020, net fees and commissions grew by 5% on a year-over-year basis. Enjoying the highest fee base among its competition, Garanti BBVA carried on with its sustainable income generation on the back of its diversified fee base.

NET FEES AND COMMISSIONS

(TL million)



NET FEES AND COMMISSIONS BREAKDOWN[1]



1 Breakdown is based on bank-only MIS data. Some cash loan related fees, which were previously classified under "other" are moved to cash loan fees as of 31 December 2020. On a comparable basis , share of cash loan fees in 2019 is 6.6%, other fees is 3.9% and early closure and repricing commissions is 2.7%.

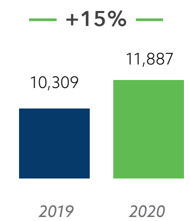
7. DISCIPLINED COST MANAGEMENT AND FOCUS ON OPERATIONAL EXCELLENCE

Garanti BBVA's operating expenses went up by 15% in 2020. Higher than expected currency depreciation of TL, which was not foreseen in 2020 operating guidance plan, had a negative impact of approximately 4% on operating expenses. However, it did not have an effect on bottom line profit as it was hedged by long FC positions maintained against the currency impact. Moreover, the fines levied during the reporting period also had an impact of approximately 2 points on operating expenses; but provisions were already set aside for these expenses. When these impacts are excluded, the expansion of operating expenses was 9%, in line with the guidance in 2020.

In 2020, the Bank's cost/income ratio was registered as 36.5%.

OPERATING EXPENSES

(TL 11.9 million)



COST/INCOME[2] 36.5%

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

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

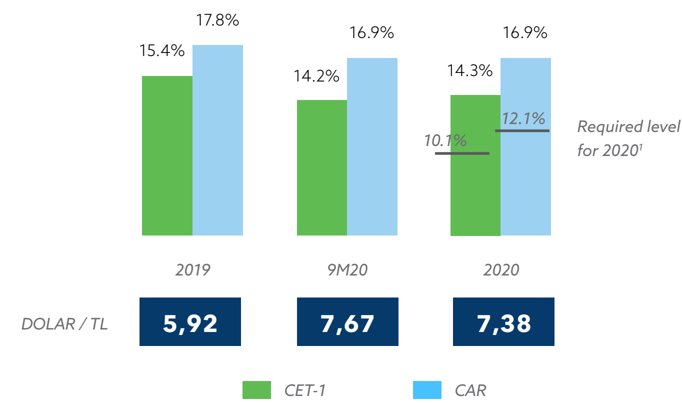
Turkey's first bank to centralize its operations, Garanti BBVA alleviates the operational load on its branches and head office units, and enhances employee productivity through active use of technology. The Bank ensures superior quality, timely and error-free execution of operational transactions of its millions of customers through ABACUS. Abacus's loss resulting from operational errors was USD 76,796 within a total turnover of USD 366 billion. Garanti BBVA channels 85% of all operational transactions of branches to ABACUS made up of a dynamic team of 1,477 experts.

8. ROBUST CAPITAL BASE

Due to currency depreciation of TL in 2020, Capital Adequacy Ratio (CAR) went down to 16.9% from 17.8% in 2019 due. This ratio does not include the temporary measures introduced by the BRSA during the course of the year in connection with the pandemic. The level of CAR was well above the Basel III required ratio of 12.1% set for 2020.

SOLVENCY RATIOS

(Without BRSA forbearance)



FREE PROVISIONS TL 4.65 BILLION

EXCESS CAPITAL TL 21 BILLION

Taking into account minimum required level of 12.1% for 2020.

1 Required CAR = 8.0% + SIFI Buffer for Group 2 (1.5%) + Capital Conservation Buffer (2.5%) + Counter Cyclical Buffer (0.130%)

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

Note: With BRSA's forbearance: CAR 17.4%, CET-1 Percentage: 14.8%

9. GARANTI BBVA'S TAX CONTRIBUTION

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

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

GROUP PERFORMANCE IN 2020

Despite the global and local economic deterioration resulting from COVID-19 pandemic since December 2019, the Group achieved improvement in financial and non-financial performance indicators. While strong asset quality was preserved thanks to prudent risk management approach across the Group, pre-provision consolidated net income was maintained at a high level.

Subsidiaries played a key role, as they did in previous years, in delivering the strong financial results at the end of 2020. The contribution of subsidiaries to the Group was not only limited to the net income figure but also to other financial performance metrics, enabled by the synergy captured with the parent Bank in all fields of activity as well as in management.

In 2020, major contributors to consolidated performance were brokerage & securities activities, which are also supported by the Group's banking investments abroad, and insurance & pension business.

In terms of brokerage & securities activities, year-end 2020 results were positive:

- In Domestic Sales, as a result of digitalized onboarding and changed customer behaviors following the pandemic, equity market trading volume tripled as compared to the previous year, which resulted in faster new customer acquisition. This enlarged the commission income on Equity and Derivatives Markets transactions by 161% over the previous year. In addition, commission income on overseas trading, which made its debut in 2018, was 12.5 times above the 2019 figure.
- Approximately 90% annual growth in treasury revenues was driven by positions maintained by the Bank aligned with the market conditions, higher revenues generated on equity lending as compared to 2019, and closer cooperation with investment branches.
- In Corporate Finance, revenues increased by approximately 70% as compared with the previous year, enabled by the contribution of advisory services rendered.
- While the high performance of business units enabled 143% growth of total revenues in 2020, income from new products totaling TL 137 million signified an increase of more than three times as compared with 2019.
- Having the highest share in total earnings with 7.7% among Garanti BBVA's subsidiaries, it booked a net profit of TL 493 million.

2020 has been a successful year for insurance and pension business, as demonstrated by the results presented below:

- Market leader** with 1.9 million participants in total covering both Voluntary PPS* and PPS Auto-Enrolment.
- It was the choice of 28% of more than 632** thousand new participants in the system in Auto Enrolment and ranked first as the company acquiring the highest number of new participants. In terms of funds, it has earned 98** bps market share.
- Succeeded in winning the highest additional market share in PPS Auto-Enrolment in terms of the number of employers, number of participants, total funds and total contributions categories.

(*) Private Pension System
(**) Based on data published by the Pension Monitoring Center on 31 December 2020

- Had a highly successful year with a cost/income ratio of 26%.
- Celebrating its third year, the Fund Coach reached 111,765 users with a very successful return performance.
- Captured the second highest share in total profit among Garanti BBVA's subsidiaries with 7.3%, and ranked second*** within privately-owned private pension companies with a net profit figure of TL 463 million.

Regarding the Group's banking activities abroad:

- Despite weakened payment ability of debtors due to the pandemic in 2020, the Group's subsidiary operating in Romania ensured minimal impact on net profit through prudent lending including those benefiting from the changes in maturity dates of loans relying on the provisions of the legal moratorium declared (GEO 37/2020), effective measures on cost management, and initiatives seeking to absorb the pandemic impact upon the loan book.
- The Bank operating in the Netherlands decreased its COR from 32 bps in 2019 to 28 bps in 2020 through its selective approach and accurate credit risk management, while NPL ratio went down from 2.78% in 2019 to 1.02% in 2020. Finally, Tier I capital was realized at 23.84% in 2020 despite repayment of the Tier II instrument in the amount of EUR 50 million, and the Bank's robust capitalization was preserved.

Regarding the Group's leasing activities:

- Ranked second in the sector when compared to its main competition in terms of return on assets and equity, and total profitability (as at September 2020). Having had a successful year, the company extended support to sustainable world with 16% market share in investments in renewable energy sources. In its 30th year, the company continues to service its customers and guide the sector making use of its 13 branches across Turkey, call center, website, mobile site and social network channels.

All in all, the subsidiaries' performance continued to support the Group's strong financial results in 2020.

(***) Based on data published by the Insurance Association of Turkey on 30 September 2020

2021 OUTLOOK

2021 OPERATING GUIDANCE PLAN

TL Loans (YoY)	14-16%
FC Loans (YoY, in USD)	Shrınkage
Net Cost of Risk (excl. currency impact)	~200 bps
NPL Ratio*	<6%
NIM Inc. Swap Cost	~100 bps shrınkage
Fee Growth (YoY)	14-16%
OPEX Growth (YoY)	~CPI
ROAE	14-16%

** Includes planned written-down non-performing loans*

In 2021, central banks and countries' fiscal policies are anticipated to keep introducing measures to counter the impact of the virus during the period until potential widespread vaccination is achieved. Upon vaccination of a substantial portion of the society, it is expected that commercial activity will pick up within economies, recovery will take place on the part of growth and employment, and deteriorated current account balance will improve with recuperation in revenue items such as tourism. Within this framework, ensuring preservation of asset quality on one hand and supporting the country's healthy and quick post-pandemic recovery on the other, becomes a priority.

With decrease in risk premium, stability in financial assets and anticipated normalization led by the developments in vaccination, GDP growth is projected to reach 5% after the very low base of 2020. Taking into consideration the inflationist pressures in the first half of the year, tight monetary stance is anticipated to be persevered in order to bolster the stability in financial assets. Having started 2021 at 14.6%, the inflation outlook is forecasted to begin improving toward the second half of the year and to end 2021 with 10.5%. In parallel with improved inflation outlook, the CBRT is expected to reduce the funding cost gradually by 300 basis points starting from October.

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After its strong growth in 2020, the expansion in TL loans is projected to normalize around 14-16% in 2021. While growth is anticipated to be across the board in TL loans, TL business banking loans will likely lead the growth. On the retail banking front, Garanti BBVA will keep focusing on customer satisfaction and loyalty by deepening customer relationships while expanding the customer base. The Bank will continue to develop new instruments, channels and processes in keeping with this goal, carry on with big data oriented marketing activities based on an analytical approach while maintaining its profitability targets, and deliver tailored and fitting solutions for its customers' needs on site.

The contraction trend in FC loans that has been ongoing since 2013 is anticipated to persist also in 2021. FC loan volume is expected to shrink in USD terms. Limited demand is the primary cause underlying the said shrinkage.

Garanti BBVA intends to sustain its deposit-driven funding strategy in 2021. The share of deposits in total assets is anticipated to be in the order of 65% with the Bank's low-cost and sticky deposit base focus. The Bank will continue to opportunistically tap new external funding opportunities throughout 2021, taking into consideration FC liquidity needs and market conditions.

The temporary measures introduced during the pandemic kept new NPL inflow low in 2020. For this reason, new additions to NPL as a result of the pandemic will be felt more strongly in 2021. However, the NPL ratio is anticipated to be registered around 6.5% in 2021, in view of the loans planned to be written down. On the part of provisions, since provisions in connection with the pandemic were visionarily set aside in 2020, net COR excluding currency impact is projected to be below 200 basis points.

In 2021, cumulative NIM including swap costs is anticipated to shrink and go down by approximately 100 basis points from its historic high with the effect of the existing high interest rates. TL spread is expected to hit its lowest in the first quarter of 2021, before picking up during the course of the year in connection with increasing returns on loan rates. While maintaining its focus on sticky and low-cost mass deposits with respect to deposit growth, the Bank will also preserve its solid base of demand deposits. Cross currency swaps will continue to be opportunistically utilized for margin optimization.

After the relatively low 5% growth recorded in 2020, net fees and commissions income will probably recapture double-digit growth in 2021. Net fees and commission are anticipated to be registered around 14-16% in 2021. The growth in payment systems commissions that make up nearly 42% of net fees and commissions is predicted to gain pace with the contribution of the high interest rate environment. With activity stirred in other commission areas, Garanti BBVA is expected to preserve the highest base in net fees and commissions.

Garanti BBVA's disciplined approach to operating expenses is anticipated to be sustained in 2021. The increase in operating expenses is estimated to be close to inflation in 2021, while cost/income ratio is forecasted to remain below 40%.

In 2021, active assets and liabilities management that will result in high return on capital will be sustained along with the risk/return focus. In the light of its 2020 projections, Garanti BBVA aims to achieve an ROAE of 14-16%.

EXPECTATIONS REGARDING THE GROUP IN 2021

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

Garanti BBVA aims to make sure that the synergy captured with its subsidiaries will be powerfully sustained in 2021.

In 2021, the Group aims for continued efforts for preserving and improving asset quality in geographies where its international subsidiaries pursue their banking operations. Targets include sustaining productivity increase while maintaining asset quality, further improving the strong balance sheet structure, and boosting the profit generation capability and sustaining it by venturing into new lines of business.

With respect to its operations in Turkey; the Group targets to receive significant contribution from the insurance business to consolidated profit. Life insurance segment is anticipated to sustain solid premium production, total funds in Voluntary PPS is expected to gain momentum, and increased market share is projected in the Auto Enrolment System along with solidified position in the sector. The target is to be the company with the highest number of participants in PPS Auto-Enrollment. Garanti BBVA Pension and Life is gearing up for the Complementary Pension System that is on the agenda, drawing on its robust infrastructure developed for PPS Auto Enrolment. In the securities business, increased income is anticipated to be derived on new products, in addition to the high income generated on equity and derivatives market products through opportunistic moves, while advisory and public offering transactions are planned to be undertaken in the corporate finance business, and to lend significant contribution to consolidated profit by increasing the revenues to be generated on treasury transactions along with increased equity. Garanti BBVA Leasing, on the other hand, targets to grow its market share in the financing of machinery and renewable energy investments in 2021.

In 2021, the Group aims to sustain its sustainability-focused growth strategy that maintains asset quality, increases productivity and generates capital. The Group intends to preserve its cumulative net interest margin through an active assets and liabilities management.

The Group will carry on with active productivity management and will focus on molding its business model with an eye on potential growth areas. As before, the Group will persist with its initiatives to create long-term value in 2021; moreover, it will continue to keep operating expenses under control. Standing out with its robust capitalization, the Group will retain this quality as it moves forward. In the light of all of these, the Group will continue to generate sustainable profit on the back of its differentiated business model.

Operational Excellence - II

3,928 | 20 min | 8 | customer

Related Material Topics	Value Drivers	Indicators	2019	2020
#1 SOLVENCY AND FINANCIAL PERFORMANCE #2 CORPORATE GOVERNANCE AND STRONG MANAGEMENT OF ALL RISKS #4 EASY, FAST & DIY	EFFECTIVELY MANAGE FINANCIAL AND NON-FINANCIAL RISKS	Number of Projects Subjected to Environmental and Social Impact Assessment System (cumulative)	73	81
		Site visits to customers regarding environmental and social issues	37	0*
		Customers and financial institutions informed about environmental and social issues	16	7
		SDGs contributed via Environmental and Social Risk Management of loans	11	13
	INCREASE END-TO-END DIGITAL SOLUTIONS; CONTINUE TO ENHANCE EXPERIENCE WITH OUR INVESTMENTS IN DIGITAL PLATFORMS	Digital transactions in non-cash financial transactions (Retail)	96.0%	97.4%
		Digital sales (share in total sales based on product relative value) (Retail)	52%	57%
	CONSTANTLY IMPROVE OUR BUSINESS MODEL WITH TRANSACTION CONVENIENCE, ENRICHED REMOTE SERVICES AND SIMILAR FACTORS	Number of Customer Contacts (million)	70.9	72.1
		Service Level	73.7%	76.8%
		Call Response Rate	98.3%	96.8%
		Branch Calls Resolution Rate	52.3%	65.9%
		Customer Contact Center Financial Product Range (Qty)	27	30
		Customer Contact Center High Value-Added Financial Product Sales (millions of units)	3.3	2.6

Contributed Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

* Site visits were conducted through online monitoring studies due to pandemic.

Garanti BBVA focuses on making banking services available to its customers at any time through any channel they choose, and on delivering them a seamless and uninterrupted experience on each channel. Blending technology and humanistic elements, the Bank aims to make life easier for its customers, pursue their financial health, help them make the right financial decisions, support them grow their businesses sustainably, and bring its financial services to everyone. Putting digitalization at the heart of its business model, Garanti BBVA targets to lead the transformation of the sector, to command state-of-the-art IT infrastructure, and to be efficient and productive in all of its service channels. To this end, the Bank continues to revamp and simplify its business processes, enhance customer experience and automatize its processes, while securing operational efficiency in keeping with its principle of continuous improvement. Integrating the opportunities presented by advancing technology and data sources in its business model, Garanti BBVA interprets big data groups and adopts a more analytical approach to customer management. The Bank also uses these outputs in its organizational model, thus achieving more analytical business results. Adopting lean method approaches to execute its projects in order to quickly cater to evolving customer expectations and to accommodate advancing technology in its business model, combining the means technological infrastructure has to offer with its vast experience, and aiming to address everybody, Garanti BBVA now defines productivity as the main pillar of its business model. For this purpose, the Bank integrates all the possibilities handed by technological advancements and by the digital world into the ecosystem it has created, and addresses innovative solutions using agile methods, ultimately pioneering the industry in transformation projects. The Bank supports fulfillment of customer demands in the fastest manner possible through consolidated teams that can take action, drawing on its business model driven by an inspiring and innovative mindset committed to exceed expectations. Thanks to its effective risk management enabled by world-class integrated management of financial and non-financial risks and its organizational agility in capturing new opportunities, Garanti BBVA creates sustainable value for all of its stakeholders.

CONSTANTLY IMPROVED CUSTOMER EXPERIENCE THROUGH END-TO-END DIGITAL SOLUTIONS

Garanti BBVA tries to be involved in each technological movement and to adapt its services or create new ones according to technological trends. Facilitating easy performance of banking transactions any time, anywhere, Garanti BBVA brings together diverse services catering to the needs of retail and corporate users in its mobile application. The Bank puts great emphasis on providing integrated access to the Bank's full set of transactions and products primarily through all channels, but primarily through digital channels, and delivering a customer experience appropriate to each channel. It targets to enable self-service by customers on digital channels for all of the transactions carried out at Garanti BBVA branches.

WHAT WE DID IN 2020

During the course of the pandemic that holds the world and our country in a firm grip, the Bank focuses on offering banking services uninterruptedly while observing the health of its employees, customers and the society. The effect of digital banking channels, which have long been the target of investments so that customers can securely realize their banking transactions without leaving their homes, has become even more palpable in this period. Enabling customers to digitally perform almost all transactions without going to a branch, Garanti BBVA carries on with its novelties in order to steer its customers to digital channels at a greater extent. Customers who do not have a credit or debit card can easily get a password by means of a video call, without going to a branch, from the Get Password/I Forgot My Password step on the main page of Garanti BBVA Mobile.

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Users having a phone with NFC (Near Field Communication) capability do not even need to make a video call; they can easily get a password by scanning the new ID card from the "Get Password with New ID Data" on Garanti BBVA Mobile. Users whose phones do not support NFC can scan their new ID cards with their phone camera, have a brief video call with the customer agent for authentication purposes, and easily create the Password to login to digital channels. After creating a password without calling the call center or going to a branch, users can easily access all products and services offered on Garanti BBVA Mobile.

Evolving customer behaviors compel brands to employ AI-based writing or voice assistants. Users wish to reach brands as easily as they reach their friends, find a solution for their problems quickly, and even chat with brands. Garanti BBVA, using these methods, lets customers find the solutions to their questions and receive detailed information about their products and services.

Aiming to fulfill customer needs in the fastest and most efficient manner, Garanti BBVA successfully implements this strategy also in its digital channels. Hosting more than 99% of all of its banking products on its digital channels, Garanti BBVA carries on with research and development without letup to guarantee an end-to-end smooth digital sales experience. Based on a holistic experience approach, products and transactions on different channels are offered to users so as to provide a similar customer experience. Users can view customized campaigns on all digital channels; they can initiate a transaction on one channel and resume it on another.

Aware of the fact that user needs are not shaped only when on banking platforms, Garanti BBVA reaches its customers also via different platforms through collaborations. The Bank keeps expanding its sphere of influence by providing solutions such as Shopping Loan to its users on non-Bank platforms. Targeting continued improvement of its analytical capabilities and real-time offer structures, thus increasing its solution delivery efficiency, Garanti BBVA aims to increase its sales volume through non-banking platforms.

Garanti BBVA intends to go beyond presenting products fulfilling customer needs through digital channels, and aims to help users understand their needs, and offer them solutions instantly upon the emergence of the need. To this end, the Bank relies on big data and advanced analytics in its product and service offers to understand customer wishes and needs and to deliver the products they want at the right time, through the right channel. Real Time Offer Management Structure is used to present the offers consolidated by analytical tools to the customer at the most opportune time. This lets the Bank present cash banking solutions to users before the risk arises, such as when there is the risk of incoming payment being delayed until after the money transfer takes place. When a user's need for a specific product is noticed, proactive preparations are made, and personalized products are offered that can be purchased with minimum effort. The Bank keeps developing new projects every day to offer the right product solutions to users at the right time on digital channels, and formulates offers putting the user at the center. As a result of these efforts, income-based share of digital sales to total sales increased by 495 bps over the previous year and reached 57%. This growth was driven by digital share increases of 800 bps, 750 bps and 450 bps in loan, insurance and credit card products, respectively. At Garanti BBVA, the sales experience on digital channels is not restricted to the time of sales only; processes are designed to optimally fulfill all needs of product owners during the course of their product ownership. Thus, user needs were responded to with new products on digital channels during the pandemic, and existing product owners performed their transactions easily through digital channels.

The share of digital sales in total sales based on product relative value increased 57% in 2020.

Featured in Garanti BBVA Mobile for a long time, virtual assistant UGI had long been enabling users to perform voice transactions. The interface of UGI was upgraded, expanding its accuracy rate and introducing transacting capability by exchanging written messages. This way, when using the mobile app, customers can talk or write to the virtual assistant when they have a problem and easily find the necessary answer without leaving the platform. With the guidance of Garanti BBVA Mobile smart assistant UGI, users can get support from the mobile app for numerous banking topics and perform their transactions thanks to live support assistant service in case of need.

Garanti BBVA took important steps to let corporate customers reach commercially critical products for them through digital channels without a branch visit during the pandemic. This year, meeting their urgent cash needs has probably been a higher priority for businesses than ever before. As discounting unexpired cheques was a key financing instrument in this regard, it has been a priority to make it easier and faster with the support of digital channels during the pandemic. Garanti BBVA made a rapid development for direct referral of cheque discounting demands from digital channels to Garanti BBVA Factoring; accordingly, cheques received by the Bank with a discount request are selected digitally and discounted instantly. Thus the Bank's customers were given a helping hand in these dire times against cash shortage. 2020 has also seen exchange rates fluctuate ferociously. Garanti BBVA made the forward product available also online, which is an important instrument for protecting customers against such fluctuations and was solely available from branches before. Hence, the product has become easier and faster to reach.

In 2020, Garanti BBVA made changes and improvements also to the SME service models for better servicing customers. To this end, the Bank makes use of all the technological means available and renders CRM more efficient and customized. While field staff make sure that all customers receive the service they need by presenting "smart visit model" for customer visits, efforts are spent to increase the effectiveness of these visits through custom-tailored product and service offers. Having made a transition to central customer service model, Garanti BBVA targets to centralize, and thus reduce, the operational workload on branches, to allow CRMs in branches to dedicate their energy to relationship management, sales and financial advisory, and free up the necessary time to increase the customer touch without branch dependency. This will increase operational efficiency and improve resource utilization by way of correct prioritization and product referral.

Garanti BBVA expanded its two-time international award-winning "Central Customer Services Representative" project launched in 2018 to deliver a better banking experience across all branches carrying SME portfolios. Under this service model, operational transactions of SME customers at branches are being handled by a central, specialized team. While this enhances operational transaction quality, operational workload on SME CRMs in branches is alleviated, customers can reach them at every call and get support from specialist customer representatives.

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

The Project helps SME CRMs free up time to allocate to customer analysis and marketing activities and to deepen in customer relationship management.

444 0 333 GARANTI BBVA CUSTOMER CONTACT CENTER

With a track record of 22 years in the sector, Garanti BBVA Customer Contact Center continues to offer fast and innovative services targeted at first call resolution drawing on its qualified team of 1,055 solid technology, customer-centric service approach, and financial product portfolio composed in line with the Bank's strategies.

WHAT WE DID IN 2020

During the course of the pandemic that deeply impacted its customers, employees and working conditions, the Customer Contact Center implemented work-from-home order for its entire team from March 30th. With the number of customer contacts that increased to 72.1 million, the Customer Contact Center got 13.54% share of all the incoming calls in the financial sector.

Processing 72.1 customer contacts in 2020, Garanti BBVA Customer Contact Center ended the year as the sector leader with a Call Response Rate of 96.8% and a Service Level of 76.8%.

Timely, effectively and accurately analyzing customer needs thanks to the steps taken with a dedication to customer satisfaction, Garanti BBVA Customer Contact Center leads the sector and closes also 2020 as the sector's leader with a Call Response Rate of 96.8% and a Service Level of 76.8% in the pandemic period while offering its customers fast easily accessible and seamless services have become, and continue to be, more important than ever. Additionally, it has redesigned its communication channels, while further diversifying services offered in accordance with the changing customer needs and demands.

The Center successfully met customer demands at a faster pace without referring them to a branch by adding the "Get Password" feature, which used to be solely available from branches , to its set of services offered via "Video Call" introduced in 2018 in a bid to make customers' lives easier. With the goal of further diversifying the services available on this channel, the Customer Contact Center remains one of the key actors of the digital transformation process.

The Customer Contact Center, having digitally acquired 15.5 thousand new customers via "Video Call", is intending to take this life-facilitating service one step further in 2021 and present its customers with an end-to-end digital experience.

Continuing to produce customer-centric solutions with the technological innovations introduced, Garanti BBVA Customer Contact Center added written communication channel to its audio and video communication channels with the "Live Support Service" and expanded its user-friendly services, which signifies yet another important step in providing practical and quickly accessible service options to customers.

Garanti BBVA Customer Contact Center expanded its customer base via "Branch Calls" unit that covers the busiest Garanti BBVA branches and centrally responds to branch switchboard calls, by adding all retail branches to its coverage in 2020. With its 7.2 million customer contacts, Branch Calls provided one call solution to more customers from the channel they connected with an Average Response Time of 13 seconds and a Resolution Rate up to 66%. While strengthening customer experience, the Customer Contact Center also handled the delivery of numerous value-added products and services, and significantly reduced workload on branches.

Offering 30 different financial products on its portfolio via specialized customer representatives to its customers thanks to the Smart Sales and Dynamic Offer Management infrastructure that correctly understands customer demands and needs, the Customer Contact Center sold 2.6 million financial products and broke new record with the net financial income figure generated.

Getting significant share out of the Bank's total lending with the marketing and sales of general purpose, mortgage and auto loans through the dedicated hotlines at 444 0 335, 444 EVIM and 444 OTOM, the Customer Contact Center remained the sector's leader in loan telesales also in 2020.

Besides meeting customer credit card application demands instantly without a need of branch visit, the Customer Contact Center solely managed the retention efforts for all Garanti BBVA credit cards, by retaining more than 1.2 million cards. Additionally receiving "New Member Merchant" applications through this channel, it broadened the range of the customer group serviced.

A BUSINESS MODEL CONSTANTLY IMPROVED THROUGH PROCESS AUTOMATION AND REMOTE SERVICES

Adopting a "process"-oriented approach to all of the products and services offered, Garanti BBVA keeps working with the principle of offering efficient, fast and simple experience to customers.

Under its service model launched in 2017, designed in view of the banking of the future under the motto "Revolutionized Branches" and capturing the benefits of the digital world, the Bank maintained its focus on maximum service delivery in 2020.

WHAT WE DID IN 2020

Sector-leading digital platforms and service models built thereupon backed Garanti BBVA during the pandemic, as always. Thanks to the "branch-free service model", further development of which the Bank has long been supporting with numerous digitalization initiatives, employees were able to offer products/services remotely using their tablets from the first day of the pandemic, and to digitally hold their phone calls also with their tablets as part of seamless service. Service delivery to customers continues with the "teleworking" service model initiated at all service locations besides branches upon the outbreak of the pandemic.

To support the new working model, Garanti BBVA took action very quickly for the Head Office, Technology, Customer Contact Center and Operations Management teams along with all field teams servicing customers, provided the necessary technology and the equipment, thus equipping them with mobile working capabilities which resulted in uninterrupted business continuity. With the investments in infrastructure, the Bank ensured delivery of uninterrupted and rapid service from the homes of thousands of employees.

In these extraordinary times the world is going through, the Bank made developments in digital processes in order to fulfill the increased demand on digital and Customer Contact Center channels that attract heavier service demand from the customers. When necessary, the Bank reassigned employees normally working in different roles to these channels.

Customer-centric service model initiatives continued in the reporting period. In this framework, actions were taken to centralize operational transactions performed by branches in an effort to provide more focused and faster service to customers.

Aware of the important role operational maturity and excellence play in Garanti BBVA's position in the sector, Organization and Process Development team kept working on internal processes carried out by Head Office and operation teams in addition to customer experience enhancing designs. During the reporting period, dedicated teams structured according to agile working principles analyzed the existing processes and service catalogues of Head Office teams and identified improvement opportunities on the axes of efficiency, experience and quality.

In 2020, Organization and Process Development team also maintained a focus on its "sustainability" mission. Based on the principles of location-independent service and "paperless service" aimed at preserving natural resources, the team added new processes to the existing digital document approval structure, reviewed contract and document formats, which will continue to be used in hard copy, and developed new and simpler designs that will consume less paper.

EFFECTIVE RISK MANAGEMENT THROUGH ENVIRONMENTAL AND SOCIAL IMPACT ANALYSIS

Garanti BBVA developed and introduced Environmental and Social Loan Policies (ESLP) in 2011 to minimize the indirect impact of the Bank's lending activities. Accordingly, the Bank implements an Environmental and Social Impact Assessment Process (ESIAP) within the frame of international best practices to drive improvement across its loan portfolios. This process is totally compliant with international norms and best practices. In addition, the Bank developed the Environmental and Social Impact Assessment Model (ESIAM) to classify projects according to their characteristic, scale, vulnerability, place and E&S impact and to systematically evaluate them with respect to risk. In this scope, Garanti BBVA ensures that the projects financed by the Bank satisfy the social and environmental standards required by legislation and the Bank's policies; that the project owners undertake an impact assessment, and take prescribed measures, if necessary and establish effective control mechanisms.

Garanti BBVA minimized the indirect impact of its lending activities thanks to action plans it developed and 81 projects that were subjected to Environmental and Social Impact Assessment Process.

In 2020, 5 projects with a total loan amount of USD 307 million were subjected to the ESIAM process. Thanks to the action plans based on these assessments, E&S impacts were minimized. The number of projects that were subjected to ESIAP to date totaled 81.

OUTLOOK

Garanti BBVA projects that consumption behaviors of first-time digital customers which have become habitual during the pandemic will persist. The Bank predicts that users' digital banking demands will further increase hereinafter. Digital and especially mobile will become the mainstream channel, and all investments and developments will continue to be concentrated on mobile. Initiatives and developments based on end-to-end digitalization perspective will go on.

To increase the digital touch in the lives of corporate customers in 2021, Garanti BBVA is working to welcome corporate customers with a rich content and equip digital channels with new products and functions that will allow end-to-end self-performance of all the banking transactions they need without a branch visit. The Bank believes that 2021 will be an extremely important year in terms of expanding corporate digital sales opportunities.

It is a key priority for Garanti BBVA to make the customers feel that it is always by their side and cares about their needs. To this end, the Bank is striving to take banking services beyond a model that responds to customer demands and turn them into personalized financial solutions.

A key learning from the pandemic is the importance of delivering the special banking services that corporate customers are used to receiving for many years through their assigned CRM, without a branch visit. For this reason, Garanti BBVA is working on a service model for remote delivery of all banking transactions without leading to any interruption in any service. The Bank eliminates the borders for micro and small businesses, and initiates remote presentation of the banking service they need. Garanti BBVA's vision for the C-CSR project is to build on C-CSR employee profile, revise the authorization and responsibility frameworks in line with the needs, and guarantee continued support in the most efficient manner.

By increasing the diversity of services offered within its alternative communication channels such as audio, written and video through innovative solutions, Garanti BBVA Contact Center aims to make customers' financial lives easier and to preserve its leading position in the sector with its customer-centric approach in 2021. Other targets include expanding the scope of retail services offered by the Customer Contact Center and the Smart Sales Management project, and increasing customer needs along with product diversity and efficiency that meet to those needs. Furthermore, acquiring more customers through digital channels via End-to-End Onboarding experience expanding and optimizing Live Support Services will be on the agenda in the period ahead.

Garanti BBVA targets automation of effort-intensive services in business processes through identified improvement areas, robotic process automation in operational services, chatbot applications, and increasing and upgrading working models that rely on effective data use. In 2021, the Bank will carry on with its efforts and initiatives in these identified improvement areas, utilize the means offered by the age in its institutional processes, prepare them for the future ways of working from today, and keep working to enforce continuous improvement culture extensively across the organization.

In 2021, the Bank will introduce sustainability-focused organization and process development designs, and will thus keep offering a leaner experience with higher digitalization to its customers on physical channels, while adding another link to Garanti BBVA's sustainability initiatives.

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DATA AND TECHNOLOGY

OSMAN BAHRİ TURGUT
Head of Internal Audit

HANDE TUNABOYLU
Agile Coach

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Balıkesir Branch Manager

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Director - Organization and Process Development

Scan the QR code to watch the video.

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

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Data and Technology

5,600 | 28 min | 10 | garanti

Related Material Topics	Value Drivers	Indicators	2019	2020
3) BUSINESS ETHICS, CULTURE AND CUSTOMER PROTECTION **4) EASY, FAST & DIY** **5) CYBERSECURITY (CYBER-ATTACKS, DATA THEFT, FRAUD...)** **6) RESPONSIBLE USE OF DATA (DATA PRIVACY, RESPONSIBLE AI)** **11) FINANCIAL HEALTH AND ADVICE**	**INCREASE THE AGILITY AND STRENGTH OF OUR TECHNOLOGICAL INFRASTRUCTURE AND PLATFORMS** **SPEED UP OUR SOLUTION PROCESSES THROUGH ARTIFICIAL INTELLIGENCE, MACHINE LEARNING AND BIG DATA INTERPRETATION, WHICH IS IMPORTANT IN THE DAY-TO-DAY OPERATIONS OF THE BANK** **MAKE EFFECTIVE USE OF DATA ANALYTICS IN VARIOUS ASPECTS INCLUDING OFFERING THE RIGHT PRODUCT TO OUR CUSTOMERS, PRICING, RISK MANAGEMENT, ETC.**	Programs for raising awareness of customer privacy and information security	5	12
		Cybersecurity training hours per FTE	1.19	1.73
		Employees participating in cybersecurity training	72%	99%
		Training or information provided on external fraud (Number)	96	104
		Number of UGİ Interactions	13 million	12,8 million
		Bilge (The Wise) (Answered Queries)	194 thousand	321 thousand
		Value-added projects using Big Data and Machine Learning*	38	41
		Scenarios Activated Under Complex Event Processing Platform (Number)	39	56
		Number of RPA in Production Medium (Robotic Process Automation)	7	44

Note: "Data breaches regarding customer privacy" included in previous reporting periods are being followed up with the utmost care in terms of measurement and content under numerous criteria as per the regulatory framework, bur are excluded as data. Information about the implementation is presented below.

Contributed Sustainable Development Goals

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Agility means agile transformation of the entire organization at Garanti BBVA. So far, 100% of technology and 70% of business lines of the entire organization have been reorganized with agile disciplines. While the agile journey contributed substantial improvement to Garanti BBVA on the technology front, service levels and quality, it also secured a considerable increase in employee satisfaction. End-to-end coherence is secured between the technology organization and business lines. Teams charging ahead together toward a shared goal are able to progress and deliver results rapidly. As planning, decision-making and prioritization take place in the internal processes of teams, the organization's motivation increases, and conversion into competent, autonomous and responsible teams takes place. Nearly 235 teams work with the agile methodology within the technology organization. Improvement activities underlying the agile philosophy molded according to feedbacks from the projects that arise with the transformation will make the most important agenda for Garanti BBVA in the period ahead.

With its continuous and uninterrupted investments in technology, Garanti BBVA has erected its digital transformation strategy on offering a full-scale and integrated banking platform encompassing simple, accessible and personalized banking transactions and services. In this context, it is always a priority for the Bank to listen to customers' needs and respond to them in a prompt manner. While continuing to constantly invest in Information Technology systems guaranteeing information security, Garanti BBVA also takes precautions against all risks that could prevent secure and uninterrupted service, and measures the results within the context of customer satisfaction on digital platforms.

For Garanti BBVA, digitalization is a key material topic given focus by both internal and external stakeholders. Therefore, technology is an integral part in the decision-making mechanism, which supports process efficiencies and continuously drives the Bank forward. With a single source of data and common understanding, technology is used within Garanti BBVA as an enabler for top-down fast decision-making and strong communication. It is reflected in the way the Bank does business, from CRM applications and segmentation, to innovative products and services, and to a paperless banking environment.

The pandemic has acted as a significant accelerator for digital transformation. The leading company in digitalization in the financial services sector, Garanti BBVA teams already had sufficient teleworking capabilities. Particularly employees assigned to central operations and central functions were provided with equipment possessing mobile capabilities. Under the new service model, branch employees were also given tablet PCs, which allowed teleworking. The primary goal here was to create a working environment for bringing the service to wherever the customer is, concurrently with customer visit to the branch. In this way, all branch employees became able to work from home. During the pandemic when customer visits were halted and isolation was imposed, they kept performing transactions, making phone calls, keeping in touch with the customers and offering seamless service from home. While making headway in digitalizing all services end-to-end, the transformation also brought the need for integration in many areas such as regulations, age challenges, etc., and has turned out to be a period when business continuity tests were transferred to the real-life environment and challenged. Garanti BBVA succeeded in teleworking with its entire organization and the full set of its processes. The Bank will keep reflecting all its learnings and experiences in its business models with a development focus, and keep working to bring the age of opportunity to everyone.

BANKING SOLUTIONS THAT CREATE VALUE WITH ARTIFICIAL INTELLIGENCE AND DATA ANALYTICS

Banks had long ago started customer analyses and customer profiling using the data at hand and employing them for setting their marketing and risk strategies. Today, digital transformation and advancing technology rendered data acquirable, storable, and most importantly, processable at every touchpoint with customers.

Artificial Intelligence and machine learning that can be integrated into any business process at present allows delivery of smarter, distinctive and personalized experiences for customers. Garanti BBVA gets to know its customers better, and is able to offer the services and products they need through the right channel and at the right time thanks to over 600 models developed with machine learning.

Garanti BBVA carries on with its investments to manage the risks in the cyber environment of obscure borders. The Bank actively runs its process designed to quickly detect and respond to potential threats; take steps for constantly evaluating, managing and mitigating risk, and to introduce the best practices in this field.

The Bank also continues to work in relation to ensuring business continuity, regulatory compliance, and fulfillment of the requirements of certifications and standards, in addition to technology, process, and human resources. To support its cybersecurity efforts, the Bank takes part in,, and extends support to, several initiatives of the Sectoral Cyber Incident Response Team managed by the Banking Regulation and Supervision Agency (BRSA), Banks Association of Turkey (TBB), Information Technologies and Communication Authority (BTK) and Turkey Informatics Industry Association (TUBISAD).

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

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

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

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

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

WHAT WE DID IN 2020

Garanti BBVA has long been employing Artificial Intelligence and machine learning applications in its business processes; the Bank takes them further each year with the addition of new capabilities. While enhancing customer satisfaction by offering smarter, customizable solutions for customers through the use of Artificial Intelligence, the Bank also makes a differentiation in decision support steps for business processes and achieves operational excellence.

Bilge, one of the trends pioneered by Garanti BBVA in the industry and in the world, has been helping more than 1,000 users working in the Customer Experience Support team and Customer Contact Center by answering more than 30,000 queries per month for 3 years.

Diversifying the service delivery channels and enhancing service quality constantly through the most advanced products that employ Artificial Intelligence, Garanti BBVA kept expanding one of the trends it has been leading in the sector and in the world across its own organization in 2020. In view of the added value it creates, the chatbot named Bilge (The Wise), which has been responding to over 30,000 queries per month of more than 1,000 users in the Customer Experience Support and Customer Contact Center teams for three years, was customized for new teams. Put into use by Garanti BBVA branch employees servicing the customers in the SME segment, the new chatbot was named KoBilge. Since October, approximately 1,800 employees are able to reach the answers to nearly 1,000 questions instantly. In addition to responding to queries, the chatbot tracks all queries by the employees and employee feedback, which allows employees to understand the information they need when serving our customers and give the answers from a single location.

Another key development in relation to our Artificial Intelligence applications in 2020 is the implementation of our central smart assistant platform, which includes cognitive artificial intelligence products. This platform, which aims to implement new bots quickly and provide a consistent customer experience among bots, supports both voice and written communication and also includes voice processing (TTS and ASR), natural language processing (NLP), automatic dialogue management and automatic processing of new transaction sets. Interface and infrastructure of UGI, Turkey's first voice assistant that was launched in 2016, was upgraded in 2020 using this platform. Also possessing texting capability, the smart assistant UGI 2.0 can adapt to the changing agenda much more rapidly than before; UGI 2.0 began implementing the changes within several days thanks to its revamped infrastructure. Another advantage derived from the new infrastructure is the common assistant intelligence it has created for the bank's smart assistants. Garanti BBVA's WhatsApp chatbot is another example of smart assistants upgraded with the same infrastructure in 2020.

Thanks to the Ruler (CEP-Complex Event Processing) initiative commenced in August 2018 with the aim of maintaining deeper and value-adding relations with customers, expanding the customer base, increasing product/service sales volume and accelerating customer digitalization, critical behaviors of Garanti BBVA customers on digital channels or in branches can be instantly detected and the best-fitting action can be taken in real time. Through 56 scenarios launched so far on the Ruler platform, 57 million customer behaviors of approximately 4.8 million customers can be processed on a daily basis, and more than 800,000 customers can be contacted directly.

RPA (Robotic Process Automation) initiatives launched across the Bank in July 2019 allows allocating employees to customer-centric processes rather than routine and manual transactions, and delivering a better customer experience with minimum errors and high speed. Based on the work carried out within the scope of RPA, nearly 200 processes were identified to date, 44 of which were automated in 2020, bringing the number of processes running on RPA to 51 in total.

The work on ARK Platform commenced in 2019, and the first application was taken into production on the platform by mid-2020. 32 applications are currently in development. The platform will gain broader usage with the transformation that will start in 2021. ARK Platform allows developers to develop banking and affiliate applications using agile methodology, accelerates value creation by employing modern technologies, and reduces costs owing to the cost advantage of open system technologies.

51 proccesses running on Robotic Process Automation allows allocating employees to customer-centric processes rather than routine and manual transactions, and delivering a better customer experience with minimum errors and high speed.

System, Software, Architecture, Security, Design and Network teams working on the ARK Project were bolstered with 5,442 hours of training in total with the ARK Platform Design & Development program within the frame of infrastructure configuration, maintenance and platform application developments. In addition, software developers from project teams that will begin to develop applications on the ARK Platform took part in the ARK Developer Onboarding program, and received a total of 4,825 hours of training under the program that covered four subcategories, namely, Front End, Back End, Batch and Big Data.

By way of its projects in data and advanced analytics, Garanti BBVA secures delivery of the right products and services at the right time to customers, enhanced customer experience, earlier and higher quality detection of attempted internal fraud, and better management of operational processes and decisions. In this context, 291 new machine and deep learning models were integrated into Garanti BBVA systems in 2020. For instance, Artificial Intelligence capability was utilized in processing customer suggestions and demands using text mining and referring them to the right solution centers in order to better respond to customer needs that rapidly changed during the pandemic. This provided the opportunity to address customer demands within the same day.

Garanti BBVA makes use of the Artificial Intelligence capability also to build on operational excellence in Customer Contact Center channels. Developing new analytical models that are triggered instantly upon a call placed at the Customer Contact Center analyze past data for the caller, predicts the reason of the customer's call, and can offer this insight to the customer agent before the conversation begins. Thus, understanding customer's need quicker, lessening %7 on average on call duration and strengthening communication with the customer that consequently enhances satisfaction and operational efficiency are the expected outcomes.

Big Data and Artificial Intelligence algorithms are involved also in projects designed to protect and improve the financial health of customers that Garanti BBVA places emphasis on. Customers' past transactions, financial movements and finances are processed by machine learning algorithms, making their existing financial health measurable, and the insights obtained turn into advice for upgrading customers' financial health to better levels.

In 2020, Garanti BBVA expanded the optimization algorithms developed for ATMs and included the new branches that will be opened. Customer base, financial transaction densities, transactions belonging to workplaces, location data and other data resources are used to draw multi-dimensional density maps; this information is combined with strategic priorities, processed in optimization algorithms, and decisions are made taking the most accurate location suggestions into consideration.

Using open source software languages in Artificial Intelligence applications, Garanti BBVA is able to quickly integrate emerging technologies in its processes while keeping a close eye on global trends. Benefiting from the power of the latest algorithms, the Bank can increase its success rates in projections and decisions further, and achieve higher efficiency in cost management.

Through the innovation center Next Zone, Garanti BBVA incorporates experts' innovative ideas, and creates appropriate conditions to turn these ideas that will make a difference in the long run into projects and products. While the Automated Variable Production product that automatizes raw data processing into valuable data, lets the Bank fulfill new business demands in much shorter times, Framework and Automation infrastructure created on analytical modeling processes minimizes human errors and increase operational efficiency.. As it produces Artificial Intelligence solutions, the Bank also takes initiatives to expand analytical capability to everyone through the modeling tools it has developed, and to make them applicable even in routine decisions.

When developing solutions on Big Data and Artificial Intelligence, Garanti BBVA espouses responsible AI principles. It pledges to be committed to Human Rights and not to discriminate, as stipulated also in the Garanti BBVA Code of Conduct. None of the analytical solutions employed in customer acquisition, pricing, recruitment and remuneration uses data pertaining to gender, color, ethical origin, disability, religion, sexual orientation or political affiliation.

As COVID-19 entered our lives, the top priority of Garanti BBVA has become to protect its employees' health and to offer uninterrupted service to its customers. To this end, necessary equipment were provided to the teams for working-from-home. Support was extended for all transactions that did not need physical proximity to branches, which were temporarily closed during the pandemic. Conforming to the Targeted Capacity Utilization and SLA rates, uninterrupted and high quality service delivery to customers continued. Centralization efforts, business model modification and productivity efforts were carried on with a special focus on freeing up the branches.

To support the protection of community health and reduce social activity, Garanti BBVA did not charge any fees for money withdrawal from the ATMs of other banks for a certain period of time. Similarly, the Bank did not charge fees for money transfers made through digital channels for a certain period of time in order to promote the use of digital channels and to increase the customer benefits offered.

Launching the Payment with QR solution that is used both for collections and payments, the Bank enabled customers to realize their cash flows through digital channels during the course of the pandemic.

Within the material topic "Easy, fast & DIY", Garanti BBVA allows easy and agile performance of transactions on any channel and at any time by its customers. Cash management solutions the Bank offers to its customers making use of data and technology are as follows:

→ Garanti BBVA has been the first bank from Turkey to join Global Payment Innovation (GPI) launched in 2017 by SWIFT, and made available Outbound Tracking on Garanti BBVA Internet Banking for SWIFT transfers to domestic and overseas banks. In 2020, it has become the first bank across the world to complete the integration of the SWIFT GPI Pre-Validation, the new service developed by SWIFT for international money transfers.

→ In addition to Outbound Tracking and SWIFT GPI Pre-Validation, Garanti BBVA has taken place among the first banks in the World to offer Inbound Tracking Service in December, whereby initially SWIFT-member institutions will be able to track the SWIFT payments from domestic and overseas banks from the moment the funds leave the originating bank. Garanti BBVA customers will soon be able to access this service through Internet Banking or API (Application Programming Interface), which will be a significant contributor to cash flow management.

→ Through the agreements made with integrator companies, which are electronic certification suppliers, banking transactions of customers requiring approval and signature could be electronically signed using e-signature without going to the branches.

→ Payment with QR Solution activation was made in a manner allowing integration by reaching the APIs via developers. garantibbva.com.tr. This solution will let the payments by money transfer to customers, who integrate with the system, to be made by the other party using QR code via Garanti BBVA Internet or Mobile.

→ Under the collaboration with the Turkish Union of Public Notaries, Secure Sales and Purchase System was introduced, which is used in the sales and purchasing of second-hand motor land vehicles. Hence, Garanti BBVA helps its customers finalize their transactions securely, quickly and easily through the Internet and mobile channels, without taking the risk of carrying cash before and after the transfer.

→ Garanti BBVA joined FAST (Instant and Continuous Transfer of Funds), a system operating on the Central Bank of the Republic of Turkey (CBRT) infrastructure allowing money transfers as an instant transaction at any hour of the day on weekdays and weekends, which is an additional option to the Bank's existing money transfer systems.

→ Along with the FAST System, the Bank also launched the Easy Address system which enables replacement of the IBAN used in money transfers with a mobile phone number, email, TR ID/Tax ID number or passport number. Customers can match their personal data with their IBAN via Garanti BBVA Mobile, and can send and receive money by sharing that information only.

→ Electronic Account Movements service was turned was developed API and offered for use by customers as an open banking product on developers.garantibbva.com.tr. This service gives customers access to a richer set of information and also lets them finalize the entire definition and application process using Corporate Internet Banking without a branch visit.

→ "Garanti BBVA Connect" payment solution offered to companies centrally managing their treasury operations doubled the numbers of customers and services, and contributed to the treasury centralization processes of customers.

In 2021, the Bank will carry on with its projects and initiatives related to digital solutions and remain adhered to its target of supporting a greater extent of digital transformation for its customers in relation to cash management products.

DIGITALIZATION FOR SECURE AND UNINTERRUPTED SERVICE

Increased digital use leads to greater exposure to cybersecurity risks, and the improved threat profile results in elevated effect of the diversified risks of the digital environment. Constantly investing in technology, uninterrupted processing capacity, infrastructure security, cost efficiency and energy saving in light of corporate governance and international standards; Garanti BBVA, through its subsidiary Garanti BBVA Technology (GT), sharpens its monitoring effectiveness since 1981. The company allows Garanti BBVA to put measures in place more rapidly and to become aware of global threats at an earlier time via networks that GT belongs to. Accordingly, Garanti BBVA's internet access architecture has been restructured with a risk-based perspective.

With its strategy, "Better IT, Better Business", Garanti BBVA continuously invests in cloud technology and microservices in order to ensure cost saving and introduction of solutions at a faster pace, and positions its application architecture and security layers so as to support these technologies. Through these initiatives, Garanti BBVA targets to better adjust to the new business models presented by the constantly digitizing world, and to deliver its clients a better customer experience by transforming Big Data infrastructure investments into business intelligence solutions and open application platforms.

DDOS (Distributed Denial of Service) attacks that dominated the country's agenda in 2019 made the safeguarding of infrastructure a priority need for all organizations. To counter the risk of attacks originated abroad to interrupt the country's communication infrastructure and organizations' services, Garanti BBVA based and configured its intrusion prevention systems starting from abroad. The Bank observed the benefit of this technological transformation despite increased attacks. In addition, Garanti BBVA led the sector with this approach that served to increase the Bank's security and contributed also to safeguarding the country's communication infrastructure.

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

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

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

Garanti BBVA adopts a proactive approach giving the foreground to customer experience when developing its strategies to monitor, detect, control and prevent evolving acts of external fraud. Customer Security and Transaction Risk Management Department works with a proactive approach to minimize the potential losses of the Bank and the customers, employing data-driven and AI-supported decision making processes against incidents of fraud.

The Department formulates views and suggestions on the Bank's new product and process developments upon assessing the same with respect to external fraud risks. Monitoring dynamically evolving fraud methods and fraud trends both on a national and international level, the Department continues to take actions dynamically based on data governance and data analytics. Garanti BBVA continues to collaborate with its stakeholders to increase anti-fraud awareness and initiatives across the banking sector and other associated sectors, against fraud events.

Customer Security and Transaction Risk Management Department closely follows up technological developments, makes assessments together with various national/international service providers, and leads technological developments in order to carry out fraud risk management in the most efficient and effective manner, and to deliver the best experience to Garanti BBVA customers. In addition, the effects of the developments made with a focus on strengthening analytical structure and data-driven decision making processes upon fraud prevention and customer experience are constantly monitored. Also instant tactical updates focused on customer experience and security are performed while observing stakeholders' strategic priorities and the ecosystem.

WHAT WE DID IN 2020

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

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Garanti BBVA provides various security-building practices for its customers in line with its approach determined by security and privacy policies. Besides password verification, the Bank uses tokenization, Şifrematik device for generating one-time passwords, SMS OTP, Mobile Notification, and Voice Biometric Verification for the authentication of customers. Moreover, in case of a forgotten password, the Bank offers the option to set a new password by performing ID and face biometric verifications. In order to increase the security of digital channel usage, the Bank implements additional security measures on mobile applications. Transactions are automatically analyzed and if necessary, additional verification is implemented to prevent fraud events. Garanti BBVA also supports safe execution of external projects that introduce novelties to the sector, in addition to its internal practices.

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

Work is carried out within the frame of DevSecOps (the notion of incorporating security applications within software processes) in order to enhance secure software development process. Security assessment approaches are being developed, which are aligned with current software trends such as agile. Initiatives are being carried out targeted at best practices in activities aimed at raising increased awareness of employees and customers, data classification and data leakage prevention methods, in addition to efforts spent for regulatory compliance. Its robust infrastructure allows Garanti BBVA to keep fulfilling the services requiring remote access that it offers to its employees and customers without compromising security. For outsourced service, the Bank takes steps guaranteeing that the suppliers match the same level of security with the Bank. The Bank increases the efficiency of security operations by using RPA (Robotic Process Automation). Garanti BBVA keeps improving its information security processes by also utilizing the know-how and global experience made available by the BBVA Group. The Bank also extends support to global projects carried out by the BBVA Group in this context.

In 2020, Garanti BBVA introduced stricter measures for related processes and platforms to ensure security of mobile market and social network accounts. Training programs were organized to raise increased awareness of teams managing these accounts.

To cater to the working model that has changed due to the COVID-19 process, the capacities of the media enabling secure teleworking were increased rapidly, and solutions were created for emerging needs in a manner observing security and business continuity. In this period, investments/projects targeted at improving security infrastructure continued without letup. The projects undertaken resulted in increased intrusion detection and monitoring capabilities of the Bank against the recently increased cyber threats. Besides, the capabilities of the existing preventive security solutions were further upgraded.

Due to the implications of the pandemic, 2020 has been the scene to increased digitalization. In line with its strategy, Garanti BBVA kept concentrating on monitoring and preventing fraudulent attempts dynamically. Basing its efforts in this vein on frictionless and customer-centric approach, the Bank aims to prevent both the Bank's and the customers' potential financial and reputational losses.

In order to provide its customers with a more secure experience, the Bank continues to upgrade its technical and analytical infrastructure. For this purpose, the Bank prioritizes integration of new technologies, increasing analytical methods and process automation. The Bank targets to manage risk in a frictionless environment by making customers a part of anti-fraud management. In keeping with this, Garanti BBVA continued to keep its customers informed and to raise awareness about fraud trends and important considerations through various channels.

As part of education and awareness initiatives in 2020, Garanti BBVA undertook 104 education and/or informative activities in total in relation to external fraud, employing a variety of methods including announcements/alerts, virtual education and information meetings/emails and live streaming.

OUTLOOK

Expanded usage areas of deep learning algorithms in banking and production of solutions for scenarios where conventional algorithms fail will be on the agenda of the near future. Processing visual data, extracting the embedded texts, and making sense of them with natural language processing are but just several examples. As deep learning algorithms are used, the explicability of how analytical projections work lessens. For this reason, Garanti BBVA predicts that algorithms showing the operation within the so-called "black box" software in order to understand how decisions are made will gain importance, particularly in strictly regulated sectors, such as the banking industry.

In the period ahead, solutions with user-friendly interfaces and not requiring an in-depth expertise will enable individuals at any level in the organization to produce analytical solutions. Useful information will be extracted with Artificial Intelligence and machine learning on Big Data, and different perspectives will be presented for new service and business model conceptions.
With the new working models resulting from advancing technology and regulations, access to new data sources from different sectors and different companies through Open Market, storage, processing of these data, and generation of new assets will be enabled with the formulation of appropriate infrastructures.

In our day, too much data is produced; however, Garanti BBVA believes that the important bit is to be able to create value from these data hoards, and foresees that an organization will be successful in this respect to the extent of its data storage, understanding and processing capabilities.

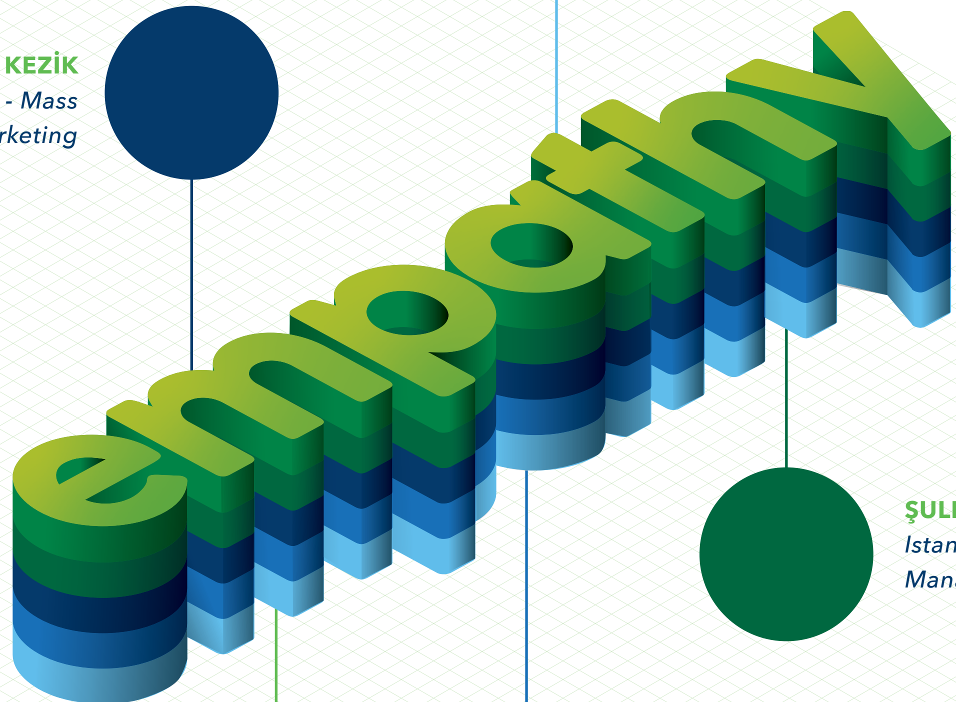
In 2021, protecting its employees' health and delivering uninterrupted service to its customers will remain as Garanti BBVA's top priority. Accordingly, the Bank will carry on as always with its efficiency-based project, business model modification and modernization initiatives. The Bank will be intensively using RPA, chatbot, big data and Artificial Intelligence elements in the coming periods, with the aim of maximizing its business model, efficiency and productivity level.

While bot usage for employees across businesses around the world is just an emerging trend, Garanti BBVA targets to increase coverage also at positions offering service to the Bank's customers in other segments in the coming year.

In 2021, Garanti BBVA will continue to provide secure transacting for its customers, and will also carry on working towards assuring its customers to transact in a convenient and frictionless environment and adopting a focus that will get customers on board while fighting fraud. Along this line, constantly enhancing customer experience through strengthening fraud risk monitoring systems with contemporary technology, data governance and analytics methods will remain among the key targets.

KEREM ÖMER ORBAY
Director – Retail Banking Marketing

CEREN ACER KEZİK
Director - Mass Banking Marketing



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Scan the QR code to watch the video.

2020 PERFORMANCE IN STRATEGIC PRIORITIES AND OUTLOOK

THE BEST AND MOST ENGAGED TEAM

TRUST | PIONEER | SUSTAINABILITY | RESPONSIBILTY | EXPERIENCE | TRANSPARENCY | SUCCESS | AGILITY | EMPATHY | DIGITALIZATION

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The Best and Most Engaged Team

5,456 | 28 min | 10 | employees

Related Material Topics	Value Drivers	Indicators	2019	2020
#7 EMPLOYEE ENGAGEMENT AND TALENT MANAGEMENT #8 DIVERSITY AND WORK-LIFE BALANCE #10 HUMAN RIGHTS	INVEST IN OUR EMPLOYEES BY FOCUSING ON THEIR DEVELOPMENT, SATISFACTION AND WELL-BEING, WHILE OBSERVING THEIR WORK-LIFE BALANCE EMBRACE A FAIR AND TRANSPARENT MANAGEMENT POLICY BASED ON PERFORMANCE, FOCUSED ON EQUAL OPPORTUNITIES AND DIVERSITY, AND ENCOURAGES PROMOTING FROM WITHIN FORM RESULT-ORIENTED TEAMS LIVING OUR VALUES, POSSESSING TEAM SPIRIT, ACTING WITH SHARED WISDOM, THINKING BIG, AND CARRYING SOCIAL RESPONSIBILITY	Digital training/total training hours	38%	47%
		Hours training per FTE	43	31
		Programs related to employee well-being	11	7
		Women employees/total employees*	56%	58%
		Salary ratio of men vs. women	1.16	1.14
		Women ratio in senior/middle level management	40%	40%
		Bloomberg Gender Equality Index	Qualified	Qualified
		Employee engagement score	70%	71%
		High performer turnover	1.67%	1.6%
		Total ideas received from employees	24,000	25,000

* Median value given, as average metrics is negatively affected by extreme values (i.e. very high/very low).

Contributed Sustainable Development Goals

4 QUALITY EDUCATION | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

In line with its priority to set up the best and most engaged team, employee centricity lies at the center of each and every HR practice at Garanti BBVA.

Managing all of its activities in this context under the heading "Talent and Culture", Garanti BBVA aims to create a culture that every employee will be proud to be a part of.

Garanti BBVA's Talent and Culture activities this year were formulated under the headings Employee Health, Employee Development and Adapting to a Transforming World.

WHAT WE DID IN 2020

EMPLOYEE HEALTH

Having identified seamless service delivery to the society, its stakeholders and customers as its primary responsibility being Turkey's leading financial institution, Garanti BBVA set its top priority as employee health, who ensure the permanence of this responsibility.

Therefore, every step taken is based, first and foremost, on protecting employee and customer health, and on managing this strategy in a balanced fashion. The steps and measures taken are handled under the headings of compliance with the recommendations and policies of regulatory authorities, arrangements in physical settings, fulfillment of employee needs, and reporting. All actions taken around the Employee Health theme can be found under the heading Coronavirus: Creating Value for All in Uncertain and Dire Times.

EMPLOYEE DEVELOPMENT

Currently, Garanti BBVA focuses on a talent strategy that preps, develops and supports the employees for their next role within a development model that aims to identify talents early in their careers, strives to increase employee awareness of career options and offers a personalized development plan. In this context, the Bank pursues alignment of the "Talent Solutions" practices with its fair and happiness-oriented culture that is also molded according to employee needs and is nurtured by the organization's values.

Collecting and analyzing employee expectations in environments providing equal opportunities, and constantly updating the same in keeping with technological advancements, Garanti BBVA believes that it creates an environment that complies with international standards by maximizing participation in every aspect. The Bank places great emphasis on maintaining bi-directional dialogue channels to ensure that employees are actively engaged in the decision-making mechanisms and to benefit from innovative opinions. The Bank aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically through the intranet, various questionnaires and other platforms.

Garanti BBVA puts career and training and development models that can be molded according to employee needs and expectations at the center of employee journeys.

Garanti BBVA reviews all of its employee-centric policies and new projects in quarterly meetings participated by the Senior Management before introduction. The decisions regarding the initiatives and action plans presented in these meetings are decided by a strict focus on employee satisfaction.

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

The performance evaluation system at Garanti BBVA measures employee performance depending on the extent the objectives are attained and the extent the values are enforced while doing that. Systematic bonus and performance models are supported by concrete and measurable criteria during the assessment, and they serve as major and effective management tools for

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achieving cost management and efficiency, while ensuring fairness among the employees.

Garanti BBVA has employee development in its focal point. The Bank devises schemes that increase the share of digital training programs within the existing training portfolio to give equal access to development opportunities for Garanti BBVA employees scattered in all 81 cities across Turkey, and aims to increase the number of training programs per person by the year.

One of the key goals of Garanti BBVA is to establish a fair and transparent working environment that is dominated by equal opportunities and diversity. In a bid to support gender equality and women's empowerment in various ways, the Bank carries out studies that measure employees' prejudices regarding equality of women and men. Garanti BBVA will continue to pioneer and further expand activities maintaining equality principle in the ratio of employees at different levels, the ratio of women vs. men employees, and in all fringe benefits and practices provided. Diversity initiatives will be themed around equality once again, and they will be put into life as shaped by employee opinions and backed by employee groups for higher inclusion.

The Bank strives to maximize employee participation in all processes associated with building a better working environment by leading an environment of open communication and by displaying a fair and objective attitude. Garanti BBVA therefore believes it creates an environment that complies with international standards.

Having reformulated its "career consulting" offered to employees in line with their competencies, knowledge, skills, and needs with a much more strategic and holistic perspective, Garanti BBVA established a model where consultants responsible for HR processes will also be in control of the business processes of employees working in the business area that they are in charge of. The consultants, who are responsible for the careers and development of employees, will present solutions aligned with business strategies and produce proactive solutions.

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

LEARNING AND DEVELOPMENT

Garanti BBVA promotes continuous learning culture where employees are autonomous in designing their own learning experience and developing new skills. Along this line, Garanti BBVA Training Center remains focused on creating a learning ecosystem preparing the employees for the competencies of the present and the future by responding to learning needs with dynamic, agile, proactive and digital solutions.

Importance attached to digital development solutions continued at an increasing extent.

With the transition to the work-from-home order, training programs previously organized in classroom format were quickly redesigned to be offered with webinar method via digital platforms. The number of participants in 3,200 remote training programs was 33,000.

New online training programs were organized to address the specific needs of this period, such as tele-marketing, team management and leadership for remote working environment, and online presentations. Under a Group-wide initiative launched, focus was placed on "Resilience", the most needed topic by employees in the present period. With a custom-designed content, the online training program was offered as an optional training for all employees. Focus on the topic will be maintained also in the year ahead.

Weight was given to mobile applications that promote permanence and reinforcement of knowledge through gaming. The mobile applications used were incorporated in designs in a manner to complement the learning experience.

85,000 questions were solved each month for a total of 1 million over the course of a year. The ratio of digital training was 47%, where the Bank is aiming to achieve an increase every year.

#egitimsaati (#learninghour), enabling concentration on learning only, was launched.

#egitimsaati (#learninghour) practice was launched, which allows employees to dedicate a self-designated time of the day at certain intervals to their self-development and will let them complete their online learning modules on time. While 95% of our colleagues who took part in the initial pilot run at the branches commented that it was useful, there was an increase in the number of learning hours at 100% of the branches included in the pilot. Average increase in all branches was 178% according to end-October reporting. Following the positive experience with branches, a pilot run was commenced to expand the initiative across the Head Office teams.

Initiatives were designed encouraging the culture of learning from one another.

In order to expand the group of people that reach the information derived from conferences and seminars available to a given number of employees, to increase information sharing and to create value jointly, "Let's Ask Someone Who Was There!" initiative was designed and the first sharing session was held at the end of the year.

Seminars in which we hosted speakers from various sectors continued.

The seminar series continued also this year, in which we hosted professionals from the finance sector and from various disciplines specialized in their respective fields in line with the Bank's strategies and employee needs.

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

New topics that are based in the requirements of the digitalizing world were addressed. Initiated in 2018 with the aim of improving employee competencies so as to secure their contribution to development of data-driven strategies, Data Specialist & Data Scientist programs continued in view of the current needs.

Designed with the purpose of helping employees better learn and internalize innovative technologies and transform them into business ideas, and with the aim of rendering development in this area continuous, Enabler Technologies Certification Program was launched, which includes digital contents of the world's most prestigious universities, namely Columbia, Wharton, MIT, ELU. 116 people from across the Bank participated in the program. 3 new project ideas developed in this program were submitted to the Fikrini Getir (Bring Your Idea) initiative carried out at the Bank.

Training sessions designed to raise increased awareness of "cybersecurity" across the entire BBVA Group continued intensively. Participation was ensured in the training programs organized as part of the Group-wide cybersecurity week.

New competency development training, which made up 6% of our training portfolio last year, was offered to a larger audience this year, and had a share of 19% of total training programs.

The learning programs and journeys of our employees were reviewed.

Training programs were reviewed to maximize the efficiency of the learning experience of young talents selected within the scope of the talent management policy, and were redesigned to prepare the individuals for their next role.

In the reporting period, training programs of all portfolios and Customer Advisors in branches were reviewed and updated. Following the need analyses performed, they were restructured with the addition of new headings to support career programs, and measurement tools used to determine the efficiencies of training programs were diversified.

Specifically for this year, focus was placed on Cash Management and Financial Analysis and special certification programs were designed for both.

Focus was placed on upgrading the learning portal in a bid to deliver an unmatched learning experience.

In the reporting period, the Bank continued to base its efforts in line with continuous development concept and kept offering training programs aligned with the improvement areas and competencies of employees. In 2020, the focus was on revamping the information architecture of Garanti BBVA Learning portal in line with global trends and constantly changing digital needs, and on improving users' learning experience by way of the joint learning strategy. Efforts concentrated on priorities that would ensure the delivery of a better, faster and personalized user experience by the revamped portal to employees, a smart design easily guiding employees in line with their development needs, and that would make the portal the first choice of the employees to have an unmatched learning experience.

Greater emphasis was placed on stakeholder management this year.

The Bank revisited the support employees extended to the learning activities by offering training on a half-time basis in tandem with their existing jobs. In this context, a development journey was introduced whereby internal trainers assigned with full-time training provided one-on-one mentoring to these individuals. The monthly "Digital Learning Bulletin" is shared with the trainers to foster their development.

Additionally, an online summit was designed this year for opinion exchange with suppliers and stakeholders engaged in training, and for sharing our learning strategy in the coming year. A weekly progress addressing the highlights of the activities during the year is prepared and shared with all employees.

Necessary infrastructural work was initiated for centralized management of our learning and development activities so as to cover our affiliates from 1 January 2021 onwards.

TALENT ACQUISITION

Garanti BBVA employs various objective, skill-based measurement and evaluation tools and methods specific to each position in order to match the right person with the right job. During 2020, 67 new graduates were recruited under the young talent programs.

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

The Development Model offers a structure that more clearly manifests the benefits contributed to employee development and ensures continuity. The model ensures that each employee is deeply engaged and continues to produce highly contributory performance for the Bank, while also building on his or her knowledge and advancing in his or her career. The model supports the continuous learning culture, and aims to help employees develop by offering them new experiences.

An employee-centric career-planning model was created, and employee meetings are structured in line with the coaching model. Career meetings were held with 8,856 employees.

Intended to enrich internal experience and support development in various work areas, the Career Management system allows employees to plan their own development in line with their personal goals. The system enables advancing along the expertise possessed, and allows sharing new career movements openly and transparently. Through the career portal, employees can reach detailed information about career transitions and career paths depending on their competencies, experience, performance, expectations and goals at any time.

Aligned with the strategies of the BBVA Group and Garanti BBVA, the performance evaluation and People Assessment process assesses goals, values and competencies on the basis of more objective criteria. Employees' sustainable performances and competency results are used as input for remuneration, career and development.

Vacant positions emerging at Garanti BBVA Group companies are announced to employees via Career Opportunities. Focused on developing its talents from within, Garanti BBVA gives priority to internal career transitions for all vacant positions. Internal candidates considering themselves fit for the position are free to apply for the announcements themselves without seeking permission from any individual or manager, and are included in the assessment. When employees apply for a Career Opportunity, they can let their line manager know at any time they wish.

In addition to internal opportunities, all vacant positions available at the BBVA Group are announced to all Garanti BBVA employees simultaneously with all Group employees via the global career site. International career opportunities that also foster familiarization with different cultures are presented to all from a common platform by the employees of all Group countries and those satisfying the required competencies are subjected to evaluation at equal terms.

In 2020, necessary technical competencies for each role were identified. Employees can view the technical competency levels expected of their own roles. Thus, they become aware of what is expected of them together with behavioral competencies, and pursue improvement opportunities accordingly.

Employees benefit from coaching and mentorship initiatives offered through various channels and employing different methods depending on the needs (internal coaching, external coaching, women leadership mentorship program, mentorship programs for hands-on processes, etc.) aimed at contributing to their awareness processes and supporting their technical and behavioral developments.

EMPLOYEE DIALOGUE, PARTICIPATION IN MANAGEMENT AND SATISFACTION

The Bank aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, employee engagement survey, internal customer satisfaction questionnaire, and the voice of employee platform GONG.Garanti BBVA conducts an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration, recognition and training & development opportunities. In 2020, Employee Engagement score was 71%.

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

Suggestion and idea platforms Önersen, GONG, and Atölye, and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas. "Önersen" (You Suggest) has been instrumental in collecting more than 25,000 ideas and suggestions since 2007.

OCCUPATIONAL HEALTH AND SAFETY

Having given momentum to its efforts in the field of Occupational Health and Safety (OHS) by forming a dedicated team in 2013 under Human Resources, Garanti BBVA has been coordinating the health and safety requirements of all locations via this organization which was renamed the OHS Division in 2015. Adopting the national legislation as the minimum standard and benchmarking itself against international norms and best practices, Garanti BBVA carries on with its activities throughout Turkey with a team of 44 (OHS experts, occupational physicians, occupational nurses).

Having crowned its implementations with the International Safety Award by the British Safety Council, one of the world's most eminent authorities in health and safety, this year, Garanti BBVA moves forward with its vision that adopts the national legislation as the minimum standard and benchmarks itself against the best practices in the world. The Bank has upgraded employee health and well-being with its precise and successful emergency management practices in relation to the pandemic and earthquake in 2020. With the OHS team organized under Talent and Culture in accordance with Occupational Health and Safety (OHS) regulations, Garanti BBVA will continue to effectively coordinate processes including risk assessment, occupational health implementations, training programs, OHS Committees, near misses, workplace accidents, corrective actions, emergency plans and drills at all locations.

Having realized a first among its peers and digitalized all of its OHS processes, Garanti BBVA has been using its OHS

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

Work-Related Accidents

In 2020, the total number of incidents at all locations including subcontractors was 171. All accidents without exception were examined, and necessary corrective steps were enforced. None of the work-related accidents resulted in death.

Total Lost Working Days

The total lost working days were 50,563 days for women and 22,423 days for men in 2020. The total lost days data is collected on the basis of medical reports of sickness leave and injuries. The absentee rate of the Bank was 0.01 in 2020.

Employee Benefits

In order to enhance its employees' quality of life, Garanti BBVA offers various products and services. Garanti BBVA employees have private health insurance and life insurance, and can benefit from the Bank's Retirement and Social Assistance Fund services for health expenses not covered by private health insurance, such as dental treatment, prescription glasses and contact lenses. There are fitness centers and internal nutritionists present in Zincirlikuyu, Pendik and Güneşli Head Offices. The Bank has in place numerous practices so that employees can rest, refresh, and allocate sufficient amount of time to their loved ones and private lives.

EQUAL OPPORTUNITY AND DIVERSITY

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

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

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

Through Gender Equality workshops organized since 2015, which include male and female representatives from the Executive Vice President level to the manager level, programs, processes and initiatives aimed at the Bank's employees or all the external stakeholders in the areas of the inclusion of women in the financial system, women's empowerment and gender equality are being coordinated. Depending on the agenda, employees from different levels and locations participate in the workshops.

Aimed at empowering women leaders and increasing their recognition in internal networks, Women Leadership Mentorship Program continued for executives in 2020. To date, more than 80 women executives received mentorship and more than 40 women furnished mentoring under the program.

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

Within the framework of the Domestic Violence Platform Garanti BBVA has established in 2016 in order to extend support to employees suffering from domestic violence whenever they need it and to provide guidance to managers about the effects of domestic violence on the workplace, the Bank continued to offer the support service 24/7 exclusively to Bank employees and their next of kin through the Domestic Violence Hotline in 2020. In addition, a communication initiative on the "Effects of Domestic Violence Upon Children" was conducted in 2020 as part of the program.

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

The Bank believes that women and men are equally responsible for securing gender equality, and thus, extended the Paternal Leave from 5 days to 10 in 2020. Led by Garanti BBVA, steps began to be taken across all BBVA countries for prolonging the Paternal Leave.

The Bank also carries on with its efforts to entrench Diversity and Inclusion culture in the organization through various training and awareness initiatives on gender equality and unconscious prejudice. As the first step, new training programs were designed to make sure that unconscious prejudice and gender equality principles are espoused by the employee body of the Bank. These compulsory programs delivered through digital channels were targeted at freeing people of their stereotyped thinking, and discover their prejudices so as to minimize their implications. Following the training, gaming activities were held to raise awareness across the entire Bank and to consolidate the information provided.

Thanks to its various practices and initiatives for ensuring gender equality in human resources, among customers and the community, Garanti BBVA is the only company from Turkey to be included for four years in the Bloomberg Gender Equality Index that covers 230 companies from 10 industries from 36 countries and regions across the world.

INTERNAL COMMUNICATION AND CULTURE

Under the internal communication policy based on providing timely and accurate information flow to employees, information was conveyed instantly mostly through live streaming in addition to conventional communication channels. In these live streaming events actively participated by Garanti BBVA Senior Management, the main idea was to ensure that all employees are informed of a given topic simultaneously.

Due to teleworking and rotating working conditions, "Ask/Share" forum section on the intranet, which enables employees to view instant messages transparently, were actively used in addition to live streaming. The use of this section increased by 35% over 2019. Certain decisions introduced during the reporting period were revised according to employee opinions conveyed in this section.

All employee-oriented messages and activities were carried out via online channels throughout 2020.

The third Values Day which is celebrated on the same date in all countries to re-familiarize with, assimilate and live the values, was held on digital channels. In this edition of the event where 45% of Garanti BBVA employees actively participated, idea workshops concentrated on evaluating strategic priorities from the eyes of the employees. During the Values Day that was participated by approximately 10,000 employees through digital channels, more than 2,500 employees took part in workshops and generated over 250 idea.

On a joint platform, all countries nominated the employees enforcing the values through exemplary behaviors in their everyday lives and 12 employees from across the Group were rewarded with the votes of country senior managements and employees. Out of the 12 awarded employees, three Garanti BBVA employees were honored with awards in the We Think Big and We are One Team categories.

Garanti BBVA carries out a work-life balance program named Work Life Integration (İYİ) in order to enhance employee satisfaction and offer a richer working experience. This year motivational activities and treats within the scope of the program were replaced by online activities. Open to all employees, these initiatives include, among others, online exercise sessions, dietician sessions and informative seminars organized by the specialist psychologists of the Employee Support service.

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A FAIR AND TRANSPARENT WORKING ENVIRONMENT

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

FAIR AND TRANSPARENT REMUNERATION

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

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

The compensation system of the Bank is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's Compensation Policy established within this framework has been approved by the Board of Directors and presented for the information of shareholders at the Ordinary General Shareholders' Meeting. Presently, the policy is available to the public on the Bank's website pursuant to corporate governance principles. The performance evaluation system at Garanti BBVA measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are supported by concrete and measurable criteria in the assessment, and serve as major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees. In this context, customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti BBVA monitors the competitiveness of its salaries through annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

The portion of 8.29% of the total personnel expenses figure for the benefits provided in 2020 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments.

The ratio of the average remuneration of women employees to that of men employees is 1.14. Differences can be explained by previous experiences, performance evaluation results and other factors aside from gender that affect pay level.

MATERNITY LEAVE

Garanti BBVA employees are entitled to additional rights in maternity leave beyond the practices recognized by the laws. During the reporting period, 526 women employees went on maternity leave and 466 men employees went on paternity leave. 88% of women employees who took maternity leave in 2020 are still working at the Bank.[1]

RETIREMENT

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

OUTLOOK

ADAPTING TO A TRANSFORMING WORLD

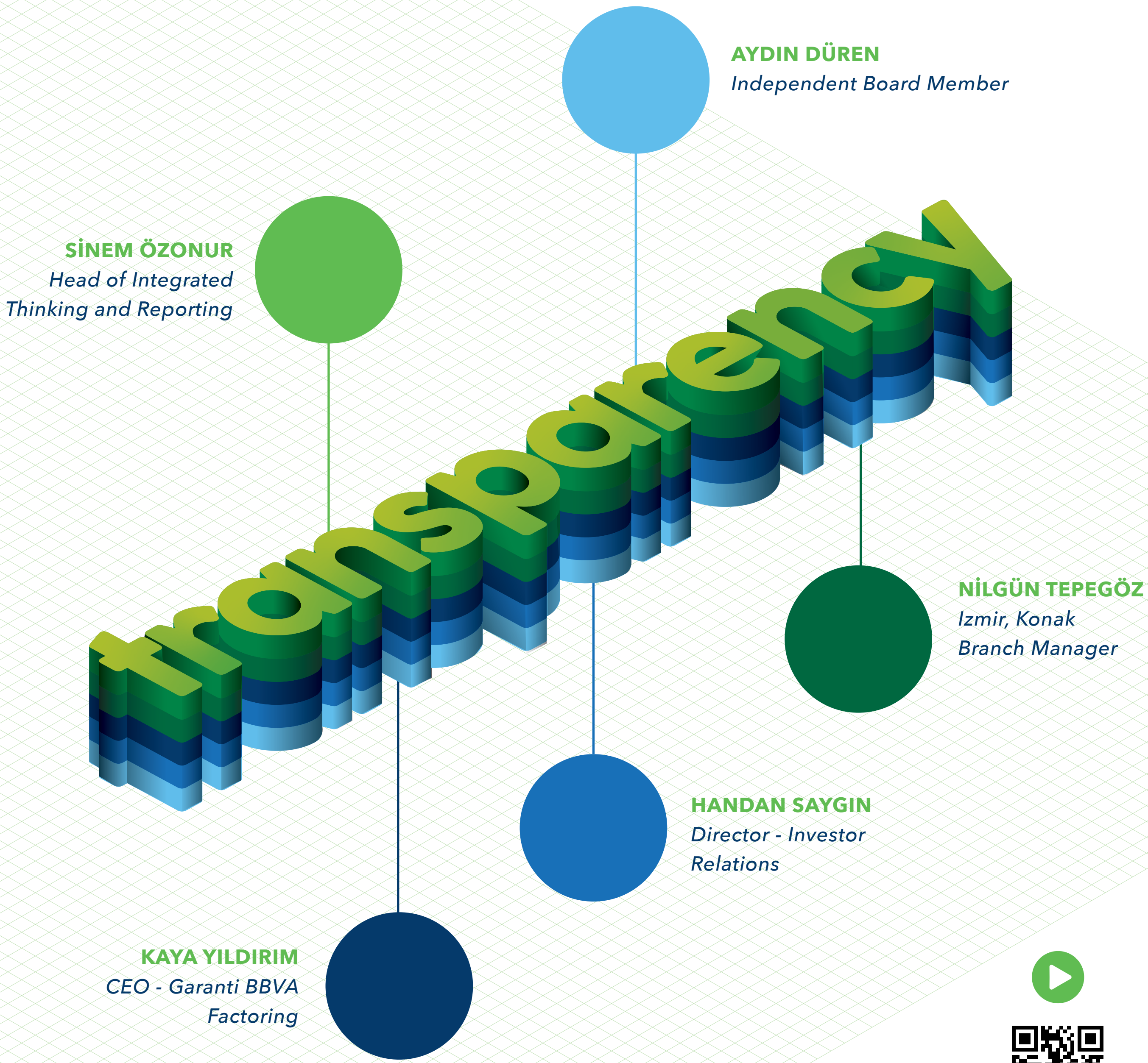
The transforming Dynamics in the world pushed the accessibility issue foremost within Garanti BBVA's approach to human resources. Delivery of this vast variety of existing services and products available to all employees through a channel constantly accessible by them gained priority. In this framework, Garanti BBVA carries on with its efforts to launch a mobile application for exclusive use by its employee body, which will be introduced in the first quarter of 2021. The application is intended to give access to the world Garanti BBVA employees need in their capacities as employees.

Another major component of this transformation aside from the mobile application covers the initiatives for creating a common portal that will host all existing channels for employee career and development, which are made accessible through different portals. This will allow employees to view and use the whole cycle from the measurement and assessment steps within the "Development Model" to learning and career-related practices with a more holistic perspective.

Poised to introduce a tool whereby it will focus on more effective development of employees via the Career and Development Portal, Garanti BBVA will have thus launched a user-friendly platform for employees to track their progress throughout the year. New steps will be taken also for enacting the corporate values at every opportunity, and for creating an egalitarian working culture free from prejudices. Employees will be given the opportunity to devise new projects on parenthood and individuals with disabilities that will support business processes by engaging in opinion exchange with employee groups. Initiatives supporting work-life balance, which will be developed within the scope of the "Work Better Enjoy Life" message, will make the highlights of 2021 projects.

Garanti BBVA will be consolidating its existing channels in a more-friendly medium in the short term, and back this vision with steps that will ensure effective use of these channels and administration of a survey measuring satisfaction in the medium term. In the long term, Talent and Culture teams are targeted to be transformed into a team designing the initiatives that will provide guidance to all employees in their roles as service providers and consultants. Within the future human capital management concept, paving the way for employees' management of all products and processes they need in line with self-devised development plans and their involvement in decisions will be the greatest step Garanti BBVA will be taking towards further improving the existing egalitarian and inclusive working environment.

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



Scan the QR code to watch the video.

CORPORATE GOVERNANCE

TRUST | *PIONEER* | *SUSTAINABILITY* | *RESPONSIBILTY* | *EXPERIENCE* | *TRANSPARENCY* | *SUCCESS* | *AGILITY* | *EMPATHY* | *DIGITALIZATION*

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Internal Systems Governance

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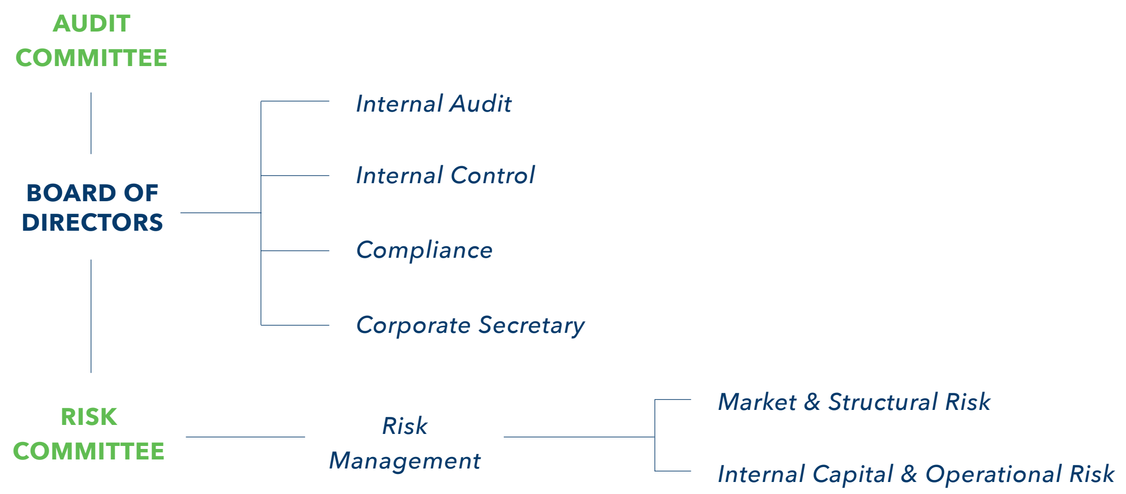

The Risk Committee is composed of the members of the Board of Directors, and is responsible for overseeing risk management policies and practices, their alignment with strategic goals, capital adequacy and planning, and liquidity adequacy, as well as the management's ability to assess and/or manage various risks inherent in the operations.

Risk Management is composed of Internal Capital and Operational Risk Department and Market and Structural Risk Department under the execution and management of the Head of Risk Management, and Validation, Credit Risk Control and Risk Management Control functions.

THE RESPONSIBILITIES OF THE HEAD OF RISK MANAGEMENT ARE OUTLINED BELOW:

→ Ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, and make sure that an integrated risk management system is implemented which measures all of the Bank's risks collectively, which guarantees that limits determined in connection with the risk appetite approved by the Board of Directors are not breached, which is in compliance with applicable legislation, the Bank's strategies and policies, and which pursues risk-return relationship and entails control and validation activities,

→ Define, measure, monitor and report risks, and ensure that all control activities are conducted thoroughly and timely; monitor and supervise results.

THE RESPONSIBILITIES OF INTERNAL CAPITAL AND OPERATIONAL RISK DIRECTOR ARE OUTLINED BELOW:

→ Propose operational risk, operational risk admission and risk appetite principles which are then set down by the Board of Directors,

→ Ensure that all operational risks are covered by the first and second lines of defense,

→ Conduct measuring, monitoring and analysis activities for risk appetite, operational risk, operational risk admission and capital adequacy; report their results regularly to relevant units, committees and senior management,

→ Coordinate the ICAAP (Banks' Internal Systems and Internal Capital Adequacy Assessment Process) workflow,

→ Oversee affiliates' adherence to Corporate Risk Management Framework; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

THE RESPONSIBILITIES OF MARKET AND STRUCTURAL RISK DIRECTOR ARE OUTLINED BELOW:

→ Propose market, counterparty credit, liquidity, structural interest rate and exchange rate risk principles which are then set down by the Board of Directors; review and update the same,

→ Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,

→ Perform market, counterparty credit, structural interest rate, exchange rate and liquidity risk-based activities within the scope of ICAAP, stress testing and risk appetite framework, and risk assessment for new business and products/services; monitor and report risk based concentrations,

→ Monitor affiliates' adherence to Enterprise Risk Management Framework; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

THE INTERNAL AUDIT DEPARTMENT

The Internal Audit Department adopts a risk oriented approach and performs a comprehensive risk assessment that covers the Bank and all its subsidiaries and prepares an annual audit plan in line with the Bank's goals and strategic priorities and taking into consideration the expectations of all stakeholders including especially the Board of Directors. The "continuous risk assessment" approach ensures seamless monitoring of the changes in risks and allows dynamic planning.

Keeping a close eye on the new approaches and current trends in the banking industry and internal audit field, the Internal Audit Department expanded the Agile Methodology that it adopted starting from 2019 to all of its audits in 2020. The Agile Methodology implemented serves to attain higher productivity from the workforce, produce high added-value results, and improve communication with the auditees.

The checklists of the audits performed in accordance with the agile methodology are designed with a value-focus and constant value creation is put in the focal point by making sure that the audit subjects that create the maximum value are addressed in the initial stages of the audits. Each audit in the audit plan is handled as an individual project; audits are divided into two-week sprints and the results from each sprint are shared following the sprints with the auditees, without waiting for the end of the audit, thereby securing fast actions for remediating the findings. In addition, implementation planning for actions is made with the auditees at the management level at the end of each sprint.

Continuous risk assessment, the flexibility afforded by the agile methodology, strong communication with the auditees and value-focus allow the Internal Audit Department to quickly adapt to the new normal resulting from COVID-19. Since day one of the COVID-19 precautions, consultancy is offered for managing the risks stemming from the pandemic, and risk assessments are updated so as to enable changes in the audit plans specifically for the emerging new risks. In addition, the Agile Methodology guarantees no setbacks in the achievement of performance targets by units even during periods of remote working-.

Dedicated systems are used to oversee the processes of audit planning, field work execution, preparation of an audit report regarding identified deficiencies and monitoring and reporting of the findings. While Microsoft Office applications are used in the planning, field and reporting processes of audit activities that are conducted based on risk types, data inquiry and processing software such as Oracle Business Developer and SQL Developer are employed for areas requiring data analysis.

Data scientists are employed with the aim of adopting a data driven approach to audit processes to minimize the increased technological and cybersecurity risks in line with the Bank's digital transformation target. These advanced data inquiry and big data analysis capabilities enable audits that rely on machine learning technology. At least one data specialist is assigned to each audit and data scientists perform studies aiming to enhance the quality of operational efficiency and audit results through specific projects concentrated on machine learning. Hence, an audit methodology that relies on the examination of the data universe instead of examination based on sampling is adopted in audit processes with the target of minimizing audit risks and increasing confidence interval.

The Internal Audit Department performs risk-based process audits in 11 main risk areas of the Bank by covering head office units, domestic branches, foreign branches and subsidiaries.

Within the scope of **BUSINESS MODEL RISK**, focus is placed on business model viability, business model sustainability, pricing and other aspects of strategy.

Within the scope of **CORPORATE GOVERNANCE AND RISK MANAGEMENT RISK**, audits are conducted in relation to risk management and risk control framework, as well as audits of organizational framework such as corporate policies, procedures, duties and responsibilities.

Within the scope of **CAPITAL RISK**, audits are performed in relation to evaluation of the control environment within the scope of regulatory and internal capital computations and capital adequacy assessment, compliance with the legislation, policies and procedures, and accuracy of calculations.

Within the scope of **CREDIT RISK** audits, credit risk, thresholds and limit structure, loan portfolios and credit processes that have been established are audited.

Within the scope of **MARKET RISK**, assessments are made to determine the risk of loss that the Bank's on and off-balance sheet positions may be exposed to within the frame of exchange rate, commodity and interest rate risks resulting from the movements in market prices.

Within the scope of **STRUCTURAL RISK**, audits are conducted in relation to assets and liabilities management model and validation, structural risk stress test, liquidity risk stress test, financial institutions borrowing instruments and treasury reporting processes.

Within the scope of **OPERATIONAL RISK**, audits are conducted in relation to operational processes with a particular focus on processes, products and services that are either revised by the Bank or are offered as new services, as well as to digital channels enterprise and data governance.

Within the scope of **LEGAL RISK**, audits are conducted regarding regulations governing financial reporting, litigation, compliance with binding instructions, and the risks with a potential negative impact on financial statements.

Within the scope of **COMPLIANCE RISK**, focus is placed on audits regarding reputational risk management, as well as potential risks that may arise from non-compliance with ethical standards and legal regulations such as prevention of money laundering and countering financing of terrorism, customer and investor protection and personal data protection.

Within the scope of **TECHNOLOGY RISK** audits, the adequacy and effectiveness of the internal control environment established by the Bank for risks stemming from its use of technology are assessed. Accordingly, audits are conducted with a focus on cybersecurity, information security, IT operations, and business continuity.

Within the scope of **EXTENDED ENTERPRISE RISK** audits, audits are conducted on various processes such as service or product and construction management, as well as audits of support services providers, the scope of which has been set by the BRSA (Banking Regulation and Supervision Agency).

Within the scope of the inspections and investigations among the activities of the Internal Audit Department, fraudand counterfeiting activities are prevented or detected, upon which necessary managerial actions are taken promptly. Remote and on-site studies are carried out to determine internal fraud incidents.

The audit activities on the basis of risk types mentioned above are mainly performed by auditors specialized in the related risk area. Parallel to the development and talent management strategies of the Internal Audit Department, risk-based specialization approach to audit combined with the constant encouragement of academic education and professional certification processes aimed at building on the theoretical and professional knowledge and skills of auditors result in increased technical depth of the audits performed.

All findings resulting from the audits conducted by the Internal Audit Department are continually followed up. Regular information flow to management aimed at speeding up continuous finding monitoring and remedy processes and ensuring timely actions are intended to remedy all findings in a timely manner.

All activities of the Internal Audit Department are continuously monitored via internal and external quality assessments.

THE INTERNAL CONTROL UNIT

The Internal Control Unit is responsible for the establishment and coordination of a sound internal control environment within Garanti BBVA. The Unit ensures that banking activities are carried out in accordance with the management strategies and policies in a regular, efficient and effective manner within the existing regulatory framework and guidelines.

Within the applied internal control model that is structured according to three lines of defense principles, controls are identified by the first line of defense teams in the business units by taking the relevant risks into consideration. There is a process in place whereby the results of control activities are reported from business units to the relevant second line of defense functions. In this model, the Internal Control Unit ensures the proper execution of control activities performed within the Bank by implementing a common methodology. On-site and remote control activities are carried out regarding the branches (including foreign branches) and Regional Offices. Regarding the Head Office departments, the related control activities which are regularly conducted within the business/support units are monitored closely and challenged and verified in order to ensure their timely, thorough and accurate performance.

The IT Internal Systems Control team, set up within the Internal Control Unit, oversees the secure performance of IT functions in accordance with the guidelines set by the Bank. The team defines internal control steps for IT processes, and subjects them to control activities in accordance with predefined control items, methodology and tools. In addition, they carry out process reviews to determine technology risks and closely monitor studies to eliminate identified deficiencies.

The Internal Control Unit is also responsible for supervising that the internal control environments of the Bank's financial subsidiaries are adequately outfitted in terms of structure and functionality.

Findings and recommendations resulting from control activities are reported to relevant managerial levels and agreed actions are followed up.

Moreover, the Internal Control Unit offers training programs for increasing risk/control awareness of the Bank's employees and provides them with the necessary guidance.

THE COMPLIANCE DEPARTMENT

Working with the purposes of managing the potential compliance risks of the Bank and of identifying and preventing these risks before implementation, the Compliance Department aims to help improve the compliance culture constantly and establish a world-class compliance culture across the Bank. The Compliance Department carries out the following tasks.

The Compliance Officer Team performs the following duties as also stipulated by the regulations governing prevention of money laundering and countering the financing of terrorism:

- Carry out all necessary efforts to achieve Garanti BBVA's compliance with the regulations issued to prevent money laundering and countering the financing of terrorism and provide necessary coordination and communication with the Financial Crimes Investigation Board (in Turkish: MASAK),
- Ensure that the Compliance Program is carried out; develop policies and procedures within this scope; execute risk management, monitoring and control activities; follow up the results of internal audit and training activities,
- Lay down the efforts related to the training program about prevention of money laundering and countering the financing of terrorism for the approval of the Board of Directors, and ensure that the approved training program is carried out effectively,
- Look into and evaluate information on potentially suspicious transactions that it receives or becomes aware of sua sponte; report any transaction that it deems to be suspicious to the Financial Crimes Investigation Board,
- Manage relations with relevant governmental or private agencies.

In terms of compliance activities regarding customer products and services, assessments are made on the compliance of products and processes to applicable regulations. Activities are carried out in relation to compliance controls in accordance with the requirements of Article 18 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks. The control mechanisms in place are monitored and coordinated with respect to compliance of the Bank's current and planned activities, new transactions and products with the laws, internal policies and guidelines, and banking practices. The processes are monitored for any necessary revisions according to regulatory changes, related employees are notified on such changes, and opinions are formed prior to introduction of new products and transactions.

As part of corporate compliance activities, the Compliance Department is responsible for promoting awareness of "Garanti BBVA Code of Conduct" approved by the Board of Directors in 2015, "Anti- Corruption Policy" approved in 2018 and "Competition Policy" approved in 2019, encouraging adherence to the documents, ensuring development and dissemination of the procedures to be formed in the context of the documents, and helping resolve any doubts that may arise during the interpretation of the documents. These documents are available on the Intranet accessible to all employees and training sessions are organized during the course of the year.

In addition, Garanti BBVA Code of Conduct, Anti-Corruption Policy Statement and Garanti BBVA Competition Policy are made public on the Investor Relations website. Detail information can be reached from the related links.

The Compliance Department manages the Whistleblowing Channel, which is established to report any noncompliance to Garanti BBVA Code of Conduct and forms an essential part of the compliance system. The channel is also a resource to assist the employees in reporting transgressions that they observe or which are reported to them by their team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to, the reporting of suspicious illegal conduct or professionally unethical conduct. In case of an actual or suspected breach of Garanti BBVA Code of Conduct, the incident is reported immediately via the Garanti BBVA Whistleblowing Channel, by e-mail at etikbildirim@garantibbva.com.tr or by telephone at +90 216 662 5156. The Compliance Department, responsible for managing the Whistleblowing Channel, processes all reports received carefully and promptly, ensuring they are investigated and resolved in accordance with the Whistleblowing Channel management procedures. The identity of the person who reported is kept confidential. The information is made known only to those departments whose cooperation is necessary for the investigation process.

The result of the investigation is communicated to the departments that need to take appropriate measures to correct the transgression, as well as to the person being reported and the reporter, as appropriate. Nobody, who reports any facts or activities through the Whistleblowing Channel in good faith, will be the target of reprisal nor will he/she suffer any other adverse consequence as a result. Garanti BBVA Code of Conduct also covers incidents of conflict of interest and aspects that would prevent employees' professional behaviors from being affected thereby.

Securities compliance activities encompass examination of suspicious transactions within the scope of the Capital Markets Board (CMB) Communiqué on Obligation of Notification Regarding Insider Trading and Manipulation Crimes. Procedures are being established regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers in connection with the performance of their jobs, professions and tasks. In addition, relevant legislation and internal guidelines are also monitored.

With respect to subsidiaries' coordination activities, the Compliance Department monitors the compliance activities at the Bank's subsidiaries and overseas branches. In this respect, there are individuals assigned at subsidiaries and overseas branches who are responsible for the compliance function; in line with the related legislation, an employee is assigned at each of the consolidated subsidiaries and overseas branches for monitoring compliance with local regulations. Meetings are held regularly with the said employees who submit periodic reports to the Compliance Department.

Within the scope of Compliance Models and Assurance, compliance models and methodology are designed and implemented; risk assessment are carried out for all compliance specialization areas and risk monitoring methodology are created, implemented and measured. Furthermore, control activities of processes for managing compliance risk are carried out as part of the assurance activity.

In performing all of its duties and responsibilities outlined above, the Compliance Department continues to work in coordination primarily with the Internal Audit Department, Internal Control Unit, Training Department, Customer Security and Transaction Risk Management Department and Legal Department, as well as other relevant units and people.

Audit Committee's Assessment

1,728 9 min 3 risk

Of the Operations of Internal Control, Internal Audit and Risk Management Systems

The Audit Committee has convened eight times during 2020.

Within the scope of its activities throughout the year, the Audit Committee monitored the effectiveness and adequacy of internal systems, the operation of accounting and reporting systems in line with the applicable regulations, the integrity of the resulting information, and the internal audit plans.

The Committee continued to verify whether the internal audit system encompassed the Bank's current and planned operations and resulting risks.

Furthermore, the Committee also continued to fulfill its functions of overseeing the activities of the external audit company, appraisal firms and support service providers that are designated by the Board of Directors, as well as evaluating the relevant external audit results. The Audit Committee informed the Board of Directors on the activities of the Committee, its assessments about the external audit firms, appraisal firms and support services providers, and other matters.

The Internal Audit Department conducted risk-based process audits on the basis of 11 different risk types covering the Bank's head office units, domestic branches, overseas branches and subsidiaries. The Committee performed monitoring activities for quickly remedying the findings resulting from the audits and thus, mitigated the Bank's risk exposure.

The Agile Methodology began to be employed in audits conducted by the Internal Audit Department with the target of more efficient use of the workforce and generation of high added-value results. Following the introduction of this method, the further increased effectiveness of the audit proved to be a major factor in the upgraded Corporate Governance rating of the Bank.

In order to mitigate the growing technological and cybersecurity risks and by focusing on audit processes with a data-based approach in line with the Bank's digital transformation target, the Internal Audit Department used techniques based on data modeling algorithms, image processing and machine learning in its activities.

Follow-up of suggestions resulting from the audit engagements by the Bank's senior management, the Audit Committee and the Board of Directors ensured that corrective actions were taken according to the timeline by the auditees.

Within the scope of the inspections and investigations among the activities of the Internal Audit Department, fraud and counterfeiting activities were prevented or detected, and it has been ensured that necessary managerial actions were taken promptly. Remote and on-site studies were carried out to determine internal fraud incidents. A new project was introduced within the scope of remote (centralized) studies carried out to identify transactions with the highest risk through various predetermined risk factors and early warning signals by making use of "big data" capabilities and to ensure examination on a daily basis. These methods minimized the losses resulting from internal fraud.

The Internal Control Unit continued to challenge all control activities that are performed by business and support units. In this regard, the Unit conducted second level control activities at branches and head office departments. During on-site branch visits, the Internal Control Unit carried out examinations regarding operational risks. As part of its responsibilities, the Unit also oversaw that the internal control environments of the Bank's financial subsidiaries are adequately outfitted in terms of structure and functionality.

Reporting flows have been implemented and periodic follow-up continued for remedying the findings determined during the controls.

The Compliance Department continued to manage the Bank's potential compliance risks and kept working to identify and prevent these risks before implementation. The Department kept overseeing and coordinating the compliance of the Bank's ongoing and future activities, new transactions and products with the Banking Law, applicable legislation, internal policies and guidelines, and banking practices. With the aim of reinforcing the Bank's consolidated compliance policy, the Department supervised the compliance activities of overseas branches and consolidated subsidiaries, taking steps towards promoting compliance awareness and culture.

As part of corporate compliance activities, Garanti BBVA Conflicts of Interest Policy was created and introduced in line with the BBVA Group Conflicts of Interest Policy. Bank-wide training activities were carried out in relation to Anti-Corruption and Code of Conduct. Notifications received by Garanti BBVA Whistleblowing Channel were evaluated, upon which results were presented to the Integrity Committee. Within the scope of securities compliance function related to investment transactions, examinations were carried out within the frame of the CMB's Communiqué on Obligation of Notification Regarding Insider Trading or Manipulation Crimes regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers. As part of Customer Compliance activities, changes in the regulatory framework were watched closely during the course of the year, ensuring the alignment of the Bank's processes therewith. In addition, new business, products and processes were evaluated prior to implementation.

As part of anti-money laundering (AML) and countering financing of terrorism strategy (CFT) strategy, studies were carried out in order to achieve alignment with national and international regulations. Through the existing monitoring programs and other initiatives by the Compliance Officer Team, risk management, monitoring and control activities were carried out efficiently. Classroom training sessions, regional office visits and web-based AML and CFT training programs offered throughout the Bank served to secure higher awareness and consciousness of the matter among the employees.

As part of Risk Management activities, Capital and Operational Risk Department monitored the regulatory framework regarding risk management and provided the necessary internal information flow. In accordance with the regulations published by the BRSA, ICAAP (Banks' Internal Systems and Internal Capital Adequacy Assessment Process) activities, which are conducted parallel to the budget process that covers the parent bank and affiliates, were carried out so as to entail stress tests, as well. Risk appetite core metrics for solvency and profitability and operational risk limits and their thresholds were reviewed with respect to the risk appetite and submitted for approval of the Board of Directors. Necessary coordination continued for risk appetite reporting, which is done monthly to the Risk Committee of the Board, weekly to the Risk Management Committee, quarterly to the Board of Directors and on meeting dates to the Audit Committee; in this scope, core metrics and risk limits mentioned above were monitored and reported. Additionally, monitoring, analysis and internal reporting were carried out with respect to the evaluation of the capital adequacy ratio. As part of operational risk management activities, the operational risk losses at the Bank and affiliates were monitored and reported. Within the frame of operational risk appetite, synthetic indicators were established and followed up to track the changes in types of operational risks and to measure the management effectiveness of these risks. Operational Risk and Control Self-Assessment activities were

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carried out; scenario and stress test analyses for operational risk were conducted within the scope of ICAAP and stress test reporting. Meetings and trainings were held and information was provided to the Bank's staff to enhance awareness of the Bank's employees regarding operational risk management. The Operational Risk Admission function that also covers the outsourcing management function coordinated the process incorporating the definition of risk exposure resulting from new initiatives (business/product/service, process/technology transformations, and outsourcing including support/appraisal services), establishment of an effective control environment necessary to mitigate those risks, and taking risk mitigation measures in accordance with internal guidelines and in a manner to incorporate the activities of Operational Risk Admission and Product Governance Committee activities.

Market and Structural Risk Department reviewed thresholds within the framework of risk appetite, in order to monitor and manage market, counterparty credit, structural interest rate, exchange rate and liquidity risks, and submitted these thresholds for the approval of the Board of Directors. Internal metrics and early warning indicators, as well as regulatory limits for risk-based limits were regularly monitored and reported to all related parties and committees. Stress tests were employed to evaluate potential and worst-case risks that may arise from economic circumstances. Limits and alert levels instituted to determine risk exposure were monitored at the Bank and affiliates, and necessary actions were taken in accordance with the applicable procedures. New regulatory framework introduced and decisions adopted within the frame of financial stability policies were watched closely. Their impact on the Bank's liquidity, structural interest rate, exchange rate, market and counterparty credit risks were analyzed thoroughly and were reflected on internal core metric measurements. Within the frame of ICAAP and stress test report, stress tests and scenario analyses were performed along with internal calculations on the basis of risk types. Intraday liquidity risk was monitored regularly using the metrics defined. Infrastructural work was carried out to increase operational efficiency. Risk management activities at subsidiaries were followed up closely.

The implications of the new regulatory framework introduced during the pandemic and of markets' performance upon the Bank's risk profile, particularly upon its liquidity, market and structural interest rate risks were analyzed in detail, the intensity of monitoring activities was increased to ensure a closer watch through Early Warning Indicators that began to be followed-up on a daily basis, daily tracking reports and detailed analyses, which resulted in proactive and effective risk management.

The Validation Function performed qualitative and quantitative validations regarding internal models. Validations performed for those models and parameters that are taken into account in ICAAP calculations were presented to the Audit Committee. The Credit Risk Control Function set limits for loan growth in view of risk-return balance and updated them as necessary with respect to COVID-19. Internal capital requirement was calculated and the internal capital threshold values set at the onset of the year were monitored. The infrastructure needed for systemic computation of risk-based profitability metrics was established, and regular reporting was carried out. Internal credit risk and credit concentration risk calculations, stress tests and scenario analyses were carried out within the framework of ICAAP and stress test report. COVID-19 scenarios were supplemented to stress tests, and regular reporting commenced. Additional studies were performed to determine how internal capital would be affected under COVID-19 circumstances, and the same were reflected in the budget. The conformity of the risk models employed at the Bank with the internal rating-based (IRB) approach was monitored and the use of the models within the Bank were assessed. The effects of the risk parameters that will be produced with the new models upon internal capital were analyzed. Regular reporting on credit risk was made to the senior management. Risk Management Control function verified that risk management activities were handled by risk units in accordance with the Bank's policy and procedures.

Risk Committee's Assessment

629 4 min 1 risk

Of Risk Management Policies, Their Implementation and Management of Various Risks That the Bank May Be Exposed to

2020 has been a challenging year globally in which the COVID-19 epidemic has entered into lives with effects that will leave its mark, to a degree that could hardly be predicted by any stress test, where all participants of the society had to adopt new ways of living and working. Under these challenging circumstances, where economic activity weakened, all the players in the economy took responsibility in supporting the society financially and regulation amendments took place within the scope of the measures taken considering the effects of the epidemic. While the Bank continued to stand by and support its customers in this process, it also continued to pay utmost attention to preserve its prudent, transparent and forward looking approach in the risk management activities. In addition, the necessary measures and actions have been taken within the scope of the current Occupational Health and Safety and Business Continuity practices across the Bank, and new risks arising from this situation have been managed in the most effective way. The effects of the epidemic on the markets and on Bank's risk profile, especially on its liquidity, solvency, asset quality and profitability, were analyzed in detail, the frequency of monitoring activities has been increased and integrated into risk management. The Bank closely monitored its risk metrics within the risk appetite framework and via stress tests. With COVID-19, coverage ratios have been further strengthened in all stages, thanks to prudent provisioning policies, and despite the increase in Cost of Risk, Bank maintained its profitability while continuing to allocate free provisions for possible risks. Bank-only non-performing loans ratio which was 6.9% in YE19, improved as a result of the impact of epidemic related regulation amendments and utilization of write-off processes and realized as 4.6% in YE20. In the period ahead, with the policies and tools that enable decision-making, the Bank targets to manage nonperforming loans portfolio by focusing on efficient recovery strategies. With respect to liquidity, since the beginning of the epidemic, evolution of the risks have been more closely monitored and effectively managed via daily monitoring reports and Early Warning Indicators where monitoring frequency has been increased to daily. Within 2020, Bank's risk management activities were carried out with the target of maintaining a moderate risk profile, a robust financial position and a sound risk adjusted profitability throughout-the-cycle, as the optimal way to face adverse situations without jeopardizing the strategies. Within the framework of the risk appetite and risk based polices approved by the Risk Committee and the Board of Directors, in 2020, the Risk Management further improved its measurement, reporting and management tools, where risks were measured via advanced methods, reported to relevant committees and senior management in order to determine strategies and take decisions, considering compliance with local and international standards and practices. With the coordination of the Risk Management, Risk Committee and the Board of Directors approved reports including the results of Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), which were integrated with risk appetite, stress tests and budget processes. Throughout the year, Risk Management continued to work on projects in order to further promote the effectiveness of risk management activities via automated and advanced processes and to enhance data quality. Based on their scope, the affiliates were reviewed by the Risk Committee in order to ensure a risk culture throughout the organization that guarantees the coherence of the risk management at all levels of the organization. Consequently, the Risk Committee held 11 meetings in 2020 in order to assist the Board of Directors in overseeing the Bank's enterprise risk management policies and practices, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities, as well as capital adequacy, planning and liquidity adequacy.

Important Developments Regarding 2020 Operations

10,307 52 min 16 banks

INFORMATION ON SHARE BUYBACKS BY THE BANK

The Bank did not buy back any of its own shares in 2020.

INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED DURING THE FISCAL YEAR

Under the applicable legislation, routine audits are conducted by supervisory authorities such as the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board of Turkey (CMB), the Ministry of Finance, the Undersecretariat of Treasury and the Central Bank of the Republic of Turkey (CBRT). Detailed information about the administrative fines imposed against the Bank in 2020 by supervisory authorities as a result of auditing is provided in the following sections.

INFORMATION ON LAWSUITS FILED AGAINST THE BANK, WHICH MAY AFFECT THE FINANCIAL STATUS AND OPERATIONS OF THE BANK, AND THEIR POTENTIAL RESULTS

1 - CARBON EMISSION TRADE VAT EVASION INVESTIGATION IN FRANCE:

An investigation was initiated also against the Bank in connection with an investigation on VAT evasion in relation to carbon emission trade in France on the grounds that accounts had been set up with, and transactions were performed through, the Bank for two persons implicated in the investigation. The reason our Bank was included in the investigation is not directly related to the subject matter of the investigation, but to banking transactions performed by persons implicated in the investigation and by three Turkish legal entity customers that carried out money transfers with various foreign firms with which the former were linked. During the investigation process, while no action was deemed necessary for the three Turkish customers with respect to the investigation, our Bank was included in the investigation based on the opinion that our Bank had not achieved adequate compliance with the legislation with respect to account opening and transacting by two foreign customers. The trial was completed on 16 June 2017. The Court acquitted our Bank for the actions it had taken in 2008 and early 2009 at the time these individuals who had engaged in tax evasion had started opening accounts and making use of banking services in Turkey; however, the Court adjudged a judicial fine of EUR 8 million for account closure procedures of mid-2009, with total disregard of local legislation and regulations. In addition, the French Treasury asked for collection of the tax loss from all of the defendants of this litigation for the tax losses suffered because of tax evasion. Accordingly, the Bank will be subject to payment of damages up to EUR 25.09 million. Finding the ruling to be faulty and irrelevant, our Bank has taken all necessary action for appeal on 22 September 2017, and the Bank's Management has taken all necessary steps that it was legally obliged to take in the said event. On the other hand, Grande Tribunal of Paris reviewed and dismissed our appellate plea in September 2019. Our Bank believes that this judgment is unfair and exercised its right to appeal before the High Court in France in September 2019. The appellate review by the High Court is in progress. Since the French Treasury demanded payment of EUR 25.09 million in damages while appellate review was in progress and since an appellate plea suspends the payment of administrative fines only, damages in the amount of EUR 25.09 million has been covered and paid from the reserves previously set aside. The Bank continues to maintain a provision of EUR 8 million for the administrative fine, which will be used to cover a potential payment.

2 - THE COMPETITION BOARD DECISION DATED 08.03.2013 AND NO. 13-13/198-100:

As the result of the investigation conducted to determine whether 12 financial institutions including Garanti Bank and its subsidiaries Garanti Payment Systems and Garanti Mortgage (Garanti Economic Group) violated Article 4 of the Law on the Protection of Competition no. 4054 through engaging in a deal and/or concerted act for jointly setting interest rates, fees and commissions for deposit, loan and credit card services; with its decision dated 08 March 2013, no. 13-13/198-100, the Competition Board resolved to levy an administrative fine of TL 213,384,545.76 on the grounds that Garanti Economic Group violated Article 4 of the Law on the Protection of Competition. Believing this decision to be contrary to law and was based on inadequate examination, our Bank filed a suit for the annulment of the decision. Before filing suit, the administrative fine has been paid benefiting from ¼ early payment discount. Ankara 2nd Administrative Court disregarded our defense in its entirety and dismissed the case. This time we lodged an appeal with the higher court against this unfair and unlawful ruling. The 13th Chamber of the Council of State adjudged dismissal of our appeal and approved the ruling of the lower court. For this unfair and unlawful adjudgment, our Bank applied for revision of decision. In this case, the 13th Chamber of the Council of State reversed the judgment of the lower court on the grounds that it was not established with adequate standard of proof (beyond reasonable doubt) that all of the banks investigated by the Competition Board were aware of a single framework agreement in relation to deposit, loan, credit card or public deposit services or that joint groups were aware of the said framework agreement or common plan, just like we defended, and hence the judgment was based on inadequate examination. Following reversal, the lower court decided to sustain the original ruling. An appeal was lodged against the unfair and unlawful decision to sustain the original ruling, and the adjudgment of the Plenary Session of Administrative Law Divisions of the Council of State is being awaited.

3 - MINISTRY OF TRADE ADMINISTRATIVE FINE:

With its decision dated 05 August 2015 numbered 1864, the Governorship of İstanbul resolved to levy a fine of TL 110,110,000 (one hundred and ten million one hundred and ten thousand) on account of the unlawful practices established in the audit conducted as per the provisions of the Law on Consumer Protection no. 6502 and of the annulled Law no. 4077, with reference to the Ministry of Customs and Trade Board of Inspectors examination report dated 17 June 2015 and numbered 321-C/01, pursuant to Articles 77 and 78 of the same Law. Our Bank lodged an appeal for annulment of the said decision. As a result of the trial, the decision dated 05 August 2015 numbered 1864 was overruled by İstanbul Regional Administrative Court 8th Administrative Chamber's decision. The overrule became final with the approval decision of the 15th Chamber of the Council of State. Following the final adjudgment, the Bank was refunded the administrative fine that had been paid. Upon conclusion of the litigation in favor of our Bank, the Ministry of Trade decided to re-initiate an investigation within the scope of the annulment grounds of the courts. Following the investigation carried out by the Ministry's inspectors, a report dated 18 December 2020 numbered 337-C/02 was issued and submitted to the Governorship of İstanbul. With its decision dated 30 December 2020 numbered 9302, the Governorship of İstanbul once again decided to levy an administrative fine of TL 110,110,000. We will be exercising our statutory rights in relation to the said decision and necessary actions have been taken therefor.

INFORMATION ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE BANK AND ITS MANAGING MEMBERS DUE TO ANY PRACTICE CONTRARY TO THE LAWS AND REGULATIONS

During 2020, administrative fines levied by regulatory and supervisory authorities on our Bank amounted to TL 263,010,946.57. Of this amount, the portion of TL 77,776,052.07 discounted to TL 58,340,811.13, taking advantage of the cash payment discount was paid and entered into accounts as expense in 2020. The portion of TL 185,234,894.50 (includes

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Ministry of Trade Administrative Fine of TL 110,110,000) discounted to TL 138,926,170.87 to be paid for cash payment, on the other hand, was also entered into accounts as expense in 2020 but will be paid in 2021.

INFORMATION ON REGULATORY CHANGES IN 2020 THAT MAY HAVE A MATERIAL IMPACT ON THE OPERATIONS OF THE BANK

The Monetary Policy Committee (MPC), gradually decreased the policy rate to 8.25% in May 2020 from 12% in the beginning of the year. Then the MPC decided to increase the policy rate in September through gradual hikes and ended the year at 17%.

Under the Reserve Option Mechanism, on 19 January 2020, it was decided to decrease the upper limit of the facility of holding standard gold from 30% to 20% of Turkish lira reserve requirements and to increase the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents from 10% to 15%.

As announced on 18 July 2020 within the frame of the normalization process, FC required reserves was increased by 300 bps for all banks across all liability types and maturity brackets. On 20 August 2020, however, it was decided to increase FC required reserve ratios by 700 bps for precious metal deposit accounts and by 200 bps for all other FC liabilities across all maturity brackets for banks satisfying real loan growth requirements.

In addition to that, within the scope of Turkish lira liquidity management in the recent period, it was decided to increase TL required reserve ratios by 200 bps for all deposit/participation fund liabilities of up to 6-months maturity, and for other liabilities of up to 1-year maturity, and by 150 bps for other liabilities of up to 3-years maturity for banks satisfying real loan growth requirements.

With the revocation of the application of required reserve and interest/remuneration rates varying according to real loan growth, it was decided to shift to a more plain reserve requirement system on 27 November 2020. Accordingly, Turkish lira and FC required reserve ratios were set as follows: 6% for TL demand deposits and time deposits with maturities of 1 month up to 3 months; 4% for TL time deposits with up to 6-months maturity; 19% for FC demand, 1-month and up to 3-months maturity time deposits; and 13% for time deposits with maturities of 1 year and longer. It was decided to apply 12 percent interest rate paid on required reserves in Turkish lira across the entire sector, and to decrease the commission rate applied to required reserves held for deposit/participation fund liabilities in USD terms from 1.25 percent to 0 percent.

The CBRT decided to charge an annual commission of 0.025% (25 per thousand) on required reserves that must be maintained for deposit/participation fund (excluding deposits/participation funds obtained from banks abroad) liabilities maintained in USD. The said implementation is applicable from the liability period dated 27 December 2019, the maintenance of which will begin on 10 January 2020.

On 9 February 2020, the BRSA decided that the sum of banks' currency swaps, forwards, options and other similar derivative transactions (total amount of wrong-way derivatives transactions), involving TL purchase at maturity, with non-residents, excluding their non-resident financial subsidiaries and affiliates which are subject to consolidation and will be limited to 10% of the bank's most recently calculated regulatory capital. The said ratio was 25% since August 2018.

On 12 April 2020, it was decided to decrease the limit as 10% of regulatory capital to 1%.

With the decision of 25 September 2020, the sum of banks' currency swaps, forwards, options and other similar derivative transactions where banks buy TL at the maturity date (total amount of wrong-way derivatives transactions) to the bank's most recently calculated regulatory capital, which was previously set as 1%, was reset as 10%.

Similarly, it was decided that the ratio of the amount of derivative transactions involving TL sale at maturity to the most recently calculated equity should not exceed: (i) 1% for transactions due in 7 days, (ii) 2% for transactions due in 30 days, and (iii) 10 % for transactions due in one year. The said ratio was set as 10% on 18 December 2019.

The decision of 25 September 2020 revised the ratios as 2% instead of 1% for transactions due in 7 days; 5% instead of 2% for transactions due in 30 days; and 20% instead of 10% for transactions due in 1 year. The decision of 11 October 2020 revised the ratios as 5% instead of 2% for transactions due in 7 days; 10% instead of 5% for transactions due in 30 days; and 30% instead of 20% for transactions due in 1 year.

On 10 February 2020, the BRSA made amendments to the Regulation on the Procedures and Principles Regarding the Fees to be Charged on Financial Consumers, and imposed a limitation on all kinds of fees, commissions and charges to be collected on products and services offered to retail banking customers, apart from interest or profit share, in order to ensure uniformity between banks.

On 7 March 2020, the CBRT made an amendment to the reserve requirement regulation that linked reserve requirement ratios and remuneration rates to loan growth rates. Accordingly, banks were able to benefit from reserve requirement incentives under the following conditions:

- For banks with a real annual loan growth rate above 15%: If their adjusted real loan growth rate, which is calculated by deducting the entire real changes in loans with a longer-than-two-year maturity extended to selected sectors and housing loans with a five-year and longer maturity from the numerator of the growth rate formula, is below 15%,
- For banks with a real annual loan growth rate below 15%: If their adjusted real loan growth rate, which is calculated by deducting 75% of the real change in retail loans excluding housing loans with a five-year and longer maturity and the entire TL loans extended -starting from 9 March 2020 to facilitate early repayment or early restructuring of FX cash loans from the numerator of the growth rate formula, is above 5%.

On 20 June 2020, the CBRT decided to temporarily suspend (until the year end) the enforcement of the rule of having adjusted real loan growth rate below 15% for the banks with a real annual loan growth rate above 15% in order to be able to benefit from reserve requirement incentives.

On 27 November 2020, it was decided to abandon the reserve requirement practice that links the reserve requirement ratios and interest/remuneration rates to real loan growth rates, and to apply the same reserve requirement ratios and remuneration rates to all banks.

On 17 March 2020, in order to contain the possible adverse effects of the uncertainty stemming from the Covid-19 pandemic on the Turkish economy, it was decided banks would be provided with as much liquidity as they need through overnight and intraday standing facilities by the CBRT; to offer to banks targeted additional liquidity facilities to secure uninterrupted credit flow to the real sector, and support the cash flow of exporter companies through measures regarding rediscount credits .

On 23 March 2020, the BRSA announced that the exchange rate of 31 December 2019 could be used in the calculation of value at credit risk when calculating banks' capital adequacy, and that impairments in the fixed interest rate securities at fair value through other comprehensive income portfolio on 23 March 2020 may not be reflected in in the calculation of regulatory capital that will be calculated and used for CAR.

On 8 December 2020, the BRSA decided that simple arithmetic mean of CBRT buying rates for the last 252 business days preceding the calculation date could be used in the calculation of the value at credit risk when calculating monetary assets and the amounts of those items other than FC items measured in historic cost terms from out of non-monetary assets adjusted

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according to Turkish Accounting Standards and related special provision amounts.

In capital adequacy calculations, the applicability period of the measures mentioned above was extended until 30 June 2021.

The BRSA decided that, from 1 May 2020, the monthly average of the Assets Ratio, the formula for which is given below, at the end of any given month must not be below 100% for deposit banks and below 80% for participation banks.

$$\text{ASSETS RATIO = (AR)} \quad \frac{\text{LOANS + (SECURITIES X 0.75) + (CBRT SWAP X 0.5)}}{\text{TL DEPOSIT + (FC DEPOSITS X 1.25)}}$$

The Board later revised the definitions of denominator and nominator of the ratio, consideration rates of ratio components and lower limits for banks, and later in its meeting of 24 November 2020, revoked the Assets Ratio practice effective from 31 December 2020.

On 5 May 2020, the BRSA decided to limit the sum of banks' TL placements, TL deposit, TL repo and TL loans with non-resident financial institutions including their partnerships in the nature of credit agency and financial institution abroad subject to consolidation and their overseas branches to 0.5% of their most recently calculated regulatory capital.

The decision of 30 November 2020 revised the said ratio as 2.5% instead of 0.5%.

It was decided that in daily gold purchases equal to or exceeding 100 grams by real and legal persons, a value date of one business day would be applied to the transfer of the purchased gold to the buyer's account, and/or to making it available, effective from 22 May 2020.

As published in the Official Gazette dated 30 September 2020, 1 percent exchange tax applied to FC and gold purchases was decreased to 2 per thousand. Banking and insurance transactions tax (BITT) ratio applied to exchange transactions was increased from 0.2% to 1% in May. Withholding tax levied on deposit accounts was revised as 5, 3 and zero percent until the end of the year, depending on maturity. The decision will be applicable to demand and specific current accounts limited to 3 months from the date of its publication, and to interests and profit shares payable to time deposits opened or renewed within the 3 months from the said date.

THE REGULATION AMENDING THE REGULATION ON COMMERCIAL COMMUNICATION AND COMMERCIAL ELECTRONIC MESSAGES

The Regulation published in the Official Gazette dated 4 January 2020 imposed the obligation to register with the Commercial Electronic Messages Management System (in Turkish: İYS), a centralized system for managing opt-in and opt-out requests and complaints related to commercial electronic messages, for real and legal persons wanting to send commercial electronic messages. The Regulation prohibits sending commercial electronic messages to recipients whose opt-in consents do not exist on the system. The Regulation also stipulates that an entity be authorized by the Ministry of Trade to perform the tasks and procedures regarding İYS, and in this context, to prepare the technical infrastructure for recording opt-in and opt-out information on the İYS, obtaining consent through İYS, exercise of the right to opt-out, receiving and reporting complaints regarding commercial electronic messages, fast and effective management of complaint handling, and for letting intermediary service providers use the system, and for opening the system to the Ministry's access.

BANKING REGULATION AND SUPERVISION AGENCY DECISION DATED 09 JANUARY 2020 AND NUMBERED 8791

Pursuant to Article 26(7) of the Regulation on Bank Cards and Credit Cards; it was resolved to decrease the credit cards installment periods set by the Board Decision dated 11 January 2019 numbered 8198 from 6 months to 3 months for expenditures on air travel, travel agencies, and accommodation associated with foreign countries.

REGULATION AMENDING THE REGULATION ON LOAN TRANSACTIONS OF BANKS

The Regulation that came into force upon its publication in the Official Gazette dated 14 January 2020 set out the maximum maturities for various loans as follows: consumer loans – sixty months; loans extended for vehicle purchase with the final invoice value of TL one hundred twenty thousand and less – sixty months; loans extended for vehicle purchase with the final invoice value of above TL one hundred twenty thousand and vehicle equity loans – forty-eight months; loans extended for computer purchase – twelve months; loans extended for tablet purchase – six months; loans extended for purchase of mobile phones priced up to TL three thousand five hundred – twelve months; loans extended for purchase of mobile phones priced above TL three thousand five hundred – three months. In addition, the Regulation authorizes the Banking Regulation and Supervision Agency to modify the maturity limitations specified in the Regulation and to impose additional limitations.

Based on this authority, the Board, by its decision dated 17 December 2020 and numbered 9322, decided to decrease the maturity on (i) loans extended for purchase of a vehicle with a final invoice value of above TL three hundred thousand from forty-eight months to thirty-six months; (ii) loans extended for purchase of a vehicle with a final invoice value of above TL seven hundred fifty thousand from forty-eight months to twenty-four months; (iii) vehicle equity loans from forty-eight months to thirty-six months.

BRSA DECISIONS CONCERNING BANKS' CURRENCY SWAPS, FORWARDS, OPTIONS AND OTHER DERIVATIVES TRANSACTIONS INVOLVING TL AND FC WHERE BUYS TL AT MATURITY

With its decision dated 08 February 2020 numbered 8860, the BRSA decided that the sum of banks' currency swaps, forwards, options and other similar derivatives transactions involving TL and FC with non-residents where banks receive TL at the maturity date, have been limited not to exceed 10% of the bank's most recently calculated regulatory capital.

THE LAW AMENDING THE BANKING LAW NO. 7222 AND SOME OTHER LAWS

The key revisions in the Law published in the Official Gazette dated 25 February 2020 are as follows:

→ Article 66/A supplemented to Article 66 of the Banking Law stipulates that banks designated to be systemically important by the Board are required to draw up an action plan within the frame of the principles and procedures to be set by the Board and to submit such plan to the Board, in order to determine in advance the measures to be taken on account of non-compliance with the protective provisions under BRSA regulations or for circumstances that might lead to deterioration of their financial structures, and to notify the BRSA in the event of such a situation.
→ The phrase "personal data of real persons and data pertaining to legal entities which result after the customer relationship is established with the banks specifically for banking activities become customer secrets" inserted to Article 73/4 of the Banking Law; as such, it is envisaged that both the confidentiality obligations in the Banking Law and the Personal Data Protection Law would be applicable to information specific to banking activities such as deposit information, loans, credit score, account movements etc. pertaining to real persons created after a customer relationship is established with the banks. Without prejudice to the governing provisions of other laws, it is stipulated that information in the nature of customer secrets cannot be disclosed or communicated to third parties in and out of Turkey without the person's request or instruction, even if the customer's explicit consent shall have been obtained, pursuant to the Personal Data Protection Law, save for exemptions from the confidentiality obligation specified in this article. On the other hand, the Board has been authorized to restrict the transfer of all sorts of data in the nature of customer secrets or bank secrets to foreign countries. It is stipulated that information in the nature of customer secrets or bank secrets can be disclosed exclusively for the specified purposes and then, only to the extent required by these purposes in line with the principle of proportionality, including the disclosures to be made in exemptions from confidentiality obligation mentioned in the article.

→ Article 76/A titled Manipulation and Misleading Transactions in Financial Markets has been supplemented to Article 76 of the Banking Law. This article sets out that transactions and acts aimed at price formation through transactions mentioned as banking activities in Article 4 of the Law, including artificial supply, demand or exchange rate in financial markets, dissemination of inaccurate or misleading information through various tools including the internet environment, guiding the account holders in an inaccurate and misleading way, or similar transactions and practices aimed at achieving these purposes will be considered as manipulation and misleading transactions in financial markets.

→ Upon the revision made to Article 144 of the Banking Law, the authority to determine maximum interest rates to be applied to banks' loans and deposits, the loss or profit participation rates in participation accounts and the nature and maximum amounts or rates of fees, charges, commissions and other interests that will be charged on transactions including special current accounts, and to release such amounts and rates in whole or in part was delegated to the Central Bank of the Republic of Turkey.

→ With the revision made to Article 27 of the Capital Market Law, the "Debt Instrument Holders' Commission", which did not exist in the Law previously , was established.

→ With the revision made to Article 31/B of the Capital Market Law, "Collateral Manager" structure, which did not previously exist in either the Capital Market Law or in the Turkish law, has been established. Accordingly, the security agent structure that exists in common law countries was clearly defined for the first time in the Turkish law (although the grounds for the Law incorporates a reference to the 'Trust' entity that has a broad application in comparative law) subject to the terms and conditions summarized below and restricted to capital market instruments. Restricted to the capital market instruments to be specified by CMB, the same may be collateralized via a collateral manager using either "transfer of ownership" or "creation of limited real rights" in order to ensure fulfillment of the obligations arising from these instruments.

→ The revision made to Article 61/B of the Capital Market Law introduced the "project based securities" (PBS) concept that did not exist in our laws before. In the structure established accordingly, it is envisaged to transfer the revenues within the scope pf fiduciary ownership principles, derived on project finance to the project finance fund defined as unincorporated property . In this framework, it is intended to source the repayments to investors providing the funds for project finance by purchasing PBSs from project revenues transferred to the project finance fund.

→ By another revision to the Capital Market Law, the lower limits of imprisonment for market manipulation and insider trading crimes have been increased.

BRSA DECISION DATED 21 FEBRUARY 2020 AND NUMBERED 8876

An obligation was imposed on companies with a turnover of TL 500 million and above to obtain a rating from an authorized rating agency until 30 June 2021 in order to obtain a credit.

COMMUNIQUÉ (NO. 2020/3) ON THE DEPOSIT AND LOAN RATES, THE PROFIT AND LOSS PARTICIPATION RATES FOR PARTICIPATION ACCOUNTS

The Communiqué (No. 2020/3) on the Deposit and Loan Rates and the Profit and Loss Participation Rates for Participation Accounts, effective from 01 March 2020, has been published in the Official Gazette 10 February 2020. The Communiqué repealed the Communiqué (No. 2006/1) on the Deposit and Loan Rates, the Profit and Loss Participation Rates for Participation Accounts, and Other Non-Interest Benefits to be Received via Credit Transactions published in the Official Gazette 09 December 2006. The new Communiqué enforced sets out that annual demand deposit rate may not exceed 0.25%; while the variable interest rate was permissible for TL deposits with longer than 6-month terms in the repealed Communiqué, the new Communiqué sets out that variable interest rate can be applied to deposits with a maturity of 3 months and longer. Furthermore, it has been set forth that maximum contractual and overdue interest rates applied to overdraft accounts may not exceed the maximum rates set by the CBRT pursuant to Article 26 of the Law on Bank Cards and Credit Cards no. 5464. Accordingly, maximum contractual and maximum overdue interest rates to be applied in credit card transactions will also be applicable for overdraft accounts.

REGULATION ON BANK CARDS AND CREDIT CARDS

The amendment made to the Regulation on Bank Cards and Credit Cards on 28 March 2020 authorized the Banking Regulation and Supervision Agency (BRSA) to determine the minimum amount due in credit cards between twenty percent to forty percent of the debt for the period and to change the limit allocation limits specified in the regulation. With its decision dated 30 March 2020, the BRSA decided to determine the minimum amount due in credit cards as twenty percent of the debt for the period. In addition, another revision was made to the said Regulation on 25 September 2020, which excluded entities engaged in clearing and settlement from the Regulation; in line with the amendment made on 26 June 2020 to the Law on Bank Cards and Credit Cards no. 5464, a supplementary provision was added setting out that the relationships between card issuers and card holders can be established from a distance or can be regulated through contracts, whether or not distance contracts, determined by the BRSA to replace the written form, that can be executed through information or electronic communication devices by means of methods enabling verification of the customer's identity.

The amendment made to the Regulation on 25 September 2020 stipulated that in the case of guaranteed with cash, cash-like assets and accounts and precious metals, card issuers may determine credit card limits without the obligation to require declaration and verification of income, provided that the said limit does not exceed the amount of guarantee and a pledge contract is made. It is also stipulated that, subject to the conditions mentioned in the preceding sentence, limit allocation limits specified in the Regulation will not be applicable.

The alteration made on 25 September 2020 introduced a first-ever regulation regarding payment institutions; accordingly, in the event that the member merchant with which the entity enters into a member merchant agreement is a payment or electronic money institution governed by the Law no. 6493 and in the event that, subject to Law no. 6493, this institution lets sub-merchants use the POS devices obtained from the entity that entered into a member merchant agreement ; an obligation has been incorporated which requires the notification of the sub-merchants allowed to use the POS device, its trade name, tax ID or TR citizenship ID number to the entity entering into member merchant agreement; and the use of a reference number that will serve to individually identify the related sub-merchant in all transactions within this scope so that the transactions performed by sub-merchants can be tracked on the basis of each transaction by the entity entering into the member merchant agreement supplying the POS device.

Within the same scope, it is stipulated that entities entering into member merchant agreements may not enter into a member merchant agreement with entities failing to fulfill this obligation, and may not supply POS devices to such entities. It is also stipulated that entities entering into member merchant agreements may not use these information they acquire for marketing and similar purposes.

MAXIMUM INTEREST RATES APPLICABLE ON CREDIT CARD TRANSACTIONS

→ With the press release dated 28 March 2020, numbered 2020-20, the CBRT determined that, effective from 1 April 2020, the monthly maximum contractual interest rate for credit card transactions would be 1.25% for the Turkish lira and 1.00% for FC transactions, whereas the monthly maximum overdue interest rate would be 1.55% for the Turkish lira and 1.30 % for FC transactions. It was also announced that maximum interest rates for credit cards would no more be announced for three-month periods, but would remain in effect until superseded.

→ The Communiqué (No. 2020/16) regarding Maximum Interest Rates for Credit Card Transactions was published in the Official Gazette dated 31 October 2020. The Communiqué set the methods for determining and announcing maximum contractual and overdue interest rates for credit card transactions in Turkish lira and foreign currency. Accordingly, (i) monthly maximum contractual interest rates in TL credit card transactions will be determined by adding 55 bps to the monthly reference rate calculated and announced within the principles and procedures set out in the Communiqué (No. 2020/4) on Principles and Procedures regarding the Fees that Banks can Charge Their

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Commercial Customers published in the Official Gazette dated 10 February 2020; (ii) monthly maximum contractual interest rate to FC credit card transactions will be determined by rounding up to two digits after the point of 80 percent of the monthly maximum contractual interest rate to be applied in TL credit card transactions; (iii) monthly maximum overdue interest rate in TL credit card transactions will be determined by adding 30 bps to the monthly maximum contractual interest rate applied in TL credit card transactions; and (iv) monthly maximum overdue interest rate to FC credit card transactions will be determined by adding 30 bps to the monthly maximum contractual interest rate to be applied in FC credit card transactions.

The rates calculated according to the said method will be published on the CBRT official website on the fifth business day before the end of each month, and will be effective from the first day of the following month. The rates published on the CBRT website upon the publication of the Communiqué are as follows:

		MAXIMUM CONTRACTUAL INTEREST RATES ON CREDIT CARDS (%)		MAXIMUM OVERDUE INTEREST RATES ON CREDIT CARDS (%)	
EFFECTIVE DATE	REFERENCE RATE (%)	TURKISH LIRA	FOREIGN CURRENCY	TURKISH LIRA	FOREIGN CURRENCY
1 January 2021	1.24	1.79	1.43	2.09	1.73
1 December 2020	1.04	1.59	1.27	1.89	1.57
1 November 2020	0.91	1.46	1.17	1.76	1.47

SUSPENSION PERIODS ON COURT PROCEEDINGS STIPULATED BY THE PRESIDENTIAL DECREE NO. 2279 REGARDING THE SUSPENSION OF ENFORCEMENT AND BANKRUPTCY PROCEEDINGS AND BY PROVISIONAL ARTICLE 1 OF THE LAW NO. 7226 AMENDING CERTAIN LAWS

The Presidential Decree No. 2279 Regarding the Suspension of Enforcement and Bankruptcy Proceedings was published in the Official Gazette dated 22 March 2020. Accordingly, within the frame of the measures implemented to prevent the spread of the Covid-19 infectious disease in our country, it was decided to suspend all countrywide enforcement and bankruptcy proceedings in progress, save for those in relation to alimony receivables, from 22 March 2020 until 30 April 2020; it was decided not to execute party and proceeding procedures, not to accept new enforcement and bankruptcy proceedings demands, and not to enforce and execute precautionary attachment decisions. In addition, due to the emergence of the Covid-19 infectious disease in our country, the suspension periods on court proceedings were set out in the Provisional Article 1 of the Law no. 7226 Amending Certain Laws published in the Official Gazette 26 March 2020 dated 31080, reiterated 1, and it was decided to suspend certain terms such as those for filing a lawsuit, initiation of enforcement proceedings, complaints, objections, periods of limitations and lapse of time until 30 April 2020 (included). Later, Decree (No. 2480) Regarding the Extension of the Suspension Periods to Prevent any Loss of Rights in Legal Proceedings was published in the Official Gazette numbered 31114 dated 30 April 2020, whereby it was decided to extend the said suspension periods from 01 May 2020 (included) until 15 June 2020 (included) save for the terms for the mandatory administrative applications stipulated under the Public Procurement Law no. 4734.

ARTICLE 48 OF THE LAW NO. 7226 AMENDING CERTAIN LAWS PUBLISHED IN THE OFFICIAL GAZETTE DATED 26 MARCH 2020 AND PROVISIONAL ARTICLE 2

Supplemented to the Law on Exclusion of the Records Regarding Bad Cheques, Protested Bills and Loans and Credit Card Debts No. 5834 and dated 22 January 2009 stipulate that the records regarding bad cheques, protested bills, credit cards and other credit debts of real and legal persons having default in the payments regarding the capital, interest and/or its ancillaries of cash or non-cash loan whose payment dates in terms of the capital or installment were before 24 March 2020 as well as of individuals and credit customers kept with the Risk Center of the Banks Association of Turkey (BAT) will not be taken into consideration by credit institutions and financial institutions in financial transactions engaged with those persons on condition that the delayed part of the payments is paid or restructured in full until 31 December 2020.

BRSA DECISION DATED 17 DECEMBER 2020 AND NUMBERED 9322

Pursuant to Article 26(7) of the Regulation on Bank Cards and Credit Cards, it has been decided to decrease the installment periods for credit cards determined by the Board Decision No. 8198 dated 11 January 2019; (i) from eight months to six months for expenditures related to jewelry that is printed and not in bullion, (ii) from six months to four months for purchases of electronic appliances, excluding television purchases up to three thousand five hundred Turkish Liras, (iii) from eighteen months to twelve months for purchases of furniture and electrical appliances.

DECISION NO. 3321 REGARDING THE WITHHOLDING RATIOS SPECIFIED IN PROVISIONAL ARTICLE 7 OF THE INCOME TAX LAW NO. 193

Pursuant to Decree No. 3321 Regarding the Withholding Rates Specified in Provisional Article 67 of the Income Tax Law No. 193 published in the Official Gazette dated 23 December 2020, it was decided that the withholding rates specified below will be applied to income and returns derived on bills and bonds issued by banks which are acquired between 23 December 2020 (included) and 31 March 2021 (included) and to income and returns derived on lease certificates issued by asset lease companies, where the fund users are banks.

Currently, for taxes calculated at a ratio of 10% and 15%,

Calculations for Interest (Coupons) and Redemption

1. 5% on income derived on those with a maturity of up to 6 months (included)
2. 3% on income derived on those with a maturity of up to 1 year (included)
3. 0% on income derived on those with a maturity of longer than 1 year

Calculations for Income on Trading

1. %5 on income derived on the disposal of those held for less than 6 months (included)
2. 3% on income derived on the disposal of those held for less than 1 year (included)
3. 0% on income derived on the disposal of those held for longer than 1 year.

In addition, pursuant to the said Presidential Decree No. 3321, it was decided to apply a withholding rate of 0% also to income and returns derived on mutual funds (excluding variable, mixed, Eurobond, external borrowing, foreign, hedge funds and mutual funds incorporating the word FC in their names) acquired between 23 December 2020 and 31 March 2021.

DECREE NO. 2406 REGARDING WITHHOLDING RATES ON CERTAIN INCOME AND REVENUES SPECIFIED IN PROVISIONAL ARTICLE 67 OF THE INCOME TAX LAW

The withholding rate applied as 0 percent on the income derived on security mutual funds (including stock exchange mutual funds, housing finance funds and asset finance funds) set up according to the Capital Market Law and on portfolio management of securities investment trust was increased to 15% for Free (FC) Funds by the Presidential Decree no. 2604 published in the Official Gazette dated 3 June 2020. The withholding tax is abolished with effect from 1 January 2021 with Decree No. 3321.

DECREE NO. 2569 REGARDING WITHHOLDING RATES ON CERTAIN INCOME AND REVENUES SPECIFIED IN PROVISIONAL ARTICLE 67 OF THE INCOME TAX LAW

The Presidential Decree No. 2569 published in the Official Gazette dated 24 May 2020 determined the withholding rate at 15% for income derived on financing bonds approved by the CMB according to the Capital Market Law no. 6362 and on lease

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certificates with a term of less than one year issued by asset lease companies and revenues arising from their disposal.

DECREE NO. 3031 DECREASING THE BITT RATE TO BE CALCULATED BASED ON SALES PRICE IN EXCHANGE TRANSACTIONS

The Presidential Decree No. 3031 published in the Official Gazette dated 30 September 2020 reduced the rate of BITT (exchange sales tax) calculated based on the sales price in exchange transactions from 1 percent (Decree No. 2568 dated 24 May 2020) to 2 per thousand. The Decree took effect on 30 September 2020.

DECREE NO. 3032 EXTENDING THE DURATION OF THE LOW WITHHOLDING RATE APPLIED TO DEPOSIT INTERESTS AND PROFIT SHARES PAID BY PARTICIPATION BANKS

The Presidential Decree No. 3032 published in the Official Gazette dated 30 September 2020 temporarily reduced the withholding rates applied to interests earned on Turkish lira deposit accounts and profit shares paid by participation banks for participation accounts. The Presidential Decree No. 3321 published in the Official Gazette dated 23 December 2020 extended the application period of these lower rates until 31 March 2021. Accordingly, 5%, 3% and 0% withholding will be applied depending on their maturities to TL deposit interests and profit shares paid by participation banks for TL participation accounts.

LAW NO. 7256 MAKING AMENDMENTS TO THE TAX LEGISLATION HAS BEEN PUBLISHED

The application period of the Provisional Article 67 of the Income Tax Law regulating withholding application to income derived on marketable securities was extended until 31 December 2025.

REGULATION ON BANK'S INFORMATION SYSTEMS AND ELECTRONIC BANKING SERVICES DATED 15 MARCH 2020 ("THE REGULATION")

The Regulation enforced to supersede the arrangements currently contained in the legislations and introduces new organizational requirements and control mechanisms in relation to the establishment of information systems at banks, risk management and information security. Introducing also the Open Banking definition as an electronic delivery channel whereby customers, or parties acting on their behalf, through certain mechanisims, remotely access the financial services offered by banks and perform their banking transactions or give order to banks for such performance, the Regulation's certain provisions entered into force on 1 July 2020, whereas others have become effective as of 1 January 2021.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION NO. 8949 DATED 17 MARCH 2020 ("THE DECISION")

Pursuant to applicable legislations, banks, including their overseas branches, are obliged to monitor their loans by classifying them in accordance with specific principles. With the Decision, it was decided to extend the 90-day-period stipulated for overdue loans to be classified as non-performing loans to 180 days for Group 1– Standard Loans and Group 2-Closely Monitored Loans, applicable until 31 December 2020. Furthermore, according to the Decision, banks would continue to set aside the provisions for the loans that continue to be classified under Group 2 despite being overdue for 90 days pursuant to their own risk models which are used in the calculation of expected loan loss within the scope of TFRS 9. The BRSA later extended the aforementioned deadline until 30 June 2021.

BANKING REGULATION AND SUPERVISION AGENCY'S ASSET RATIO DECISIONS DATED 18 APRIL 2020 NO. 9000 AND DATED 24 NOVEMBER 2020 NO. 9271 AND THE TIME IN BETWEEN

In order to mitigate the negative impacts incurred by the Covid-19 pandemic upon the economy, market, production and employment and as to enable banks to utilize the funds at their disposal in the most efficient way possible, the asset ratio calculation formula was first revised in April. Following this decision, calculation methods were revised further by various BRSA decisions, all of which were decided to be revoked effective from 31 December 2020 with the BRSA decision in November.

AMENDMENTS TO THE RESERVE REQUIREMENT REGULATION MADE BY THE CENTRAL BANK OF THE REPUBLIC OF TURKEY

→ With the Communiqué No. 2020/2 published in the Official Gazette issue 31012 dated 18 January 2020, within the scope of the Reserve Options Mechanism (ROM), it was decided to decrease the upper limit of the facility of holding standard gold from 30% to 20% of Turkish lira reserve requirements and to increase the upper limit of the facility of holding standard gold converted from wrought or scrap gold collected from residents from 10% to 15%, effective from 10 January 2020.

→ With the Communiqué no. 2020/6 published in the Official Gazette issue 31061 dated 7 March 2020, effective from 6 March 2020, banks with an annual real loan growth rate above 15% were allowed to benefit from the required reserve incentives if their adjusted real loan growth rate, which is calculated by deducting the entire real changes in loans with a longer-than-two-year maturity extended to selected sectors and housing loans with a five-year and longer maturity from the numerator of the growth rate formula, was below 15%. Banks with an annual real loan growth rate below 15% were allowed to benefit from the required reserve incentives if their adjusted real loan growth rate, which is calculated by deducting 75% of the real change in retail loans excluding housing loans with a five-year and longer maturity and the entire TL loans extended starting from 9 March 2020 to facilitate early repayment or early restructuring of FC cash loans from the numerator of the growth rate formula, was above 5%.

→ With the Communiqué no. 2020/9 published in the Official Gazette issue 31072 dated 18 March 2020, effective from 6 March 2020, FC required reserve ratios were reduced by 500 bps across all liability types and maturity brackets for banks that satisfy the real loan growth requirements within the scope of the required reserve practice.

→ With the Communiqué no. 2020/13 published in the Official Gazette issue 31161 dated 20 June 2020, effective from 12 June 2020, it was decided to temporarily suspend until the end of the year the prerequisite of below 15 percent adjusted real loan growth rate that must be satisfied by banks with an annual real loan growth rate above 15% to be able to benefit from the required reserve incentives.

→ With the Communiqué no. 2020/14 published in the Official Gazette issue 31189 dated 18 July 2020, effective from 10 July 2020, FC required reserve ratios were increased by 300 bps across all liability types and maturity brackets for all banks.

→ The revision contained in the Communiqué no. 2020/15 published in the Official Gazette issue 31220 dated 21 August 2020, which came into force as of its publication date, increased the FC required reserve ratios for banks satisfying real loan growth requirements by 700 bps for precious metal deposit accounts across all maturity brackets, and by 200 bps for all other FC liabilities. In addition to that, in keeping with the steps recently taken in relation to Turkish lira liquidity management, it was decided to increase TL required reserve ratios of banks satisfying real loan growth requirements by 200 bps for all deposit/participation fund liabilities with a maturity of up to 6 months and for all other liabilities with a maturity of up to 1 year, and by 150 bps for all their other liabilities with a maturity of up to 3 years.

→ According to the revision that came into force on 11 December 2020 with the Communiqué no. 2020/17 published in the Official Gazette issue 31317 dated 27 November 2020, the practice of required reserve and interest/remuneration rates varying according to real loan growth was revoked; required reserve and interest/remuneration rates would be uniform across the entire sector. Accordingly, of the Turkish lira and FC

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required reserve ratios, the interest/remuneration rate paid to TL required reserves will be applied as 12 percent for the entire sector, and the commission rate, previously applied as 1.25 percent for required reserves created for deposit/participation fund liabilities in terms of USD, was set as 0 percent.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 20 MAY 2020 AND NUMBERED 9031

In order to ensure that the clearing operations of Turkish Lira bonds and Turkish Lira lease certificates not to be adversely affected and that securities denominated in Turkish Lira are traded efficiently and effectively, with its decision dated 20 May 2020 numbered 9031, the Banking Regulation and Supervision Agency decided that foreign central custody institutions to be exempt from which will be determined by itself among those defined in the capital market legislations from limitation on that matter and in this regard, Euroclear Bank and Clearstream Banking are also determined as exempt from this limitation.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 28 JULY 2020 AND NUMBERED 9109

Based on the Banking Regulation and Supervision Agency's (BRSA) decision dated 28 July 2020 numbered 9109, Turkish Lira transactions with non-residents were restricted.

Accordingly, (a) it was clarified that the exemption brought by the BRSA decision numbered 9031 dated 20.05.2020 for Foreign Central Clearing Institutions (FCCI) to be determined by the BRSA is limited only with the clearing activities of securities denominated in Turkish Liras carried out at home or abroad; and in addition to the said exemption, exemption will be granted as per the restrictions on access to Turkish Liras to swap transactions where buys TL at maturity (where in the first leg of the swap transaction, FCCI receives TL in exchange for foreign currency) carried out with the domestic bank reported as the account operator in the over-the-counter or in BIST FX swap market and FFCIs' short term funding operations to be made to the TL accounts owned by foreign residents, subject to a commitment by the FCCI that it is limited to the clearing activities of securities denominated in Turkish Liras issued by domestic and foreign residents; (b) International Development Banks' (IDB) following financing transactions via TL accounts to be opened in domestic banks will be exempted from restrictions on access to Turkish liras: currency swaps with BIST FX Swap Market where IDB buys TL at forward (where IDB buys TL and sell FX in the first leg of the swap), repo and reverse repo transactions within BIST Repo Market; and TL deposits at domestic banks, provided that IDBs give a written declaration and commitment to the domestic banks in which they have opened accounts that they will keep TL liquidity (funds) provided from the domestic market and will use this TL liquidity to extend loans to domestic resident companies, buy TL securities and deposit excess TL liquidity to domestic banks, and provided further that their written application to Banking Regulation and Supervision Agency to benefit from above mentioned exemption is accepted.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 04 SEPTEMBER 2020 AND NUMBERED 9131

With its decision dated 04 September 2020 and numbered 9131, the BRSA decided to decrease the overall maturity limit in relation to consumer loans from sixty months to thirty-six months, which were stipulated in the Regulation on Loan Transactions by Banks and the Regulation on the Establishment and Operating Principles of Leasing, Factoring and Finance Companies.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 08 DECEMBER 2020 AND NUMBERED 9311

With its decision dated 08 December 2020 and numbered 9311, the BRSA decided to terminate the practice of applying value date of one business day for the transfer to account and the availability for disposal/physical delivery, as per the daily foreign currency purchases amounting to USD 100,000 or more (including effective) by real persons, which was introduced by the BRSA decision dated 20 May 2019 numbered 8374, and the practice of applying value date of one business day for the transfer to account and/or the availability for disposal of, daily gold purchases of equal to or exceeding 100 grams by real and legal entities enforced by the BRSA decision dated 21 May 2020 no. 9033.

BANKING REGULATION AND SUPERVISION AGENCY'S DECISION DATED 08 DECEMBER 2020 NUMBERED 9312

Due to the ongoing potential effects of the pandemic, with its decision dated 08 December 2020 numbered 9312, the Banking Regulation and Supervision Agency (BRSA) decided to extend the time granted through various Board decisions and instructions until 30 June 2021 in relation various topics including the following: in the calculation of the value at credit risk, permitted use of the simple arithmetic mean of the CBRT FC buying rates on the last 252 business days preceding the calculation date when calculating the amounts of monetary assets and non-monetary assets, excluding those items that are measured through historic cost, adjusted according the Turkish Accounting Standards and the amount of related special provisions; use of bank-owned securities in the amount of shareholders' equity in capital adequacy; delays that will be taken into account in the calculation of provisions for the bank's receivables; in case of deferment of card debts, not demanding the payment of minimum due amount and granting a grace period; assessment regarding the suspension of cash credit function of credit cards; non-enforcement of the obligation to dispose of commodities and real estates within 3 years from the date of acquisition; within the scope of the exercise of the right to buy back, limitation of the loans whose collateral is obtained by the bank in return for loan debt or paid in kind; and classification of restructured NPLs.

Furthermore, it was decided to discontinue the implementation of the BRSA decisions and instructions on 31 December 2020, which relate to the satisfaction of the liquidity coverage ratio, granting additional 60 days for various notice and reporting times, follow-up and completion of the documents that need to be obtained from borrowers in the case of loans for TL 100 million and above; granting exemption on the standard ratio of interest rate risk, and valuation of financial collaterals.

LEGISLATION CONCERNING THE FEES BANKS CAN CHARGE COMMERCIAL CUSTOMERS

The Communiqué no. 2020/4 regarding the Principles and Procedures for Fees that Banks Can Charge Commercial Customers published in the Official Gazette numbered 31035 and dated 10 February 2020 determines the fees that banks charge for the products and services offered to commercial customers, and sets forth the maximum amounts or rates a per certain fees. While the authority to determine the rates and amounts in relation to certain fees which banks can charge for the products and services that can be rendered under four categories, namely "Commercial Loans", "Foreign Trade", "Cash Management" and "Payment Systems", was delegated to the Central Bank of the Republic of Turkey (CBRT), it has been stipulated that other fees for which imposed with any limitations can be solely set by the banks. Furthermore, fees that can be charged for products and services which are not in the scope of the categories addressed in the Communiqué with respect to their nature can be determined solely by banks. In the contracts to be executed by and between the banks and their commercial customers, banks are obliged to prepare a detailed information form stating the fees that may be collected for the products and services they will provide under the contract, and to deliver such form in writing to the customer or via the registered data keeper. According to the Communiqué, in order to increase the fees set forth in the contract or the information form attached to it, banks are obliged to notify their customers in writing or via permanent data keeper at least two business days in advance. Furthermore, banks were subjected to the obligation to publish the maximum tariff or fees collected from commercial customers and other current information on their websites, together with the dates of any changes to such information, and to keep the said data up-to-date. The Communiqué also imposed the obligation to apply to the CBRT through the Banks Association of Turkey in order to determine a new fee, which may be placed under a category identified in the Communiqué but is not listed among the fees in the appendix to the Communiqué.

In order to elaborate on the details of the enforcement of the Communiqué provisions, the CBRT issued an Instruction for the Implementation of Fees that Banks can Charge Commercial Customers ("the Instruction"). The instruction identified the exceptions remaining outside the scope of the Communiqué in detail, while implementation principles regarding fees were set out in detail. The informing obligation imposed on banks by the Communiqué applies to all fees to be charged by banks to commercial customers falling under the scope of the Communiqué, without being restricted to the categories set forth in the Communiqué. In this framework, information on other fees that banks can charge for the products and services provided to commercial customers in categories other than the ones specified in the Communiqué must be announced on banks' websites, with the right of exemption demand being reserved, and similarly, the information on these fees need to be delivered to the commercial customer with an information sheet. Within the frame of the contracts they will execute with commercial customers, banks can apply to the CBRT either directly or through the Banks Association of Turkey for collecting fees in return for specific products or services which are deemed to be in the same categories appended to the Communiqué, but which are not in the same nature with the listed fees. From out of the fees that can be collected for specific products and services falling within the scope of the categories appended to the Communiqué and for products and services outside the scope of the said categories, those that are of a nature not permitting announcement and are determined on a case-by-case basis as per the customer or the transaction can be exempted from the obligation to be announced on the website and to be notified to the CBRT, provided that the CBRT deems it appropriate.

Through regulatory framework, an upper limit was enforced in relation to member merchant fees, and it has been stipulated that in the event of transfer of transactions not divided into installments to the member merchant's account the next day, the same may not exceed the monthly reference rate incremented with 0.45 points; and that in case of non-payment of the fee by the member merchant, the transaction amount will be made available for disposal by the member merchant after 40 days at the latest.

In the event that the transaction amount is made available for disposal of the member merchant upon request earlier than the date co-determined by the parties, maximum deblocking fee that can be charged to the member merchant may not exceed the rate calculated by remaining days of the contractual block divided by the maximum number of block days multiplied by maximum member merchant fee.

The Communiqué (No. 2020/19) Amending the Communiqué (No. 2020/4) regarding the Principles and Procedures for Fees that Banks Can Charge Commercial Customers has been published in the Official Gazette numbered 31351 and dated 31 December 2020, which introduced the FAST transaction, defined as payment transactions performed using the Instant and Continuous Transfer of Funds System (FAST) owned by the CBRT and accordingly, set out the fees for FAST transactions.

LEGISLATION REGARDING THE FEES BANKS CAN CHARGE ON FINANCIAL CONSUMERS

Article 4/3 of the Consumer Protection Law no. 6502 ("the Law") delegates the power to set the types of all kinds of fees, commissions and charges apart from interest rate to be charged to consumers for products and services provided to consumers by banks, financial institutions granting consumer loans and card issuers, and to determine the procedures and principles in relation thereto to the Banking Regulation and Supervision Agency ("BRSA").

While restrictions on fees were being addressed according to the stipulations in the regulation published by the BRSA since 2014, Law No. 7222 Amending the Banking Law and Certain Laws that came into force upon its publication in the Official Gazette numbered 31050 and dated 25 February 2020, the BRSA's authority in this respect was transferred to the Central Bank of the Republic of Turkey (CBRT). Thus, the CBRT released the Communiqué No. 2020/7 regarding the Principles and Procedures for the Fees Charged on Financial Consumers ("the Communiqué"), which was published in the Official Gazette dated 07 March 2020. Furthermore, the Prospectus Regarding the Products and Services for which Fees can be Charged Under the Communiqué (No. 2020/7) Regarding the Principles and Procedures for Fees Charged on Financial Consumers, which was updated by the Communiqué, was posted and announced on the Banks Association of Turkey's website.

In general, the said Communiqué set some limitations on the basis of the amounts and rates of fees that banks can collect from financial consumers. In order for the banks to offer a product or service not specified in the contract in exchande for a fee, the approval of the financial consumer must have been obtained in accordance with the nature of the area in which the transaction occurred. The annual rate of increase of the maximum limits governed by the Communiqué was set as the annual rate of increase of the consumer price index (CPI) pertaining to the previous year-end, announced by the Turkish Statistical Institute (TURKSTAT). In order to increase the fees they charge, banks are obliged to notify the financial consumer of such demand in writing or via permanent data keeper or recorded phone. In addition, it has become compulsory to have the financial consumer write down the phrase "I have been hand delivered one counterpart of the contract" on hard-copy contracts; however, visually-impaired customers are exempted from this obligation in order to ease banking transactions for visually-impaired customers.

In the list attached to the Communiqué, products and services which can be offered by banks to financial consumers and for which fees can be charged are classified as "Personal Loans", "Deposits/Participation Funds", "Money and Precious Metal Transfers", "Credit Cards", and "Other"; while principles and limits are set forth on all kinds of fees, commissions and expenses that can be charged in relation to such categories. In order to determine a new product or service group which is not included in the scope of the Communiqué or formulate a new fee, banks are obliged to get the CBRT's approval. To provide an instant transaction that is not continuous or a product or service unspecified in the contract, the approval of the financial consumer must be obtained in accordance with the nature of the area where the transaction is executed. It is obliged for banks to prepare an informative sheet, which is an integral part of the contract, and which includes the fee tariff for the product/service subject to the contract to be executed by and between banks and the financial consumer, and other matters on which minimum information must be provided about each product or service under the agreement as per the provisions of the Communiqué. The Communiqué also sets forth the banks' obligation to publish and keep up-to-date the maximum tariff on the fees they collect from financial consumers and other current information on their websites, along with the dates of changes to such information.

The Communiqué (No: 2020/18) Amending the Communiqué (No. 2020/7) Regarding the Principles and Procedures for Fees to be Charged on Financial Consumers was published in the Official Gazette numbered 31351 and dated 31 December 2020, which introduced the FAST transaction, defined as payment transactions performed using the Instant and Continuous Transfer of Funds System (FAST) owned by the CBRT and accordingly, set out the fees for FAST transactions.

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Corporate Governance Principles Compliance Report

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STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Garanti Bankası A.Ş. ("Garanti Bank" or "Garanti" or "the Bank" or "Garanti BBVA) complies with the corporate governance principles set out by the banking legislation, capital market legislation, as well as the Turkish Commercial Code and other applicable legislation, and pays the utmost attention to implement these principles. Garanti BBVA accordingly updates its annual reports and website, making them available to its stakeholders. The shareholders can access comprehensive information, get information about the latest developments and activities from the regularly updated Garanti BBVA Investor Relations website, and can address their questions to the Investor Relations Department and to the Subsidiaries and Shareholders Service.

In keeping with Garanti BBVA's commitment to corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of this report. In addition, disclosures within the scope of Sustainability Principles Compliance Framework as per the Communiqué (no: II.17.1a) amending the Corporate Governance Communiqué (no. II.17.1)" whereby necessary additions were made on 02 October 2020 to Articles 1 and 8 of the Corporate Governance Communiqué are provided under the related headings.

The Corporate Governance Committee was established in February 2013, pursuant to the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency ("BRSA") and the Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles issued by the CMB, which was effective at the time. The Committee is responsible for overseeing compliance with corporate governance principles and for ensuring that relevant improvement efforts are carried out at the Bank. In 2020, the Committee held 2 meetings with full participation of its members. The Board of Directors deemed that the activities performed by the Corporate Governance Committee in 2020 were efficient, appropriate, adequate and compliant with the relevant legislation. The activities of the Corporate Governance Committee are presented in detail in the Committees section.

On the other hand, Garanti BBVA, during 2020, achieved compliance with all of the mandatory principles of the Corporate Governance Communiqué No. II-17.1.

Garanti BBVA received its first Corporate Governance Rating in 2014. With its Corporate Governance Principles compliance rating upgraded from 9.14 in 2014 to 9.77 in 2020, the Bank continues to be included in the Borsa İstanbul Corporate Governance Index as the score is above the threshold score of 7. The outlook for the Bank's rating was assigned as Stable.

I. GENERAL PRINCIPLES:

STRATEGY, POLICY AND TARGETS

SUSTAINABILITY AND ENVIRONMENT POLICIES

Garanti BBVA set up the Sustainability Committee headed by a Board member in 2010. The Committee verifies that all decisions made and all projects executed within the frame of the sustainability structure are in conformity with the Bank's other policies and applicable guidelines, and oversees the effectiveness of sustainability-related initiatives. In 2020, the Sustainability Committee merged with the Responsible Business Committee headed by a Board member, which was established in 2017 to integrate "responsible banking" within the banking services and the Bank's strategic priorities, and to systematically ensure that the Bank puts stakeholders at the center of its decision-making. It was resolved that sustainability matters would be addressed and discussed by this resulting committee.

Detailed information about the duties and members of the Committees can be found in the Committees and Policies Section of this report.

Garanti BBVA announced its Sustainability Policy in 2014. As set out in this Policy, the Bank aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental & social risk assessment as part of its risk management framework. The Bank also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives. Furthermore, the Bank believes that an effective organizational structure and solid corporate governance system is essential to capture continuous development and successfully achieve sustainability targets, and is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices & products, and remain a sustainability leader in Turkey. Garanti BBVA also positions itself as an advisor for all of its stakeholders for sustainable business. The Sustainability Principles announced along this line highlight the actions Garanti BBVA will be taking to achieve these targets.

The Bank also disclosed its Environmental Policy under which the Bank intends to continuously and significantly increase the value that it creates for all of its stakeholders in environmental matters.

ENVIRONMENTAL AND SOCIAL LOAN POLICIES

Garanti BBVA developed and enforced Environmental and Social Loan Policies (ESLP) in 2011, in order to manage the environmental and social risks associated with the projects that it finances and to minimize the indirect impacts within this framework. Garanti BBVA believes that informing its stakeholders, particularly its customers and employees, about its ESLP is an important opportunity to raise public awareness with respect to sustainable development.

STATEMENTS

In October 2015, Garanti BBVA released its Climate Change Action Plan that focused on carbon pricing, reducing deforestation, managing climate-related water risks and implementing green office standards. The Bank considers climate change as a strategic matter that must be embedded within all business processes and decision-making mechanisms. The Bank additionally manages climate change risks associated with its indirect impact such as office buildings and the supply chain. The principles set out in the Climate Change Action Plan makes up the building blocks of how the Bank integrates climate change in the way it does business.

TARGETS

Each year, Garanti BBVA presents its non-financial performance indicators, targets and related risks and opportunities considered under the relevant performance sections and appendices of the Integrated Annual Report. Additionally, the initiatives the Bank supports and is a signatory of are posted on the website. Accordingly, supported initiatives and those that the Bank is a signatory of and detailed information about the principles are presented in "B. Environmental Principles" and "C. Social Principles" sections of the Statement of Compliance with Corporate Governance Principles.

EXECUTION\OVERSIGHT

In Committees and Policies Section of the report, Garanti BBVA covers the committees, which are responsible for the execution and oversight of its Environmental, Social and Governance policies and processes and which are headed by a Board member, together with their purposes and meeting frequencies.

Every year, the Bank presents its non-financial performance indicators and targets with respect to ESG issues and their comparison by years in the related performance sections and appendices of its Integrated Annual Report. Non-financial performance indicators are also posted in a consolidated manner on the Bank's Investor Relations website. Third party Independent Assurance Report on these indicators is also presented within the Integrated Annual Report every year.

The Bank talks about all of its innovative products and services presented in keeping with responsible banking and financial health and inclusion concepts and by taking into account the United Nation Sustainable Development Goals, together with how its business processes are shaped according to these concepts in Sections Sustainability and Our Material Topics of the report.

REPORTING

Paying the utmost attention to openness, transparency and reporting, Garanti BBVA simultaneously makes the public information available on the Investor Relations website as well as Sustainability website both in Turkish and English. The Bank also complies with the corporate governance principles set by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other applicable legislation. It pays maximum attention to implement these principles. Periodically updating its reports and website, the Bank makes them available to all of its stakeholders. The Bank released a Sustainability Report from 2011 through 2016, and has been publishing an Integrated Annual Report every year since 2017.

Garanti BBVA has been responding to CDP Climate Change since 2010 and CDP Water since 2015. The Bank makes all of its reports public on its website. The Bank's reports can be accessed from this link.

In the appendices to its Integrated Annual Report, the Bank also discloses its progress with respect to the principles of certain initiatives which it supports or is a signatory of.

With the goal of bringing the age of opportunity to everyone, the Bank, last year, reviewed and redefined its strategic priorities in line with the BBVA Group and in the light of the main trends that have made an impact in the world and the finance sector. Along this line, the Bank renewed its Materiality Analysis formulated with the opinions of all of its internal and external key stakeholders. The Bank sets its goals with a focus on its strategic priorities and the topics prioritized in the materiality analysis. The Bank discusses its materiality analysis and material topics in the Our Material Topics section of the report, and its activities during the reporting period and its projections for the year ahead in the other related performance sections every year.

Year after year, Garanti BBVA maintains its dialogue with all of its internal and external key stakeholders via various channels. In this context, the Bank groups its stakeholders according to three criteria as directly impacting the Bank, indirectly impacting the Bank, and bringing in new opportunities, insights and approaches. The Bank's dialogue with the main stakeholder groups identified is carried on with a focus on Material Topics.

Detailed information about the subject can be found in the Stakeholder Engagement section of the report.

The connection of the efforts the Bank undertakes to address material topics with the United Nations Sustainable Development Goals is dealt with in the Our Material Topics Section, while related explanations are presented in the Sustainability Section of the report.

The Bank discloses the lawsuits filed against it, which may affect the financial status and operations of the Bank and their potential results in the section that discusses the important developments in its operations in the reporting period within the Integrated Annual Report every year.

At the same time, they are referenced in the Report Appendix as set out by the GRI disclosures.

VERIFICATION

Every year, Garanti BBVA obtains reasonable assurance for the financial data covered in its Integrated Annual Report, and limited assurance from third parties for selected non-financial data as defined in detail in the auditor's report. The Bank shares the independent assurance reports within its Integrated Annual Report.

II. ENVIRONMENTAL PRINCIPLES

Garanti BBVA believes that sustainability topics must be integrated in decision-making and business processes for long-term value creation. As stated in the "General Principles Section", the Sustainability Committee headed by a Board member was set up in 2010 for this purpose. Upon the establishment of this committee, the Bank's sustainability-related matters began to be addressed as a separate heading also by the senior management. In 2020, the Sustainability Committee was merged with the Responsible Business Committee, which is also headed by a Board member. Sustainability matters began to be discussed by this committee starting from 2020.

The Climate Change Action Plan announced by the Bank in 2015 clearly reveals the Bank's strategy for combating the climate crisis.

The Bank pays attention to taking action quickly for aligning itself with environmental laws and other regulatory framework impacting it directly and/or indirectly. For example, the Regulation on the Monitoring of Greenhouse Gas Emissions published by the T.R. Ministry of Environment and Urbanization in the Official Gazette dated 17 May 2014 did not directly impact the Bank, but gave rise to a situation that required the Bank to take action indirectly. Garanti BBVA was not affected negatively by the situation since it was already encompassing future carbon taxes within its financial models and was making projections that would ensure power plant projects to keep fulfilling their financial obligations. Similar examples can be found on pages 23 & 24 of the Garanti BBVA 2020 CDP Climate Change Report. In its Integrated Annual Report, the Bank discloses the environmental reporting boundary, reporting period, reporting date, data collection process and restrictions regarding reporting conditions.

In 2012, Garanti BBVA established the Environmental Management System (EMS) which is endorsed with ISO 14001 certification, in order to systematically manage its direct and indirect environmental impact. Currently, the Bank possesses ISO 14001 Certification for all of its service locations in Turkey. Related information can be found on the website, under the Environmental Management System section. Thanks to its efforts in this vein, the Bank's carbon intensity reduced by 92% since 2012.

Detailed information can be found on Environmental Performance Indicators Section of the Annex of the 2020 Integrated Annual Report and Garanti BBVA Environmental and Social Risk Management webpage.

The Bank discloses its GHG emissions (Scope-1, Scope-2 and Scope-3) resulting from its operations in the reporting period, its energy consumption, water and wastewater management, waste management in comparison with other years in the Appendices to its Integrated Annual Report every year. Additionally, the same information can be found in the 2020 CDP Climate Report, pages 91-106, and CDP Water Report, pages 7-11.

The Bank clearly explains the methodology it employs to collect and calculate the disclosed data every year in the Reporting Guidelines for Non-Financial Disclosures. The explanations can be found in 2020 Integrated Annual Report, Annex A.1and Garanti BBVA 2020 CDP Climate Report, pages 89-91.

The Bank sees its proactive management of environmental and social risks not only as critical to successful risk management, but also as one of its most essential duties to its stakeholders. Through its effective approach placed at the center of all its operations, Garanti BBVA monitors its consumption of natural resources, takes steps to decrease the same, and collaborates with suppliers. Furthermore, in order to scale up its efforts, Garanti BBVA implements an Environmental and Social Impact Assessment Process (ESIAP) that also incorporates an Environmental and Social Impact Assessment Model (ESIAM) within the scope of Environmental and Social Loan Policies in its loan book.

Every year, the Bank lists the projects that it assesses by subjecting them to this model in the Appendix to the Integrated Annual Report.

Garanti BBVA monitors the changes in its business strategy resulting from climate change, associated risks and opportunities every year regularly and develops its strategy planning accordingly. Along this line, the Bank determines its products and services, supply chain management, R&D investments, operations, financial parameters and corporate policies according to the course of environmental and social crises. All of the Bank's activities in this scope and the incentives offered internally and to its customers for the management of environmental matters can be found in the Integrated Annual Report, Sustainability Section, and 2020 CDP Climate Change Report, pages 60-69.

Garanti BBVA regularly shares the developments related to sustainability and sustainable finance, particularly the fight against climate change and other environmental issues with its external and internal stakeholders, pays attention to their ideas and feedbacks. Value drivers are shaped around proximity, dependency, influence, representation, responsibility, policy and strategic intent.

Details about the stakeholder group and actions taken for value creation can be found in the Integrated Annual Report, Stakeholder Engagement and Our Value Creation Sections.

Garanti BBVA emphasizes the importance of cooperation and empathy among all stakeholders from governments to individuals in reaching the 2030 targets of Sustainable Development Goals (SDGs). In this framework, the Bank contributes to a number of national and international initiatives, sits as a member or chairman of their boards of directors.

The initiatives the Bank supports or is a signatory of are disclosed on the website.

In a bid to combat climate crisis, Garanti BBVA acts in collaboration with national and international initiatives and takes care to take concrete steps to reduce the greenhouse gas emissions that it causes directly. Along this line, the Bank takes various actions, including Science Based Targets commitments and electricity generation from 100% renewable energy sources in branches and buildings that are technically fit. Within the frame of the Science Based Target aligned with the goal of limiting global temperature increase to 1.5ºC maximum as stipulated by the Paris Climate Agreement, the Bank set itself the target of reducing its carbon emissions by 29% by 2025 and by 71% by 2035, and thus has become the first company to announce such a target in Turkey.

Garanti BBVA supports the financing of the transition to a low-carbon economy. Accordingly, the Bank's entire greenfield energy generation projects in the project finance portfolio consist of renewable investments since 2014. The Bank discloses its share in the installed wind power in operation in Turkey, the amount of cumulative financing provided to renewable energy projects, and avoided GHG emissions (million tons CO_2e) thanks to renewable energy projects portfolio in its Integrated Annual Report every year.

Further details are available in the Sustainability Section of the Report.

During the reporting period, the Bank included the details of the initiated or purchased project-based carbon credits in its reporting system. In addition, the Bank explains in detail how the internal price set for the carbon is used. Garanti BBVA disclosed its practices in this respect in the CDP Climate Change Report, pages 30, 66, 122 and 125, and its declaration in the Climate Change Action Plan posted on its website.

The holistic policy embraced by the Bank in its combat against climate change and transition to low-carbon economy process qualified Garanti BBVA for the CDP Climate Change Global A List once again in 2020 as the only bank to do so from Turkey.

Supported initiatives Platforms that the Bank makes compulsory and voluntary reporting in relation to ESG matters can be found on Garanti BBVA Sustainability website, under the library-resources tab.

INTERNATIONAL STANDARDS AND INITIATIVES

Garanti BBVA emphasizes the importance of empathy and cooperation among all stakeholders from governments to individuals in reaching the 2030 targets of Sustainable Development Goals (SDGs). In this framework, the Bank actively contributes to, chairs or is a board member of 27 different initiatives. The initiatives the Bank supports or is a signatory of are disclosed on the website.

In 2020, Garanti BBVA contributed TL 1.5 million in total for information sharing and raising increased awareness of sustainable development among various stakeholder groups such as public programs, policymakers, private sector, academy and NGOs. 78.65% of this amount was spent on lobbying for combating climate change, 15.04% on lobbying for sustainable finance, and 6.31% on other lobbying activities.

Garanti BBVA presents its non-financial performance indicators, targets and services in an integrated fashion with financial matters in its Integrated Annual Report every year. The Bank is also among the first supporters of the TCFD (Task Force on Climate-Related Financial Disclosures) Recommendations, and was part of the core team of the UN Principles for Responsible Banking developed by the UNEP-FI (United Nations Environment Programme – Finance Initiative). It was also one of the founding signatories of these Principles. In the appendices to its Integrated Annual Report, the Bank also discloses its progress with respect to the principles of certain initiatives which it supports or is a signatory of, such as UN Global Compact, WEPs, etc.

As mentioned before, the Bank has been responding to CDP Climate Change since 2010 and CDP Water since 2015, which are also made available on its website.

All of the Bank's reports in this context can be accessed via this link.

The steps Garanti BBVA takes to create value for the economy, the society and all its stakeholders are recognized by national and international authorities. Having qualified for BIST Sustainability Index and BIST Corporate Governance Index in 2014, Garanti BBVA still continues to be listed in these indices. In 2020, Garanti BBVA continued to be the only bank from Turkey listed in the Dow Jones Sustainability Emerging Markets Index (DJSI), after being qualified in 2015.

The indices that the Bank is included in can be found on the website.

When setting its corporate management strategy, Garanti BBVA takes into consideration the sustainability issues, environmental impact of its operations, and associated principles. Sustainability issue takes place also within Garanti BBVA's strategic priorities.

Details on the subject can be found in the Strategic Priorities section in the Integrated Annual Report.

III. SOCIAL PRINCIPLES

DECLARATION OF HUMAN RIGHTS

Within the frame of a responsible and sustainable banking approach, Garanti BBVA aims to create a contemporary working environment fully respectful of human rights and to disseminate this notion across all its stakeholders.

The Bank is focused on fulfilling the requirements of, and achieving compliance with, the regulatory framework governing work life in our country, along with international covenants to which Turkey is a party, specifically:

- The UN Universal Declaration of Human Rights, and
- The basic tenets of the International Labor Organization, a

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specialized United Nations agency working to promote human rights, social justice and labor rights.

In 2012, Garanti BBVA voluntarily signed the United Nations Global Compact, an international initiative for businesses that are committed to aligning their operations and strategies with ten principles addressing sustainability in all its aspects including human rights, and pledged to abide by these principles. As a signatory to the United Nations Environment Program Finance Initiative's (UNEP FI) Statement of Commitment by Financial Institutions on Sustainable Development, Garanti BBVA has also committed to going beyond achieving compliance with the existing regulatory framework, and to integrating environmental and social factors in all its business processes.

In accordance with Garanti BBVA 's Code of Conduct, employees at any level are obliged to conduct their relationships with each other in a way that will not injure the work climate and will not be perceived as harassment, discrimination or mistreatment in or out of the work place.

Garanti BBVA Managers are obliged to take the necessary measures to prevent mistreatment, discrimination or harassment of any type in the work place and to report suspected cases to the Human Resources Department. Employees are urged to report their grievances in this respect to their line managers or directly to the Human Resources Department.

Such complaints are not used against the complainant and are addressed and resolved with due importance. Necessary administrative sanctions are implemented at the Bank against perpetrators of any kind of mistreatment, discrimination or harassment or actions to cover up such behavior. In keeping with the equal opportunity principle, Garanti BBVA does not discriminate against its employees. The fundamental criterion for choosing, promoting, or reassigning a person for a position is suitability. Garanti BBVA possesses the Equal Opportunity Model certificate, which is a voluntary initiative.

Garanti BBVA respects the constitutional right regarding unionization and collective agreements. All employees are free with respect to union membership and act of their own free will. Garanti BBVA takes utmost care to provide a physically and mentally healthy working environment for its employees. The Bank takes the necessary precautions prescribed in applicable legislation on Occupational Health and Safety (OH&S) and provides training to its employees. In addition to the measures taken and trainings provided to the employees, Garanti BBVA launched the Work Life Integration (İYİ) program in 2012 for enhancing employee satisfaction.

According to Garanti BBVA's Environmental and Social Loan Policies, operations which are prohibited or restricted by national legislation and/or international covenants to which Turkey is a party, as well as the operations or projects of individuals and companies found to employ child labor or violate human rights will not be financed, without carrying out any environmental and social impact assessment and regardless of amount. Garanti BBVA subjects new projects with an investment value of more than USD 10 million to its Environmental and Social Impact Assessment System and requests stakeholder involvement meetings to be held effectively if it deems necessary. Should Garanti BBVA identify any social risks, including those associated with human rights, in the course of its assessment, the Bank demands its customer to take necessary measures, and monitors their implementation throughout the duration of the loan.

Garanti BBVA's product and service agreements with third parties are managed in accordance with the relevant laws and the Bank's policies and procedures. Garanti BBVA requires compliance with the Turkish legislation, particularly the Turkish Labor Code where necessary, and reserves the right to terminate agreements in the event of non-compliance with regulations providing for worker protection.

Within the frame of its Code of Conduct, Garanti BBVA adopts as a basic principle that its employees shall not discriminate on the grounds of language, ethnicity, gender, political affiliation, philosophical belief, religion, sect, or any other similar basis in their working relationships and expects them to respect human rights.

Garanti BBVA is against forced and compulsory labor and expects the same approach from its customers as set forth

EMPLOYEES

Issues	*Measures*	
Child labor Violation of human rights Violation of Code of Conduct Occupational Health and Safety Health risks Economic and social losses due to expropriation	Retail, SME, Commercial and Corporate Customers (1) Additional clauses to Banking Service Agreements Risk-based Assessment for Corporate and Commercial Customers: (2) Environmental and Social Impact Assessment Model for loans with a minimum investment amount of USD 10 million (3) Action Plans (4) Monitoring Plans	Soft Controls: (5) Environmental and social impact assessment trainings

HUMAN RIGHTS

Issues	*Measures*	
Diversity Discrimination Violation of Code of Conduct Occupational Health and Safety	Hard Controls: (6) Garanti BBVA Code of Conduct (7) Whistleblowing Channel (8) HR Internal Control Mechanism (9) Integrity Committee (10) Audit Committee	Soft Controls: (11) Gender Equality Working Group (12) Gender equality trainings (13) Communication strategy (14) Employee Support Line

SUPPLY CHAIN

Issues	*Measures*	
Child labor Violation of Code of Conduct Occupational Health and Safety	Hard Controls: (15) Garanti BBVA Code of Conduct for Suppliers (16) Garanti BBVA Code of Conduct (17) Garanti BBVA Support Services Risk Assessment Program (18) Audit Committee (19) Additional clauses to service agreements	Soft Controls: (20) Communication of Code of Conduct

Measures numbered (1) and (2) include all the criteria indicated in Garanti BBVA's E&S Loan Policies in addition to human rights issues. The measures mentioned are applied to all commercial loans.

Measures numbered (3), (4), (5), and (6) include all the relevant E&S criteria as required in our E&S Impact Assessment Model.

Garanti BBVA Declaration of Human Rights can be found on our Investor Relations website, from the Policies tab under Environment, Social and Governance heading.

in various declarations and policies concerning human rights that it published. The Bank organizes remote trainings for its employees on its Code of Conduct covering its principles in relation to human rights, Environmental and Social Loan Policies, and other policies and procedures of a similar nature. The responsibility for the implementation of these policies rests with all employees of the Bank, and effective control and supervision of their implementation are carried out by related departments. Garanti BBVA supports the activities of national and international initiatives on sustainability, to which it belongs, in order to spread these principles.

The Responsible Business Committee is responsible for approving, amending, improving and enforcing this declaration. The Bank conducts a sophisticated human rights due diligence process for its value chain. Our Human Rights Risk Assessment framework is presented below.

HUMAN RIGHTS RISK ASSESSMENT

HUMAN RESOURCES POLICY

The pillar of Garanti BBVA's human resources policy is investing in human capital. Recognizing that human capital is the driving force behind all progress, providing a working environment that is conducive to demonstration of employees' skills, offering opportunities, recognizing and rewarding their accomplishments make up the building blocks of the entire system. The Human Resources Policy covering the declaration of human rights, equal opportunity and recruitment criteria is posted on the Investor Relations website, under the Policies tab under Environment, Social and Governance heading.

Development is one of the key tools at Garanti BBVA, and career, education and performance activities that will contribute to employees' professional and personal development consist of world-class fair and transparent practices that are equipped to respond to employee needs and are backed by open communication.

The mission of the Human Resources Department is defined as undertaking a strategic role by implementing efficient HR policies to assist the organization in achieving its business objectives. Accordingly, the HR Department operates in accordance with Garanti BBVA's ethical values and with the "equality principle" (the Bank and our employees observe fair treatment in business relations regardless of language, race, gender, political ideology, philosophical belief, religion, sect and the like, sexual orientation, family responsibilities, disabilities, age, medical conditions, and union membership, etc. The Bank and our employees respect human rights.)

Prevention of harassment and discrimination is an important component of Garanti BBVA's HR policy, and all related measures are shared within the Anti-Discrimination and Harassment Guidelines, which can be found in the intranet, accessible by all employees. The said guidelines has been developed based on the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence, the UN Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) and UN Global Compact, as well as the Turkish Constitution, Turkish Criminal Code, Labor Code, Occupational Health and Safety Law, Turkish Code of Obligations, and Garanti BBVA Code of Conduct.

The compensation system of Garanti BBVA is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's compensation policy established within this framework has been approved by the Board of Directors and has been presented for the information of shareholders at the Ordinary General Shareholders' Meeting held in 2013 pursuant to the CMB Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles, which was in force in 2013.

The Company has embraced an employment policy providing for equal opportunities and a succession plan for all key managerial positions. The CEO, who is an Executive Board Member, regularly oversees the succession plan for key managerial positions on an annual basis.

There is an employee stock ownership program for "identified employees", which is described within the Compensation Policy.

As at year-end 2020, there are 27 identified employees serving at the Bank. In variable payments made to identified employees, payment is made in cash and by non-cash means (linked to share certificates) in line with the principles in the "Guidelines on Good Compensation Practices in Banks". In payment practices that rely on non-cash means within the scope of 2020 variable payments of identified employees, Banco Bilbao Vizcaya Argentaria S.A. share will be taken as basis. The Compensation Policy is posted on the Investor Relations website, under the Policies tab under the Environment, Social and Governance heading.

The performance evaluation system at Garanti BBVA measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees. In this context, besides the figures targeted by the Bank, criteria such as customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti BBVA monitors the competitiveness of its salaries through annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

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

Garanti BBVA conducts an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration, and training & development opportunities. In 2020, Employee Engagement score was 71%.

People Assessment process collects employee's opinions about themselves, colleagues, line managers and team members and aims to spread the culture of receivüing and giving feedback.

All relevant procedures, announcements and notices are posted on the internal portal intended to keep the employees informed. The portal lets instant access to posted information from different locations in the most effective manner. Additionally, senior managers address the employees in live streams, establishing a transparent communication, with the aim of enriching employee experience.

Based on the vision that employees are the best ambassadors, employees are kept informed on a regular basis and implementations that will drive a change of habits are introduced within the frame of the Bank's sustainability initiatives. In this context, employees' setting role models are deemed valuable also for the society and shared on Garanti BBVA's external communication channels as well. In tandem, training programs describing sustainability initiatives in detail were prepared and put into implementation.

The Bank has in place various practices and policies to ensure gender equality and equal representation within the organization. The Bank monitors the ratio of woman versus man employees at different levels of the organization, prepares job announcements in a non-discriminatory way, and implements training and awareness programs, women leadership trainings and mentoring program. The Bank is also a founding member of the 30% Club Turkey for greater representation of women in executive management, launched in March 2017. With the various gender equality initiatives and practices it realizes for human resources, customers and the society, Garanti BBVA is the only Turkish company included for four years in the Bloomberg Gender Equality Index covering 230 companies from 10 industries from 36 countries and regions around the world. The Bank does not have a written policy for increasing the ratio of woman members on the Board of Directors; however, the Bank's efforts and initiatives continue within the frame of its Diversity and Inclusion approach.

Garanti BBVA, which accelerated its work in this field by establishing a special team under Human Resources in 2013 for Occupational Health and Safety (OHS) practices, coordinates the health and safety requirements of all locations with this organization, which was positioned as OHS Management in 2015. Considering the national legislation as the minimum level and taking international standards and good practice examples as reference, Garanti BBVA continues its activities with a staff of 44 Occupational Safety Specialists, Workplace Physicians and Workplace Nurse, who work nationwide.

This year, Garanti BBVA continues its practices crowned with the International Occupational Safety Award by the British Safety Council, one of the most respected health and safety authorities in the world, with the vision that it accepts the national legislation as minimum and focuses on best practices in the world. In 2020, the sensitive and successful emergency management practices it carries out in both pandemic and earthquake issues bring employee health and welfare to the next level. In accordance with Occupational Health and Safety (OHS) regulations, with the OHS team positioned within the body of Talent and Culture, processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-miss incidents, occupational accidents and corrective and preventive actions are carried out effectively. will continue to coordinate.

Garanti BBVA has been using OHS software in all its locations since 2013, digitizing all OHS processes by breaking new ground among financial service institutions of similar size. Garanti BBVA provides the necessary coordination and follow-up through this software in all processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-misses, occupational accidents, corrective actions, emergency plans and drills.

There was no final court decision rendered against the Company on account of liability for work place accidents in 2020.

Detailed information about Garanti BBVA's HR practices can be found in the Integrated Annual Report, page 182.

PERSONAL DATA PROTECTION AND PROCESSING POLICY

Garanti BBVA respects and cares for the privacy and confidentiality rights of its clients, employees, suppliers, providers and all other related people. The Personal Data Protection and Processing Policy developed to address this matter can be found on Garanti BBVA Investor Relations website, under the Policies tab under Environment, Social and Governance heading.

EMPLOYEE COMPENSATION POLICY

Garanti BBVA has embraced an employee compensation policy that is aligned with the provisions of the Labor Law no. 4857 that is in force. Accordingly;

Employees or their inheritors, as the case may be, receive severance pay under the provisions of Article 14 of the Labor Law no. 1475 now annulled pursuant to Provisional Article 6 of the Labor Law no. 4857.

Employees, whose indefinite-term employment contracts are terminated by our Bank without complying with the legal period of notice, receive severance pay under Article 17 of the Labor Law no. 4857.

ETHICAL AND SOCIAL RESPONSIBILITY

Prepared in line with the emphasis Garanti BBVA places on corporate governance principles and ethical values and in view of the requirements of today's working life, "Garanti BBVA Code of Conduct" was approved by the Board of Directors and put into force in 2015. "Garanti BBVA Code of Conduct" is made public on the Investor Relations website.

Garanti BBVA Code of Conduct document defines employees' responsibilities to customers, colleagues, business and the society, and describes the principles to be implemented in this context. Conduct towards customers concentrates on the principles of transparency, non-discrimination and accountability. Conduct among colleagues addresses team values, respectful working environment, objectivity and occupational health. Conduct towards business basically deals with preventing conflicts of interest, confidentiality, data security, media relations, retention of records and investment transactions. Conduct in society is addressed under the headings of anti-money laundering and anti-corruption, respecting human rights and the environment, investment in society, sponsorships within the context of social responsibility initiatives, and political neutrality. In order to set out and build on the principles addressed by the main headings of the Code of Conduct, the Compliance Department and other related units in the Bank prepared sub-procedures, which are accessible by all our employees. In order to ensure that the Code of Conduct and its implementation principles are embraced by all our employees and awareness of the topic is maintained and enhanced across Garanti BBVA Group, classroom and e-learning programs are assigned to all employees; additional announcements and reminders are also issued about important considerations. Furthermore, an Integrity Committee has been set up, whose mandate is to contribute to preserve the corporate integrity of Garanti BBVA and which is formed of Senior Management, Head of Internal Audit, Compliance Department and Internal Control Center Director. The main functions of this Committee are as follows:

- Encourage and monitor efforts for creating a shared culture of integrity within Garanti BBVA Group;
- Ensure that the Code of Conduct is implemented homogenously across Garanti BBVA; in this context, formulate and disseminate descriptive notes when needed;
- Implement exclusion criteria with regard to compliance with certain provisions of the Code of Conduct; notify matters deemed to be in contradiction to the Bank's disciplinary rules to the Disciplinary Committee, and obtain information about the ongoing examination procedures and actions taken for the issue;
- Report immediately any incidents and circumstances that may pose a material risk against Garanti BBVA to related authorities;
- Encourage adoption of necessary measures for handling suggestions regarding compliance with the Code of Conduct and implementation of the document, and behaviors creating doubts with respect to ethics; ensure effective operation of the Whistleblowing Channel set up for reporting of any noncompliance with the Code of Conduct and take necessary actions regarding updates where appropriate.

Being one of the processes to ensure efficient implementation of the principles, procedures and standards covered in our Code of Conduct, the Whistleblowing Channel (email: EtikBildirim@Garantibbva.com.tr, Tel: 0216 662 5156) has been set up and makes an important part of the compliance system at Garanti BBVA. The Whistleblowing Channel can be accessed by all employees, customers and suppliers of the Bank. The channel is a resource to assist reporting of transgressions which are observed or reported by team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to, the reporting of suspicious illegal conduct or professionally unethical conduct and also deals with advisory questions regarding the implementation of policies and procedures concerned with the Code of Conduct. Nobody, who reports through the Whistleblowing Channel in good faith, will be the target of reprisal nor will he/she suffer any other adverse consequence as a result.

Garanti BBVA's Anti-Corruption Policy sets out the actions that need to be taken for Bank-wide prevention and determination of cases posing corruption risk, and to encourage reporting thereof. In this context, basic principles that must be abided by Garanti BBVA and its employees to prevent corruption risks that may arise in relation to our business activities are addressed under the headings of giving or accepting gifts or personal benefits, organizing promotional events, relationships with suppliers and business partners, facilitation payments, recruitment, transaction records and expenses. In addition, awareness activities are being organized within the scope of the "anti-corruption program" conducted at the Bank and its subsidiaries in order to prevent corruption. Classroom and e-learning trainings covering these subjects are assigned to all personnel.

Garanti BBVA firmly believes that the total quality concept can be realized only through strict adherence to an HR policy, code of conduct and ethical values that are erected upon integrity, honesty and respect. In addition to the Garanti BBVA Code of Conduct document, Ethical Sales Principles, Social Media Policy, Anti-Fraud Policy and Compliance Policy documents are posted on the Intranet that is accessible by all employees.

The Anti-Fraud Policy is published with the aim of promoting honest and reliable working environment conditions against any act of misconduct across the Bank, raising awareness of potential fraudulent acts, and communicating the actions that can be taken for early detection.

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Current announcements have been published in relation to Garanti BBVA Code of Conduct and Ethical Sales Principles documents. Ethical Sales Principles document emphasizes the "reputation" concept as the Bank's greatest asset, and details the expected code of ethical conduct for employees during sales activities. Social Media Policy sets forth the rules as to how the Bank's employees will represent Garanti BBVA on social media.

Garanti BBVA's policies relating to the core components of the compliance system are documented in the "Compliance Department Policy". The Compliance Department Policy emphasizes the compliance risk and reputation risk concepts, and underlines that employees are expected to comply with the laws, the Bank's Code of Conduct and corporate standards in their behaviors. The Policy defines the concept of integrity and lists the basic tasks and responsibilities within the compliance system.

In this context, it is emphasized that compliance is not the responsibility of senior executives or certain business units only, but of each employee.

Garanti BBVA attaches particular importance to ethical and integrity principles, and aims to maintain constant awareness of the issue through trainings for all employees.

Sense of corporate responsibility is an integral part of the corporate culture of Garanti BBVA. Garanti BBVA molds its community investments, as well as its banking activities, around social, economic and environmental factors, which are components of sustainability. Besides sharing its knowledge in various fields with the society and future generations, the Bank continues to add value to cultural and social life through its innovative institutions and with its support to Turkey's deep-seated establishments. Garanti BBVA aims to regularly measure the benefits it contributes to the society and its impact upon it through social impact analysis to be conducted by an independent research company, the findings from which will then be used for improvement efforts. Garanti BBVA focuses on contributing to the society in cultural and educational arenas. Keeping a close eye on the needs of our country and society when setting its future strategy, Garanti BBVA aims at introducing or supporting value adding and sustainable projects. When devising its future strategies, Garanti BBVA targets to move forward within the frame of the needs of the society and its stakeholders, which the Bank identifies with the help of a Materiality Analysis conducted by an independent research company.

Details about the Community Investment Programs can be found in the Integrated Annual Report, Sustainability section.

Details about Financial Health and Inclusion can be found in the Integrated Annual Report, Sustainability section.

Details about Partnering with Financial Institutions can be found in the Integrated Annual Report, Sustainability and Stakeholders Engagement sections.

STAKEHOLDERS, INTERNATIONAL STANDARDS AND INITIATIVES STAKEHOLDER COMMUNICATION

Because of the great importance attached to them, regular communication with its stakeholders and hearing their opinions give Garanti BBVA the opportunity to be a more inclusive bank in every aspect. Continuous feedback from stakeholders allows the Bank not only to understand stakeholder expectations and meet their needs more sensitively, but also presents the Bank with a great opportunity to identify risks and opportunities, and set priorities and strategy more comprehensively. Year after year, Garanti BBVA maintains its dialogue with all its internal and external key stakeholders via various channels.

With the goal of bringing the age of opportunity to everyone, Garanti BBVA, in 2019, reviewed and redefined its strategic priorities in line with the BBVA Group and in the light of the main trends that have made an impact in the world and the finance sector. Along this line, the Bank renewed its Materiality Analysis formulated with the opinions of all of its internal and external key stakeholders in 2020. Details about the topic can be found in the Our Material Topics and Stakeholder Engagement sections of the Report.

GENERAL SHAREHOLDERS' MEETINGS

General Shareholders' Meeting is held in accordance with the resolution adopted by the Board of Directors. For reaching the highest number of shareholders possible, the General Meeting announcement including the meeting date, venue, agenda and similar information is duly announced at least three weeks prior to the meeting date as per the provisions stipulated in the Communiqué via the Turkish Trade Registry Gazette, Public Disclosure Platform (www.kap.gov.tr), e-Governance Corporate Governance and Investor Relations (www.mkk.com.tr), e-Company Companies Information Portal (www.mkk.com.tr), e-General Meeting Electronic General Meeting System (www.mkk.com.tr), the Bank's websites and two national newspapers. The Bank invites all stakeholders to the General Shareholders' Meeting, who will be voiceless during such meetings. Before the meeting, balance sheets, income statements and annual reports are made available for review by shareholders within the timeframe determined in the applicable legislation on the Garanti BBVA Investor Relations website, at the Head Office and at all branches. In General Shareholders' Meeting, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit proposals regarding the agenda items. Questions are handled and answered in accordance with the regulations of the Capital Markets Board as well as the principles and procedures specified in the Turkish Commercial Code. Proposals are submitted for approval at the General Shareholders' Meeting and become effective if approved by the specified majority. The meeting minutes and the list of attendants of the General Shareholders' Meeting are posted on the Public Disclosure Platform (KAP), e-Company Companies Information Portal, e-General Meeting Electronic General Meeting System, and Garanti BBVA Investor Relations website on the same day, and is published in the Trade Registry Gazette following its registration.

Resolutions adopted in the General Shareholders' Meeting are carried out in accordance with the legal procedures within due time. Pursuant to the provisions of the Regulation on Electronic General Meeting at Joint Stock Companies and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to, and voting at, the General Shareholders' Meeting by electronic means is permissible. In addition, holders of depositary receipts have the right to vote and can do so at the General Shareholders' Meeting. The minutes and the list of attendants of the General Shareholders' Meeting are available to shareholders on Garanti BBVA Investor Relations websites. These documents can also be obtained from the Subsidiaries and Shareholders Service.

Garanti BBVA held its Ordinary General Shareholders' Meeting for the period 01 January 2019-31 December 2019 on 17 July 2020 and the meeting quorum realized at 74.76%. Media representatives did not attend the General Shareholders' Meeting. At the meeting, one shareholder lodged a statement of opposition, and expressed demands; in response, necessary information has been given within the frame of the CMB regulations and the principles and procedures set out in the Turkish Commercial Code.

There were no transactions in the reporting period for which the decision was left to the General Assembly of Shareholders by reason of dissenting votes cast by independent board members.

INFORMATION ON DONATIONS AND GRANTS IN 2020

The total amount of donations and grants made by the Bank in the reporting period is TL 64,289,408. Based on its commitment to add value to the society, the Bank makes donations and contributions mostly to persons, non-governmental organizations, societies or foundations, public entities and organizations that work in the fields of education, culture, art, environment and sports. Donations can also be made to promote the Bank's corporate identity and to expand the coverage of banking activities.

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the reporting period is provided to the shareholders under a dedicated agenda item during the General Shareholders' Meeting.

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Amounts and beneficiaries of the donations made in 2020 are as follows:

Beneficiaries	*Total*
Ministry of Health	29,708,391
Teachers Academy Foundation (ÖĞRETMEN AKADEMİSİ VAKFI)	9,596,320
VARIOUS FOUNDATIONS, SOCIETIES, INDIVIDUALS AND INSTITUTIONS	7,489,703
UNIVERSITIES AND EDUCATIONAL INSTITUTIONS	6,484,995
Ministry of Education	3,610,000
CERRAHPAŞA TIP FAKÜLTESİ VAKFI (Cerrahpaşa Medical Faculty Foundation)	2,500,000
İSTANBUL TIP FAKÜLTESİ VAKFI (Istanbul Medical Faculty Foundation)	2,500,000
İSTANBUL KÜLTÜR VE SANAT VAKFI (Istanbul foundation for culture and arts)	2,400,000
TOTAL	64,289,408

VOTING RIGHTS

Shareholders' voting rights and exercise of these rights are set out in Article 38 of Garanti BBVA Articles of Association. There are no privileged voting rights at the General Shareholders' Meetings of Garanti BBVA. The Bank is not in a cross-shareholding relationship with any company, therefore no such votes were cast at the latest General Shareholders' Meeting.

DIVIDEND RIGHT

The Bank's Dividend Distribution Policy is as follows:

"The details of our Bank's dividend distribution policy are specified in articles 45, 46, and 47 of the Articles of Association. In this context, by taking into account our Bank's growth in accordance with its goals within the sector and its financial needs, the General Assembly is authorized to distribute dividend in cash or capitalize the dividends and distribute the bonus shares which are to be issued by the Bank, or implement both methods together, and execute the dividend distribution within the time period specified in the relevant legislation. Following the affirmative opinion of the Banking Regulation and Supervision Agency, the Bank's dividend distribution policy is in the manner to distribute up to % 30 of the distributable profit in cash or bonus shares, provided that there is no unfavorable situation in the local and/or global economic conditions and the standard rates, which are specified by the protective measures in the Banking Law no.5411 and its sub-regulations, are at the targeted level. Following the set aside of the legal reserves and the funds which have to be saved by the Bank, the remaining net profit amount which has not been distributed to the shareholders should be transferred to the Extraordinary Reserve Account. Dividend distribution shall start within 3 months after the date of distribution decision at the latest, that it is started at the end of the accounting period in which decision of the distribution is given by general assembly meeting. There is no dividend advance payment in the Bank. In accordance with Article 46 of the Articles of the Association, the dividend distribution proposals shall be submitted for approval of the General Assembly following a decision by the Board of Directors in this regard, by taking into account the Bank's operational performance, financial needs, growth target and the legal regulations applicable to the Bank. The dividend distribution resolution becomes effective when adopted in the General Assembly Meeting and resolutions shall be published via Public Disclosure Platform on the same day the resolution becomes effective.".

At the General Shareholders' Meeting held on 17 July 2020, it was resolved not to distribute the Bank's after-tax net distributable profit for the period for 2019 and to transfer the same to the Extraordinary Reserve Account after the relevant provisions are set aside considering the Bank's growth targets, its long- term strategy, along with the domestic and international economic developments, in accordance with the Banking Law, Capital Market Law and related legislation, as well as Article 45 of the Bank's Articles of Association and the Dividend Distribution Policy.

IV. BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS

Süleyman Sözen is the Chairman of the Board of Directors. The Chairman has no executive functions and the executive member of the Board is Chief Executive Officer Recep Baştuğ, who is a natural member of the Board.

CMB requirements regarding Corporate Governance Principles stipulate that minimum three independent members must serve on the boards of directors of banks. Since the Board members assigned as members of the Audit Committee are deemed as independent Board members according to CMB regulations, Jorge Saenz-Azcunaga Carranza, who currently serves as the Head of the Audit Committee, and Sema Yurdum and Avni Aydın Düren, who currently serve as the Audit Committee members, are independent Board members.

On the other hand, at the Ordinary General Shareholders' Meeting held in 2019, it was resolved to increase the number of the board members from nine to ten excluding the CEO pursuant to Article 18 of the Articles of Association; to elect Sema Yurdum to the newly established membership to fill the remaining term of office of other Board Members, who was elected as an independent board member to serve for the remaining term of office specified under the independence criteria within the scope of clause 4.3.6. of the Corporate Governance Principles stipulating "Not to have served as a member on the company's board of directors for more than six years in the past ten years" and whose term of office as an independent board member expired. It was further resolved to elect Mevhibe Canan Özsoy as an independent board member to fill the remaining term of office of other Board Members, for whom the Capital Markets Board of Turkey did not express an adverse opinion regarding her independent board membership candidature in accordance with the Corporate Governance Principles of the CMB. On the other hand, Sema Yurdum is deemed an independent member since her duty as a member of the Bank's Audit Committee continues.

The Corporate Governance Committee report dated 22 January 2019 stating that Mevhibe Canan Özsoy satisfies the independence criteria has been submitted to the Board of Directors and the Board of Directors resolved to notify her independent board membership candidature to CMB.

Quoted below is the declaration of independence by Mevhibe Canan Özsoy, who was elected as an independent Board member at the Ordinary General Shareholders' Meeting held in 2019:

TO TÜRKİYE GARANTİ BANKASI A.Ş. CORPORATE GOVERNANCE COMMITTEE,

I hereby declare that I stand for serving as an "independent member" on the Bank's Board of Directors pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board of Turkey. In this context, I hereby declare as follows:

a) I have not held a seat on the Bank's Board of Directors for more than six years in the past ten years,

b) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity in which these shareholders have management control,

c) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years,

d) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

e) I am not a full-time employee of public institutions and establishments as at the date of nomination,

f) I am considered to be a resident of Turkey as for the purposes of the Income Tax Law,

g) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank's shareholders, and making decisions freely taking into consideration the rights of stakeholders,

h) I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake,

i) I am not serving as an independent board member in any company, which is controlled by the Bank or by shareholders

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having management control over the Bank,
j) I will be serving on the Bank's Board of Directors as a real person and in this context, I have not been registered and promulgated in the name of any corporate entity elected as a board member."

On the other hand, no circumstances arose in 2020 fiscal year, which prejudiced the independence of independent Board members. The Board of Directors of Garanti BBVA is formed of 11 members, and the Board of Directors with its resolution dated 17 June 2020, accepted the resignation of Board Member Ricardo Gomez Barredo, and to appoint Avni Aydın Düren as real person Board member to fill the remaining term of office of the board membership position vacated as a result of the resignation of Board Member Ricardo Gomez Barredo and to submit for approval of his Board membership to the following General Assembly meeting. The said appointment was approved at the General Assembly Meeting held on 17 July 2020.

In addition, as a result of the resignation of Ali Fuat Erbil from his office as CEO as of 1 September 2019, Recep Baştuğ was appointed as CEO of the Bank on the date of 6 September 2019,after necessary notifications were made and the required legal approvals were obtained. Since the CEO is a natural member of the Board of Directors pursuant to the Banking Law No. 5411 which the Bank is subject to, the shareholders have been informed on this matter at the General Assembly Meeting held on 17 July 2020.

Pursuant to Article 396 of the Turkish Commercial Code, the General Assembly authorized the members of the Board of Directors of Garanti BBVA to execute a transaction of a commercial business nature that falls under the Bank's field of operation on their own or other's behalf or to become a partner with unlimited liability in a company engaged in the same kind of commercial affairs, during the reporting period.

Résumés, terms of office and positions of the Board members can be found on page 42 of the Integrated Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.

WORKING PRINCIPLES AND PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank, as the highest body of representation, direction, management and oversight of the Bank, operates in order to fulfill the roles and responsibilities appointed to it by the Articles of Association and related legislation. In 2020, the Board of Directors resolved 26 decisions by satisfying the required quorums for meeting and decision.

Garanti BBVA's Internal Directive on the Working Principles and Procedures of the Board of Directors can be found at www.garantibbvainvestorrelations.com, under Corporate Governance > Policies section.

RELATED PARTY TRANSACTIONS

As of 31 December 2020, the total amount of operating income generated by the parent bank and its consolidated financial affiliates ("the Group") on related party transactions is 0.2% of the Group's total operating income. In addition, the shares representing the share capital in its related parties owned by the Group and cash and non-cash loans and other receivables provided to related parties by the Group add up to around 2.5% of the Group's consolidated regulatory capital used for the calculation of legal limits, and the sum of cash portions of such risks accounts for 0.2% of total consolidated assets in the financial statements drawn up in accordance with the Turkish Financial Reporting Standards and the explanations provided by the BRSA as of the same date.

REMUNERATION

As published on the Bank's website, a Compensation Policy has been formulated for the Bank's employees in accordance with the banking and capital market legislation, and it has been approved by the Board of Directors. Pursuant to the Bank's Compensation Policy, the policy encourages fair, transparent, measurable and sustainable success among employees and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the Talent and Culture Unit authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Shareholders' Meeting. As of 31 December 2020, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 76 million 902 thousand. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

Members of the Bank's Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting. In addition to the attendance fee paid to the Board members, it has been decided at the Ordinary General Shareholders' Meeting held in 2020 that payments to be made to those Board members who assume a specific position in the Bank and to independent Board members be determined by the Remuneration Committee that has been authorized by the Board of Directors pursuant to Corporate Governance Principles. It has also been resolved to set a maximum limit of TL 20,000,000 net for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 2021.

Furthermore, other financial rights to be provided to the Senior Management consisting of the members of the Board of Directors, the CEO and Executive Vice Presidents are determined by the Remuneration Committee that is established in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency. Under the provisions of the said Regulation, the Remuneration Committee has determined the manner of payments to Senior Management and the criteria for performance-based payments, by taking into account the European Union regulations and practices. Accordingly, Senior Executives receive performance-based payments in addition to their monthly salaries, which payments are determined by the Remuneration Committee based on objective criteria including the economic profitability and key performance indicators of the Bank, as well as subjective criteria based on the respective personal performance. The Remuneration Committee ensures that such payments do not negatively affect the Bank's capital adequacy ratio and continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

At the Ordinary General Shareholders' Meeting held in 2020, the following information has been provided to the shareholders regarding the compensation principles applicable to senior management.

"Our Bank has established and announced a compensation policy for all employees pursuant to applicable legislation. A fair, performance and success-based remuneration policy has been created. Our Bank's Compensation Policy has been implemented as approved and it is reviewed periodically. In addition to the compensation policy covering the Bank's entire personnel, the Remuneration Committee continued to implement the policies it has set in relation to remuneration and bonuses to be paid to the members of the Board of Directors who assume administrative roles and to senior executives, which do not rely solely on profit. The Committee reviewed the same at certain intervals. The policy, which has been developed in line with the local legislation and international practices, continued to be implemented. The portion of 8.29% of the total personnel expenses figure for the benefits provided in 2020 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments. Subject to the restrictions imposed by the banking legislation, the Bank may extend loans to Board members and executives. On the other hand, the loans to be disbursed by Garanti BBVA to the members of the Board of Directors and managers are restricted to specific framework by Article 50 of the Banking Law. The Bank does not disburse loans to the members of the Board of Directors and managers outside of the above mentioned framework."

CORPORATE GOVERNANCE COMPLIANCE REPORT

	COMPLIANCE STATUS					
	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors on the corporate websiter.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 -Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of minority rights.			X			Contrary to what is suggested in the principle numbered 1.5.2, there is no provision in the Bank's Articles of Association to extend the use of minority rights to those who own less than one twentieth of the outstanding shares. Shareholders constituting at least one twentieth of the capital are entitled to request the Board of Directors to summon the general assembly for a meeting, by specifying the grounds therefore along with the agenda, which should both be put in writing, or if the general assembly is already scheduled to meet, then to request the addition of matters they wish to be decided to the agenda, under Article 411 of the Turkish Commercial Code No. 6102. As and when such a request is received, the Bank takes the utmost care for facilitating the exercise of minority rights. In-line with our Bank's proactive, transparent and consistent communication strategy, utmost care is given to ensure that information is delivered with equal opportunities for everyone at all times. Bilingual Investor Relations (IR) web site, mobile applications developed in Turkish and English offer constant and worldwide access to the relevant information by focusing on the needs of the whole investors. Garanti BBVA Investor Relations websites contains stock data, corporate information, periodically published financial statements and annual reports, information about corporate governance, sustainability and projects that add value to the society. This website also gives access to Material Event Disclosures pertaining to developments regarding Garanti BBVA, which are disclosed to the public via the Public Disclosure Platform. This website also responds to all sorts of user needs with the Investor Kit that contains basic, practical information and the Download Center function that covers all documents.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Assembly is posted on the company website.	X					
1.6.2 - The dividend policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The Board of Directors ensures that the annual report fully and accurately reflects the activities of the company.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals) regulate the participation of employees in management.			X			Contrary to what is suggested in the principle numbered 3.2.1, there are no written internal regulations in the the participation of employees in Management. However, employees are provided with the opportunity to comment on all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions. Senior and middle-level managers participate in decision-making mechanisms via 20 committees. In addition to that, different ERGs (Employee Resource Groups) will be formed in order to maintain different projects and initiatives serving special needs of different groups. The project will take place in 2021.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them, and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1- The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations Department and the corporate governance committee work effectively. The Board works closely with them when communicating and settling disputes with shareholders.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
4.2.8 - The company has subscribed to a Directors and Officers Liability insurance covering more than 25% of the capital.		X				The Bank's paid-in capital is TL 4.2 billion; and it has subscribed to a Directors and Officers Liability cover with a limit of EUR 100 million for the individual liabilities of executives and Board members arising from their improper conduct.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The Board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			We are not currently in full compliance with the recommendation however the Bank intends to increase the participation of women directors in the Board and gradually increase their percentage in the coming years. The current board holds an extensive experience in banking which is extremely important for the Bank especially in these globally volatile markets. However, in parallel to BBVA's policies on this issue the Bank intends to favor female candidates to be nominated in the future if there is a replacement of a board member or re- selection of the full board.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.			X			Due to the COVID-19 outbreak, meetings with physical attandance were kept at minimum.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions, if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Board members' external commitments are presented for the information of shareholders at the General Meeting. The Bank's Board members comply with the banking legislation regarding the external entities they can serve. There is no internal written regulation specifying any limitations in this respect.

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			When the number of members of the Board of Directors and the number of members of the committees are taken into consideration, a member of the Board of Directors may take part in more than one committee. On the other hand, the only committee established according to the Corporate Governance Principles is the Corporate Governance Committee (with the functions of the Nominating Committee). There are three members of the Board of Directors in the Corporate Governance Committee. Other board committees (Risk, Credit, Audit and Remuneration) were established in accordance with the Banking Law No. 5411.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.	X					
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a Board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.					X	
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Meeting of Shareholders. As of 31 December 2020, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 76 million 902 thousand. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS	**REMARKS / RELATED LINKS**
The number of investor meetings (conference,seminar/etc.) organized by the company during the year	In 2020, Garanti BBVA Investor Relations team participated in 33 investor conferences and roadshows. The team held meetings with 561 international investment funds.
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION	
The number of special audit request(s)	None. The appointment of a special auditor has not been set forth as an individual right in the Articles of Association of the Bank. However, pursuant to Article 438 of the Turkish Commercial Code No. 6102, shareholders have the right to request a special audit from the General Assembly of Shareholders, whether included in the agenda or not, in order to clarify certain aspects within the frame of exercising shareholders' rights, provided that shareholders making such request have previously exercised the right to obtain or review information as stipulated in the Turkish Commercial Code. So far, Garanti BBVA has not received any request for the appointment of a special auditor. If such a request is received, then the Bank will take maximum care for facilitating the exercise of such special audit right.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None
1.3. GENERAL ASSEMBLY	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1 (ad)	https://www.kap.org.tr/en/Bildirim/860336
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Available. The link to the related website: Turkish: https://www.garantibbvainvestorrelations.com/tr/kurumsal-yonetim/olagan-genel-kurul-toplantilari/Olagan-Genel-Kurul-Toplantilari/452/0/0 English: https://www.garantibbvainvestorrelations.com/en/corporate-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	None
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	None
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	None
The name of the section on the corporate website that demonstrates the donation policy of the company	https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Donation-and-Contribution-Policy/99/410/0
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/265119
The number of the provision(s) of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	While the Articles of Association does not contain any provisions to that effect, the Bank invites all stakeholders to the General Meetings of Shareholders, who will be voiceless during such meeeetings. Hence, such invitation is explicitly stated in the invitation to the General Shareholders Meeting.

Identified stakeholder groups that participated in the General Meeting of Shareholders, if any	General Meeting minutes are available to shareholders in media and locations stipulated by applicable legislation. The members of the media did not attend the General Meeting convened in 2020. The Bank invites all stakeholders to the General Meetings of Shareholders, who will be voiceless during such meetings.
1.4. VOTING RIGHTS	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	There are no voting privileges
The percentage of ownership of the largest shareholder	49.85%
1.5. MINORITY RIGHTS	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of association	No
If yes, specify the relevant provision of the articles of association	None
1.6. DIVIDEND RIGHT	
The name of the section on the corporate website that describes the dividend distribution policy	https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Dividend-Distribution-Policy/96/407/0
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	The Board of Directors' proposal for the distribution of the Bank's 2019 Balance Sheet Profit was laid down for approval at the General Meeting of Shareholders held on 17 July 2020 and approved with majority of votes. It is resolved that, in accordance with the Banking Law, Capital Markets Law and related regulations, Article 45 of the Bank's Articles of Association and Profit Distribution Policy, considering the Bank's growth target, its long term strategy, along with domestic and international economic developments, the proposal of the Board of Directors regarding the transfer of the distributable net profit realized in the 2019 accounting period to the Extraordinary Reserves Account after the relevant provisions are set aside and without being distributed to the shareholders, be approved. The information provided to our Shareholders regarding the subject is stated in article 7 of the document whose link follows: https://www.garantibbvainvestorrelations.com/en/images/pdf/2020_07_17_General_Assembly_Meeting_Minutes.pdf
PDP link to the related general meeting minutes in case the board of directors proposed to the General Assembly not to distribute dividends	https://www.kap.org.tr/en/Bildirim/860320
General Meeting Date	17.07.2020
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate in the General Shareholders' Meeting	74,76905
Percentage of shares directly present at the GSM	0.001%
Percentage of shares represented by proxy	99.999%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the number of votes for or against	Garanti BBVA Investor Relations Website Main Page > Environment, Social and Governance > Annual General Meeting https://www.garantibbvainvestorrelations.com/en/environment-social-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
Specifiy the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Garanti BBVA Investor Relations Website Main Page > Environment, Social and Governance > Annual General Meeting https://www.garantibbvainvestorrelations.com/en/environment-social-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
The number of the relevant item or paragraph of the General Shareholders' Meeting minutes in relation to related party transactions	https://www.garantibbvainvestorrelations.com/en/environment-social-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
The number of declarations by insiders received by the board of directors	832
The link to the related PDP general shareholder meeting notification	https://www.kap.org.tr/en/Bildirim/860336

2. DISCLOSURE AND TRANSPARENCY	
2.1. CORPORATE WEBSITE	**REMARKS / RELATED LINKS**
Specify the names of the sections of the website providing the information requested by the Principle 2.1.1.	Trade registry information: Garanti BBVA Investor Relations website Home > Contact > Garanti BBVA Latest shareholding and management structure: Garanti BBVA Investor Relations website Home > About Garanti BBVA > Shareholding Structure Detailed information on preference shares: There are no preference shares. The latest version of the Articles of Association: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Articles of Association Disclosures: Garanti BBVA Investor Relations website Home > News > Disclosures Financial Reports and Annual Reports: Garanti BBVA Investor Relations website Home > Library Prospectuses and other public disclosure documents: Garanti BBVA Investor Relations website Home > News > Disclosures General meeting documents: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Annual General Meetings Dividend distribution policy: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Policies > Dividend Distribution Policy Disclosure policy: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Policies > Disclosure Policy Ethical rules created by the company: Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Policies > Garanti BBVA Code of Ethics Frequently asked questions: Garanti BBVA Investor Relations website Home > FAQ
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares	https://www.garantibbvainvestorrelations.com/en/about-garanti/detail/Shareholding-Structure/7/16/0
List of languages for which the website is available	Garanti BBVA has two different websites prepared in Turkish and English languages. These can be accessed as follows: The website in Turkish www.garantibbva.com.tr The website in English www.garantibbva.com Garanti BBVA Investor Relations website provides detailed information, both in Turkish and English, about data that are required to be covered in websites as per the Corporate Governance Principles and all other information about Garanti BBVA and share in line with stakeholders' needs. Investor Relations website in Turkish: www.garantibbvayatirimciiliskileri.com Investor Relations website in English: www.garantibbvainvestorrelations.com
2.2. ANNUAL REPORT	
THE PAGE NUMBERS AND/OR NAMES OF THE SECTIONS IN THE ANNUAL REPORT THAT DEMONSTRATE THE INFORMATION REQUESTED BY PRINCIPLE 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the external of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Section: Board of Directors, Page: 42 Declaration of Independence, Page: 235
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Section: Committees, Page: 48

c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Section: Governance, Page: 40
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in legislation which may significantly affect the activities of the corporation	Section: Important developments regarding 2020 operations, Page: 204
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Section: Important developments regarding 2020 operations, Page: 204
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Section: Service Providers, Page: 583
f)The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Consolidated Financial Statements As of and For the Year Ended 31 December 2019, Section: 5.1.10.2, Page: 403
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Included in multiple sections: Best & Most Engaged Team (Page 182), Sustainability (Page 116), Financial Health (Page 102), Reaching More Clients (Page 134)

3. STAKEHOLDERS	
3.1. CORPORATION'S POLICY ON STAKEHOLDERS	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Garanti BBVA Investor Relations website Home > Environment, Social and Governance > Policies > Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	115
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Garanti BBVA Compliance Department (related committee: Ethics and Integrity Committee)
The contact detail of the company alert mechanism	"Garanti BBVA Whistleblowing Channel" etikbildirim@garantibbva.com.tr 0 216 662 5156
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	While there are no written internal regulations, employees are provided with the opportunity to comment on all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions.
Corporate bodies where employees are actually represented	From amongst employees, upper and middle level managers take part in decision-making mechanisms via 20 committees. Please see the Committees section in the Annual Report for further details. In order to ensure that employees take active role in the decision-making mechanism and to benefit from innovative opinions, suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas.
3.3. HUMAN RESOURCES POLICY	
The role of the Board on developing and ensuring that the company has a succession plan for the key management positions	There is a succession plan for key management positions, which is regularly followed up by the executive Board member and Executive Vice President on an annual basis.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy	Declaration of human rights and human resources policy are posted on the Investor Relations website. Related links are as follows: https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Declaration-of-Human-Rights/584/1866/0 https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Human-Resources-Policy/97/408/0
Whether the company provides an employee stock ownership program	There is a plan for "identified personnel", which is described in the Compensation Policy. As of 2020 year-end, there are 18,656 identified employees serving at the Bank. In the variable payments made to identified employees, payment is made in cash and by non-cash means (linked to share certificates) in line with the "Guidelines on Good Compensation Practices in Banks". In payment practices that rely on non-cash means within the scope of 2020 variable payments of identified employees, Banco Bilbao Vizcaya Argentaria S.A. share will be taken as basis. Link for the Compensation Policy: https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Employee-Compensation-Policy/355/1264/0
The name of the section on the corporate website that demonstrates the human resources policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy	The Human Resources Policy and Code of Conduct are posted on the Investor Relations website. Related links are as follows: https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Human-Resources-Policy/97/408/0 https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Code-of-Conduct/94/405/0
The number of definitive convictions the company is subject to in relation to health and safety measures	Garanti BBVA, which accelerated its work in this field by establishing a special team under Human Resources in 2013 for Occupational Health and Safety (OHS) practices, coordinates the health and safety requirements of all locations with this organization, which was positioned as OHS Management in 2015. Considering the national legislation as the minimum level and taking international standards and good practice examples as reference, Garanti BBVA continues its activities with a staff of 44 Occupational Safety Specialists, Workplace Physicians and Workplace Nurse, who work nationwide. This year, Garanti BBVA continues its practices crowned with the International Occupational Safety Award by the British Safety Council, one of the most respected health and safety authorities in the world, with the vision that it accepts the national legislation as minimum and focuses on best practices in the world. In 2020, the sensitive and successful emergency management practices it carries out in both pandemic and earthquake issues bring employee health and welfare to the next level. In accordance with Occupational Health and Safety (OHS) regulations, with the OHS team positioned within the body of Talent and Culture, processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-miss incidents, occupational accidents and corrective and preventive actions are carried out effectively. will continue to coordinate. Garanti BBVA has been using OHS software in all its locations since 2013, digitizing all OHS processes by breaking new ground among financial service institutions of similar size. Garanti BBVA provides the necessary coordination and follow-up through this software in all processes such as risk assessment, occupational health practices, training programs, OHS Boards, near-misses, occupational accidents, corrective actions, emergency plans and drills.There is no final court decision rendered against the company in relation to health and safety measures in 2020.
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY	
The name of the section on the corporate website that demonstrates the code of ethics	Garanti BBVA Investors Relations website Home > Environment, Social and Governance > Policies > Garanti BBVA Code of Conduct
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide information about any measures taken on environmental, social and corporate governance issues.	Garanti BBVA publishes integrated annual reports; hence, the Bank does not release a separate sustainability or corporate social responsibility report. The Bank discloses its entire value creation, both financial and non-financial, within the frame of materiality analysis, its strategic priorities, and its performance in these aspects. Addressed in a comprehensive scope extending from customer experience to employee satisfaction, from digital transformation to responsible and sustainable development, these topics, along with the information on risk management and corporate governance can be found in the integrated annual report. Garanti BBVA Investor Relations website Home > Library > Integrated Annual Reports
Any measures combating any kind of corruption including embezzlement and bribery	Garanti BBVA's Anti-Corruption Policy sets out the actions that need to be taken to prevent and determine across the Bank cases posing corruption risk, and to encourage reporting thereof. Furthermore, In order to prevent corruption, our Bank and its subsidiaries are engaged in an "anti-corruption awareness program ". In-class and e-learning trainings covering these subjects are assigned to all personnel.

Garanti BBVA | Integrated Annual Report 2020

4. BOARD OF DIRECTORS - I	
4.2. ACTIVITY OF THE BOARD OF DIRECTORS	**REMARKS / RELATED LINKS**
Date of the last board evaluation conducted	In its meeting on 2 March 2020, the Corporate Governance Committee that also functions as the Nomination Committee in line with the applicable legislation evaluated the composition and activities of the Board of Directors to be adequate and compliant with the legislation. The Board of Directors has been informed on the issue during the Board of Directors meeting held on 5 March 2020.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Based on the Bank's Board of Directors decision dated 29 March 2018, it has been decided to reassign Muammer Cüneyt Sezgin as the Board director in charge of the duties and responsibilities within the scope of internal systems, save for "Risk Management" duties that have been delegated to the Risk Committee as per the applicable legislation, which will based on the Audit Committee's opinions, suggestions, assessments and the like.
Number of reports presented by internal auditors to the audit committee or any other relevant committee of the board	9 in 2020
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Section: Internal Systems Governance, Page: 194
Name of the Chairman	Süleyman Sözen
Name of the CEO	Recep Bastug
If the CEO and Chair functions are combined, provide the link to the relevant PDP announcement providing the rationale for such combined roles	The roles of the Chairman and CEO are undertaken by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the Board of Directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	PDP disclosure is not available. The Bank's capital is TL 4.2 billion, and a Directors and Officers Liability cover for EUR 100,000 has been obtained for the individual liabilities of Executives and Board directors associated with improper performance of their duties.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	The Bank has different practices and policies to ensure gender equality and equal representation within the institution. It implements practices such as monitoring the ratio of men and women at different levels, preparing job postings without discrimination, training and awareness programs, women's leadership training and mentoring programs. The Bank has different practices and policies to ensure gender equality and equal representation within the institution such as tracking female-male ratio in various levels, as well as applications for open positions. Additionally, since March 2017 the Bank is a founding member of Thirty Percent Club, an organization with the aim of achieving higher rate of women participation in senior management. Garanti BBVA is the only company from Turkey selected to the Bloomberg Gender-Equality Index, which includes 230 companies from 10 sectors, across 36 countries and regions. Garanti, which has several practices and initiatives on women's social and empowerment, has been selected to the index.Although the Bank does not have a written policy to increase the ratio of Board Members, its work continues within the scope of the Diversity and Inclusion approach.
The number and ratio of female directors within the Board of Directors	There are 2 women members representing 18% of the full number of members.

NAME/SURNAME OF BOARD MEMBER	WHETHER EXECUTIVE DIRECTOR OR NOT	WHETHER INDEPENDENT DIRECTOR OR NOT	THE FIRST ELECTION DATE TO BOARD	LINK TO PDP NOTIFICATION THAT INCLUDES THE INDEPENDENCY DECLARATION	WHETHER THE INDEPENDENT DIRECTOR CONSIDERED BY THE NOMINATION COMMITTEE	WHETHER SHE/HE IS THE DIRECTOR WHO CEASED TO SATISFY THE INDEPENDENCE OR NOT	WHETHER THE DIRECTOR HAS AT LEAST 5 YEARS' EXPERIENCE ON AUDIT, ACCOUNTING AND/OR FINANCE OR NOT
Süleyman Sözen	No	No	29.05.1997	-			Yes
Jorge Sáenz-Azcúnaga Carranza	No	Yes	24.03.2016	-	No	No	Yes
Ergun Özen	No	No	14.05.2003	-			Yes
Dr. M. Cüneyt Sezgin	No	No	30.06.2004	-			Yes
Sema Yurdum	No	Yes	30.04.2013	-	No	No	Yes
Jaime Saenz De Tejada Pulido	No	No	2.10.2014	-			Yes
Javier Bernal Dionis	No	No	27.07.2015	-			Yes
Recep Baştuğ	Yes	No	6.09.2019	-			Yes
Rafael Salinas Martinez de Lecea	No	No	8.05.2017	-			Yes
Aydın Düren*	No	Yes	17.06.2020	-	No	No	Yes
Mevhibe Canan Özsoy	No	Yes	4.04.2019	https://www.kap.org.tr/en/cgif/4028e4a140f2ed720140f37cb2a601b7	Yes	No	Yes

** At the Board of Directors Meeting dated June 17, 2020, it was decided to appoint Avni Aydın Düren as a Board Member to complete the balance period for the vacant Board Membership due to the resignation of Ricardo Gomez Barredo*

4. BOARD OF DIRECTORS - II	
4.4. MEETING PROCEDURES OF THE BOARD OF DIRECTOR	**REMARKS / RELATED LINKS**
Number of physical board meetings in the reporting period (meetings in person)	The Board held 11 physical meetings in 2020.
Director average attendance rate at board meetings	69,4%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	4-5 days on average.
The name of the section on the corporate website that provides information about the board charter	Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Policies > Working Principles And Procedures Of The Bod
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	The limits set by the banking legislation are complied with.
4.5. BOARD COMMITTEES	
Page numbers or section names of the annual report where information about the board committees are presented	Section: Committees, Page: 48-49
Link(s) to the PDP announcement(s) with the board committee charters	While a PDP disclosure link is unavailable for the announcement pertaining to operating principles, the responsibilities of the committees are described on https://www.garantibbvainvestorrelations.com/en/ address, under Environment, Social and Governance section.

NAMES OF THE BOARD COMMITTEES	NAME OF COMMITTEES DEFINED AS "OTHER" IN THE FIRST COLUMN	NAME-SURNAME OF COMMITTEE MEMBERS	WHETHER COMMITTEE CHAIR OR NOT	WHETHER BOARD MEMBER OR NOT
Corporate Governance Committee (including the functions of Nomination Committee)		Javier Bernal Dionis, Jorge Saenz Azcunaga Carranza, Sema Yurdum, Handan Saygın	Jorge Saenz Azcunaga Carranza	Except for Handan Saygın, all members are members of the Board of Directors.

4. BOARD OF DIRECTORS - III	
4.5. BOARD COMMITTEES - II	**REMARKS / RELATED LINKS**
Specify where the activities of the Audit Committee are presented in your annual report or website (Page number or section name in the annual report/website	Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Committees > Audit Committee
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Committees > Corporate Governance Committee
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Committees > Corporate Governance Committee
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Committees > Risk Committee
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	https://www.garantibbvainvestorrelations.com/en/environment-social-governance/detail/Remuneration-Committee/83/396/0
4.6. FINANCIAL RIGHTS	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Section: Operational Excellence, Page: 146
Specify the section of the website where remuneration policy for executive and non-executive directors are presented	Garanti BBVA Investor Relations website Home > Environment, Social And Governance > Policies > Employee Compensation Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Section: Corporate Governance Compliance Report > Remuneration, Page: 236, 237

NAMES OF THE BOARD COMMITTEES	NAME OF COMMITTEES DEFINED AS "OTHER" IN THE FIRST COLUMN	THE PERCENTAGE OF NON-EXECUTIVE DIRECTORS	THE PERCENTAGE OF INDEPENDENT DIRECTORS IN THE COMMITTEE	THE NUMBER OF COMMITTEE MEETINGS HELD IN PERSON	THE NUMBER OF REPORTS ON ITS ACTIVITIES SUBMITTED TO THE BOARD
Corporate Governance Committee (including the functions of Nomination Committee)		75%	50%	2, virtual	2

Garanti BBVA's Ratings

CORPORATE GOVERNANCE RATING

JCR EURASIA RATINGS (OUTLOOK: STABLE)

Overall Compliance Score: 9.77

Garanti BBVA is included in the Borsa Istanbul (BIST) Corporate Governance Index by achieving an overall corporate governance score of 9.77 assigned by JCR Eurasia Ratings for its superior compliance with Capital Markets Board Corporate Governance Principles.

SECTIONS	WEIGHT	SCORE
Shareholders	25%	9.67
Disclosure and Transparency	25%	9.76
Stakeholders	15%	9.86
Board of Directors	35%	9.81

CREDIT RATINGS

Garanti BBVA is rated by Fitch Ratings, Moody's and JCR Eurasia. The Long Term LC and FC ratings of Garanti BBVA assigned by JCR Eurasia Ratings represent investment grade.

FITCH RATINGS (SEPTEMBER, 2020)

(Outlook: Negative)

Long Term FC B+
Long Term LC BB-

MOODY'S (DECEMBER, 2020)

(Outlook: Negative)

Long Term FC Deposits B2
Long Term LC Deposits B2

JCR EURASIA RATINGS (AUGUST, 2020)

(Outlook: Negative)

Long Term International FC BBB-
Long Term International LC BBB

For detailed information on Garanti BBVA's ratings, their definitions, rating and outlook actions, please refer to Ratings Section of Garanti BBVA Investor Relations website.

Profit Distribution

We propose our esteemed shareholders the profit of TL 6,238,002,719.48, which is generated in the 7th fiscal year of the Bank, to be distributed as detailed in the table below in accordance with the "Article 45 - Distribution of the Profit" of the Articles of Association of the Bank and the Head Office to be authorized to conduct the operations regarding the issue.

Sincerely,
Board of Directors

2020 DISTRIBUTION OF THE PROFIT TABLE

(Turkish Liras)

NET PROFIT	**6,238,002,719.48**
A - 5% for the 1st Legal Reserve Fund (TCC 519/1)	0.00
B - FIRST DIVIDEND CORRESPONDING TO THE 5% OF THE PAID UP CAPITAL	**210,000,000.00**
C - 5% Extraordinary Reserve Fund	301,400,135.97
D - SECOND DIVIDEND TO ORDINARY SHAREHOLDERS	**413,800,000.00**
2nd Legal Reserve Fund (TCC 519/2)	413,800,000.00
The other funds have to be kept in the Bank (CIT 5/1/e)	35,204,890.73
D - Extraordinary Reserve Fund	5,236,217,692.78

INFORMATION ON DIVIDEND PAYOUT RATIO

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT	DIVIDEND PER SHARE (NOMINAL VALUE: 1TL)	
		CASH (TL)	BONUS SHARE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	-	623,800,000.00	-	10.00%	0.14852	14.85238
NET	-	530,230,000.00	-	8.50%	0.012625	12.62452

FINANCIAL REPORTS AND APPENDIX

UNCONSOLIDATED FINANCIAL STATEMENTS

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS, RELATED DISCLOSURES AND INDEPENDENT AUDITORS' REPORT THEREON AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

A) REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

We have audited the unconsolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 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 year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis For Qualified Opinion section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Board Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by Banking Regulation and Supervision Agency ("BRSA") and requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As stated in Note 2.8.4 of Section Five, the accompanying unconsolidated financial statements as at 31 December 2020 include a general reserve of total of TL 4,650,000 thousands, of which TL 2,150,000 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 reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

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

Key Audit Matters

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

Impairment of loans measured at amortised cost

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

KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
As of 31 December 2020, loans measured at amortised cost comprise 64% of the Bank's total assets. The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard"). The Bank applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Bank management annually. The significant assumptions and estimates of the Bank's management are as follows: • significant increase in credit risk; • incorporating the forward looking macroeconomic information in calculation of credit risk; and • design and implementation of expected credit loss model. The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The Bank calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions including the impact of COVID-19, the level of judgements and its complex structure as explained above.	Our procedures for testing the impairment of loans included below: : • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Banks's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including the impact of COVID 19 on prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis including the impact of COVID-19 on the assumptions and estimates. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models including the effects of COVID-19, that are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments, including the effects of COVID-19, which are used in determining the significant increase in credit risk. • We also evaluated the adequacy of the unconsolidated financial statements disclosures related to impairment provisions.

Measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)

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

KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9. The fair value of the loan classified as financial assets measured at fair value through profit or loss according to business model is determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used. Management assesses the significant unobservable inputs and uncertainties due to assumptions and estimates with the involvement of an independent valuation firm. The Bank has also financial liabilities (securitization loans) which are accounted by using the fair value option on the initial recognition in order to eliminate any accounting mismatch in accordance with TFRS 9. The fair value of the securitization loans which are accounted as financial liabilities measured at fair value through profit or loss are determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used. As mentioned above, the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) is determined as key audit matter considering high degree of judgements and assumptions.	Our procedures for testing the fair value hierarchy of the financial instruments (the fair value hierarchy of financial instruments determined as Level 3) included below: • We evaluated the design and implementation of the controls that the Bank sets for the measurement of fair value of the relevant financial instruments. • We assessed the policy of the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) based on TFRS 9 and compared with the requirements of TFRS 9. • We involved our own valuation specialists to evaluate the significant unobservable inputs and assumptions used by the Bank for the fair value calculation of the related instruments. • We also evaluated the adequacy of the unconsolidated financial statements disclosures related to the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).

Pension plan

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

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Bank's employees are the members of this Fund. As disclosed in the Note 3.17 to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members. As of 31 December 2020, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. As of 31 December 2020, the Bank's non-transferrable liabilities are also calculated by independent actuary in accordance with TAS 19 Employee Benefits Standard. The valuation of the Pension Fund liabilities requires judgement in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan. Management uses independent actuaries to assist in assessing the uncertainty around these assumptions. Considering the subjectivity of key judgements and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.	Our procedures for auditing calculations of the management's pension plan liability included below: • We evaluated the design and implementation of the controls that the Bank has set for the liability calculations related to the pension plan was tested. • We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations. • We evaluated the significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated. • We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations. • We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used including the effects of COVID-19. • We evaluated the adequacy of the unconsolidated financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities.

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

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

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

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

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

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

B) REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2020 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

ADDITIONAL PARAGRAPH FOR CONVENIENCE TRANSLATION TO ENGLISH:

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

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

Murat Alsan, SMMM
Partner

28 January 2021
Istanbul, Turkey

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

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TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020

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

1. General Information about the Bank
2. Unconsolidated Financial Statements of the Bank
3. 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. Other Disclosures and Footnotes
7. Independent Auditors' Report

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

SÜLEYMAN SÖZEN	RECEP BAŞTUĞ	AYDIN GÜLER	HAKAN ÖZDEMIR
Board of Directors Chairman	General Manager	Executive Vice President Responsible of Financial Reporting	Financial Reporting and Accounting Director

JORGE SAENZ - AZCUNAGA CARRANZA	AVNI AYDIN DÜREN	BELKIS SEMA YURDUM
Audit Committee Member	Audit Committee Member	Audit Committee Member

The authorized contact person for questions on this financial report:
Name-Surname/Title: Handan SAYGIN/Director of Investor Relations

Tel No: (0212) 318 23 50
Fax No: (0212) 216 59 02

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

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 884 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 31 December 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).

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

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

On 21 February 2017, BBVA agreed with Doğuş Group to acquire 41.790.000.000 shares at a nominal value of TL 417,900 representing 9.95% ownership and on 22 March 2017 in accordance with the terms of the 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 80 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 124 thousand employees.

TÜRKİYE GARANTİ BANKASI AŞ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2020
(Thousands of Turkish Lira (TL))

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

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
Avni Aydın Düren	Independent Member and Member of Audit Committee	17.06.2020	Master	29 years
Mevhibe Canan Özsoy	Independent Member	04.04.2019	Master	32 years

CEO AND EXECUTIVE VICE PRESIDENTS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Recep Baştuğ	CEO	06.09.2019	University	31 years
İlker Kuruöz	EVP - Engineering Services and Data	14.03.2018	Master	29 years
Betül Ebru Edin	EVP - Corporate, Investment Banking and Global Markets	25.11.2009	University	27 years
Işıl Akdemir Evlioğlu	EVP - Customer Solutions and Digital Banking	01.03.2020	Master	15 years
Selahattin Güldü (**)	EVP - Commercial Banking	20.04.2018	University	30 years
Didem Başer	EVP - Talent and Culture	01.03.2020	Master	26 years
Aydın Güler	EVP - Finance and Treasury	03.02.2016	University	30 years
Ali Temel (*)	Head of Credit Risk Management	03.02.2016	University	30 years
Mahmut Akten	EVP - Retail Banking	17.01.2017	Master	21 years
Cemal Onaran (**)	EVP - SME Banking	17.01.2017	University	30 years

(*)As of 1 January 2021, Murat Atay is assigned as Head of Credit Risk Management.
(**) At the Board of Directors meeting dated 18 January 2021 it was decided to appoint Cemal Onaran to replace Selahattin Güldü as the Executive Vice President in charge of Commercial Banking and Sibel Kaya to replace Cemal Onaran as the Executive Vice President in charge of SME Banking. These appointments will be effective following the completion of necessary legal procedures and obtaining of legal approvals.

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

TÜRKİYE GARANTİ BANKASI AŞ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2020
(Thousands of Turkish Lira (TL))

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

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.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Balance Sheet (Statement of Financial Position)
At 31 December 2020

2 UNCONSOLIDATED FINANCIAL STATEMENTS

			THOUSANDS OF TURKISH LIRA (TL)					
	ASSETS		CURRENT PERIOD 31 DECEMBER 2020			PRIOR PERIOD 31 DECEMBER 2019		
		FOOTNOTES	TL	FC	TOTAL	TL	FC	TOTAL
I.	**FINANCIAL ASSETS (Net)**		**40,531,365**	**80,554,683**	**121,086,048**	**33,776,385**	**62,458,332**	**96,234,717**
1.1	**Cash and Cash Equivalents**	5.1.1	**15,068,077**	**62,724,448**	**77,792,525**	**13,719,095**	**50,054,007**	**63,773,102**
1.1.1	Cash and Balances with Central Bank		6,997,122	48,169,467	55,166,589	3,285,976	38,390,532	41,676,508
1.1.2	Banks		254,194	14,541,451	14,795,645	275,625	11,593,863	11,869,488
1.1.3	Money Market Placements		8,003,922	239,378	8,243,300	10,193,163	183,283	10,376,446
1.1.4	Expected Credit Losses (-)		187,161	225,848	413,009	35,669	113,671	149,340
1.2	**Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)**	5.1.2	**578,558**	**6,929,395**	**7,507,953**	**380,115**	**4,510,763**	**4,890,878**
1.2.1	Government Securities		518,067	2,077,532	2,595,599	340,037	91,126	431,163
1.2.2	Equity Securities		29,086	54,021	83,107	40,078	20,428	60,506
1.2.3	Other Financial Assets		31,405	4,797,842	4,829,247	-	4,399,209	4,399,209
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)**	5.1.3	**22,424,484**	**8,933,994**	**31,358,478**	**18,133,071**	**6,549,979**	**24,683,050**
1.3.1	Government Securities		22,255,104	8,691,269	30,946,373	18,051,257	6,216,429	24,267,686
1.3.2	Equity Securities		58,305	242,725	301,030	32,328	333,550	365,878
1.3.3	Other Financial Assets		111,075	-	111,075	49,486	-	49,486
1.4	**Derivative Financial Assets**	5.1.4	**2,460,246**	**1,966,846**	**4,427,092**	**1,544,104**	**1,343,583**	**2,887,687**
1.4.1	Derivative Financial Assets Measured at FVTPL		2,013,085	1,966,846	3,979,931	1,131,692	1,334,234	2,465,926
1.4.2	Derivative Financial Assets Measured at FVOCI		447,161	-	447,161	412,412	9,349	421,761
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST**		**227,790,391**	**102,188,728**	**329,979,119**	**177,953,331**	**86,015,238**	**263,968,569**
2.1	**Loans**	5.1.5	**215,622,779**	**99,461,744**	**315,084,523**	**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	**22,653,295**	**11,687,924**	**34,341,219**	**20,732,279**	**7,884,639**	**28,616,918**
2.3.1	Government Securities		22,619,714	10,541,868	33,161,582	20,591,464	6,967,172	27,558,636
2.3.2	Other Financial Assets		33,581	1,146,056	1,179,637	140,815	917,467	1,058,282
2.4	**Expected Credit Losses (-)**		**10,485,683**	**8,960,940**	**19,446,623**	**9,734,501**	**6,079,221**	**15,813,722**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.1.8	**768,033**	**-**	**768,033**	**1,291,274**	**-**	**1,291,274**
3.1	Asset Held for Resale		768,033	-	768,033	1,291,274	-	1,291,274
3.2	Assets of Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES,SUBSIDIARIES AND JOINT VENTURES**		**3,436,942**	**7,980,844**	**11,417,786**	**2,905,123**	**5,681,755**	**8,586,878**
4.1	**Associates (Net)**	5.1.9	**45,780**	**-**	**45,780**	**35,158**	**-**	**35,158**
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		45,780	-	45,780	35,158	-	35,158
4.2	**Subsidiaries (Net)**	5.1.10	**3,391,162**	**7,980,844**	**11,372,006**	**2,869,965**	**5,681,755**	**8,551,720**
4.2.1	Unconsolidated Financial Investments in Subsidiaries		3,287,142	7,980,844	11,267,986	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	**5,319,194**	**267**	**5,319,461**	**4,990,953**	**271**	**4,991,224**
VI.	**INTANGIBLE ASSETS (Net)**	5.1.13	**454,552**	**-**	**454,552**	**350,882**	**-**	**350,882**
6.1	Goodwill		-	-	-	-	-	-
6.2	Others		454,552	-	454,552	350,882	-	350,882
VII.	**INVESTMENT PROPERTY (Net)**	5.1.14	**704,701**	**-**	**704,701**	**703,141**	**-**	**703,141**
VIII.	**CURRENT TAX ASSET**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**DEFERRED TAX ASSET**	5.1.15	**3,509,508**	**-**	**3,509,508**	**1,710,519**	**-**	**1,710,519**
X.	**OTHER ASSETS (Net)**	5.1.16	**8,036,017**	**11,522,595**	**19,558,612**	**5,212,339**	**8,102,727**	**13,315,066**
	TOTAL ASSETS		**290,550,703**	**202,247,117**	**492,797,820**	**228,893,947**	**162,258,323**	**391,152,270**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Balance Sheet (Statement of Financial Position) At 31 December 2020

	LIABILITIES AND SHAREHOLDERS' EQUITY	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31 DECEMBER 2020 TL	FC	TOTAL	PRIOR PERIOD 31 DECEMBER 2019 TL	FC	TOTAL
I.	**DEPOSITS**	5.2.1	**143,602,381**	**177,909,214**	**321,511,595**	**114,481,908**	**134,269,183**	**248,751,091**
II.	**FUNDS BORROWED**	5.2.2	**1,558,595**	**23,879,846**	**25,438,441**	**1,687,332**	**23,435,491**	**25,122,823**
III.	**MONEY MARKET FUNDS**	5.2.3	**71,830**	**-**	**71,830**	**67,803**	**436,372**	**504,175**
IV.	**SECURITIES ISSUED (NET)**	5.2.4	**6,088,978**	**12,901,692**	**18,990,670**	**6,036,084**	**10,371,648**	**16,407,732**
4.1	Bills		4,661,251	-	4,661,251	4,825,540	-	4,825,540
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		1,427,727	12,901,692	14,329,419	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	**-**	**15,980,865**	**15,980,865**	**-**	**14,292,878**	**14,292,878**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	5.2.6	**4,310,977**	**4,033,168**	**8,344,145**	**1,876,549**	**2,208,025**	**4,084,574**
7.1	Derivative Financial Liabilities Measured at FVTPL		4,250,654	3,798,190	8,048,844	1,282,689	2,139,130	3,421,819
7.2	Derivative Financial Liabilities Measured at FVOCI		60,323	234,978	295,301	593,860	68,895	662,755
VIII.	**FACTORING PAYABLES**		**-**	**-**	**-**	**-**	**-**	**-**
IX.	**LEASE PAYABLES (Net)**	5.2.7	**830,788**	**42,233**	**873,021**	**949,775**	**56,373**	**1,006,148**
X.	**PROVISIONS**	5.2.8	**5,985,404**	**3,065,706**	**9,051,110**	**4,685,257**	**1,046,489**	**5,731,746**
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		1,223,831	110,082	1,333,913	1,073,537	71,419	1,144,956
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		4,761,573	2,955,624	7,717,197	3,611,720	975,070	4,586,790
XI.	**CURRENT TAX LIABILITY**	5.2.9	**2,132,278**	**31,882**	**2,164,160**	**1,081,878**	**51,672**	**1,133,550**
XII.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**	**-**	**-**	**-**
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	**1,029,532**	**5,569,437**	**6,598,969**	**261,478**	**4,468,229**	**4,729,707**
14.1	Borrowings		-	-	-	-	-	-
14.2	Other Debt Instruments		1,029,532	5,569,437	6,598,969	261,478	4,468,229	4,729,707
XV.	**OTHER LIABILITIES**	5.2.12	**18,337,471**	**3,353,820**	**21,691,291**	**13,992,137**	**1,630,043**	**15,622,180**
XVI.	**SHAREHOLDERS' EQUITY**	5.2.13	**61,783,033**	**298,690**	**62,081,723**	**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		1,487,187	114,358	1,601,545	1,275,384	267,781	1,543,165
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		3,745,069	(85,252)	3,659,817	1,962,812	(54,458)	1,908,354
16.5	Profit Reserves		45,131,892	269,584	45,401,476	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	269,584	507,597	232,576	271,080	503,656
16.6	Profit/Loss		6,434,451	-	6,434,451	6,158,841	-	6,158,841
16.6.1	Prior Periods' Profit/Loss		196,448	-	196,448	-	-	-
16.6.2	Current Period's Net Profit/Loss		6,238,003	-	6,238,003	6,158,841	-	6,158,841
								-
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**245,731,267**	**247,066,553**	**492,797,820**	**198,401,464**	**192,750,806**	**391,152,270**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Off-Balance Sheet Items At 31 December 2020

		FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31 DECEMBER 2020 TL	FC	TOTAL	PRIOR PERIOD 31 DECEMBER 2019 TL	FC	TOTAL
A	**OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)**		**250,438,359**	**381,495,813**	**631,934,172**	**186,024,138**	**290,326,802**	**476,350,940**
I.	**GARANTİ ve KEFALETLER**	5.3.1	**31,824,340**	**44,535,398**	**76,359,738**	**23,655,572**	**36,838,728**	**60,494,300**
1.1.	Letters of guarantee		31,475,024	32,453,565	63,928,589	23,555,242	25,924,721	49,479,963
1.1.1.	Guarantees subject to State Tender Law		-	1,368,856	1,368,856	-	1,252,136	1,252,136
1.1.2.	Guarantees given for foreign trade operations		2,489,512	624,418	3,113,930	1,408,118	535,596	1,943,714
1.1.3.	Other letters of guarantee		28,985,512	30,460,291	59,445,803	22,147,124	24,136,989	46,284,113
1.2.	Bank acceptances		70,194	2,103,257	2,173,451	35,845	1,543,198	1,579,043
1.2.1.	Import letter of acceptance		70,194	2,103,257	2,173,451	35,395	1,521,807	1,557,202
1.2.2.	Other bank acceptances		-	-	-	450	21,391	21,841
1.3.	Letters of credit		279,122	9,858,696	10,137,818	64,485	9,296,630	9,361,115
1.3.1.	Documentary letters of credit		-	-	-	-	-	-
1.3.2.	Other letters of credit		279,122	9,858,696	10,137,818	64,485	9,296,630	9,361,115
1.4.	Guaranteed prefinancings		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other endorsements		-	-	-	-	-	-
1.6.	Underwriting commitments		-	-	-	-	-	-
1.7.	Factoring related guarantees		-	-	-	-	-	-
1.8.	Other guarantees		-	119,880	119,880	-	74,179	74,179
1.9.	Other sureties		-	-	-	-	-	-
II.	**COMMITMENTS**	5.3.1	**75,536,622**	**25,847,305**	**101,383,927**	**62,612,512**	**12,855,966**	**75,468,478**
2.1.	Irrevocable commitments		75,525,720	23,850,201	99,375,921	62,597,467	11,407,314	74,004,781
2.1.1.	Asset purchase and sale commitments		4,789,187	21,980,460	26,769,647	5,305,681	10,055,183	15,360,864
2.1.2.	Deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3.	Share capital commitments to associates and affiliates		-	2,780	2,780	-	6,336	6,336
2.1.4.	Loan granting commitments		21,120,921	1,866,961	22,987,882	16,444,587	1,345,795	17,790,382
2.1.5.	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Commitments for cheque payments		3,174,209	-	3,174,209	3,184,727	-	3,184,727
2.1.8.	Tax and fund obligations on export commitments		143,224	-	143,224	137,121	-	137,121
2.1.9.	Commitments for credit card limits		46,297,211	-	46,297,211	37,522,327	-	37,522,327
2.1.10.	Commitments for credit cards and banking services related promotions		968	-	968	3,024	-	3,024
2.1.11.	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12.	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13.	Other irrevocable commitments		-	-	-	-	-	-
2.2.	Revocable commitments		10,902	1,997,104	2,008,006	15,045	1,448,652	1,463,697
2.2.1.	Revocable loan granting commitments		10,902	1,995,025	2,005,927	15,045	1,446,989	1,462,034
2.2.2.	Other revocable commitments		-	2,079	2,079	-	1,663	1,663
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	5.3.2	**143,077,397**	**311,113,110**	**454,190,507**	**99,756,054**	**240,632,108**	**340,388,162**
3.1	Derivative financial instruments held for risk management		4,115,260	32,298,462	36,413,722	21,712,536	38,829,691	60,542,227
3.1.1	Fair value hedges		469,986	7,576,457	8,046,443	4,835,016	16,046,285	20,881,301
3.1.2	Cash flow hedges		3,645,274	24,722,005	28,367,279	16,877,520	22,783,406	39,660,926
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Trading derivatives		138,962,137	278,814,648	417,776,785	78,043,518	201,802,417	279,845,935
3.2.1	Forward foreign currency purchases/sales		9,048,430	9,869,949	18,918,379	7,301,938	8,068,206	15,370,144
3.2.1.1	Forward foreign currency purchases		6,508,291	3,145,496	9,653,787	3,682,456	4,054,139	7,736,595
3.2.1.2	Forward foreign currency sales		2,540,139	6,724,453	9,264,592	3,619,482	4,014,067	7,633,549
3.2.2	Currency and interest rate swaps		126,227,468	217,752,253	343,979,721	60,693,410	151,509,069	212,202,479
3.2.2.1	Currency swaps-purchases		8,969,356	84,033,085	93,002,441	10,023,967	61,232,134	71,256,101
3.2.2.2	Currency swaps-sales		65,502,474	39,504,650	105,007,124	43,714,007	24,234,403	67,948,410
3.2.2.3	Interest rate swaps-purchases		25,878,025	47,107,259	72,985,284	3,477,718	33,021,266	36,498,984
3.2.2.4	Interest rate swaps-sales		25,877,613	47,107,259	72,984,872	3,477,718	33,021,266	36,498,984
3.2.3	Currency, interest rate and security options		2,589,981	6,720,617	9,310,598	9,982,384	21,935,096	31,917,480
3.2.3.1	Currency call options		1,671,606	1,196,735	2,868,341	5,408,521	5,781,135	11,189,656
3.2.3.2	Currency put options		918,375	2,108,244	3,026,619	4,573,863	7,252,760	11,826,623
3.2.3.3	Interest rate call options		-	1,846,602	1,846,602	-	6,649,121	6,649,121
3.2.3.4	Interest rate put options		-	1,569,036	1,569,036	-	2,252,080	2,252,080
3.2.3.5	Security call options		-	-	-	-	-	-
3.2.3.6	Security put options		-	-	-	-	-	-
3.2.4	Currency futures		1,096,258	1,278,030	2,374,288	65,786	471,118	536,904
3.2.4.1	Currency futures-purchases		567,391	611,740	1,179,131	61,892	208,060	269,952
3.2.4.2	Currency futures-sales		528,867	666,290	1,195,157	3,894	263,058	266,952
3.2.5	Interest rate futures		-	-	-	-	29,604	29,604
3.2.5.1	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-	-	29,604	29,604
3.2.6	Others		-	43,193,799	43,193,799	-	19,789,324	19,789,324
B	**CUSTODY AND PLEDGED ITEMS (IV+V+VI)**		**871,288,654**	**1,092,016,647**	**1,963,305,301**	**781,260,644**	**805,490,181**	**1,586,750,825**
IV.	**ITEMS HELD IN CUSTODY**		**49,252,335**	**56,050,432**	**105,302,767**	**43,409,744**	**42,261,767**	**85,671,511**
4.1.	Customers' securities held		11,346,140	-	11,346,140	9,529,381	-	9,529,381
4.2.	Investment securities held in custody		14,459,589	17,679,389	32,138,978	15,270,202	12,493,790	27,763,992
4.3.	Checks received for collection		17,546,040	6,928,003	24,474,043	15,595,071	5,756,410	21,351,481
4.4.	Commercial notes received for collection		2,483,134	1,064,265	3,547,399	2,701,590	914,041	3,615,631
4.5.	Other assets received for collection		3,320,118	26,718,602	30,038,720	250,510	20,775,992	21,026,502
4.6.	Assets received through public offering		-	181,367	181,367	-	144,496	144,496
4.7.	Other items under custody		97,314	3,478,806	3,576,120	62,990	2,177,038	2,240,028
4.8.	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**822,036,319**	**1,035,966,215**	**1,858,002,534**	**737,850,900**	**763,228,414**	**1,501,079,314**
5.1.	Securities		5,755,288	2,036,084	7,791,372	3,562,837	1,433,797	4,996,634
5.2.	Guarantee notes		23,242,788	13,837,997	37,080,785	23,696,036	11,082,043	34,778,079
5.3.	Commodities		65,681	-	65,681	3,371	-	3,371
5.4.	Warranties		-	-	-	-	-	-
5.5.	Real estates		186,467,015	170,167,248	356,634,263	174,794,481	134,473,134	309,267,615
5.6.	Other pledged items		606,505,547	849,924,755	1,456,430,302	535,794,175	616,239,344	1,152,033,519
5.7.	Pledged items-depository		-	131	131	-	96	96
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		**-**	**-**	**-**	**-**	**-**	**-**
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**1,121,727,013**	**1,473,512,460**	**2,595,239,473**	**967,284,782**	**1,095,816,983**	**2,063,101,765**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit or Loss For the period ended at 31 December 2020

	INCOME AND EXPENSE ITEMS	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 JANUARY 2020- 31 DECEMBER 2020	PRIOR PERIOD 1 JANUARY 2019- 31 DECEMBER 2019
I.	**INTEREST INCOME**	5.4.1	**37,228,620**	**39,684,410**
1.1	Interest income on loans		29,565,695	32,292,575
1.2	Interest income on reserve deposits		81,711	366,711
1.3	Interest income on banks		80,749	548,770
1.4	Interest income on money market transactions		740,204	382,138
1.5	Interest income on securities portfolio		6,404,166	5,586,243
1.5.1	Financial assets measured at FVTPL		117,865	99,964
1.5.2	Financial assets measured at FVOCI		2,995,164	2,674,214
1.5.3	Financial assets measured at amortised cost		3,291,137	2,812,065
1.6	Financial lease income		-	-
1.7	Other interest income		356,095	507,973
II.	**INTEREST EXPENSE**	5.4.2	**13,460,416**	**20,657,218**
2.1	Interest on deposits		9,265,731	16,382,233
2.2	Interest on funds borrowed		1,501,682	1,952,440
2.3	Interest on money market transactions		239,660	35,170
2.4	Interest on securities issued		1,903,586	2,014,356
2.5	Lease interest expense		129,771	185,655
2.6	Other interest expenses		419,986	87,364
III.	**NET INTEREST INCOME (I - II)**		**23,768,204**	**19,027,192**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**5,978,016**	**6,088,510**
4.1	Fees and commissions received		7,550,842	8,364,406
4.1.1	Non-cash loans		714,449	678,317
4.1.2	Others		6,836,393	7,686,089
4.2	Fees and commissions paid		1,572,826	2,275,896
4.2.1	Non-cash loans		1,943	584
4.2.2	Others		1,570,883	2,275,312
V.	**DIVIDEND INCOME**	5.4.3	**18,994**	**8,893**
VI.	**NET TRADING INCOME/LOSSES (Net)**	5.4.4	**181,487**	**(1,939,519)**
6.1	Trading account income/losses		625,177	(205,827)
6.2	Income/losses from derivative financial instruments		(6,385,074)	(2,872,920)
6.3	Foreign exchange gains/losses		5,941,384	1,139,228
VII.	**OTHER OPERATING INCOME**	5.4.5	**4,567,722**	**3,965,073**
VIII.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII)**		**34,514,423**	**27,150,149**
IX.	**EXPECTED CREDIT LOSSES (-)**	5.4.6	**13,394,295**	**10,701,394**
X.	**OTHER PROVISIONS (-)**	5.4.6	**3,766,103**	**820,604**
XI.	**PERSONNEL EXPENSES (-)**		**3,706,612**	**3,523,682**
XII.	**OTHER OPERATING EXPENSES (-)**	5.4.7	**6,331,031**	**5,182,131**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**7,316,382**	**6,922,338**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**1,323,028**	**893,943**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVII.	**OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)**	5.4.8	**8,639,410**	**7,816,281**
XVIII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	5.4.9	**2,401,407**	**1,657,440**
18.1	Current tax charge		4,168,731	2,118,360
18.2	Deferred tax charge (+)		288,613	217,852
18.3	Deferred tax credit (-)		(2,055,937)	(678,772)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	5.4.10	**6,238,003**	**6,158,841**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from assets held for sale		-	-
20.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses on assets held for sale		-	-
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3	Others		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)**	5.4.8	**-**	**-**
XXIII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**	5.4.9	**-**	**-**
23.1	Current tax charge		-	-
23.2	Deferred tax charge (+)		-	-
23.3	Deferred tax credit (-)		-	-
XXIV.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)**	5.4.10	**-**	**-**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	5.4.11	**6,238,003**	**6,158,841**
	Earnings per Share		0.01485	0.01466

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit or Loss and Other Comprehensive Income
For the period ended at 31 December 2020

	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 JANUARY 2020- 31 DECEMBER 2020	PRIOR PERIOD 1 JANUARY 2019- 31 DECEMBER 2019
I.	**CURRENT PERIOD PROFIT/LOSS**	**6,238,003**	**6,158,841**
II.	**OTHER COMPREHENSIVE INCOME**	**2,006,291**	**892,559**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**254,828**	**130,162**
2.1.1	Revaluation Surplus on Tangible Assets	406,692	(268)
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(158,177)	(15,708)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	51,220	151,893
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(44,907)	(5,755)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**1,751,463**	**762,397**
2.2.1	Translation Differences	2,025,712	502,294
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	328,433	1,160,130
2.2.3	Gains/losses from Cash Flow Hedges	223,145	(697,745)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(968,059)	(237,150)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	55,553	84,959
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	86,679	(50,091)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**8,244,294**	**7,051,400**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Changes in Shareholders' Equity For the period ended at 31 December 2020

		THOUSANDS OF TURKISH LIRA (TL)													
						OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS			OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS TO BE RECYCLED TO PROFIT OR LOSS						
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	FOOTNOTES	PAID-IN CAPITAL	SHARE PREMIUM	SHARE CANCELLATION PROFITS	OTHER CAPITAL RESERVES	REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS	DEFINED BENEFIT PLANS' ACTUARIAL GAINS/LOSSES	OTHERS	TRANSLATION DIFFERENCES	INCOME/EXPENSES FROM VALUATION AND/OR RECLASSIFICATION OF FINANCIAL ASSETS MEASURED AT FVOCI	OTHERS	PROFIT RESERVES	PRIOR PERIODS' PROFIT/LOSS	CURRENT PERIOD'S NET PROFIT/LOSS	TOTAL SHAREHOLDERS' EQUITY
PRIOR PERIOD (01/01/2019-31/12/2019)															
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		-	-	-	-	(241)	(12,567)	142,970	502,294	918,603	(658,500)	-	-	6,158,841	7,051,400
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		-	-	-	-	-	-	-	-	-	-	26,413	-	-	26,413
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	7,035,545	(7,035,545)	-	-
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	7,029,129	(7,029,129)	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	6,416	(6,416)	-	-
Balances at end of the period (III+IV...+X+XI)		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
CURRENT PERIOD (01/01/2020-31/12/2020)															
I. Balances at Beginning of Period															
II. Correction made as per TAS 8		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
2.1 Effect of Corrections	5.5	-	-	-	-	-	-	73,812	-	204,386	(278,198)	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	73,812	-	204,386	(278,198)	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Total Comprehensive Income		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
V. Capital Increase in Cash		-	-	-	-	314,078	(126,541)	(129,157)	2,025,712	268,644	(542,893)	-	196,448	6,238,003	8,244,294
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		-	-	-	-	-	-	-	-	-	-	71,763	-	-	71,763
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	6,158,841	(6,158,841)	-	-
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	6,153,404	(6,153,404)	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	5,437	(5,437)	-	-
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,737,731	(297,937)	161,751	5,385,882	58,744	(1,784,809)	45,401,476	196,448	6,238,003	62,081,723

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Cash Flows For the period ended at 31 December 2020

			THOUSANDS OF TURKISH LIRA (TL)	
		FOOTNOTES	CURRENT PERIOD 1 JANUARY 2020 - 31 DECEMBER 2020	PRIOR PERIOD 1 JANUARY 2019 - 31 DECEMBER 2019
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**21,903,644**	**15,876,583**
1.1.1	Interests received		35,563,397	38,112,261
1.1.2	Interests paid		(13,545,207)	(21,370,896)
1.1.3	Dividend received		18,994	8,893
1.1.4	Fees and commissions received		7,550,842	8,364,406
1.1.5	Other income		4,567,722	3,715,073
1.1.6	Collections from previously written-off receivables		682,228	681,623
1.1.7	Cash payments to personnel and service suppliers		(8,774,218)	(7,526,315)
1.1.8	Taxes paid		(3,138,121)	(1,550,777)
1.1.9	Others	5.6	(1,021,993)	(4,557,685)
1.2	**Changes in operating assets and liabilities**		**(3,979,033)**	**(4,979,356)**
1.2.1	Net (increase) decrease in financial assets measured at FVTPL		(2,366,093)	(976,537)
1.2.2	Net (increase) decrease in due from banks		(2,280,497)	612,145
1.2.3	Net (increase) decrease in loans		(72,843,035)	(27,048,033)
1.2.4	Net (increase) decrease in other assets		(7,603,770)	(3,354,194)
1.2.5	Net increase (decrease) in bank deposits		(1,576,516)	(2,083,930)
1.2.6	Net increase (decrease) in other deposits		74,469,494	34,487,443
1.2.7	Net (increase) decrease in financial liabilities measured at FVTPL		-	-
1.2.8	Net increase (decrease) in funds borrowed		2,163,065	(4,570,153)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities	5.6	6,058,319	(2,046,097)
I.	**Net cash flow from banking operations**		**17,924,611**	**10,897,227**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash flow from investing activities**		**(10,394,002)**	**(1,526,120)**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		(6,921)	-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3	Purchases of tangible assets		(1,174,989)	(527,675)
2.4	Sales of tangible assets		576,962	296,180
2.5	Cash paid for purchase of financial assets measured at FVOCI		(18,348,400)	(6,111,155)
2.6	Cash obtained from sale of financial assets measured at FVOCI		12,608,994	5,886,156
2.7	Cash paid for purchase of financial assets measured at amortised cost		(7,300,654)	(1,248,680)
2.8	Cash obtained from sale of financial assets measured at amortised cost		3,251,006	179,054
2.9	Others	5.6	-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flow from financing activities**		**2,128,343**	**(3,923,211)**
3.1	Cash obtained from funds borrowed and securities issued		19,534,573	21,413,341
3.2	Cash used for repayment of funds borrowed and securities issued		(16,951,267)	(25,012,967)
3.3	Equity instruments issued		-	-
3.4	Dividends paid		-	-
3.5	Payments for financial leases		(454,963)	(323,585)
3.6	Others	5.6	-	-
IV.	**Effect of translation differences on cash and cash equivalents**	5.6	**2,345,379**	**1,480,204**
V.	**Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)**		**12,004,331**	**6,928,100**
VI.	**Cash and cash equivalents at beginning of period**		**37,475,425**	**30,547,325**
VII.	**Cash and cash equivalents at end of period (V+VI)**		**49,479,756**	**37,475,425**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit Distribution For The Year Ended 31 December 2020

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (*) 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT**		
1.1	CURRENT PERIOD PROFIT	8,639,410	7,816,281
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	2,401,407	1,657,440
1.2.1	Corporate tax (income tax)	2,401,407	1,657,440
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	**NET PROFIT FOR THE PERIOD (1.1-1.2)**	**6,238,003**	**6,158,841**
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	5,437
B.	**NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**-**	**6,153,404**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of redeemed shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	STATUS RESERVES (-)	-	-
1.11	EXTRAORDINARY RESERVES	-	6,153,404
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1	To owners of ordinary shares	-	-
2.2.2	To owners of privileged shares	-	-
2.2.3	To owners of redeemed shares	-	-
2.2.4	To profit sharing bonds	-	-
2.2.5	To holders of profit and loss sharing certificates	-	-
2.3	DIVIDENDS TO PERSONNEL (-)	-	-
2.4	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	0.01485	0.01466
3.2	TO OWNERS OF ORDINARY SHARES (%)	148.52	146.64
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
		-	-
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

TÜRKİYE GARANTİ BANKASI AŞ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2020
(Thousands of Turkish Lira (TL))

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

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 2021 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.

On the other hand, the Indicator Interest Rate Reform - 2nd Phase, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021, was published in December 2020 and early implementation of the changes is allowed. With the modifications made, certain exceptions are provided for the basis used in the determination of contractual cash flows and hedge accounting implementations. The effects of the changes on the Bank's financials have been evaluated and it has been concluded that there is no need for early application. On the other hand, the process for the Indicative Interest Rate Reform is expected to be completed as of 31 December 2021, and the Bank's studies continues within the scope of compliance with the changes.

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 year end financial statements dated 31 December 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 and disclosed in the related accounting policies.

3.2 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

3.2.1 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

3.2.2 FOREIGN CURRENCY TRANSACTIONS

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

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

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 419,127,526 (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 2,172,707 (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 31 December 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 Communique published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements".

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

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

3.4 FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

3.4.1 DERIVATIVE FINANCIAL ASSETS

Derivative financial assets measured at fair value through profit/loss

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

Derivatives are initially recorded at their fair values. The related transaction costs are recognized in statement of profit or loss at the date they incur. The changes in their fair values are recorded on balance sheet under "derivative financial assets measured at fair value through profit/loss" or "derivative financial liabilities measured at fair value through profit/loss", respectively depending on the fair values being positive or negative. Fair value changes for derivatives are recorded in the account of "income/losses from derivative transactions" 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 31 December 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. TFRS 9 impairment requirements are not applicable for equity instruments.

As of 31 December 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.

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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 31 December 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 occuring over the expected life of the financial instrument. The Bank's aforementioned policy is presented in Note 3.8.3.

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

3.8.1 CALCULATION OF EXPECTED CREDIT LOSSES

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

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

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

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

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

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

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

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

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

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

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. Based on the BRSA Decision numbered 9312 dated 8 December 2020, this period was extended until 30 June 2021. 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. Based on the BRSA Decision numbered 9312 dated 8 December 2020, this period was extended until 30 June 2021.According to Bank's risk models, Stage 3 parameters are used for loss given default as well as for the probability of default.

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 and Decision numbered 9312 dated 8 December 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 30 June 2021.

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.

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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:

- 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 31 December 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 2020 and the Bank calculated expected credit losses provision based on the mentioned updated model at the year end of 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.

The Bank takes into account different scenarios in the calculation of expected credit loss by evaluating the current economic conditions and expert opinions. Accordingly, the macroeconomic value estimates taken into account in the expected loss provision calculation are presented below.

DATE	GDP
31.12.2020	0.0%
31.12.2021	5.5%
31.12.2022	4.5%
31.12.2023	4.0%
31.12.2024	4.0%
31.12.2025	4.0%

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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 and Decision numbered 9312 dated 8 December 2020, as of the reporting date loans with an overdue more than 90 days instead of 30 days are taken into consideration until 30 June 2021.)
- Loans classified as watchlist
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason

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

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

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

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

3.8.4 LOW CREDIT RISK

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

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

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

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

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placement, etc.)
- Loans with counterparty of Treasury of the Republic of Turkey
- Receivables (reserves, free reserves, placements, etc.) from the central banks of the branches of the Bank or its subsidiaries, securities issued or guaranteed by these central banks and securities issued / guaranteed by the treasury of these countries

- Loans granted to the treasury of countries having rating note of AA- and above and the securities issued or guaranteed by the treasury of these countries
- Local currency loans granted to the treasury of countries having rating below AA-, and securities in local currency issued or guaranteed by the treasury of these countries
- Securities exported or guaranteed by multilateral development banks or international organizations having rating of AA- and above.

3.8.5 DISCLOSURES ON WRITE DOWN POLICY

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

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

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

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

The write-down of these loans, which are not possible to be collected, is an accounting policy and this policy does not result in waiving the right of receivables.

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.

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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 and numbered 9312 and dated 8 December 2020 , The Bank will not apply the above-mentioned 30 days past due rule until 30 June 2021.

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.

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

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

3.13 TANGIBLE ASSETS

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

As of 1 November 2015, changing the existing accounting policy, it has been decided to apply revaluation model for properties recorded under tangible assets instead of cost model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". 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. As of the reporting period, the Bank has made a fair valuation of all its real estates, 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 made a fair valuation of all its Investment properties, 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.

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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:

	31 DECEMBER 2020	31 DECEMBER 2019
Net Effective Discount Rate	3.01%	3.97%
Discount Rate	13.00%	12.50%
Expected Rate of Salary Increase	11.20%	9.70%
Inflation Rate	9.70%	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:

	31 DECEMBER 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%.

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

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

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

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

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

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

The tax applications for foreign branches;

NORTHERN CYPRUS

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

MALTA

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

3.18.2 DEFERRED TAXES

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

As explained in note 3.18.1, this rate is determined as 22% to be applied to corporate earnings for the taxation periods of 2018, 2019 and 2020. In addition, the Council of Ministers is authorized to reduce the corresponding rate 22% to 20%. As deferred tax assets or liabilities within the scope of TAS 12, are calculated by using the tax rates based on the effective tax rates or tax rates (and tax laws) expected to enter into force as of the reporting period (balance sheet date), to be applied in the periods when the assets turn into income or the debts are paid, the Bank made deferred tax calculation according to the rates of 22% or 20% corresponding to the maturity of the assets and liabilities as of 31 December 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

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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 31 December 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:

CURRENT PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	11,663,770	9,906,783	5,947,376	6,977,500	34,495,429
Other	-	-	-	-	-
Total Operating Profit	**11,663,770**	**9,906,783**	**5,947,376**	**6,977,500**	**34,495,429**
Net Operating Profit	4,037,889	127,166	5,254,710	(799,349)	8,620,416
Dividend Income	-	-	-	18,994	18,994
Net Operating Profit	**4,037,889**	**127,166**	**5,254,710**	**(780,355)**	**8,639,410**
Provision for Taxes	-	-	-	2,401,407	2,401,407
Net Profit	**4,037,889**	**127,166**	**5,254,710**	**(3,181,762)**	**6,238,003**
Segment Assets	86,910,050	206,600,805	144,986,519	42,882,660	481,380,034
Investments in Associates and Subsidiaries	**-**	**-**	**-**	**11,417,786**	**11,417,786**
Total Assets	**86,910,050**	**206,600,805**	**144,986,519**	**54,300,446**	**492,797,820**
Segment Liabilities	215,622,818	118,682,843	76,593,778	19,816,658	430,716,097
Shareholders' Equity	-	-	-	62,081,723	62,081,723
Total Liabilities and Shareholders' Equity	**215,622,818**	**118,682,843**	**76,593,778**	**81,898,381**	**492,797,820**

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PRIOR PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	12,348,848	9,772,521	(4,622,619)	9,642,506	27,141,256
Other	-	-	-	-	-
Total Operating Profit	**12,348,848**	**9,772,521**	**(4,622,619)**	**9,642,506**	**27,141,256**
Net Operating Profit	5,499,594	1,743,498	(5,074,584)	5,638,880	7,807,388
Dividend Income	-	-	-	8,893	8,893
Net Operating Profit	**5,499,594**	**1,743,498**	**(5,074,584)**	**5,647,773**	**7,816,281**
Provision for Taxes	-	-	-	1,657,440	1,657,440
Net Profit	**5,499,594**	**1,743,498**	**(5,074,584)**	**3,990,333**	**6,158,841**
Segment Assets	71,993,606	163,485,225	118,816,028	28,270,533	382,565,392
Investments in Associates and Subsidiaries	-	-	-	8,586,878	8,586,878
Total Assets	**71,993,606**	**163,485,225**	**118,816,028**	**36,857,411**	**391,152,270**
Segment Liabilities	169,796,486	86,694,416	67,961,445	12,934,257	337,386,604
Shareholders' Equity	-	-	-	53,765,666	53,765,666
Total Liabilities and Shareholders' Equity	**169,796,486**	**86,694,416**	**67,961,445**	**66,699,923**	**391,152,270**

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.

	31 DECEMBER 2020	31 DECEMBER 2019
Distributable net profit for the year	6,238,003	6,158,841
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01485	0.01466

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).

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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.

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

CARİ DÖNEM	CURRENT PERIOD	PRIOR PERIOD
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	4,972,554
Share Premium	11,880	11,880
Reserves	45,401,476	39,170,872
Other Comprehensive Income according to TAS	7,716,316	5,186,540
Profit	6,434,451	6,158,841
Current Period's Profit	6,238,003	6,158,841
Prior Periods' Profit	196,448	-
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	**64,544,313**	**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 (-)	2,160,619	1,258,902
Leasehold Improvements on Operational Leases (-)	119,670	163,555
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	433,162	328,535
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-

Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	**2,713,451**	**1,750,992**
Total Common Equity Tier I Capital	**61,830,862**	**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)	**61,830,862**	**53,751,550**
TIER II CAPITAL	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	6,537,880	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)	4,211,065	3,424,763
Total Deductions from Tier II Capital	**10,748,945**	**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	**10,748,945**	**8,118,243**

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Total Equity (Total Tier I and Tier II Capital)	**72,579,807**	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 (-)	82	109
Other items to be Defined by the BRSA (-)	1,802	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)	**72,577,923**	**61,861,863**
Total Risk Weighted Assets	**391,512,841**	**316,152,290**
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15,79	17,00
Tier I Capital Ratio (%)	15,79	17,00
Capital Adequacy Ratio (%)	18,54	19,57
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	2,53	2,55
a) Capital Conservation Buffer Ratio (%)	2,500	2,500
a) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,03	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 (%)	9,79	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	3,530,898	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)	12,236,754	5,899,595
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4,211,065	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 08 December 2020, in capital adequacy ratio calculation until 30 June 2021 may be calculated with arithmetic average of the Central Bank of Turkey's spot purchase exchange rates for 252 working days before credit risk calculation date and as of the announcement date negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" 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 31 December 2020. In case of applying the measures, capital adequacy ratio rises to 19.10% as of 31 December 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

CURRENT PERIOD	INFORMATION ABOUT INSTRUMENTS INCLUDED IN TOTAL CAPITAL CALCULATION		
Issuer	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S : ISIN: XS1617531063 Common Code: 161753106 144A : CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479	ISIN: TRSGRANE2915	ISIN: TRSGRAN23013
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communique Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communique Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.
REGULATORY TREATMENT			
Subject to 10% deduction as of 1/1/2015	No	No	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	5,535 (31 December 2019: 4,441)	253 (31 December 2019: 253)	750
Nominal value of instrument (TL million)	5,535 (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

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

4.1.3 RECONCILIATION OF CAPITAL ITEMS TO BALANCE SHEET

CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	5,261,362	301,971	5,563,333	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	1,601,545	-	1,601,545	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	3,659,817	301,971	3,961,788	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	45,401,476	-	45,401,476	
Profit or Loss	6,434,451	-	6,434,451	
Prior Periods' Profit/Loss	196,448	-	196,448	
Current Period Net Profit/Loss	6,238,003	-	6,238,003	
Deductions from Common Equity Tier I Capital (-)	-		552,832	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**62,081,723**		**61,830,862**	
Subordinated Debts	-		-	

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Deductions from Tier I Capital (-)	-		-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital	**-**		**61,830,862**	
Subordinated Debts			6,537,880	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			4,211,065	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			**10,748,945**	
Deductions from Total Capital (-)			1,884	Deductions from Capital as per the Regulation
Total			**72,577,923**	

PRIOR PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	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 (-)	-		516,805	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

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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

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

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

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

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

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

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

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

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank's largest 100 and 200 cash loan customers compose 27.35% (31 December 2019: 26.15%) and 33.49% (31 December 2019: 31.83%) of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 35.82% (31 December 2019: 38.81%) and 47.35% (31 December 2019: 49.82%) of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 8.77% (31 December 2019: 8.80%) and 11.17% (31 December 2019: 11.16%) of the total "on and off balance sheet" assets, respectively.

Stage 1 and Stage 2 expected losses for credit risks of the Bank amount to TL 12,114,805 (general provision as of 31 December 2019: TL 5,816,076).

The Bank developed a statistical-based internal default rate model for its credit portfolio of corporate/commercial/medium-size companies. This internal default rate model is used for expected credit loss of the Bank. Risk rating system which has been used for both to determine branch managers' credit authorization limits and in credit assessment process, is also used in default rate model calculations.

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

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Above Average	5.12	4.78
Average	33.28	37.87
Below Average	61.60	57.35
Total	**100.00**	**100.00**

EXPOSURE CATEGORIES	CURRENT PERIOD		PRIOR PERIOD	
	RISK AMOUNT (*)	AVERAGE RISK AMOUNT (**)	RISK AMOUNT (*)	AVERAGE RISK AMOUNT (**)
Conditional and unconditional exposures to central governments or central banks	118.886.544	111.862.804	93.405.432	96.977.533
Conditional and unconditional exposures to regional governments or local authorities	1.312.440	1.050.198	613.724	375.957
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	197.006	218.017	301.575	324.584
Conditional and unconditional exposures to multilateral development banks	1.477.617	1.323.838	2.081.605	3.194.797
Conditional and unconditional exposures to international organisations	-	-	-	26.322
Conditional and unconditional exposures to banks and brokerage houses	41.518.277	48.100.685	49.190.595	44.286.363
Conditional and unconditional exposures to corporates	206.213.241	187.730.851	151.903.335	147.512.178
Conditional and unconditional retail exposures	119.394.856	107.399.205	95.771.411	89.241.304
Conditional and unconditional exposures secured by real estate property	28.811.770	31.486.300	28.667.346	32.152.125
Past due items	5.048.239	5.812.056	6.234.268	5.220.702
Items in regulatory high-risk categories	533.652	591.792	795.991	999.489
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	7.125
Shares	11.673.036	10.383.607	9.223.300	8.185.958
Other items	22.213.733	21.430.020	15.586.149	15.850.946

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

CURRENT PERIOD (*)	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	PAST DUE RECEIVABLES	OTHER	TOTAL
Domestic	114,924,068	13,894,984	199,076,836	118,784,922	28,584,807	4,949,105	24,510,933	504,725,655
European Union (EU) Countries	2,222,820	19,160,412	2,394,188	110,514	161,295	95,831	1,367,007	25,512,067
OECD Countries (**)	81	1,076,253	3,425	11,491	13,420	243	-	1,104,913
Off-Shore Banking Regions	-	110,898	6,170	331	312	-	-	117,711
USA, Canada	953	5,815,872	78	14,496	21,547	142	-	5,853,088
Other Countries	1,738,622	344,416	1,084,054	473,102	30,389	2,918	111,758	3,785,259
Associates, Subsidiaries and Joint –Ventures	-	1,115,442	3,648,490	-	-	-	11,417,786	16,181,718
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
Total	**118,886,544**	**41,518,277**	**206,213,241**	**119,394,856**	**28,811,770**	**5,048,239**	**37,407,484**	**557,280,411**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that can not be allocated on a consistent basis

PRIOR PERIOD (*)	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	PAST DUE RECEIVABLES	OTHER	TOTAL
Domestic	89,333,826	14,238,900	146,024,608	95,276,164	28,480,883	6,107,127	17,927,788	397,389,296
European Union (EU) Countries	2,657,395	28,917,438	1,675,487	63,572	131,076	123,290	2,057,961	35,626,219
OECD Countries (**)	72	1,142,715	693,803	6,458	11,541	2	334	1,854,925
Off-Shore Banking Regions	-	10,770	1,880	55	1,135	-	310	14,150
USA, Canada	766	3,447,825	40	7,335	12,492	-	155	3,468,613
Other Countries	1,413,373	326,926	1,005,877	417,827	30,219	3,849	28,918	3,226,989
Associates, Subsidiaries and Joint –Ventures	-	1,106,021	2,501,640	-	-	-	8,586,878	12,194,539
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
Total	**93,405,432**	**49,190,595**	**151,903,335**	**95,771,411**	**28,667,346**	**6,234,268**	**28,602,344**	**453,774,731**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that can not be allocated on a consistent basis.

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4.2.2 RISK PROFILE BY SECTORS OR COUNTERPARTIES

CURRENT PERIOD (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	TOTAL
Agriculture	-	-	-	-	-	-	**1,151,537**	**679,329**	**300,480**	**18,008**	**711**	-	-	-	-	-	-	**1,483,648**	**666,417**	**2,150,065**
Farming and Stockbreeding	-	-	-	-	-	-	515,878	544,454	267,725	12,100	568	-	-	-	-	-	-	1,257,654	83,071	1,340,725
Forestry	-	-	-	-	-	-	133,219	100,957	25,978	4,881	108	-	-	-	-	-	-	123,487	141,656	265,143
Fishery	-	-	-	-	-	-	502,440	33,918	6,777	1,027	35	-	-	-	-	-	-	102,507	441,690	544,197
Manufacturing	-	-	**52,833**	-	-	-	**94,688,721**	**10,814,925**	**5,724,044**	**1,871,583**	**104,938**	-	-	-	-	-	-	**50,402,430**	**62,854,614**	**113,257,044**
Mining and Quarrying	-	-	-	-	-	-	3,742,413	354,883	182,097	3,137	370	-	-	-	-	-	-	1,729,781	2,553,119	4,282,900
Production	-	-	7	-	-	-	54,529,668	10,252,827	4,199,807	321,955	20,568	-	-	-	-	-	-	39,230,135	30,094,697	69,324,832
Electricity, Gas and Water	-	-	52,826	-	-	-	36,416,640	207,215	1,342,140	1,546,491	84,000	-	-	-	-	-	-	9,442,514	30,206,798	39,649,312
Construction	-	-	-	-	-	-	**11,813,565**	**3,047,494**	**992,463**	**247,627**	**214,556**	-	-	-	-	-	-	**7,208,033**	**9,107,672**	**16,315,705**
Services	**96,457**	-	**6,966**	**1,477,617**	-	**41,518,277**	**95,788,706**	**99,200,814**	**20,967,675**	**2,866,359**	**128,594**	-	-	-	-	**301,031**	-	**172,513,883**	**89,838,613**	**262,352,496**
Wholesale and Retail Trade	-	-	144	-	-	-	41,894,684	89,664,757	16,188,681	1,201,724	68,633	-	-	-	-	-	-	127,185,967	21,832,656	149,018,623
Accommodation and Dining	-	-	2,709	-	-	-	7,903,539	2,349,137	2,592,362	115,886	3,807	-	-	-	-	-	-	5,492,847	7,474,593	12,967,440
Transportation and Telecom.	-	-	171	-	-	-	20,076,600	3,991,207	590,796	545,930	5,633	-	-	-	-	-	-	8,506,455	16,703,882	25,210,337
Financial Institutions	95,204	-	-	1,477,617	-	41,518,277	17,562,063	255,502	168,407	2,234	26,266	-	-	-	-	301,031	-	22,890,336	38,516,265	61,406,601
Real Estate and Rental Services	12	-	4	-	-	-	6,541,565	2,182,574	950,515	989,566	22,363	-	-	-	-	-	-	5,995,503	4,691,096	10,686,599
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	2,365	-	-	-	586,514	262,176	230,281	7,426	1,146	-	-	-	-	-	-	897,318	192,590	1,089,908
Health and Social Services	1,241	-	1,573	-	-	-	1,223,741	495,461	246,633	3,593	746	-	-	-	-	-	-	1,545,457	427,531	1,972,988
Others	**118,790,087**	**1,312,440**	**137,207**	-	-	-	**2,770,712**	**5,652,294**	**827,108**	**44,662**	**84,853**	-	-	-	-	**11,372,005**	**22,213,733**	**62,380,194**	**100,824,907**	**163,205,101**
Total	**118,886,544**	**1,312,440**	**197,006**	**1,477,617**	-	**41,518,277**	**206,213,241**	**119,394,856**	**28,811,770**	**5,048,239**	**533,652**	-	-	-	-	**11,673,036**	**22,213,733**	**293,988,188**	**263,292,223**	**557,280,411**

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PRIOR PERIOD (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	TOTAL
Agriculture	-	-	-	-	-	-	**875,409**	**612,550**	**264,098**	**30,681**	**6,891**	-	-	-	-	-	-	**1,195,293**	**594,336**	**1,789,629**
Farming and Stockbreeding	-	-	-	-	-	-	353,630	506,890	227,855	23,993	6,311	-	-	-	-	-	-	984,053	134,626	1,118,679
Forestry	-	-	-	-	-	-	117,784	74,109	33,698	4,597	506	-	-	-	-	-	-	118,973	111,721	230,694
Fishery	-	-	-	-	-	-	403,995	31,551	2,545	2,091	74	-	-	-	-	-	-	92,267	347,989	440,256
Manufacturing	-	-	**49,437**	-	-	-	**71,669,968**	**9,516,872**	**5,929,709**	**2,411,482**	**166,129**	-	-	-	-	-	-	**35,686,356**	**54,057,241**	**89,743,597**
Mining and Quarrying	-	-	-	-	-	-	2,512,669	377,003	62,595	9,766	1,568	-	-	-	-	-	-	1,230,522	1,733,079	2,963,601
Production	-	-	17	-	-	-	40,806,254	8,912,010	3,971,609	718,110	59,952	-	-	-	-	-	-	28,250,580	26,217,372	54,467,952
Electricity, Gas and Water	-	-	49,420	-	-	-	28,351,045	227,859	1,895,505	1,683,606	104,609	-	-	-	-	-	-	6,205,254	26,106,790	32,312,044
Construction	-	-	**16**	-	-	-	**6,171,076**	**3,369,072**	**1,299,662**	**428,737**	**304,923**	-	-	-	-	-	-	**7,435,712**	**4,137,774**	**11,573,486**
Services	**2,011,057**	-	**1,804**	**2,081,605**	-	**49,190,595**	**64,394,501**	**77,589,442**	**20,456,717**	**3,221,053**	**278,463**	-	-	-	-	**32,328**	-	**175,743,160**	**43,514,405**	**219,257,565**
Wholesale and Retail Trade	-	-	338	-	-	-	30,940,163	70,638,463	15,715,999	1,550,724	222,297	-	-	-	-	-	-	99,708,878	19,359,106	119,067,984
Accommodation and Dining	-	-	264	-	-	-	4,261,714	1,877,205	2,967,923	140,208	9,218	-	-	-	-	-	-	3,729,471	5,527,061	9,256,532
Transportation and Telecom.	-	-	171	-	-	-	10,006,905	3,090,737	531,234	633,025	15,501	-	-	-	-	-	-	5,347,759	8,929,814	14,277,573
Financial Institutions	2,010,011	-	-	2,081,605	-	49,190,595	11,250,641	205,372	42,759	9,583	12,709	-	-	-	-	32,328	-	62,173,602	2,662,001	64,835,603
Real Estate and Rental Services	-	-	-	-	-	-	3,835,320	1,115,635	774,129	867,930	9,775	-	-	-	-	-	-	2,737,831	3,864,958	6,602,789
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	993	-	-	-	545,816	240,861	246,368	11,239	6,947	-	-	-	-	-	-	876,369	175,855	1,052,224
Health and Social Services	1,046	-	38	-	-	-	3,553,942	421,169	178,305	8,344	2,016	-	-	-	-	-	-	1,169,250	2,995,610	4,164,860
Others	**91,394,375**	**613,724**	**250,318**	-	-	-	**8,792,381**	**4,683,475**	**717,160**	**142,315**	**39,585**	-	-	-	-	**9,190,972**	**15,586,149**	**59,570,581**	**71,839,873**	**131,410,454**
Total	**93,405,432**	**613,724**	**301,575**	**2,081,605**	-	**49,190,595**	**151,903,335**	**95,771,411**	**28,667,346**	**6,234,268**	**795,991**	-	-	-	-	**9,223,300**	**15,586,149**	**279,631,102**	**174,143,629**	**453,774,731**

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

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4.2.3 ANALYSIS OF MATURITY-BEARING EXPOSURES ACCORDING TO REMAINING MATURITIES

CURRENT PERIOD	TERM TO MATURITY					DEMAND	TOTAL
	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR		
Exposure Categories (*)							
Conditional and unconditional exposures to central governments or central banks	27,765,766	3,722,236	4,260,659	3,353,498	59,795,536	19,988,849	**118,886,544**
Conditional and unconditional exposures to regional governments or local authorities	-	-	3,026	471,767	837,643	4	**1,312,440**
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	605	401	24	16,559	106,679	72,738	**197,006**
Conditional and unconditional exposures to multilateral development banks	-	111,075	-	58,011	1,308,531	-	**1,477,617**
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	**-**
Conditional and unconditional exposures to banks and brokerage houses	9,461,343	12,322,877	738,127	1,295,993	13,482,806	4,217,131	**41,518,277**
Conditional and unconditional exposures to corporates	7,874,588	16,785,739	27,665,107	30,023,429	113,695,489	10,168,889	**206,213,241**
Conditional and unconditional retail exposures	12,153,200	8,072,997	6,881,815	9,085,131	60,943,513	22,258,200	**119,394,856**
Conditional and unconditional exposures secured by real estate property	260,205	637,073	1,173,918	1,739,188	23,859,249	1,142,137	**28,811,770**
Past due items	-	-	-	-	-	5,048,239	**5,048,239**
Items in regulatory high-risk categories	1,135	38,722	56,503	35,799	187,634	213,859	**533,652**
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	**-**
Securitization gains	-	-	-	-	-	-	**-**
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	**-**
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	**-**
Shares	-	-	-	-	-	11,673,036	**11,673,036**
Other items	68,512	781,571	-	-	-	21,363,650	**22,213,733**
Total	**57,585,354**	**42,472,691**	**40,779,179**	**46,079,375**	**274,217,080**	**96,146,732**	**557,280,411**

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

PRIOR PERIOD	TERM TO MATURITY					DEMAND	TOTAL
	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR		
Exposure Categories (*)							
Conditional and unconditional exposures to central governments or central banks	22,777,040	7,134,006	5,233,151	581,576	44,714,935	12,964,724	**93,405,432**
Conditional and unconditional exposures to regional governments or local authorities	-	2,433	-	141,544	469,747	-	**613,724**
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	16,618	51,701	51,914	60,462	111,478	9,402	**301,575**
Conditional and unconditional exposures to multilateral development banks	51,447	49,486	-	54,663	1,926,009	-	**2,081,605**
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	**-**
Conditional and unconditional exposures to banks and brokerage houses	14,527,321	8,748,998	606,075	1,051,750	23,836,667	419,784	**49,190,595**
Conditional and unconditional exposures to corporates	9,635,020	10,350,168	11,019,253	22,882,755	90,758,622	7,257,517	**151,903,335**
Conditional and unconditional retail exposures	10,171,106	5,967,722	3,953,731	6,912,928	49,085,901	19,680,023	**95,771,411**
Conditional and unconditional exposures secured by real estate property	787,261	606,467	876,238	1,720,689	23,433,104	1,243,587	**28,667,346**
Past due items	-	-	-	-	-	6,234,268	**6,234,268**
Items in regulatory high-risk categories	1,831	10,575	33,104	92,390	331,718	326,373	**795,991**
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	**-**
Securitization gains							
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	**-**
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	**-**
Shares	-	-	-	-	-	9,223,300	**9,223,300**
Other items	58,118	985,573	-	-	-	14,542,458	**15,586,149**
Total	**58,025,762**	**33,907,129**	**21,773,466**	**33,498,757**	**234,668,181**	**71,901,436**	**453,774,731**

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

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4.2.4 EXPOSURE CATEGORIES

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

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

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

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

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

CREDIT QUALITY GRADE	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURE CATEGORIES			
			EXPOSURES TO BANKS AND BROKERAGE HOUSES		
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	EXPOSURES TO CORPORATES
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.2.5 EXPOSURES BY RISK WEIGHTS

CURRENT PERIOD RISK WEIGHTS	0%	2%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
Exposures before Credit Risk Mitigation	126,129,305	8,253,448	-	21,107,821	13,965,843	42,059,579	119,385,504	226,155,902	223,009	-	-	554,716
Exposures after Credit Risk Mitigation	134,982,459	249,526	-	20,461,457	13,955,387	37,505,192	112,149,362	221,367,549	222,893	-	-	554,716

PRIOR PERIOD RISK WEIGHTS	0%	2%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
Exposures before Credit Risk Mitigation	84,069,183	-	-	24,123,229	13,566,981	47,611,291	95,757,930	188,234,915	411,202	-	-	500,020
Exposures after Credit Risk Mitigation	94,355,140	-	-	13,419,731	13,560,474	27,775,749	87,375,307	184,967,525	410,721	-	-	500,020

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4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

The Bank assesses its financial assets in 3 stages based on TFRS 9 as explained in accounting policy note 3.8.1 "Calculation of expected credit losses". In this respect, the Bank recognizes life time expected credit losses for impaired loans (Stage 3) and considers the probability of default to be 100%.

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

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

CURRENT PERIOD	LOANS		TFRS 9 EXPECTED CREDIT LOSSES
	SIGNIFICANT INCREASE IN CREDIT RISK (STAGE 2)	DEFAULTED (STAGE 3)	
Agriculture	**315,808**	**73,701**	**83,888**
Farming and Stockbreeding	96,856	42,592	38,767
Forestry	21,368	23,861	19,985
Fishery	197,584	7,248	25,136
Manufacturing	**20,888,705**	**5,010,450**	**7,370,012**
Mining and Quarrying	269,017	28,068	42,719
Production	9,796,433	1,365,923	2,979,948
Electricity, Gas and Water	10,823,255	3,616,459	4,347,345
Construction	**2,828,046**	**1,550,749**	**1,297,292**
Services	**16,180,223**	**5,957,621**	**6,382,951**
Wholesale and Retail Trade	6,479,872	1,844,512	2,084,289
Accommodation and Dining	2,125,682	292,787	496,162
Transportation and Telecommunication	1,629,927	1,516,088	1,204,969
Financial Institutions	902,146	29,555	338,313
Real Estate and Rental Services	4,416,551	2,104,146	2,038,504
Professional Services	-	-	-
Educational Services	368,772	142,665	185,802
Health and Social Services	257,273	27,868	34,912
Others	**25,890,372**	**3,224,640**	**3,795,049**
Total	**66,103,154**	**15,817,161**	**18,929,192**

PRIOR PERIOD	LOANS		TFRS 9 EXPECTED CREDIT LOSSES
	SIGNIFICANT INCREASE IN CREDIT RISK (STAGE 2)	DEFAULTED (STAGE 3)	
Agriculture	**350,602**	**96,295**	**88,752**
Farming and Stockbreeding	113,673	75,017	56,654
Forestry	47,035	13,449	10,537
Fishery	189,894	7,829	21,561
Manufacturing	**16,626,934**	**6,468,830**	**5,952,929**
Mining and Quarrying	206,311	43,569	49,108
Production	7,875,344	2,094,894	2,381,761
Electricity, Gas and Water	8,545,279	4,330,367	3,522,060
Construction	**2,377,750**	**1,990,029**	**1,175,473**
Services	**11,069,693**	**6,047,538**	**4,722,369**
Wholesale and Retail Trade	5,331,807	2,151,866	1,778,053
Accommodation and Dining	1,114,793	316,819	257,718
Transportation and Telecommunication	1,270,809	1,571,618	1,045,794
Financial Institutions	528,343	42,540	237,198
Real Estate and Rental Services	2,401,070	1,786,442	1,224,293
Professional Services	-	-	-
Educational Services	259,419	135,427	138,003
Health and Social Services	163,452	42,826	41,310
Others	**12,539,076**	**4,235,979**	**3,633,617**
Total	**42,964,055**	**18,838,671**	**15,573,140**

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4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS	CLOSING BALANCE
Stage 3 Provisions	11,360,915	4,367,480	1,272,420	4,526,774	9,929,201
Stage 1 and Stage 2 Provisions	5,816,076	8,948,367	2,649,638	-	12,114,805

PRIOR PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS	CLOSING BALANCE
Stage 3 Provisions	7,059,017	7,402,523	962,227	2,138,398	11,360,915
Stage 1 and Stage 2 Provisions	5,119,174	3,193,988	2,497,086	-	5,816,076

4.2.8 EXPOSURES SUBJECT TO COUNTERCYCLICAL CAPITAL BUFFER

CURRENT PERIOD COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	287,422,489	3,067,373	290,489,862
Cayman Islands	1,112,995	-	1,112,995
Turkish Republic of Northern Cyprus	1,059,720	-	1,059,720
Malta	380,751	-	380,751
Switzerland	5,918	-	5,918
The Netherlands	485,014	-	485,014
United Kingdom	1,966,821	137,996	2,104,817
Macedonia	178	-	178
Romania	373,878	-	373,878
Others	438,924	-	438,924

PRIOR PERIOD COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	220,389,441	1,494,888	221,884,329
Cayman Islands	896,573	-	896,573
Turkish Republic of Northern Cyprus	808,362	-	808,362
Malta	417,512	-	417,512
Switzerland	341,644	-	341,644
The Netherlands	312,679	-	312,679
United Kingdom	984,825	117,613	1,102,438
Macedonia	144,149	-	144,149
Romania	183,424	-	183,424
Others	288,529	-	288,529

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4.3 CURRENCY RISK

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2020, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 35,810,911 (31 December 2019: TL 25,694,849), net 'off-balance sheet' foreign currency long position amounts to TL 48,393,293 (31 December 2019: TL 29,642,308), while net foreign currency close position amounts to TL 12,582,382 (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	9,0530	7,3800
Exchange rates for the days before balance sheet date;		
Day 1	9,0126	7,3333
Day 2	8,9800	7,3223
Day 3	9,0562	7,4040
Day 4	9,1855	7,5298
Day 5	9,1906	7,5410

	USD	EURO
Last 30-days arithmetical average rates	9,3324	7,6632

The Bank's currency risk:

	EURO	USD	OTHER FCs	TOTAL
CURRENT PERIOD				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	16,757,170	20,994,556	10,417,741	48,169,467
Banks	3,558,350	6,353,627	4,629,474	14,541,451
Financial Assets Measured at Fair Value through Profit/Loss	89,062	5,156,827	1,683,506	6,929,395
Money Market Placements	-	239,378	-	239,378
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,503,120	7,430,874	-	8,933,994
Loans (*)	50,448,140	47,621,920	1,953,174	100,023,234
Investments in Associates, Subsidiaries and Joint-Ventures	7,980,844	-	-	7,980,844
Financial Assets Measured at Amortised Cost	486,006	11,201,918	-	11,687,924
Derivative Financial Assets Held for Hedging Purpose	-	29	-	29
Tangible Assets	-	267	-	267
Intangible Assets	-	-	-	-
Other Assets (**)	3,759,902	6,160,706	(23,772)	9,896,836
Total Assets	**84,582,594**	**105,160,102**	**18,660,123**	**208,402,819**
Liabilities				
Bank Deposits	93,812	34,363	14,441	142,616
Foreign Currency Deposits	50,457,108	100,550,318	4,833,792	155,841,218
Money Market Funds	-	-	-	-
Other Fundings (***)	9,195,963	30,663,132	1,616	39,860,711
Securities Issued (****)	407,818	18,063,311	-	18,471,129
Miscellaneous Payables	203,069	400,849	21,272	625,190
Derivative Financial Liabilities Held for Hedging Purpose	45,127	606,366	-	651,493
Other Liabilities (*****)	1,199,905	5,396,532	22,024,936	28,621,373
Total Liabilities	**61,602,802**	**155,714,871**	**26,896,057**	**244,213,730**
Net 'On Balance Sheet' Position	**22,979,792**	**(50,554,769)**	**(8,235,934)**	**(35,810,911)**
Net 'Off-Balance Sheet' Position	**(15,693,823)**	**55,884,657**	**8,202,459**	**48,393,293**
Derivative Financial Assets	8,871,880	86,686,839	12,871,832	108,430,551
Derivative Financial Liabilities	24,565,703	30,802,182	4,669,373	60,037,258
Non-Cash Loans	-	-	-	-
PRIOR PERIOD				
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 561,490 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 15,980,865 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 21,925,380.

4.4 INTEREST RATE RISK

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

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

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

4.4.1 INTEREST RATE SENSITIVITY OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS

(based on repricing dates)

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	NON-INTEREST BEARING (*)	TOTAL
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	21,781,892	-	-	-	-	33,384,697	55,166,589
Banks	1,441,095	-	-	-	-	13,354,550	14,795,645
Financial Assets Measured at Fair Value through Profit/Loss	74,891	138,494	6,488,033	423,590	33,336	349,609	7,507,953
Money Market Placements	8,000,000	-	239,363	-	-	3,937	8,243,300
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,505,043	5,517,551	4,452,790	7,006,655	5,352,619	5,523,820	31,358,478
Loans	69,278,223	33,611,287	105,046,371	80,750,521	16,802,158	9,595,963	315,084,523
Financial Assets Measured at Amortised Cost	3,642,229	2,274,122	10,093,607	8,039,157	4,363,794	5,928,310	34,341,219
Other Assets (**)	147,246	-	-	-	-	26,152,867	26,300,113
Total Assets	**107,870,619**	**41,541,454**	**126,320,164**	**96,219,923**	**26,551,907**	**94,293,753**	**492,797,820**
Liabilities							
Bank Deposits	193,298	718	-	-	-	711,567	905,583
Other Deposits	140,558,329	32,326,831	8,638,324	2,241,433	-	136,841,095	320,606,012
Money Market Funds	71,748	58	-	-	-	24	71,830
Miscellaneous Payables	-	-	-	-	-	14,824,201	14,824,201
Securities Issued (***)	2,767,896	2,856,407	4,485,170	9,447,694	5,715,164	317,308	25,589,639
Other Fundings	11,594,179	6,364,244	10,517,742	3,089,286	9,831,122	22,733	41,419,306
Other Liabilities	17,897	39,922	104,253	533,275	184,406	88,501,496	89,381,249
Total Liabilities	**155,203,347**	**41,588,180**	**23,745,489**	**15,311,688**	**15,730,692**	**241,218,424**	**492,797,820**
On Balance Sheet Long Position	**-**	**-**	**102,574,675**	**80,908,235**	**10,821,215**	**-**	**194,304,125**
On Balance Sheet Short Position	**(47,332,728)**	**(46,726)**	**-**	**-**	**-**	**(146,924,671)**	**(194,304,125)**
Off-Balance Sheet Long Position	**28,880,331**	**23,142,759**	**22,279,273**	**7,853,708**	**15,555,453**	**-**	**97,711,524**
Off-Balance Sheet Short Position	**(12,863,650)**	**(16,413,723)**	**(21,223,904)**	**(24,726,782)**	**(22,264,121)**	**-**	**(97,492,180)**
Total Position	**(31,316,047)**	**6,682,310**	**103,630,044**	**64,035,161**	**4,112,547**	**(146,924,671)**	**219,344**

(*) 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.

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

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

4.4.2 AVERAGE INTEREST RATES ON MONETARY FINANCIAL INSTRUMENTS (%)

	EUR	USD	JPY	TL
CURRENT PERIOD				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	(0,07)	-	-	5,40
Banks	0,30	0,25	-	14,25
Financial Assets Measured at Fair Value through Profit/Loss	2,53	5,02	-	15,52
Money Market Placements	-	0,08	-	17,96
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,83	6,08	-	15,11
Loans	3,80	5,65	-	15,31
Financial Assets Measured at Amortised Cost	1,39	5,31	-	14,56
Liabilities				
Bank Deposits	0,01	-	-	14,42
Other Deposits	0,14	0,49	-	10,55
Money Market Funds	-	-	-	7,48
Miscellaneous Payables	-	-	-	-
Securities Issued	5,27	5,76	-	15,12
Other Fundings	1,63	2,53	-	5,32

	EUR	USD	JPY	TL
PRIOR PERIOD				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0,07	-	-	8,64
Financial Assets Measured at Fair Value through Profit/Loss	1,74	4,42	-	13,51
Money Market Placements	-	1,62	-	11,33
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,15	5,85	-	15,50
Loans	4,28	6,77	-	19,22
Financial Assets Measured at Amortised Cost	1,41	5,19	-	16,22
Liabilities				
Bank Deposits	-	1,70	-	8,68
Other Deposits	0,13	1,36	0,17	8,12
Money Market Funds	-	3,68	-	7,06
Miscellaneous Payables	-	-	-	-
Securities Issued	5,27	5,83	-	12,16
Other Fundings	1,86	-	-	11,33

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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

	CURRENT PERIOD		COMPARISON	
	EQUITY SECURITIES (SHARES)	**CARRYING VALUE**	**FAIR VALUE(*)**	**MARKET VALUE**
1	**Investment in Shares- Grade A**	**11,302,321**	**11,184,644**	**445,672**
	Quoted Securities	91,417	91,417	445,672
2	**Investment in Shares- Grade B**	**108,783**	**83,342**	**439,163**
	Quoted Securities	83,342	83,342	439,163
3	**Investment in Shares- Grade C**	**5,620**	**-**	**-**
	Quoted Securities	-	-	-
4	**Investment in Shares- Grade D**	**-**	**-**	**-**
	Quoted Securities	-	-	-
5	**Investment in Shares- Grade E**	**1,014**	**-**	**-**
	Quoted Securities	-	-	-
6	**Investment in Shares- Grade F**	**48**	**-**	**-**
	Quoted Securities	-	-	-

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

	PRIOR PERIOD		COMPARISON	
	EQUITY SECURITIES (SHARES)	**CARRYING VALUE**	**FAIR VALUE(*)**	**MARKET VALUE**
1	**Investment in Shares- Grade A**	**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

CURRENT PERIOD		GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES		
PORTFOLIO			TOTAL	AMOUNT IN TIER I CAPITAL(*)		TOTAL	AMOUNT IN TIER I CAPITAL(*)
1	Private Equity Investments	-	-	-		-	-
2	Quoted Shares		89,507	89,507	-	89,507	-
3	Other Shares	-	6,155,727	6,155,727	-	6,155,727	-
	Total	**-**	**6,245,234**	**6,245,234**	**-**	**6,245,234**	**-**

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

PRIOR PERIOD		GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES	
PORTFOLIO			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

	CURRENT PERIOD			
	PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1	Private Equity Investments	-	-	-
2	Quoted Shares	174,759	174,759	13,981
3	Other Shares	11,243,027	11,243,027	899,442
	Total	**11,417,786**	**11,417,786**	**913,423**

	PRIOR PERIOD			
	PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1	Private Equity Investments	-	-	-
2	Quoted Shares	134,182	134,182	10,735
3	Other Shares	8,452,696	8,452,696	676,216
	Total	**8,586,878**	**8,586,878**	**686,951**

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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/ the Board of Directors Risk Committee 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 Ministry of Treasury and Finance 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.

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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. Customers' gold deposit also increases in high level and becomes an important funding source in 2020. Deposits and capital constitute most of TL funding. For the reasons like real person customers cannot use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency assests and unused portion of USD, Euro and gold are used in TL funding via currency swap transactions. Swap transactions which is made for TL funding are made with CBRT, however swap transactions with foreign banks are also started to grow again due to increases in swap limits in the recent period. 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, metrics such as Bank's Liquidity Coverage Ratio are in extremely healthy level 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.

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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 7.68% cash, 37.42% deposits in central banks and 54.73% 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 79.70% deposits, 10.28% funds borrowed and money market borrowings, 6.34% securities issued and 3.67% 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.

	CURRENT PERIOD	TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
		TL+FC	FC	TL+FC	FC
	HIGH-QUALITY LIQUID ASSETS			115,025,954	59,481,266
1	Total high-quality liquid assets (HQLA)	115,025,954	59,481,266	115,025,954	59,481,266
	CASH OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	236,181,502	138,559,703	21,612,360	13,855,970
3	Stable deposits	40,115,799	-	2,005,790	-
4	Less stable deposits	196,065,703	138,559,703	19,606,570	13,855,970
5	Unsecured wholesale funding, of which:	91,259,357	48,150,706	46,128,922	23,186,149
6	Operational deposits	-	-	-	-
7	Non-operational deposits	74,243,380	43,622,672	33,613,977	18,785,802
8	Unsecured funding	17,015,977	4,528,034	12,514,945	4,400,347
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	145,381,803	50,076,913	23,490,030	19,459,753
11	Outflows related to derivative exposures and other collateral requirements	11,225,434	14,245,985	11,225,434	14,245,985
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	134,156,369	35,830,928	12,264,596	5,213,768
14	Other revocable off-balance sheet commitments and contractual obligations	2,207	2,207	109	109
15	Other irrevocable or conditionally revocable off-balance sheet obligations	14,127,372	13,697,912	706,369	684,896
16	**TOTAL CASH OUTFLOWS**			91,937,790	57,186,877
	CASH INFLOWS				
17	Secured receivables	-	-	-	-
18	Unsecured receivables	28,575,307	12,422,517	21,136,076	10,347,300
19	Other cash inflows	1,233,418	24,977,232	1,233,417	24,977,232
20	**TOTAL CASH INFLOWS**	29,808,725	37,399,749	22,369,493	35,324,532
21	**TOTAL HQLA**			**115,025,954**	**59,481,266**
22	**TOTAL NET CASH OUTFLOWS**			**69,568,297**	**22,762,422**
23	**LIQUIDITY COVERAGE RATIO (%)**			**165,50**	**285,68**

(*) 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:

CURRENT PERIOD	HIGHEST	DATE	LOWEST	DATE	AVERAGE
TL+FC	184.93	25.11.2020	151.36	25.10.2020	165.50
FC	452.40	08.12.2020	169.15	24.10.2020	285.68

CURRENT PERIOD		TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS				92,639,807	48,575,984
1	Total high-quality liquid assets (HQLA)	92,639,807	48,575,984		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:

PRIOR PERIOD	HIGHEST	DATE	LOWEST	DATE	AVERAGE
TL+FC	236.53	26.12.2019	172.10	02.12.2019	191.52
FC	242.41	26.12.2019	147.62	01.10.2019	181.08

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4.6.2 CONTRACTUAL MATURITY ANALYSIS OF LIABILITIES ACCORDING TO REMAINING MATURITIES

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

	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
CURRENT PERIOD								
Bank Deposits	905,583	905,462	711,446	193,298	718	-	-	-
Other Deposits	320,606,012	319,963,148	136,198,232	140,556,238	32,323,174	8,617,436	2,262,320	5,748
Other Fundings	41,419,306	42,464,349	-	983,318	1,075,498	16,055,618	11,539,631	12,810,284
Interbank Money Market Takings	71,830	71,806	-	71,748	58	-	-	-
Securities Issued(*)	25,589,639	25,272,331	-	1,340,705	3,280,718	3,931,670	10,001,194	6,718,044
Lease payables (net)	873,021	1,258,111	-	24,371	50,032	146,506	768,505	268,697
Total	**389,465,391**	**389,935,207**	**136,909,678**	**143,169,678**	**36,730,198**	**28,751,230**	**24,571,650**	**19,802,773**

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

	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
PRIOR PERIOD								
Bank Deposits	2,482,808	2,481,979	2,295,128	184,263	2,588	-	-	-
Other Deposits	246,268,283	245,493,652	74,079,431	140,489,564	18,789,208	11,900,975	229,142	5,332
Other Fundings	39,415,701	39,844,354	-	800,851	330,771	15,463,984	10,330,883	12,917,865
Interbank Money Market Takings	504,175	503,875	-	67,728	436,147	-	-	-
Securities Issued(*)	21,137,439	20,844,352	-	289,127	3,763,228	750,000	11,216,405	4,825,592
Lease payables (net)	1,006,148	1,646,031	-	34,962	84,260	229,129	926,980	370,700
Total	**310,814,554**	**310,814,243**	**76,374,559**	**141,866,495**	**23,406,202**	**28,344,088**	**22,703,410**	**18,119,489**

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

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	29,156,289	26,010,300	-	-	-	-	-	55,166,589
Banks	13,354,461	1,441,184	-	-	-	-	-	14,795,645
Financial Assets Measured at Fair Value through Profit/Loss	310,272	36,157	34,011	6,283,982	808,261	35,270	-	7,507,953
Money Market Placements	-	8,003,922	-	239,378	-	-	-	8,243,300
Financial Assets Measured at Fair Value through Other Comprehensive Income	301,030	1,170,758	565,043	2,767,396	18,030,109	8,524,142	-	31,358,478
Loans	416,655	44,267,672	29,402,258	93,557,621	104,001,087	24,447,295	18,991,935	315,084,523
Financial Assets Measured at Amortised Cost	-	248,147	143,453	3,127,162	21,078,875	9,743,582	-	34,341,219
Other Assets (*)	15,277,712	3,039,047	609,981	608,155	753,174	1,544,699	4,467,345	26,300,113
Total Assets	**58,816,419**	**84,217,187**	**30,754,746**	**106,583,694**	**144,671,506**	**44,294,988**	**23,459,280**	**492,797,820**
LIABILITIES								
Bank Deposits	711,446	193,412	725	-	-	-	-	905,583
Other Deposits	136,198,231	141,032,365	32,422,088	8,680,349	2,267,219	5,760	-	320,606,012
Other Fundings	-	1,140,614	1,107,077	16,074,985	11,525,224	11,571,406	-	41,419,306
Money Market Funds	-	71,772	58	-	-	-	-	71,830
Securities Issued (**)	-	1,341,505	3,319,745	3,999,309	10,147,792	6,781,288	-	25,589,639
Miscellaneous Payables	14,824,199	1	-	-	-	-	-	14,824,200
Other Liabilities (***)	3,676,276	1,975,084	4,110,665	512,608	1,470,200	3,602,944	74,033,473	89,381,250
Total Liabilities	**155,410,152**	**145,754,753**	**40,960,358**	**29,267,251**	**25,410,435**	**21,961,398**	**74,033,473**	**492,797,820**
Liquidity Gap	**(96,593,733)**	**(61,537,566)**	**(10,205,612)**	**77,316,443**	**119,261,071**	**22,333,590**	**(50,574,193)**	**-**
Net Off-Balance Sheet Position	**-**	**(728,625)**	**(2,207,626)**	**37,185**	**462,595**	**(85,148)**	**-**	**(2,521,619)**
Derivative Financial Assets	-	62,363,705	39,207,952	15,490,998	5,929,805	1,621,783	-	124,614,243
Derivative Financial Liabilities	-	63,092,330	41,415,578	15,453,813	5,467,210	1,706,931	-	127,135,862
Non-Cash Loans	-	26,794,333	3,876,595	1,870,011	271,319	-	144,931,407	177,743,665
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.

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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 8.96% (31 December 2019: 9.70%). While the capital increased by 16.45% mainly as a result of increase in net profits, total risk amount increased by 26.15%. Therefore, the current period leverage ratio decreased by 74 basis points compared to prior period

	ON-BALANCE SHEET ASSETS	CURRENT PERIOD (*)	PRIOR PERIOD (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	497,325,327	383,691,696
2	(Assets deducted in determining Tier I capital)	(545,188)	(496,261)
3	Total on-balance sheet risks (sum of lines 1 and 2)	496,780,139	383,195,435
	DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT DERIVATIVES		
4	Replacement cost associated with all derivative instruments and credit derivatives	6,739,854	3,048,365
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	20,235,044	17,063,813
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	26,974,898	20,112,178
	SECURITIES OR COMMODITY FINANCING TRANSACTIONS (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	247,006	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)	247,006	388,502
	OTHER OFF-BALANCE SHEET TRANSACTIONS		
10	Gross notional amounts of off-balance sheet transactions	167,913,189	144,057,717
11	(Adjustments for conversion to credit equivalent amounts)	(2,533,857)	(1,266,554)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	165,379,332	142,791,163
	CAPITAL AND TOTAL RISKS		
13	Tier I capital	61,754,721	53,030,842
14	Total risks (sum of lines 3, 6, 9 and 12)	689,381,375	546,487,278
	LEVERAGE RATIO		
15	Leverage ratio	8.96	9.70

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

4.8 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

CURRENT PERIOD	CARRYING VALUE	FAIR VALUE
Financial Assets	**456,050,784**	**453,204,763**
Interbank Money Market Placements	8,243,300	8,242,961
Banks (*)	59,515,311	59,514,703
Financial Assets Measured at Fair Value Through Profit/Loss	7,507,953	7,507,953
Financial Assets Measured at Fair Value through Other Comprehensive Income	31,358,478	31,358,478
Financial Assets Measured at Amortised Cost	34,341,219	34,974,868
Loans	315,084,523	311,605,800
Financial Liabilities	**394,230,966**	**392,942,775**
Bank Deposits	905,583	905,818
Other Deposits	320,606,012	319,183,097
Other Fundings from Financial Institutions	25,438,441	25,416,667
Securities Issued (**)	25,589,639	25,745,902
Other Liabilities	21,691,291	21,691,291

(*) Including the balances at the Central Bank of Turkey
(**) Including subordinated securities issued and presented under subordinated debts in balance sheet.

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PRIOR PERIOD	CARRYING VALUE	FAIR VALUE
Finansal Assets	**367,236,445**	**362,137,088**
Interbank Money Market Placements	10,376,446	10,376,446
Banks (*)	47,503,780	47,503,780
Financial Assets Measured at Fair Value Through Profit/Loss	4,890,878	4,890,878
Financial Assets Available-for-Sale	24,683,050	24,683,050
Investments Held-to-Maturity	28,616,918	28,402,028
Loans	251,165,373	246,280,906
Financial Liabilities	**310,633,533**	**310,633,533**
Bank Deposits	2,482,808	2,482,808
Other Deposits	246,268,283	246,268,283
Other Fundings	25,122,823	25,122,823
Securities Issued (**)	21,137,439	21,137,439
Miscellaneous Payables	15,622,180	15,622,180

(*) Including the balances at the Central Bank of Turkey
(**) Including subordinated securities issued and presented under subordinated debts in balance sheet.

The estimated fair value of banks, other fundings from Financial institutions, securities issued and deposits is calculated by finding discounted cash flows using current market interest rates.

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

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

Fair values of other financial assets and liabilities are measured at amortised cost of financial assets or liabilities calculating by effective interest method.

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

CURRENT PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Measured at Fair Value through Other Comprehensive Income	28,466,204	2,773,344	118,930	31,358,478
Financial Assets Measured at Fair Value through Profit/Loss	970,676	1,982,531	4,554,746	7,507,953
Derivative Financial Assets Held for Trading	5,315	3,909,801	64,815	3,979,931
Derivative Financial Assets Held for Hedging Purpose	-	447,161	-	447,161
Financial Assets at Fair Value	**29,442,195**	**9,112,837**	**4,738,491**	**43,293,523**
Derivative Financial Liabilities Held for Trading	-	6,329,470	1,237,104	7,566,574
Funds Borrowed (*)	-	-	15,980,865	15,980,865
Derivative Financial Liabilities Held for Hedging Purpose	-	777,571	-	777,571
Financial Liabilities at Fair Value	**-**	**7,107,041**	**17,217,969**	**24,325,010**

(*) Funds borrowed includes financial liabilities measured at fair value through profit/loss.

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PRIOR PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Measured at Fair Value through Other Comprehensive Income	23,022,482	1,654,804	5,764	24,683,050
Financial Assets Measured at Fair Value through Profit/Loss	447,773	25,918	4,417,187	4,890,878
Derivative Financial Assets Held for Trading	8,978	2,344,037	94,891	2,447,906
Derivative Financial Assets Held for Hedging Purpose	-	439,781	-	439,781
Financial Assets at Fair Value	**23,479,233**	**4,464,540**	**4,517,842**	**32,461,615**
Derivative Financial Liabilities Held for Trading	156	2,216,441	752,246	2,968,843
Funds Borrowed (*)	-	-	14,292,878	14,292,878
Derivative Financial Liabilities Held for Hedging Purpose	-	1,115,731	-	1,115,731
Financial Liabilities at Fair Value	**156**	**3,332,172**	**15,045,124**	**18,377,452**

(*) Funds borrowed includes financial liabilities measured at fair value through profit/loss.

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**4,517,842**	**4,136,826**
Purchases during the Period	449,380	185,909
Disposals through Sale/Redemptions	(185,909)	(18,069)
Valuation Effect	(42,822)	213,176
Transfers	-	-
Balances at End of Period	**4,738,491**	**4,517,842**

The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in note 5.1.2.2. 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 of 0.25% increase / (0.25% decrease) in the assumptions used in the based discounted cash flow method and 0.25% decrease / (0.25% increase) in the risk-free return on investment, assuming that all other variables remain constant, the assets and profit for the period are approximately will increase by TL 91 million (will decrease TL 91 million).

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

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

4.9 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

4.10 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

4.10.1 RISK MANAGEMENT STRATEGY AND WEIGHTED AMOUNTS

4.10.1.1 RISK MANAGEMENT STRATEGY

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

Policies and procedures regarding risk management are established for consolidated subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiaries subject to and the parent Bank's risk management strategy, reviewed regularly and revised if necessary. The parent Bank ensures that risk management system is applied in subsidiaries where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the Board of Directors. Besides oversight of corporate risk management policies and practices, capital adequacy and planning with liquidity adequacy subjects, management of various risks that the Bank may be exposed to 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 absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits.

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

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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) (*)	327,533,984	269,298,816	26,202,720
2	Of which standardised approach (SA)	327,533,984	269,298,816	26,202,720
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	9,351,236	4,682,076	748,099
5	Of which standardised approach for counterparty credit risk (SA-CCR)	9,351,236	4,682,076	748,099
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	15,475,634	9,100,469	1,238,051
17	Of which standardised approach (SA)	15,475,634	9,100,469	1,238,051
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)	**391,512,841**	**316,152,290**	**31,321,029**

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

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4.10.2 LINKAGES BETWEEN FINANCIAL STATEMENTS AND RISK AMOUNTS

4.10.2.1 DIFFERENCES AND MATCHING BETWEEN ASSET AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

		CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS				
CURRENT PERIOD	**CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS**	**SUBJECT TO CREDIT RISK**	**SUBJECT TO COUNTERPARTY CREDIT RISK**	**SUBJECT TO MARKET RISK (*)**	**SUBJECT TO CAPITAL CALCULATION**	**NOT SUBJECT TO CAPITAL REQUIREMENTS**
ASSETS	121,086,048	115,802,078	5,543,018	4,262,954	(413,009)	-
Cash and cash equivalents	77,792,525	78,205,534	-	-	(413,009)	-
Financial assets measured at fair value through profit/loss (FVTPL)	7,507,953	6,238,066	-	1,269,887	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	31,358,478	31,358,478	1,115,926	-	-	-
Derivative financial assets	4,427,092	-	4,427,092	2,993,067	-	-
Loans (net)	**329,979,119**	**340,335,160**	**72,084**	**-**	**(11,409,061)**	**(30,455)**
Loans	315,084,523	315,113,206	-	-	1,884	(30,455)
Lease receivables	-	-	-	-	-	-
Non performing receivables	34,341,219	34,341,219	72,084	-	-	-
Expected credit losses (-)	19,446,623	9,119,265	-	-	11,410,945	-
Assets held for sale and assets of discontinued operations (net)	768,033	768,033	-	-	-	-
Ownership investments (net)	11,417,786	11,417,786	-	-	-	-
Tangible assets (net)	5,319,461	5,199,790	-	-	119,671	-
Intangible assets (net)	454,552	21,390	-	-	433,162	-
Investment property (net)	704,701	704,701	-	-	-	-
Current tax asset	-	-	-	-	-	-
Deferred tax asset	3,509,508	3,509,508	-	-	-	-
Other assets	19,558,612	20,895,609	-	-	(6,720)	(1,330,277)
Total assets	**492,797,820**	**498,654,055**	**5,615,102**	**4,262,954**	**(11,275,957)**	**(1,360,732)**
Deposits	321,511,595	-	-	-	-	321,511,595
Funds borrowed	25,438,441	-	1,515,138	-	-	23,923,303
Money market funds	71,830	-	71,830	-	-	-
Securities issued (net)	18,990,670	-	-	-	-	18,990,670
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtpl	15,980,865	-	-	-	-	15,980,865
Derivative financial liabilities	8,344,145	-	-	-	-	8,344,145
Factoring payables	-	-	-	-	-	-
Lease payables (net)	873,021	-	-	-	-	873,021
Provisions	9,051,110	809,936	-	-	1,367,718	6,873,456
Current tax liability	2,164,160	-	-	-	-	2,164,160
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	6,598,969	-	-	-	6,537,880	61,089
Other liabilities	21,691,291	-	-	26,314	-	21,664,977
Shareholders' equity	62,081,723	-	-	-	62,383,694	(301,971)
Total liabilities	**492,797,820**	**809,936**	**1,586,968**	**26,314**	**70,289,292**	**420,085,310**

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

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		CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS				
PRIOR PERIOD	**CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS**	**SUBJECT TO CREDIT RISK**	**SUBJECT TO COUNTERPARTY CREDIT RISK**	**SUBJECT TO MARKET RISK (*)**	**SUBJECT TO CAPITAL CALCULATION**	**NOT SUBJECT TO CAPITAL REQUIREMENTS**
ASSETS	**96,234,717**	**92,928,334**	**4,259,276**	**2,456,619**	**(149,340)**	**-**
Cash and cash equivalents	63,773,102	63,922,442	-	-	(149,340)	-
Financial assets measured at fair value through profit/loss (FVTPL)	4,890,878	4,227,951	-	662,927	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	24,683,050	24,683,050	1,466,481	-	-	-
Derivative financial assets	2,887,687	94,891	2,792,795	1,793,692	-	-
Loans (net)	**263,968,569**	**269,082,228**	**720,035**	**-**	**(5,067,559)**	**(46,100)**
Loans	251,165,373	251,203,652	-	-	7,821	(46,100)
Lease receivables	-	-	-	-	-	-
Non performing receivables	28,616,918	28,616,918	720,035	-	-	-
Expected credit losses (-)	15,813,722	10,738,342	-	-	5,075,380	-
Assets held for sale and assets of discontinued operations (net)	1,291,274	1,291,274	-	-	-	-
Ownership investments (net)	8,586,878	8,586,878	-	-	-	-
Tangible assets (net)	4,991,224	4,827,668	-	-	163,556	-
Intangible assets (net)	350,882	22,348	-	-	328,534	-
Investment property (net)	703,141	703,141	-	-	-	-
Current tax asset	-	-	-	-	-	-
Deferred tax asset	1,710,519	1,710,519	-	-	-	-
Other assets	13,315,066	14,138,034	-	-	(2,776)	(820,192)
Total assets	**391,152,270**	**393,290,424**	**4,979,311**	**2,456,619**	**(4,727,585)**	**(866,292)**
Deposits	248,751,091	-	-	-	-	248,751,091
Funds borrowed	25,122,823	-	1,867,232	-	-	23,255,591
Money market funds	504,175	-	504,175	-	-	-
Securities issued (net)	16,407,732	-	-	-	-	16,407,732
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtpl	14,292,878	-	-	-	-	14,292,878
Derivative financial liabilities	4,084,574	-	-	-	-	4,084,574
Factoring payables	-	-	-	-	-	-
Lease payables (net)	1,006,148	-	-	-	-	1,006,148
Provisions	5,731,746	622,573	-	-	588,581	4,520,592
Current tax liability	1,133,550	-	-	-	-	1,133,550
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	4,729,707	-	-	-	4,693,480	36,227
Other liabilities	15,622,180	-	-	34,163	-	15,588,017
Shareholders' equity	53,765,666	-	-	-	54,243,640	(477,974)
Total liabilities	**391,152,270**	**622,573**	**2,371,407**	**34,163**	**59,525,701**	**328,598,426**

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

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4.10.2.2 MAJOR ITEMS CAUSING DIFFERENCES BETWEEN ASSETS AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

	CURRENT PERIOD	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements" (as per 4.10.2.1)	502,885,766	497,466,045	4,427,092	4,262,954
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	1,188,010	1,188,010	1,188,010	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	1,586,968	-	1,586,968	-
4	Carrying Value of Other Liabilities as per TAS (as per 4.10.2.1)	26,314	-	-	26,314
5	**Total Net Amount within the Scope of Statutory Consolidation**	**502,460,494**	**498,654,055**	**4,028,134**	**4,236,640**
6	Off-balance Sheet Amounts (**)	631,934,170	48,643,992	4,367,264	144,329,145
7	Differences Resulted from the BRSA's Applications		(15,558,980)	(23,304)	-
8	Repurchase Transactions		-	782,667	-
9	**Risk Amounts**		**531,739,067**	**9,154,761**	**148,565,785**

	PRIOR PERIOD	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements" (as per 4.10.2.1)	393,687,788	391,103,908	2,792,795	2,456,619
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	2,186,516	2,186,516	2,186,516	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	2,371,407	-	2,371,407	-
4	Carrying Value of Other Liabilities as per TAS (as per 4.10.2.1)	34,163	-	-	34,163
5	**Total Net Amount within the Scope of Statutory Consolidation**	**393,468,734**	**393,290,424**	**2,607,904**	**2,422,456**
6	Off-balance Sheet Amounts (**)	476,350,943	53,784,508	1,720,490	143,457,602
7	Differences Resulted from the BRSA's Applications	-	(30,269,917)	(18,979)	-
8	Repurchase Transactions	-	-	750,216	-
9	**Risk Amounts**	**-**	**416,805,015**	**5,059,631**	**145,880,058**

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.
(**) Off-balance sheet amounts subject to capital adequacy ratios.

4.10.2.3 EXPLANATIONS ON DIFFERENCES BETWEEN CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION OF ASSETS AND LIABILITIES

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

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4.10.3 CREDIT RISK

4.10.3.1 GENERAL INFORMATION ON CREDIT RISK

4.10.3.1.1 GENERAL QUALITATIVE INFORMATION ON CREDIT RISK

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

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

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

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

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

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

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

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

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

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

4.10.3.1.2 CREDIT QUALITY OF ASSETS

	CURRENT PERIOD	GROSS CARRYING VALUE AS PER TAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
		DEFAULTED	NON-DEFAULTED EXPOSURES		
1	Loans	14,383,132	372,990,998	9,119,265	378,254,865
2	Debt securities	-	67,082,177	-	67,082,177
3	Off-balance sheet exposures	1,434,029	81,711,066	809,936	82,335,159
4	**Total**	**15,817,161**	**521,784,241**	**9,929,201**	**527,672,201**

	PRIOR PERIOD	GROSS CARRYING VALUE AS PER TAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
		DEFAULTED	NON-DEFAULTED EXPOSURES		
1	Loans	17,298,981	296,000,239	10,738,342	302,560,878
2	Debt securities	-	52,934,090	-	52,934,090
3	Off-balance sheet exposures	1,539,690	81,630,427	622,573	82,547,544
4	**Total**	**18,838,671**	**430,564,756**	**11,360,915**	**438,042,512**

4.10.3.1.3 CHANGES IN STOCK OF DEFAULT LOANS AND DEBT SECURITIES

		CURRENT PERIOD	PRIOR PERIOD
1	**Defaulted loans and debt securities at end of the previous reporting period**	**17,298,981**	**11,407,073**
2	Loans and debt securities defaulted since the last reporting period	2,096,698	9,393,049
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	(4,021,241)	(1,665,537)
5	Other changes	(991,306)	(1,835,604)
6	**Defaulted loans and debt securities at end of the reporting period**	**14,383,132**	**17,298,981**

4.10.3.1.4 ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

4.10.3.1.4.1 QUALITATIVE DISCLOSURES RELATED TO THE CREDIT QUALITY OF ASSETS

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

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

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4.10.3.1.4.2 BREAKDOWN OF EXPOSURES BY GEOGRAPHICAL AREAS, INDUSTRY AND AGEING

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 EXPOSURES PROVISIONED AGAINST BY MAJOR REGIONS AND SECTORS

	CURRENT PERIOD			PRIOR PERIOD		
	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS
Domestic	14,164,005	9,000,181	3,811,494	16,953,029	10,524,489	1,594,835
European Union (EU) Countries	197,683	101,389	206,131	321,806	196,730	69,851
OECD Countries	15	6	16	15	2	7
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	237	95	33	177	20	-
Other Countries	21,192	17,594	3,567	23,954	17,101	844
Total	**14,383,132**	**9,119,265**	**4,021,241**	**17,298,981**	**10,738,342**	**1,665,537**

	CURRENT PERIOD			PRIOR PERIOD		
	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS
Agriculture	**76,802**	**57,977**	**8,330**	**90,860**	**56,066**	**5,222**
Farming and Stockbreeding	45,799	32,953	7,635	72,430	43,782	3,965
Forestry	24,259	19,310	184	11,344	7,222	1,189
Fishery	6,744	5,714	511	7,086	5,062	68
Manufacturing	**4,731,884**	**2,889,129**	**1,845,376**	**6,135,136**	**3,713,890**	**424,625**
Mining and Quarrying	26,669	23,484	884	43,520	30,629	396
Production	1,278,047	990,414	359,402	1,947,403	1,223,803	423,812
Electricity, Gas and Water	3,427,168	1,875,231	1,485,090	4,144,213	2,459,458	417
Construction	**719,669**	**420,012**	**133,737**	**979,888**	**528,931**	**237,038**
Services	**5,847,130**	**3,723,799**	**897,844**	**5,861,734**	**3,365,483**	**203,999**
Wholesale and Retail Trade	1,794,304	1,355,138	231,896	2,101,050	1,264,480	84,360
Accommodation and Dining	300,957	181,933	88,237	283,413	152,050	8,673
Transportation and Telecommunication	1,508,035	957,421	226,948	1,522,446	888,986	81,187
Financial Institutions	29,444	27,067	848	40,909	31,580	20,413
Real Estate and Rental Services	2,055,296	1,056,299	343,680	1,752,054	891,947	7,558
Professional Services	-	-	-	-	-	-
Educational Services	137,350	127,909	4,672	126,885	110,714	747
Health and Social Services	21,744	18,032	1,563	34,977	25,726	1,061
Others	**3,007,647**	**2,028,348**	**1,135,954**	**4,231,363**	**3,073,972**	**794,653**
Total	**14,383,132**	**9,119,265**	**4,021,241**	**17,298,981**	**10,738,342**	**1,665,537**

4.10.3.1.4.4 AGEING OF PAST-DUE EXPOSURES

CURRENT PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	242,179	807,735	9,523,232	741,384	543,285
Retail Loans	164,799	407,220	1,041,562	75,683	47,973
Credit Cards	54,206	180,703	514,632	22,126	16,413
Others	-	-	-	-	-
Total	**461,184**	**1,395,658**	**11,079,426**	**839,193**	**607,671**

PRIOR PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	2.313.686	4.933.546	5.337.143	732.713	396.265
Retail Loans	326,296	937,091	673,500	236,559	154,312
Credit Cards	176,322	451,042	328,221	166,908	135,377
Others	-	-	-	-	-
Total	**2,816,304**	**6,321,679**	**6,338,864**	**1,136,180**	**685,954**

4.10.3.2 CREDIT RISK MITIGATION

4.10.3.2.1 QUALITATIVE DISCLOSURE ON CREDIT RISK MITIGATION TECHNIQUES

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

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

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

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

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

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4.10.3.2.2 CREDIT RISK MITIGATION TECHNIQUES

	CURRENT PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	352,702,701	25,552,164	24,541,602	8,959,316	8,959,316	-	-
2	Debt securities	66,815,590	266,587	31,236	-	-	-	-
3	**Total**	**419,518,291**	**25,818,751**	**24,572,838**	**8,959,316**	**8,959,316**	**-**	**-**
4	Of which defaulted	14,383,132	-	88,86592	-	-	-	-

	PRIOR PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	260,065,860	42,495,018	41,259,490	10,970,595	10,970,595	-	-
2	Debt securities	52,854,280	79,810	17,292	-	-	-	-
3	**Total**	**312,920,140**	**42,574,828**	**41,276,782**	**10,970,595**	**10,970,595**	**-**	**-**
4	Of which defaulted	17,298,953	28	583	-	-	-	-

4.10.3.3 CREDIT RISK UNDER STANDARDISED APPROACH

4.10.3.3.1 QUALITATIVE DISCLOSURES ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

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

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

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

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

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

CREDIT QUALITY LEVEL	FITCH RATINGS LONG TERM CREDIT RATING	RISK CLASSES			
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
			EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

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4.10.3.3.2 CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION TECHNIQUES

	CURRENT PERIOD	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
	RISK CLASSES	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
1	Exposures to sovereigns and their central banks	117,916,269	2,378,841	126,869,995	195,890	2,125,616	1.67%
2	Exposures to regional and local governments	1,312,439	23	1,312,439	1	656,220	50.00%
3	Exposures to administrative bodies and non-commercial entities	175,106	54,968	175,068	14,042	189,110	100.00%
4	Exposures to multilateral development banks	1,361,267	-	1,361,267	-	-	0.00%
5	Exposures to international organizations	-	-	-	-	-	0.00%
6	Exposures to banks and brokerage houses	31,477,592	27,503,139	23,252,349	4,483,233	9,521,200	34.33%
7	Exposures to corporates	166,966,692	70,365,398	159,772,638	35,291,573	190,335,403	97.58%
8	Retail exposures	112,984,798	73,581,388	106,161,639	5,985,363	84,106,582	75.00%
9	Exposures secured by residential property	13,965,597	494	13,955,140	247	4,884,385	35.00%
10	Exposures secured by commercial property	13,345,421	2,425,680	13,277,497	1,492,470	9,512,165	64.40%
11	Past-due items	5,048,237	143	5,048,237	-	3,518,113	69.69%
12	Exposures in high-risk categories	213,868	623,788	213,868	319,621	575,447	107.86%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0.00%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0.00%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0.00%
16	Other exposures	22,213,735	-	20,883,454	-	10,436,707	49.98%
17	Shares	11,673,036	-	11,673,036	-	11,673,036	100.00%
18	**Total**	**498,654,057**	**176,933,862**	**483,956,627**	**47,782,440**	**327,533,984**	**61.60%**

	PRIOR PERIOD	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
	RISK CLASSES	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
1	Exposures to sovereigns and their central banks	93,272,031	256,199	104,226,090	117,192	18,585,303	17.81%
2	Exposures to regional and local governments	613,721	15	613,721	3	369,966	60.28%
3	Exposures to administrative bodies and non-commercial entities	266,879	93,617	262,678	10,130	272,808	100.00%
4	Exposures to multilateral development banks	1,403,169	-	1,403,169	-	-	0.00%
5	Exposures to international organizations	-	-	-	-	-	0.00%
6	Exposures to banks and brokerage houses	26,961,881	31,274,358	16,519,886	3,167,499	6,832,394	34.70%
7	Exposures to corporates	122,277,661	55,320,001	115,740,841	26,995,462	139,282,675	97.58%
8	Retail exposures	89,901,182	60,061,404	81,923,326	5,457,381	65,529,784	74.99%
9	Exposures secured by residential property	13,566,424	1,115	13,559,917	557	4,746,166	35.00%
10	Exposures secured by commercial property	13,657,076	2,287,332	13,532,232	1,436,139	9,591,919	64.08%
11	Past-due items	6,234,266	-	6,234,265	-	4,322,746	69.34%
12	Exposures in high-risk categories	326,684	916,887	326,642	468,435	997,731	125.49%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0.00%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0.00%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0.00%
16	Other exposures	15,586,150	-	15,586,151	-	9,544,024	61.23%
17	Shares	9,223,300	-	9,223,300	-	9,223,300	100.00%
18	**Total**	**393,290,424**	**150,210,928**	**379,152,218**	**37,652,798**	**269,298,816**	**64.61%**

4.10.3.3.3 EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

	CURRENT PERIOD REGULATORY PORTFOLIO	0%	2%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	TOTAL RISK AMOUNT (POST-CCF AND CRM)
1	Exposures to sovereigns and their central banks	123,162,117	-	-	2,222,661	-	45	-	1,681,062	-	-	-	127,065,885
2	Exposures to regional and local government	-	-	-	-	-	1,312,440	-	-	-	-	-	1,312,440
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	189,110	-	-	-	189,110
4	Exposures to multilateral development banks	1,361,267	-	-	-	-	-	-	-	-	-	-	1,361,267
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	211,554	-	16,064,368	-	10,311,129	-	1,148,531	-	-	-	27,735,582
7	Exposures to corporates	-	-	-	944,446	-	7,946,502	-	186,173,263	-	-	-	195,064,211
8	Retail exposures	-	-	-	4,922	-	3,863	112,138,217	-	-	-	-	112,147,002
9	Exposures secured by residential property	-	-	-	-	13,955,387	-	-	-	-	-	-	13,955,387
10	Exposures secured by commercial property	-	-	-	-	-	10,515,603	-	4,254,364	-	-	-	14,769,967
11	Past-due items	-	-	-	-	-	3,060,250	-	1,987,987	-	-	-	5,048,237
12	Exposures in high-risk categories	-	-	-	-	-	138,974	-	171,623	222,892	-	-	533,489
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
16	Shares	-	-	-	-	-	-	-	11,673,036	-	-	-	11,673,036
17	Other exposures	10,446,043	-	-	879	-	-	-	10,436,532	-	-	-	20,883,454
18	**Total**	**134,969,427**	**211,554**	**-**	**19,237,276**	**13,955,387**	**33,288,806**	**112,138,217**	**217,715,508**	**222,892**	**-**	**-**	**531,739,067**

	PRIOR PERIOD REGULATORY PORTFOLIO	0%	2%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	TOTAL RISK AMOUNT (POST-CCF AND CRM)
1	Exposures to sovereigns and their central banks	85,757,928	-	-	19	-	70	-	18,585,265	-	-	-	104,343,282
2	Exposures to regional and local government	-	-	-	-	-	487,517	-	126,207	-	-	-	613,724
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	272,808	-	-	-	272,808
4	Exposures to multilateral development banks	1,403,169	-	-	-	-	-	-	0	-	-	-	1,403,169
5	Exposures to international organizations	-	-	-	-	-	-	-	0	-	-	-	-
6	Exposures to banks and brokerage houses	8,164	-	-	11,331,633	-	7,563,042	-	784,546	-	-	-	19,687,385
7	Exposures to corporates	1,129,757	-	-	1,121,761	-	2,852,922	-	137,631,863	-	-	-	142,736,303
8	Retail exposures	-	-	-	8,205	-	5,162	87,367,226	114	-	-	-	87,380,707
9	Exposures secured by residential property	-	-	-	-	13,560,474	-	-	-	-	-	-	13,560,474
10	Exposures secured by commercial property	-	-	-	-	-	10,752,905	-	4,215,466	-	-	-	14,968,371
11	Past-due items	-	-	-	-	-	3,823,040	-	2,411,225	-	-	-	6,234,265
12	Exposures in high-risk categories	-	-	-	-	-	5,376	-	379,022	410,679	-	-	795,077
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
16	Shares	-	-	-	-	-	-	-	9,223,300	-	-	-	9,223,300
17	Other exposures	6,041,775	-	-	441	-	-	-	9,543,935	-	-	-	15,586,151
18	**Total**	**94,340,793**	**-**	**-**	**12,462,059**	**13,560,474**	**25,490,034**	**87,367,226**	**183,173,751**	**410,679**	**-**	**-**	**416,805,016**

4.10.4 COUNTERPARTY CREDIT RISK

4.10.4.1 QUALITATIVE DISCLOSURE ON COUNTERPARTY CREDIT RISK

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

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

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

4.10.4.2 COUNTERPARTY CREDIT RISK (CCR) APPROACH ANALYSIS

	CURRENT PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE (EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1	Standardised Approach -CCR (for derivatives)	4,427,092	4,367,264		1,4	8,771,051	5,936,664
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					383,708	77,528
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**6,014,192**

	PRIOR PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE (EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1	Standardised Approach -CCR (for derivatives)	2,792,795	1,720,489		1,4	4,494,306	2,930,300
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					565,325	203,959
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**3,134,259**

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4.10.4.3 CAPITAL REQUIREMENT FOR CREDIT VALUATION ADJUSTMENT (CVA)

		CURRENT PERIOD		PRIOR PERIOD	
		EAD POST-CRM	RWA	EAD POST-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	8,771,051	3,337,044	4,494,306	1,547,817
4	**Total subject to the CVA capital obligation**	**8,771,051**	**3,337,044**	**4,494,306**	**1,547,817**

4.10.4.4 CCR EXPOSURES BY RISK CLASS AND RISK WEIGHTS

CURRENT PERIOD	RISK WEIGHT									
REGULATORY PORTFOLIO	0%	2%	10%	20%	50%	75%	100%	150%	OTHER	TOTAL CREDIT EXPOSUREİ
Exposures to sovereigns and their central banks	-	-	-	-	466,803	-	310,329	-	-	777,132
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	11	-	-	11
Exposures to multilateral development banks	13,031	-	-	-	-	-	-	-	-	13,031
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	37,972	-	1,214,275	3,639,382	-	17,888	-	-	4,909,517
Exposures to corporates	-	-	-	9,905	110,200	-	3,323,818	-	-	3,443,923
Retail exposures	-	-	-	-	-	11,145	-	-	-	11,145
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**13,031**	**37,972**	**-**	**1,224,180**	**4,216,385**	**11,145**	**3,652,046**	**-**	**-**	**9,154,759**

PRIOR PERIOD	RISK WEIGHT									
REGULATORY PORTFOLIO	0%	2%	10%	20%	50%	75%	100%	150%	OTHER	TOTAL CREDIT EXPOSUREİ
Exposures to sovereigns and their central banks	-	-	-	-	-	-	26,543	-		26,543
Exposures to regional and local governments	-	-	-	-	-	-	-	-		-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	11,914	-		11,914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-		-
Exposures to international organizations	-	-	-	-	-	-	-	-		-
Exposures to banks and brokerage houses	37	-	-	957,664	2,269,706	-	82,994	-		3,310,401
Exposures to corporates	14,310	-	-	8	16,009	-	1,672,324	-	-	1,702,651
Retail exposures	-	-	-	-	-	8,122	-	-	-	8,122
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**14,347**	**-**	**-**	**957,672**	**2,285,715**	**8,122**	**1,793,775**	**-**	**-**	**5,059,631**

4.10.4.5 COLLATERALS FOR CCR

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
CURRENT PERIOD	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	15,573	-	-	-	71,806	-
Cash-foreign currency	7,732	-	-	-	1,515,138	-
Domestic sovereign debts	-	-	-	-	-	1,187,977
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**23,305**	**-**	**-**	**-**	**1,586,944**	**1,187,977**

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
PRIOR PERIOD	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	1,960	-	-	-	67,762	-
Cash-foreign currency	17,019	-	-	-	2,303,329	-
Domestic sovereign debts	-	-	-	-		2,177,535
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**18,979**	**-**	**-**	**-**	**2,371,091**	**2,177,535**

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4.10.4.6 CREDIT DERIVATIVES

	CURRENT PERIOD		PRIOR PERIOD	
	PROTECTION BOUGHT	PROTECTION SOLD	PROTECTION BOUGHT	PROTECTION SOLD
Notionals				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	17,147,156	-	14,870,724
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	**-**	**17,147,156**	**-**	**14,870,724**
Fair Values		**(1,172,291)**		**(657,355)**
Positive fair values (asset)	-	64,814	-	94,891
Negative fair values (liability)	-	(1,237,105)	-	(752,246)

4.10.5 SECURITISATIONS

None.

4.10.6 MARKET RISK

4.10.6.1 QUALITATIVE DISCLOSURE ON MARKET RISK

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

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

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

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

4.10.6.2 MARKET RISK UNDER STANDARDISED APPROACH

		RWA	
		CURRENT PERIOD	PRIOR PERIOD
	Outright products	**15,387,046**	**9,069,732**
1	Interest rate risk (general and specific)	1,959,950	1,642,838
2	Equity risk (general and specific)	527,546	80,156
3	Foreign exchange risk	12,814,500	7,183,800
4	Commodity risk	85,050	162,938
	Options	**88,588**	**30,737**
5	Simplified approach	-	-
6	Delta-plus method	88,588	30,737
7	Scenario approach	-	-
8	**Securitisation**	**-**	**-**
9	**Total**	**15,475,634**	**9,100,469**

4.10.7 OPERATIONAL RISK

The value at operational risk is calculated according to the basic indicator approach as per the Article 24 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

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

CURRENT PERIOD BASIC INDICATOR APPROACH	31.12.2017	31.12.2018	31.12.2019	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	16,281,044	23,096,234	23,265,901	20,881,060	15	3,132,159
Value at Operational Risk (Total x % 12.5)						39,151,987

PRIOR PERIOD BASIC INDICATOR APPROACH	31.12.2016	31.12.2017	31.12.2018	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	13,536,209	16,281,044	23,096,234	17,637,829	15	2,645,674
Value at Operational Risk (Total x % 12.5)						33,070,929

4.10.8 BANKING BOOK INTEREST RATE RISK

4.10.8.1 NATURE OF INTEREST RATE RISK RESULTING FROM BANKING BOOK, MAJOR ASSUMPTIONS ON EARLY REPAYMENT OF LOANS AND MOVEMENTS IN DEPOSITS OTHER THAN TERM DEPOSITS AND FREQUENCY OF MEASURING INTEREST RATE RISK

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

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

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

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

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

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

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

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

4.10.8.2 ECONOMIC VALUE DIFFERENCES RESULTED FROM INTEREST RATE INSTABILITIES CALCULATED ACCORDING TO REGULATION ON MEASUREMENT AND EVALUATION OF INTEREST RATE RISK RESULTED FROM BANKING BOOK AS PER STANDARD SHOCK METHOD

	CURRENT PERIOD TYPE OF CURRENCY	SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
1	TL	(+) 500bp	(6,209,372)	(8.56)%
2	TL	(-) 400bp	5,872,483	8.09%
3	USD	(+) 200bp	401,784	0.55%
4	USD	(-) 200bp	(629,807)	(0.87)%
5	EUR	(+) 200bp	1,446,619	1.99%
6	EUR	(-) 200bp	(1,707,593)	(2.35)%
	Total (of negative shocks)		**3,535,083**	**4.87 %**
	Total (of positive shocks)		**(4,360,969)**	**(6.02) %**

	PRIOR PERIOD TYPE OF CURRENCY	SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
1	TL	(+) 500bp	(4,463,035)	(7.21)%
2	TL	(-) 400bp	4,159,132	6.72%
3	USD	(+) 200bp	158,722	0.26%
4	USD	(-) 200bp	(124,234)	(0.20)%
5	EUR	(+) 200bp	65,395	0.11%
6	EUR	(-) 200bp	(46,952)	(0.08)%
	Total (of negative shocks)		**3,987,946**	**6.45%**
	Total (of positive shocks)		**(4,238,918)**	**(6.85)%**

4.10.9 REMUNERATION POLICY

4.10.9.1 QUALITATIVE DISCLOSURES REGARDING REMUNERATION POLICIES

4.10.9.1.1 DISCLOSURES RELATED WITH REMUNERATION COMMITTEE

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

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

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

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

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

4.10.9.1.2 INFORMATION ON THE DESIGN AND STRUCTURE OF REMUNERATION PROCESS

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

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

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

The Remuneration Policy of 2020 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee. Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

4.10.9.1.3 EVALUATION ABOUT HOW THE BANK'S REMUNERATION PROCESSES TAKE THE CURRENT AND FUTURE RISKS INTO ACCOUNT

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

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4.10.9.1.4 EVALUATION ABOUT HOW THE BANK ASSOCIATES VARIABLE REMUNERATIONS WITH PERFORMANCE

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

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

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

4.10.9.1.5 EVALUATION ABOUT THE BANK'S METHODS TO ADJUST REMUNERATIONS ACCORDING TO LONG-TERM PERFORMANCE

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the "Guidelines on Sound Remuneration Practices in Banks" that at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.
Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

4.10.9.1.6 EVALUATION ABOUT THE INSTRUMENTS USED BY THE BANK FOR VARIABLE REMUNERATIONS AND THE PURPOSES OF USE OF SUCH INSTRUMENTS

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash(share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2020, BBVA shares are taken as reference for payments based on non-cash instruments.

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

5 DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

5.1 ASSETS

5.1.1 CASH AND CASH EQUIVALENTS

5.1.1.1 CASH AND BALANCES WITH CENTRAL BANK

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2,722,172	6,403,283	1,594,581	2,400,426
Central Bank of Turkey	4,274,948	40,444,718	1,691,395	33,942,897
Others	2	1,321,466	-	2,047,209
Total	**6,997,122**	**48,169,467**	**3,285,976**	**38,390,532**

Balances with the Central Bank of Turkey

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Unrestricted Demand Deposits	4,274,948	14,434,418	1,691,395	10,531,841
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	26,010,300	-	23,411,056
Total	**4,274,948**	**40,444,718**	**1,691,395**	**33,942,897**

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

5.1.1.2 BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks				
Domestic banks	334	124,050	30,136	25,667
Foreign banks	253,860	14,417,401	245,489	11,568,196
Foreign head offices and branches	-	-	-	-
Total	**254,194**	**14,541,451**	**275,625**	**11,593,863**

The placements at foreign banks include blocked accounts amounting TL 2,423,914 (31 December 2019: TL 2,818,396) of which TL 2,222,619 (31 December 2019: TL 2,657,254) and TL 201,295 (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

	CURRENT PERIOD		PRIOR PERIOD	
	RESTRICTED BALANCES	UNRESTRICTED BALANCES	RESTRICTED BALANCES	UNRESTRICTED BALANCES
EU Countries	606,412	2,222,619	4,185,870	2,657,254
USA and Canada	5,690,572	-	3,330,695	-
OECD Countries (*)	4,430,749	-	45,266	-
Off-Shore Banking Regions	-	-	-	-
Other	1,519,614	201,295	1,433,458	161,142
Total	**12,247,347**	**2,423,914**	**8,995,289**	**2,818,396**

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

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5.1.1.3 RECEIVABLES FROM RESERVE REPO TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	**8,003,922**	**-**	**10,193,163**	**-**
Central Bank of Turkey	-	-	-	-
Banks	8,003,922	-	10,193,163	-
Others	-	-	-	-
Foreign Transactions	**-**	**239,378**	**-**	**183,283**
Central banks	-	-	-	-
Banks	-	239,378	-	183,283
Others	-	-	-	-
Total	**8,003,922**	**239,378**	**10,193,163**	**183,283**

5.1.1.4 EXPECTED CREDIT LOSSES FOR CASH AND CASH EQUIVALENTS

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period	**149,340**	**-**	**-**	**149,340**
Additions during the Period (+)	1,497,485	-	-	1,497,485
Disposals (-)	(1,285,501)	-	-	(1,285,501)
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	51,685	-	-	51,685
Balances at End of Period	**413,009**	**-**	**-**	**413,009**

PRIOR PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
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	518,067	2,077,532	340,037	91,126
Equity Securities	29,086	54,021	40,078	20,428
Other Financial Assets (*)	31,405	4,797,842	-	4,399,209
Total	**578,558**	**6,929,395**	**380,115**	**4,510,763**

(*)Financial assets measured at fair value through profit or loss include loan amounting to USD 756,288,034 (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.

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	12,661,189	2,546,991	1,387,632	1,915,735
Assets subject to Repurchase Agreements	-	-	12,674	-
Total	**12,661,189**	**2,546,991**	**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	**25,910,988**	**20,291,894**
Quoted at Stock Exchange	25,910,988	20,291,894
Unquoted at Stock Exchange	-	-
Common Shares/Investment Fund	**8,376**	**132,961**
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	3,885	128,470
Value Increase/Impairment Losses (-)	**5,439,114**	**4,258,195**
Total	**31,358,478**	**24,683,050**

Expected losses of TL 121,949 (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

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	372,953	17,972	182,744	14,033
Swap Transactions	1,616,431	1,887,781	848,183	1,040,808
Futures	-	5,315	-	8,488
Options	23,701	55,778	89,420	264,230
Others	-	-	-	-
Total	**2,013,085**	**1,966,846**	**1,120,347**	**1,327,559**

5.1.4.2 DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	-	-	11,345	6,675
Cash Flow Hedges	447,161	-	412,412	9,349
Net Foreign Investment Hedges	-	-	-	-
Total	**447,161**	**-**	**423,757**	**16,024**

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As of 31 December 2020, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	CURRENT PERIOD			PRIOR PERIOD		
	FACE VALUE	ASSET	LIABILITY	FACE VALUE	ASSET	LIABILITY
Interest Rate Swaps	35,260,261	26,295	710,133	57,756,260	24,851	1,092,187
-TL	3,860,000	26,295	61,946	21,365,030	14,243	698,842
-FC	31,400,261	-	648,187	36,391,230	10,608	393,345
Cross Currency Swaps	1,153,461	420,866	67,438	2,785,967	414,930	23,544
-TL	255,260	420,866	-	347,506	409,515	-
-FC	898,201	-	67,438	2,438,461	5,415	23,544
Currency Forwards	-	-	-	-	-	-
-TL	-	-	-	-	-	-
-FC	-	-	-	-	-	-
Total	**36,413,722**	**447,161**	**777,571**	**60,542,227**	**439,781**	**1,115,731**

5.1.4.3 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD Hedging Item	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEMI	NET FAIR VALUE CHANGE OF HEDGING ITEM		STATEMENT OF PROFIT OR LOSS EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	12,559	-	(27,070)	(14,511)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	-	-	-	-
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	368,153	-	(387,762)	(19,609)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	3,228	-	(67,438)	(64,210)

PRIOR PERIOD Hedging Item	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEMI	NET FAIR VALUE CHANGE OF HEDGING ITEM		STATEMENT OF PROFIT OR LOSS EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	147,422	6,224	(186,490)	(32,844)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	14,063	1,691	(15,774)	(20)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	199,511	4,690	(227,168)	(22,967)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	6,809	5,415	(23,544)	(11,320)

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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	-	(87,019)	(106,402)	(15,855)	(9,009)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	26,295	(208,282)	(36,543)	(61,559)	(19,436)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	420,866	-	(22,079)	(19,599)	-
Spot Position (*)	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	-	(3,338)	-	-
Spot Position (*)	Excpected invest-ment expenditures	Cash flow risk resulted from foreign currency exchange rates	-	-	(24,655)	-	-
Spot Position (**)	Excpected eurobond coupon revenues	Cash flow risk resulted from foreign currency exchange rates	-	-	24,655	-	-

(*) Consists of foreign currency items on the asset side of the balance sheet.
(**) Consists of foreign currency items on the liabilities side of the balance sheet.

In the current period, the amount reclassified from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions is TL (163,017) and the amount recognized in equity is TL 131,477.

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)	(51,189)	36,151	831
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,171	(662,201)	(189,384)	414,895	(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	-	(57,784)	(11,946)	-

In the current period, the amount reclassified from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions is TL (29,045) and the amount recognized in equity is TL 10,677.

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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	**-**	**722,425**	**62**	**591,046**
Corporates	-	722,425	62	591,046
Individuals	-	-	-	-
Indirect Lendings to Shareholders	**106,352**	**46,804**	**605**	**42,165**
Loans to Employees	**376,633**	**-**	**340,289**	**-**
Total	**482,985**	**769,229**	**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		LOANS UNDER FOLLOW-UP		
			RESTRUCTURED	
CASH LOANS (*) (**)	PERFORMING LOANS	NON-RESTRUCTURED	REVISED CONTRACT TERMS	REFINANCED
Loans	**245,008,958**	**36,078,494**	**14,545,750**	**5,068,189**
Working Capital Loans	48,061,611	5,582,329	1,044,559	2,632,728
Export Loans	22,385,308	1,190,085	121,912	134,943
Import Loans	-	-	-	-
Loans to Financial Sector	9,133,209	108,542	540	-
Consumer Loans	47,554,627	15,071,526	2,871,650	40,025
Credit Cards	28,943,815	3,628,390	422,390	-
Others	88,930,388	10,497,622	10,084,699	2,260,493
Specialization Loans	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**
Total	**245,008,958**	**36,078,494**	**14,545,750**	**5,068,189**

(*) Non-performing loans are not included.
(**) As of 31 December 2020, based on the resolution of the BRSA dated 27 March 2020 and numbered 8970 and dated 8 December 2020 and numbered 9312; starting from 17 March 2020 until 30 June 2021, 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 176,155 thousands.

PRIOR PERIOD		LOANS UNDER FOLLOW-UP		
			RESTRUCTURED	
CASH LOANS (*) (**)	PERFORMING LOANS	NON-RESTRUCTURED	REVISED CONTRACT TERMS	REFINANCED
Loans	**198,547,804**	**24,054,827**	**2,490,160**	**8,773,601**
Working Capital Loans	35,637,880	3,816,315	154,395	2,693,560
Export Loans	15,544,542	1,127,858	68,174	166,605
Import Loans	-	-	-	-
Loans to Financial Sector	6,966,225	114	-	-
Consumer Loans	45,885,510	4,639,770	978,953	20,863
Credit Cards	23,725,641	2,976,009	476,277	-
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.

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CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS		CONSUMER LOANS		TOTAL	
	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	101,860,295	72,472,341	70,568,515	107,807	172,428,810	72,580,148
Loans under Follow-up (Stage 2)	14,332,038	20,303,992	21,034,699	21,704	35,366,737	20,325,696
Total Stage 1 and 2 Loans	**116,192,333**	**92,776,333**	**91,603,214**	**129,511**	**207,795,547**	**92,905,844**
Expected Credit losses-Stage 1-2 (-)	3,011,972	5,417,680	1,718,989	901	4,730,961	5,418,581
Total Non-performing Loans	5,549,537	6,555,900	2,277,695	-	7,827,232	6,555,900
Expected Credit losses-Stage 3 (-)	4,175,931	3,477,013	1,466,321	-	5,642,252	3,477,013

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

	CURRENT PERIOD		PRIOR PERIOD	
	PERFORMING LOANS	LOANS UNDER FOLLOW-UP	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
12-Month ECL (Stage 1)	1,980,761	-	1,711,406	-
Significant Increase in Credit Risk (Stage 2)	-	8,168,781	-	6,666,464

As of 31 December 2020, loans amounting to TL 3,723,673 are benefited as collateral under funding transactions (31 December 2019: TL 3,873,550).

Collaterals received for loans under follow-up;

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	800,981	85,045	-	886,026
Loans Collateralized by Mortgages/Shares	16,507,391	4,420,193	-	20,927,584
Loans Collateralized by Pledged Assets	2,836,699	283,672	-	3,120,371
Loans Collateralized by Cheques and Notes	85,723	8,413	-	94,136
Loans Collateralized by Other Collaterals	10,639,675	12,536,739	-	23,176,414
Unsecured Loans	2,787,983	649,139	4,050,780	7,487,902
Total	**33,658,452**	**17,983,201**	**4,050,780**	**55,692,433**

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	419,168	18,009	-	437,177
Loans Collateralized by Mortgages/Shares	13,428,115	2,929,471	-	16,357,586
Loans Collateralized by Pledged Assets	1,855,642	186,050	-	2,041,692
Loans Collateralized by Cheques and Notes	104,960	3,402	-	108,362
Loans Collateralized by Other Collaterals	7,975,191	2,004,392	-	9,979,583
Unsecured Loans	2,443,640	498,262	3,452,286	6,394,188
Total	**26,226,716**	**5,639,586**	**3,452,286**	**35,318,588**

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Delinquency periods of loans under follow-up;

CURRENT PERIOD (*)	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	202,962	642,567	109,308	954,837
61-90 days	196,168	252,004	48,359	496,531
Others	33,259,322	17,088,630	3,893,113	54,241,065
Total	**33,658,452**	**17,983,201**	**4,050,780**	**55,692,433**

(*) As of 31 December 2020, based on the resolution of the BRSA dated 17 March 2020 and numbered 8948 and dated 8 December 2020 and numbered 9312; starting from 17 March 2020 until 30 June 2021, 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 1,300,763.

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	399,676	922,656	168,270	1,490,602
61-90 days	391,059	278,429	62,244	731,732
Others	25,435,981	4,438,501	3,221,772	33,096,254
Total	**26,226,716**	**5,639,586**	**3,452,286**	**35,318,588**

5.1.5.3 MATURITY ANALYSIS OF CASH LOANS

	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
CURRENT PERIOD	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-term Loans	**98,683,762**	**261,332**	**7,321,509**	**496,583**
Loans	98,683,762	261,332	7,321,509	496,583
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	**134,746,944**	**11,316,920**	**24,590,492**	**23,283,849**
Loans	134,746,944	11,316,920	24,590,492	23,283,849
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
PRIOR PERIOD	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-term Loans	**65,206,521**	**50,478**	**5,974,235**	**468,752**
Loans	65,206,521	50,478	5,974,235	468,752
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	**128,422,822**	**4,867,983**	**17,926,021**	**10,949,580**
Loans	128,422,822	4,867,983	17,926,021	10,949,580
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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5.1.5.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Consumer Loans – TL	**1,312,986**	**61,142,502**	**62,455,488**
Housing Loans	18,390	21,264,889	21,283,279
Automobile Loans	150,350	1,941,950	2,092,300
General Purpose Loans	1,144,246	37,935,663	39,079,909
Other	-	-	-
Consumer Loans – FC-indexed	**-**	**148,475**	**148,475**
Housing Loans	-	148,475	148,475
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	**29**	**68,908**	**68,937**
Housing Loans	-	40,814	40,814
Automobile Loans	-	16,709	16,709
General Purpose Loans	29	11,385	11,414
Other	-	-	-
Retail Credit Cards – TL	**25,699,907**	**290,857**	**25,990,764**
With Installment	12,675,471	290,857	12,966,328
Without Installment	13,024,436	-	13,024,436
Retail Credit Cards – FC	**59,737**	**-**	**59,737**
With Installment	-	-	-
Without Installment	59,737	-	59,737
Personnel Loans – TL	**38,381**	**179,691**	**218,072**
Housing Loan	-	808	808
Automobile Loans	-	-	-
General Purpose Loans	38,381	178,883	217,264
Other	-	-	-
Personnel Loans - FC-indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards – TL	**142,946**	**613**	**143,559**
With Installment	50,521	613	51,134
Without Installment	92,425	-	92,425
Personnel Credit Cards – FC	**837**	**-**	**837**
With Installment	-	-	-
Without Installment	837	-	837
Deposit Accounts– TL (Real persons)	**2,632,691**	**-**	**2,632,691**
Deposit Accounts– TL (Personnel)	**14,165**	**-**	**14,165**
Deposit Accounts– FC (Real persons)	**-**	**-**	**-**
Total	**29,901,679**	**61,831,046**	**91,732,725**

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

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5.1.5.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	**1,201,606**	**10,357,196**	**11,558,802**
Real Estate Loans	797	684,036	684,833
Automobile Loans	322,558	3,238,507	3,561,065
General Purpose Loans	878,251	6,434,653	7,312,904
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	**-**	**352,872**	**352,872**
Real Estate Loans	-	47,604	47,604
Automobile Loans	-	50,229	50,229
General Purpose Loans	-	255,039	255,039
Other	-	-	-
Installment-based Commercial Loans – FC	**2,937**	**269,152**	**272,089**
Real Estate Loans	-	-	-
Automobile Loans	2,937	180,419	183,356
General Purpose Loans	-	88,733	88,733
Other	-	-	-
Corporate Credit Cards – TL	**6,532,632**	**248,274**	**6,780,906**
With Installment	3,209,845	248,274	3,458,119
Without Installment	3,322,787	-	3,322,787
Corporate Credit Cards – FC	**18,792**	**-**	**18,792**
With Installment	-	-	-
Without Installment	18,792	-	18,792
Deposit Accounts– TL (Corporates)	**1,739,236**	**-**	**1,739,236**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**9,495,203**	**11,227,494**	**20,722,697**

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	**698,237**	**10,937,099**	**11,635,336**
Real Estate Loans	1,532	541,123	542,655
Automobile Loans	128,728	2,008,812	2,137,540
General Purpose Loans	567,977	8,387,164	8,955,141
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**

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5.1.5.6 ALLOCATION OF LOANS BY CUSTOMERS (*)

	CURRENT PERIOD	PRIOR PERIOD
Public Sector	936,271	293,742
Private Sector	299,765,120	233,572,650
Total	**300,701,391**	**233,866,392**

(*) Non-performing loans are not included.

5.1.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS (*)

	CURRENT PERIOD	PRIOR PERIOD
Domestic Loans	297,936,898	230,820,811
Foreign Loans	2,764,493	3,045,581
Total	**300,701,391**	**233,866,392**

(*) Non-performing loans are not included.

5.1.5.8 LOANS TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Direct Lending	3,341,934	2,100,490
Indirect Lending	-	-
Total	**3,341,934**	**2,100,490**

5.1.5.9 SPECIFIC PROVISIONS FOR LOANS

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans - Limited Collectibility	22,682	968,572
Doubtful Loans	436,042	3,153,609
Uncollectible Loans	8,660,541	6,616,161
Total	**9,119,265**	**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
CURRENT PERIOD			
(Gross Amounts before Specific Provisions)	20,463	287,105	3,747,246
Restructured Loans	20,463	287,105	3,747,246
PRIOR PERIOD			
(Gross Amounts before Specific Provisions)	724,143	2,759,751	760,577
Restructured Loans	724,143	2,759,751	760,577

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Movements in non-performing loans groups

CURRENT PERIOD	GROUP III SUBSTANDARD LOANS	GROUP IV DOUBTFUL LOANS	GROUP V UNCOLLECTIBLE LOANS
Balances at End of Prior Period	**1,984,530**	**5,110,985**	**10,203,466**
Additions (+)	668,478	954,337	473,883
Transfer from Other NPL Categories (+)	-	2,438,151	6,980,855
Transfer to Other NPL Categories (-)	2,438,151	6,980,855	-
Collections during the Period (-)	130,598	956,497	1,768,249
Write down / Write-offs (-)	-	3	4,015,201
Debt Sale (-)	-	-	6,037
Corporate and Commercial Loans	-	-	5,957
Retail Loans	-	-	-
Credit Cards	-	-	80
Other	-	-	-
Foreign Currency Differences	1,033	266,158	1,596,847
Balances at End of Period	**85,292**	**832,276**	**13,465,564**
Provisions (-)	22,682	436,042	8,660,541
Net Balance on Balance Sheet	**62,610**	**396,234**	**4,805,023**

PRIOR PERIOD	GROUP III SUBSTANDARD LOANS	GROUP IV DOUBTFUL LOANS	GROUP V UNCOLLECTIBLE LOANS
Balances at End of Prior Period	**2,418,783**	**4,563,212**	**4,425,078**
Additions (+)	7,870,305	1,301,285	221,459
Transfer from Other NPL Categories (+)	-	7,715,278	7,946,351
Transfer to Other NPL Categories (-)	7,715,278	7,946,351	-
Collections during the Period (-)	632,795	850,014	982,694
Write down / 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.

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Non-performing loans in foreign currencies

	GROUP III SUBSTANDARD LOANS AND RECEIVABLES	GROUP IV DOUBTFUL LOANS AND RECEIVABLES	GROUP V UNCOLLECTIBLE LOANS AND RECEIVABLES
CURRENT PERIOD			
Balance at End of Period	**31,306**	**108,749**	**7,294,576**
Provisions (-)	5,303	97,531	4,056,369
Net Balance at Balance Sheet	**26,003**	**11,218**	**3,238,207**
PRIOR PERIOD			
Balance at End of Period	**535,431**	**1,949,226**	**5,017,607**
Provisions (-)	267,427	1,103,723	2,635,324
Net Balance at Balance Sheet	**268,004**	**845,503**	**2,382,283**

Gross and net non-performing loans as per customer categories

	GROUP III SUBSTANDARD LOANS	GROUP IV DOUBTFUL LOANS	GROUP V UNCOLLECTIBLE LOANS
CURRENT PERIOD (NET)	**62,610**	**396,234**	**4,805,023**
Loans to Individuals and Corporates (Gross)	85,292	832,276	13,465,564
Provision (-)	22,682	436,042	8,660,541
Loans to Individuals and Corporates (Net)	62,610	396,234	4,805,023
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-
Prior Period (Net)	**1,015,958**	**1,957,376**	**3,587,305**
Loans to Individuals and Corporates (Gross)	1,984,530	5,110,985	10,203,466
Provision (-)	968,572	3,153,609	6,616,161
Loans to Individuals and Corporates (Net)	1,015,958	1,957,376	3,587,305
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-

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

	GROUP III SUBSTANDARD LOANS	GROUP IV DOUBTFUL LOANS	GROUP V UNCOLLECTIBLE LOANS
CURRENT PERIOD (NET)	**3,442**	**28,808**	**190,085**
Interest accruals and valuation differences	4,451	43,767	519,377
Provision (-)	1,009	14,959	329,292
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

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	15,438	373	-	15,811
Loans Collateralized by Mortgages	7,673,133	227,732	-	7,900,865
Loans Collateralized by Pledged Assets	1,443,293	37,793	-	1,481,086
Loans Collateralized by Cheques and Notes	138,457	2,975	-	141,432
Loans Collateralized by Other Collaterals	1,549,781	1,309,329	-	2,859,110
Unsecured Loans	1,037,713	159,035	788,080	1,984,828
Total	**11,857,815**	**1,737,237**	**788,080**	**14,383,132**

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	13,433	377	-	13,810
Loans Collateralized by Mortgages	8,640,536	322,843	-	8,963,379
Loans Collateralized by Pledged Assets	1,253,995	59,136	-	1,313,131
Loans Collateralized by Cheques and Notes	175,333	5,714	-	181,047
Loans Collateralized by Other Collaterals	2,579,926	1,666,624	-	4,246,550
Unsecured Loans	1,050,130	273,064	1,257,870	2,581,064
Total	**13,713,353**	**2,327,758**	**1,257,870**	**17,298,981**

5.1.5.11 EXPECTED CREDIT LOSS FOR LOANS

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at End of Prior Period	**1,088,983**	**3,861,963**	**10,738,342**	**15,689,288**
Additions during the Period (+)	3,031,839	7,842,126	2,149,156	13,023,121
Disposals (-)	(2,910,181)	(3,156,400)	(1,296,723)	(7,363,304)
Debt Sales (-)	-	-	(5,767)	(5,767)
Write-offs (-)	-	-	(4,015,191)	(4,015,191)
Transfer to Stage1	1,091,226	(1,089,912)	(1,314)	-
Transfer to Stage 2	(437,871)	437,871	-	-
Transfer to Stage 3	(3,363)	(507,898)	511,261	-
Foreign Currency Differences	120,128	781,031	1,039,501	1,940,660
Balances at End of Period	**1,980,761**	**8,168,781**	**9,119,265**	**19,268,807**

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

5.1.5.12 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

Loans and other receivables Classified as Loss are collected through legal follow-up and conversion of collaterals into cash.

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5.1.5.13 WRITE-OFF POLICY

5.1.5.13.1DISCLOSURES ON WRITE DOWN POLICY

As of 31 December 2020, in accordance with the relevant accounting policy the Bank has written down "Group V Loan" (Loans Classified as Loss) amounting to TL 4,013,937. During the period, the non-performing loan ratio of the Bank decreased from 5.77% to 4.56% after the loans were written off in accordance with the amendment of the relevant Provisions Regulation.

	CURRENT PERIOD	
Write down	**TL**	**FC**
Corporate/ Commercial Loans	1,388,082	1,505,156
Consumer Loans	616,025	-
Credit Card	504,674	-

5.1.5.13.2 DISCLOSURES ON WRITE-OFF POLICY

The general policy of the Bank regarding write-off process for loans under follow-up is to write-off the loans which are documented as uncollectible during the legal follow-up process. As of 31 December 2020, total loans written-off from assets are TL 1,267 (31 December 2019: TL 647).

5.1.6 LEASE RECEIVABLE

None.

5.1.7 FINANCIAL ASSETS MEASURED AT AMORTISED COST

5.1.7.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	**FC**	**TL**	**FC**
Collateralised/Blocked Investments	11,311,663	5,035,602	3,380,677	4,856,290
Investments subject to Repurchase Agreements	74,625	-	55,581	679,218
Total	**11,386,288**	**5,035,602**	**3,436,258**	**5,535,508**

5.1.7.2 GOVERNMENT SECURITIES MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Government Bonds	33,066,329	27,558,636
Treasury Bills	95,253	-
Other Government Securities	-	-
Total	**33,161,582**	**27,558,636**

5.1.7.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	**28,770,189**	**21,292,404**
Quoted at Stock Exchange	27,605,817	20,358,959
Unquoted at Stock Exchange	1,164,372	933,445
Valuation Increase/(Decrease)	**5,571,030**	**7,324,514**
Total	**34,341,219**	**28,616,918**

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5.1.7.4 MOVEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**28,616,918**	**25,432,283**
Foreign Currency Differences On Monetary Assets	2,114,059	869,946
Purchases during the Period	7,300,654	1,248,680
Disposals through Sales/Redemptions	(3,251,006)	(179,054)
Valuation Effect	(439,406)	1,245,063
Balances at End of Period	**34,341,219**	**28,616,918**

5.1.7.5 EXPECTED CREDIT LOSS FOR FINANCIAL ASSETS MEASURED AT AMORTISED COST

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at End of Prior Period	**124,434**	**-**	**-**	**124,434**
Additions during the Period (+)	253,815	-	-	253,815
Disposal (-)	(219,538)	-	-	(219,538)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-		-
Foreign Currency Differences	19,105	-	-	19,105
Balances at End of Period	**177,816**	**-**	**-**	**177,816**

PRIOR PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
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

	CURRENT PERIOD	PRIOR PERIOD
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	158,576	371,559
Disposals (Cost)	(414,172)	(183,350)
Disposals (Accumulated Depreciation)	491	1,120
Impairment Losses	25,064	22,047
Depreciation Expense for Current Period (-)	-	-
Cost	**779,713**	**1,010,245**
Accumulated Depreciation (-)	**(11,680)**	**(12,171)**
Net Book Value	**768,033**	**998,074**

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5.1.8.2 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES TO BE DISPOSED

	CURRENT PERIOD	PRIOR PERIOD
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	272,800	217,454	85,960	6,083	-	35,413	28,503	-
2	1,300,509	149,638	12,526	8,675	390	29,865	12,626	-
3	24,887,346	2,382,244	114,794	263,916	75,584	359,199	506,603	-
4	18,373,660	3,460,082	631,470	95,859	-	1,009,438	1,173,543	-
5	411,660	265,464	254,612	5,882	227	48,549	26,579	-
6	786,013,203	51,839,421	621,220	30,964,836	3,733,945	44,732,807	56,279,555	-
7	1,058,164	762,700	19,911	27,280	-	138,849	96,130	-
8	31,238	25,827	22,785	666	-	6,146	2,082	
9	-	-	-	-	-	-	-	-

(1) Financial information is as of 30 September 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	**10,622**	-
Acquisitions (*)	6,921	-
Bonus Shares Received	5,782	-
Dividends from Current Year Profit	-	-
Sales	-	-
Increase in Market Values	-	-
Impairment Reversals/(Losses)	(2,081)	-
Balance at End of Period	**45,780**	**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

	CURRENT PERIOD	PRIOR PERIOD
Banks	25,557	25,557
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	10,101	5,935
Other Associates	10,122	3,666

5.1.9.4 QUOTED ASSOCIATES

None.

5.1.9.5 VALUATION METHODS OF INVESTMENTS IN ASSOCIATES

	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	45,780	35,158
Valued at Fair Value	-	-

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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.

CURRENT PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI HOLDING BV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI EMEKLILIK VE HAYAT AŞ	GARANTI YATIRIM MENKUL KIYMETLER AŞ
COMMON EQUITY TIER I CAPITAL					
Paid-in Capital to be Entitled for Compensation after All Creditors	1,243,533	3,488,929	357,848	517,159	13,750
Share Premium	-	117,453	-	-	-
Share Cancellation Profits	-	-	-	-	-
Legal Reserves	1,054,337	160,518	646,432	138,235	308,681
Other Comprehensive Income according to TAS	3,110,694	184,669	-	7,453	-
Current and Prior Periods' Profits	50,370	149,050	146,351	463,149	489,490
Minority interest	-	-	-	-	39,357
Common Equity Tier I Capital Before Deductions	**5,458,934**	**4,100,619**	**1,150,631**	**1,125,996**	**851,278**
Deductions From Common Equity Tier I Capital					
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	9,562	1,080,373	1,175	2,189	851
Leasehold Improvements on Operational Leases (-)	-	939	-	1,117	2,288
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	52,669	492,398	16,154	39,225	4,460
Net Deferred Tax Asset/Liability (-)	-	-	-	-	-
Total Deductions from Common Equity Tier I Capital	**62,231**	**1,573,710**	**17,329**	**42,531**	**7,599**
Total Common Equity Tier I Capital	**5,396,703**	**2,526,909**	**1,133,302**	**1,083,465**	**843,679**
Total Deductions From Tier I Capital	-	-	-	-	-
Total Tier I Capital	**5,396,703**	**2,526,909**	**1,133,302**	**1,083,465**	**843,679**
TIER II CAPITAL	-	**90,551**	-	-	-
TOTAL CAPITAL	**5,396,703**	**2,617,460**	**1,133,302**	**1,083,465**	**843,679**

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PRIOR PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI HOLDING BV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI EMEKLILIK VE HAYAT AŞ	GARANTI YATIRIM MENKUL KIYMETLER AŞ
COMMON EQUITY TIER I CAPITAL					
Paid-in Capital to be Entitled for Compensation after All Creditors	913,772	2,560,180	357,848	67,159	13,750
Share Premium	-	86,188	-	-	-
Share Cancellation Profits	-	-	-	-	-
Legal Reserves	1,014,013	(23,430)	545,995	833,940	164,594
Other Comprehensive Income according to TAS	1,990,215	115,005	-	3,130	-
Current and Prior Periods' Profits	40,326	163,815	100,436	454,295	144,087
Minority interest	-	-	-	-	39,174
Common Equity Tier I Capital Before Deductions	**3,958,326**	**2,901,758**	**1,004,279**	**1,358,524**	**361,605**
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	795,952	668	(66)	95
Leasehold Improvements on Operational Leases (-)	-	164	-	1,197	4,505
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	35,037	361,254	13,004	42,949	3,560
Net Deferred Tax Asset/Liability (-)	-	-	-	-	-
Total Deductions from Common Equity Tier I Capital	**48,104**	**1,157,370**	**13,672**	**44,080**	**8,160**
Total Common Equity Tier I Capital	**3,910,222**	**1,744,388**	**990,607**	**1,314,444**	**353,445**
Total Deductions From Tier I Capital	**-**	**-**	**-**	**-**	**-**
Total Tier I Capital	**3,910,222**	**1,744,388**	**990,607**	**1,314,444**	**353,445**
TIER II CAPITAL	**332,155**	**66,346**	**-**	**-**	**-**
TOTAL CAPITAL	**4,242,377**	**1,810,734**	**990,607**	**1,314,444**	**353,445**

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

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	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	124,033	115,665	33	10,821	-	8,311	24,950	-
2	47,642	20,824	453	1,995	-	2,014	(394)	-
3	3,511	1,746	1,030	-	-	(68)	(101)	-
4	6,078	4,969	-	477	-	638	596	-
5	5,846,989	1,146,490	22,274	439,394	-	146,351	100,436	-
6	2,912,563	213,590	16,298	298,344	1,689	50,150	24,438	-
7	1,484,838	814,432	31,283	29,892	12,484	492,950	144,173	-
8	219,827	199,490	1,206	9,473	4,704	64,266	37,222	-
9	2,855,596	1,123,807	42,625	141,962	87,606	463,150	454,295	-
10	31,053,380	5,439,719	341,505	588,122	13,598	50,367	40,327	-
11	3,081,903	3,079,346	-	-	-	(743)	(537)	-

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

5.1.10.3 MOVEMENT OF INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**8,551,720**	**7,024,751**
Movements during the Period	**2,820,286**	**1,526,969**
Acquisitions	-	-
Bonus Shares Received	382,110	-
Earnings from Current Year Profit	1,323,028	893,943
Sales/Liquidations	-	(352)
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values (*)	(910,565)	131,006
Currency Differences on Foreign Subsidiaries	2,025,713	502,372
Impairment Reversals/(Losses)	-	-
Balance at End of Period	**11,372,006**	**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 31 December 2020.

5.1.10.4 SECTORAL DISTRIBUTION OF INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Banks	5,424,807	3,921,883
Insurance Companies	954,245	1,153,607
Factoring Companies	174,759	134,182
Leasing Companies	1,146,060	1,018,498
Finance Companies	3,568,115	2,219,530
Other Subsidiaries	104,020	104,020

5.1.10.5 QUOTED CONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchange	174,759	134,182
Quoted at Foreign Stock Exchange	-	-

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5.1.10.6 VALUATION METHODS OF INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	104,020	104,020
Valued at Fair Value (*)	11,267,986	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

	REAL ESTATES	RIGHT-OF-USE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL
AT END OF PRIOR PERIOD:					
Cost	**3,206,586**	**1,229,652**	**22,132**	**3,036,532**	**7,494,902**
Accumulated Depreciation (-)	**(62,584)**	**(271,532)**	**(11,802)**	**(2,157,760)**	**(2,503,678)**
Net Book Value at End of Prior Period	**3,144,002**	**958,120**	**10,330**	**878,772**	**4,991,224**
AT END OF CURRENT PERIOD:					
Additions	37,085	486,969	9,076	772,421	1,305,551
Revaluation Model Difference	350,626	-	-	-	350,626
Revaluation Model Difference (Accumulated Depreciation)	55,769	-	-	-	55,769
Transfers to Investment Property	(24,274)	-	-	-	(24,274)
Disposals (Costs)	(5,271)	(342,457)	(1,946)	(617,557)	(967,231)
Disposals (Accumulated Depreciation)	258	47,553	1,945	282,994	332,750
Impairment/Reversal of Impairment Losses	(80,364)	-	-	-	(80,364)
Depreciation Expense for Current Period (-)	**(35,154)**	**(290,607)**	**(4,112)**	**(314,717)**	**(644,590)**
Cost at End of Current Period	**3,484,388**	**1,374,164**	**29,262**	**3,191,396**	**8,079,210**
Accumulated Depreciation at End of Current Period	**(41,711)**	**(514,586)**	**(13,969)**	**(2,189,483)**	**(2,759,749)**
Net Book Value at End of Current Period	**3,442,677**	**859,578**	**15,293**	**1,001,913**	**5,319,461**

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

5.1.13 INTANGIBLE ASSETS

5.1.13.1 USEFUL LIVES AND AMORTISATION RATES

Intangible assets include softwares and other intangible assets. The estimated useful lives of such assets vary between 3 and 15 years.

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5.1.13.2 AMORTISATION METHODS

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

5.1.13.3 BALANCES AT END OF CURRENT PERIOD

	BEGINNING OF PERIOD		END OF PERIOD	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	991,987	537,435	793,134	442,252

5.1.13.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at End of Prior Period	**350,882**	**300,551**
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	259,904	129,869
Disposals (-)	(61,058)	(339)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(95,176)	(78,083)
Currency Translation Differences on Foreign Operations	-	-
Other Movements	-	(1,116)
Net Book Value at End of Current Period	**454,552**	**350,882**

5.1.13.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

5.1.13.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

5.1.13.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

5.1.13.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

5.1.13.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

5.1.13.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

5.1.13.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

5.1.13.12 GOODWILL

None.

5.1.13.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

None.

5.1.14 INVESTMENT PROPERTY

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	**703,141**	**690,700**
Additions	441	35,343
Disposals	(81,929)	(268)
Transfers	24,225	-
Fair Value Change	58,823	(22,634)
Net Book Value at End of Current Period	**704,701**	**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 31 December 2020, the Bank has a deferred tax asset of TL 3,509,508 (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 31 December 2020. However, there is a deferred tax asset of TL 3,849,653 (31 December 2019: TL 2,036,051) and deferred tax liability of TL 340,145 (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.

	CURRENT PERIOD		PRIOR PERIOD	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	3,877,683	770,642	2,149,699	446,100
Stages 1&2 Credit Losses	11,843,582	2,368,716	5,636,965	1,181,846
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	2,662,417	603,350	826,480	202,812
Revaluation Differences on Real Estates	(2,395,926)	(296,145)	(1,867,500)	(186,750)
Other	304,547	62,945	292,470	66,511
Deferred Tax Asset	**16,292,303**	**3,509,508**	**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 31 December 2020, TL 1,767,324 deferred tax income (31 December 2019: TL 460,920 deferred tax income) and TL 41,772 (31 December 2019: TL 55,846 deferred tax income) of deferred tax income are recognised in the statement of profit or loss and the shareholders' equity, respectively.

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5.1.16 OTHER ASSETS

5.1.16.1 PREPAID EXPENSES, TAXES AND SIMILAR ITEMS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Derivative Assets (Derivative Quarantees)	587,673	10,191,100	287,270	6,845,390
Receivables From Clearing Transactions	4,473,668	24,134	3,306,061	76,901
Prepaid Expenses	2,101,268	1,320	1,358,175	290
Cash Guarantees Given	12,727	1,011,438	12,496	939,734
Receivables From Forward Sale of Assets	1,137	147,246	1,137	114,592
Other	859,544	147,357	247,200	125,820
Total	**8,036,017**	**11,522,595**	**5,212,339**	**8,102,727**

5.2 LIABILITIES

5.2.1 MATURITY PROFILE OF DEPOSITS

CURRENT PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	**21,631,929**	**-**	**4,933,740**	**54,914,729**	**598,761**	**327,900**	**1,273,240**	**1,719**	**83,682,018**
Foreign Currency Deposits	**79,828,517**	**-**	**10,225,909**	**58,837,397**	**2,022,734**	**1,666,955**	**3,222,141**	**37,565**	**155,841,218**
Residents in Turkey	76,936,560	-	10,096,467	56,484,204	1,823,659	1,363,455	2,263,021	36,302	149,003,668
Residents in Abroad	2,891,957	-	129,442	2,353,193	199,075	303,500	959,120	1,263	**6,837,550**
Public Sector Deposits	**880,139**	**-**	**37,809**	**64,397**	**136**	**10**	**-**	**-**	**982,491**
Commercial Deposits	**12,830,535**	**-**	**24,484,188**	**14,055,824**	**148,798**	**872,187**	**666,525**	**-**	**53,058,057**
Other	**391,099**	**-**	**172,403**	**1,121,142**	**19,856**	**176,034**	**3,236,314**	**-**	**5,116,848**
Precious Metal Deposits	**20,636,012**	**-**	**-**	**160,290**	**366,278**	**41,207**	**721,593**	**-**	**21,925,380**
Bank Deposits	**711,446**	**-**	**176,715**	**15,119**	**-**	**-**	**2,303**	**-**	**905,583**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	5,340	-	-	-	-	-	-	-	5,340
Foreign Banks	684,619	-	176,715	15,119	-	-	2,303	-	878,756
Special Financial Institutions	21,487	-	-	-	-	-	-	-	21,487
Other	-	-	-	-	-	-	-	-	-
Total	**136,909,677**	**-**	**40,030,764**	**129,168,898**	**3,156,563**	**3,084,293**	**9,122,116**	**39,284**	**321,511,595**

PRIOR PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	**17,315,932**	**-**	**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	41,063,229	39,635,661	42,071,686	34,348,632
Foreign Currency Saving Deposits	25,573,877	20,431,430	72,868,396	59,516,383
Other Saving Deposits	10,285,722	3,179,119	10,182,644	2,560,389
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,427,705	1,169,315	238	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

None.

5.2.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

	CURRENT PERIOD	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	19,853	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	142,150	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 Turkey	-	-

5.2.2 FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	674,365	1,288,090	-	860,923
Domestic Banks and Institutions	884,230	1,032,449	597,488	783,481
Foreign Banks, Institutions and Funds	-	21,559,307	1,089,844	21,791,087
Total	**1,558,595**	**23,879,846**	**1,687,332**	**23,435,491**

5.2.2.1 MATURITIES OF FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	1,542,177	1,851,955	597,488	1,233,172
Medium and Long-Term	16,418	22,027,891	1,089,844	22,202,319
Total	**1,558,595**	**23,879,846**	**1,687,332**	**23,435,491**

5.2.2.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

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

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5.2.3 MONEY MARKET FUNDS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	**70,949**	**-**	**67,722**	**-**
Financial Institutions and Organizations	29,847	-	16,856	-
Other Institutions and Organizations	16,294	-	15,124	-
Individuals	24,808	-	35,742	-
Foreign Transactions	**881**	**-**	**81**	**436,372**
Financial Institutions and Organizations	-	-	-	436,372
Other Institutions and Organizations	850	-	-	-
Individuals	31	-	81	-
Total	**71,830**	**-**	**67,803**	**436,372**

5.2.4 SECURITIES ISSUED

CURRENT PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	4,689,395	2,267,502	-	14,244,885
Cost	4,549,118	2,239,143	-	14,152,997
Carrying Value (*)	4,661,251	1,427,727	-	12,901,692

(*) 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 and netted off such securities in the accompanying financial statements.

PRIOR PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	4,832,937	2,032,018	-	11,400,440
Cost	4,822,428	2,030,144	-	11,327,075
Carrying Value (*)	4,825,540	1,210,544	-	10,371,648

(*) The Bank repurchased its own TL securities with a total face value of TL 874,386 and foreign currency securities with a total face value of USD 206,993,000 and netted off such securities in the accompanying financial statements.

5.2.5 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Funds Borrowed	-	15,980,865	-	14,292,878
Total	**-**	**15,980,865**	**-**	**14,292,878**

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,323,462,798 (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 31 December 2020, the accumulated fair value change of the related financial liabilities amounted to TL 1,265,467 (31 December 2019: TL 725,306) and the corresponding gains/losses recognised in the statement of profit amounted to TL 540,161 (31 December 2019: TL (205,521)). The carrying value of the related financial liability amounted to TL 15,980,865 (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	
	TL	FC	TL	FC
Forward Transactions	146,089	8,756	155,695	5,666
Swap Transactions	4,058,849	3,273,561	909,755	1,685,533
Futures	-	-	-	-
Options	44,093	35,226	112,257	99,937
Others	-	-	-	-
Total	**4,249,031**	**3,317,543**	**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	1,623	480,647	104,982	347,994
Cash Flow Hedges	60,323	234,978	593,860	68,895
Net Foreign Investment Hedges	-	-	-	-
Total	**61,946**	**715,625**	**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	220,909	153,292	19,252	16,464
1-4 Years	620,102	430,297	756,435	462,377
More than 4 Years	417,100	289,432	541,245	330,839
Total	**1,258,111**	**873,021**	**1,646,031**	**1,006,148**

As of 31 December 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 13.9%, 0.6% 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	136,282	135,756
Actuarial Gain/Loss	115,741	(2,926)
Payments During the Period	(52,255)	(65,259)
Balances at End of Period	**738,465**	**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).

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5.2.8.3 EXPECTED CREDIT LOSSES (STAGE 3) FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	1,791	50,032
Doubtful Loans and Receivables	3,846	186,431
Uncollectible Loans and Receivables	804,299	386,110
Total	**809,936**	**622,573**

5.2.8.4 OTHER PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Benefits	1,333,913	1,144,956
Provision for Promotion Expenses of Credit Cards	219,291	162,688
Provision for Lawsuits	299,662	475,362
Provision for Non-Cash Loans	2,177,654	1,211,155
Other Provisions (*)	5,020,590	2,737,585
Total	**9,051,110**	**5,731,746**

(*)Includes total general reserve of TL 4,650,000 (31 December 2019: 2,500,000) consisting of TL 2,150,000 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 28 December 2020 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 6,118,955 at 31 December 2020 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2020 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 28 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 3,546,713 remains as of 31 December 2020 as details are given in the table below

	31 DECEMBER 2020	31 DECEMBER 2019
Transferable Pension and Medical Benefits:		
Net present value of pension benefits transferable to SSF	(2,200,812)	(1,846,213)
Net present value of medical benefits and health premiums transferable to SSF	925,296	556,956
General administrative expenses	(74,857)	(64,962)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	**(1,350,373)**	**(1,354,219)**
Fair Value of Plan Assets (2)	**7,469,328**	**5,988,881**
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	**6,118,955**	**4,634,662**
Non-Transferable Benefits:		
Other pension benefits	(1,396,390)	(1,002,495)
Other medical benefits	(1,175,852)	(1,394,042)
Total Non-Transferable Benefits (4)	**(2,572,242)**	**(2,396,537)**
Asset Surplus over Total Benefits ((3)-(4)=(5))	**3,546,713**	**2,238,125**

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

	31 December 2020	31 December 2019
Balance at Beginning of Period	-	-
Actual contributions paid during the period	(127,520)	(91,969)
Total expense recognized in the statement of profit or loss	85,084	73,334
Amount recognized in the shareholders' equity	42,436	18,635
Balance at End of Period	-	-

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

	31 December 2020	31 December 2019
	%	%
Discount Rate (*)	13.00	12.50
Inflation Rate (*)	9.70	8.20
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	13.90	12.40
Future Pension Increase Rate (*)	9.70	8.20

(*) 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 +0.5%	(7.00)	(9.80)	(8.30)
Discount rate -0.5%	7.90	11.50	9.50
Medical inflation rate +0.5%	-	11.20	5.10
Medical inflation rate -0.5%	-	(9.70)	(4.40)

RETIREMENT INDEMNITIES	SENSITIVITY OF PAST SERVICE LIABILITY	SENSITIVITY OF NORMAL COST
Assumption change	%	%
Discount rate +0.5%	(6.00)	(7.40)
Discount rate -0.5%	6.60	8.30
Inflation rate +0.5%	6.20	(3.80)
Inflation rate -0.5%	(6.00)	4.00

5.2.9 TAX LIABILITY

5.2.9.1 CURRENT TAX LIABILITY

5.2.9.1.1 TAX LIABILITY

As of 31 December 2020, the corporate tax liability amounts to TL 1,756,560 (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.

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5.2.9.1.2 TAXES PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Corporate Taxes Payable	1,756,560	609,369
Taxation on Securities Income	102,988	190,677
Taxation on Real Estates Income	8,665	5,321
Banking Insurance Transaction Tax	189,865	201,870
Foreign Exchange Transaction Tax	19,230	10,997
Value Added Tax Payable	12,996	30,622
Others	67,106	79,377
Total	**2,157,410**	**1,128,233**

5.2.9.1.3 PREMIUMS

	CURRENT PERIOD	PRIOR PERIOD
Social Security Premiums-Employees	107	99
Social Security Premiums-Employer	131	121
Bank Pension Fund Premium-Employees	345	37
Bank Pension Fund Premium-Employer	532	37
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,851	1,653
Unemployment Insurance-Employer	3,743	3,331
Others	41	39
Total	**6,750**	**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

None.

5.2.11 SUBORDINATED DEBTS

	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	1,029,532	-	261,478	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	5,569,437	-	4,468,229
Total	**1,029,532**	**5,569,437**	**261,478**	**4,468,229**

Disclosures on subordinated debts are reported in Note 4.1.2.

5.2.12 OTHER LIABILITIES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Payables from credit card transactions	13,340,047	76,790	9,955,158	119,683
Payables from clearing transactions	3,534,101	23,089	2,978,282	74,119
Other	1,463,323	3,253,941	1,058,697	1,436,241
Total	**18,337,471**	**3,353,820**	**13,992,137**	**1,630,043**

5.2.13 SHAREHOLDERS' EQUITY

5.2.13.1 PAID-IN CAPITAL

	CURRENT PERIOD	PRIOR PERIOD
Common Shares	4,200,000	4,200,000
Preference Shares	-	-

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.

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5.2.13.8 SECURITIES VALUE INCREASE FUND

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	**5,428,074**	**295,244**	**3,420,702**	**211,201**
Valuation difference	5,428,074	295,244	3,420,702	211,201
Exchange rate difference	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	**184,109**	**(53,356)**	**(41,778)**	**48,975**
Valuation difference	190,749	(53,356)	(41,778)	48,975
Exchange rate difference	(6,640)	-	-	-
Total	**5,612,183**	**241,888**	**3,378,924**	**260,176**

5.2.13.9 REVALUATION SURPLUS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Movables	52,120	27,525	24,125	194,826
Real Estates	1,737,731	86,833	1,423,652	72,955
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-	-	-
Other	(302,664)	-	(172,393)	-
Total	**1,487,187**	**114,358**	**1,275,384**	**267,781**

5.2.13.10 BONUS SHARES OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

	CURRENT PERIOD	PRIOR PERIOD
Bankalararası Kart Merkezi A.Ş.	5,781	-
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kayıt 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

	CURRENT PERIOD	PRIOR PERIOD
I. Legal Reserve	961,534	961,534
II. Legal Reserve	503,840	503,840
Special Reserves	-	-
Total	**1,465,374**	**1,465,374**

5.2.13.12 EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	43,936,102	37,705,498

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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 26,769,647 (31 December 2019: TL 15,360,864), commitments for cheque payments of TL 3,174,209 (31 December 2019: TL 3,184,727) and commitments for credit card limits of TL 46,297,211 (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	32,453,565	25,924,721
Letters of Guarantee in TL	31,475,024	23,555,242
Letters of Credit	10,137,818	9,361,115
Bills of Exchange and Acceptances	2,173,451	1,579,043
Prefinancings	-	-
Other Guarantees	119,880	74,179
Total	**76,359,738**	**60,494,300**

Expected losses for non-cash loans and irrevocable commitments

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period	**238,320**	**350,262**	**622,573**	**1,211,155**
Additions during the Period (+)	647,512	764,242	348,969	1,760,723
Disposals (-)	(480,007)	(238,442)	(260,524)	(978,973)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	144,361	(143,945)	(416)	-
Transfer to Stage 2	(41,604)	56,584	(14,980)	-
Transfer to Stage 3	(271)	(18,211)	18,482	-
Foreign Currency Differences	28,197	60,720	95,832	184,749
Provisions at End of Period	**536,508**	**831,210**	**809,936**	**2,177,654**

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

Lifetime expected credit loss (Stage 3) of TL 809,936 (31 December 2019: TL 622,573) is made for unliquidated non-cash loans of TL 1,434,029 (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".

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5.3.1.3 NON-CASH LOANS

	CURRENT PERIOD	PRIOR PERIOD
Non-Cash Loans against Cash Risks	14,143,550	11,045,938
With Original Maturity of 1 Year or Less	2,272,692	1,673,837
With Original Maturity of More Than 1 Year	11,870,858	9,372,101
Other Non-Cash Loans	62,216,188	49,448,362
Total	**76,359,738**	**60,494,300**

5.3.1.4 SECTORAL RISK CONCENTRATION OF NON-CASH LOANS

	CURRENT PERIOD				PRIOR PERIOD			
	TL	**(%)**	**FC**	**(%)**	**TL**	**(%)**	**FC**	**(%)**
Agriculture	**120,752**	**0.38**	**66,929**	**0.15**	**82,088**	**0.35**	**56,468**	**0.15**
Farming and Stockbreeding	78,187	0.25	14,980	0.03	57,843	0.25	45,668	0.12
Forestry	20,634	0.06	35,972	0.08	18,383	0.08	2,861	0.01
Fishery	21,931	0.07	15,977	0.04	5,862	0.02	7,939	0.02
Manufacturing	**8,088,269**	**25.42**	**21,455,300**	**48.18**	**6,260,335**	**26.46**	**18,726,875**	**50.83**
Mining and Quarrying	311,013	0.98	249,576	0.56	206,972	0.87	152,293	0.41
Production	5,507,663	17.31	13,874,814	31.15	3,979,058	16.82	12,474,222	33.86
Electricity, Gas, Water	2,269,593	7.13	7,330,910	16.46	2,074,305	8.77	6,100,360	16.56
Construction	**3,913,005**	**12.30**	**7,887,926**	**17.71**	**3,559,594**	**15.05**	**4,553,521**	**12.36**
Services	**17,526,121**	**55.07**	**13,325,629**	**29.92**	**11,603,233**	**49.05**	**11,224,270**	**30.47**
Wholesale and Retail Trade	10,060,778	31.61	5,466,175	12.27	7,574,285	32.02	4,627,167	12.56
Accommodation and Dining	763,987	2.40	645,917	1.45	508,837	2.15	433,974	1.18
Transportation and Telecommunication	1,562,899	4.91	2,543,159	5.71	939,459	3.97	2,142,586	5.82
Financial Institutions	3,345,100	10.51	4,376,049	9.83	1,989,264	8.41	3,656,972	9.93
Real Estate and Rental Services	1,497,849	4.71	220,544	0.5	361,873	1.53	249,945	0.68
Professional Services	-	-	-	-	-	-	-	-
Educational Services	44,668	0.14	2,267	0.01	48,806	0.21	1,678	-
Health and Social Services	250,840	0.79	71,518	0.16	180,709	0.76	111,948	0.3
Others	**2,176,193**	**6.84**	**1,799,614**	**4.05**	**2,150,322**	**9.09**	**2,277,594**	**6.19**
Total	**31,824,340**	**100**	**44,535,398**	**100**	**23,655,572**	**100.00**	**36,838,728**	**100.00**

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5.3.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II

	GROUP I		GROUP II	
CURRENT PERIOD	**TL**	**FC**	**TL**	**FC**
Non-Cash Loans	**28,350,984**	**40,196,745**	**3,371,337**	**3,409,653**
Letters of Guarantee	28,015,726	28,448,756	3,357,280	3,077,654
Bills of Exchange and Bank Acceptances	64,784	1,974,826	5,410	126,586
Letters of Credit	270,475	9,653,283	8,647	205,413
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	119,880	-	-

	GROUP I		GROUP II	
PRIOR PERIOD	**TL**	**FC**	**TL**	**FC**
Non-Cash Loans	**20,778,770**	**33,846,524**	**2,544,787**	**1,978,592**
Letters of Guarantee	20,678,440	23,194,060	2,544,787	1,718,529
Bills of Exchange and Bank Acceptances	35,845	1,533,885	-	7,833
Letters of Credit	64,485	9,046,123	-	250,507
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	72,456	-	1,723

5.3.2 FINANCIAL DERIVATIVE INSTRUMENTS

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	**1,476,000**	**363,672**	**2,527,858**	**22,477,151**	**9,569,041**	**36,413,722**
Fair Value Hedges	-	3,672	108,046	2,732,484	5,202,241	8,046,443
Cash Flow Hedges	1,476,000	360,000	2,419,812	19,744,667	4,366,800	28,367,279
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	**116,208,218**	**78,762,415**	**26,548,574**	**2,419,948**	**1,258,037**	**225,197,192**
Currency Forwards-Purchases	3,234,406	3,033,146	3,252,464	133,771	-	9,653,787
Currency Forwards-Sales	3,182,685	2,903,147	3,045,813	132,947	-	9,264,592
Currency Swaps-Purchases	48,241,405	34,577,356	8,600,269	1,080,104	503,307	93,002,441
Currency Swaps-Sales	57,230,988	36,931,811	9,028,071	1,061,524	754,730	105,007,124
Currency Options-Purchases	1,588,095	421,555	852,907	5,784	-	2,868,341
Currency Options-Sales	1,749,667	434,376	836,758	5,818	-	3,026,619
Currency Futures-Purchases	501,272	235,059	442,800	-	-	1,179,131
Currency Futures-Sales	479,700	225,965	489,492	-	-	1,195,157
Interest Rate related Derivative Transactions (II)	**12,638,694**	**13,844,326**	**18,443,382**	**38,526,197**	**65,933,195**	**149,385,794**
Interest Rate Swaps-Purchases	6,319,347	6,922,163	9,221,897	18,241,551	32,280,326	72,985,284
Interest Rate Swaps-Sales	6,319,347	6,922,163	9,221,485	18,241,551	32,280,326	72,984,872
Interest Rate Options-Purchases	-	-	-	665,802	1,180,800	1,846,602
Interest Rate Options-Sales	-	-	-	1,377,293	191,743	1,569,036
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	**8,313,624**	**379,569**	**206,295**	**12,154,311**	**22,140,000**	**43,193,799**
B. Total Trading Derivatives (I+II+III)	**137,160,536**	**92,986,310**	**45,198,251**	**53,100,456**	**89,331,232**	**417,776,785**
Total Derivative Transactions (A+B)	**138,636,536**	**93,349,982**	**47,726,109**	**75,577,607**	**98,900,273**	**454,190,507**

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PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	**200,000**	**1,078,102**	**10,689,214**	**33,554,324**	**15,020,587**	**60,542,227**
Fair Value Hedges	-	678,102	1,869,214	7,405,971	10,928,014	20,881,301
Cash Flow Hedges	200,000	400,000	8,820,000	26,148,353	4,092,573	39,660,926
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	**89,593,479**	**51,731,241**	**30,372,670**	**5,344,404**	**1,086,044**	**178,127,838**
Currency Forwards-Purchases	2,784,499	1,760,038	3,038,874	153,184	-	7,736,595
Currency Forwards-Sales	2,766,524	1,721,788	2,977,190	168,047	-	7,633,549
Currency Swaps-Purchases	39,537,357	20,471,662	8,858,303	1,902,038	486,741	71,256,101
Currency Swaps-Sales	35,832,940	20,633,510	9,002,834	1,879,823	599,303	67,948,410
Currency Options-Purchases	4,257,046	3,149,744	3,182,866	600,000	-	11,189,656
Currency Options-Sales	4,415,113	3,578,695	3,240,735	592,080	-	11,826,623
Currency Futures-Purchases	-	208,060	36,343	25,549	-	269,952
Currency Futures-Sales	-	207,744	35,525	23,683	-	266,952
Interest Rate related Derivative Transactions (II)	**280,080**	**213,172**	**9,415,910**	**18,849,038**	**53,170,573**	**81,928,773**
Interest Rate Swaps-Purchases	140,040	91,784	1,777,913	8,934,599	25,554,648	36,498,984
Interest Rate Swaps-Sales	140,040	91,784	1,777,913	8,934,599	25,554,648	36,498,984
Interest Rate Options-Purchases	-	-	4,971,964	-	1,677,157	6,649,121
Interest Rate Options-Sales	-	-	888,120	979,840	384,120	2,252,080
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	29,604	-	-	-	29,604
Other Trading Derivatives (III)	**3,955,665**	**624,592**	**157,288**	**3,950,269**	**11,101,510**	**19,789,324**
B. Total Trading Derivatives (I+II+III)	**93,829,224**	**52,569,005**	**39,945,868**	**28,143,711**	**65,358,127**	**279,845,935**
Total Derivative Transactions (A+B)	**94,029,224**	**53,647,107**	**50,635,082**	**61,698,035**	**80,378,714**	**340,388,162**

5.3.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2020, there are total return swaps of the Bank with a total face value of USD 2,323,462,798 (31 December 2019: USD 2,511,607,143) classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

5.3.4 CONTINGENT LIABILITIES AND ASSETS

The Bank made a total provision amounting to TL 299,662 (31 December 2019: TL 475,362) for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.3.7.4, other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financials indicators such as CDS levels, currency exchange rates, interest rates etc.

5.3.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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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	7,590,922	478,736	9,890,070	526,684
Medium and long-term loans	15,974,463	4,839,346	16,359,110	4,898,182
Loans under follow-up	479,436	202,792	498,902	119,627
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	**24,044,821**	**5,520,874**	**26,748,082**	**5,544,493**

(*) 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	31,217
Domestic Banks	43,611	1,393	214,899	3,937
Foreign Banks	2,385	33,068	5,870	281,868
Foreign Head Offices and Branches	-	-	-	-
Total	**46,288**	**34,461**	**231,748**	**317,022**

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	83,787	34,078	91,788	8,176
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,560,617	434,547	2,280,397	393,817
Financial Assets Measured at Amortised Cost	2,832,744	458,393	2,480,039	332,026
Total	**5,477,148**	**927,018**	**4,852,224**	**734,019**

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2020, the valuation of such securities was made according to annual inflation as of balance sheet date.

5.4.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Received from Investments in Associates and Subsidiaries	257,809	197,128

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5.4.2 INTEREST EXPENSES

5.4.2.1 INTEREST EXPENSES ON FUNDS BORROWED (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks	**131,796**	**587,869**	**157,180**	**786,764**
Central Bank of Turkey	23,624	1,896	-	4,672
Domestic Banks	68,526	20,335	65,975	34,406
Foreign Banks	39,646	565,638	91,205	747,686
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	**-**	**782,017**	**-**	**1,008,496**
Total	**131,796**	**1,369,886**	**157,180**	**1,795,260**

(*) 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	340,750	435,858

5.4.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Securities Issued	820,201	1,083,385	896,683	1,117,673

5.4.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

CURRENT PERIOD		TIME DEPOSITS						
ACCOUNT DESCRIPTION	DEMAND DEPOSITS	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Turkish Lira								
Bank Deposits	1,489	58,543	-	-	-	-	-	60,032
Saving Deposits	10	287,696	5,023,674	31,494	26,242	178,182	-	5,547,298
Public Sector Deposits	-	8,734	8,668	1	-	1	-	17,404
Commercial Deposits	3	1,152,512	1,179,187	23,711	25,329	121,706	-	2,502,448
Other	2	43,861	126,184	33,514	14,578	465,143	-	683,282
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**1,504**	**1,551,346**	**6,337,713**	**88,720**	**66,149**	**765,032**	**-**	**8,810,464**
Foreign Currency								
Foreign Currency Deposits	1	29,075	289,635	11,032	27,647	89,577	339	447,306
Bank Deposits	-	94	-	-	-	-	-	94
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	21	7,846	-	7,867
Total FC	**1**	**29,169**	**289,635**	**11,032**	**27,668**	**97,423**	**339**	**455,267**
Grand Total	**1,505**	**1,580,515**	**6,627,348**	**99,752**	**93,817**	**862,455**	**339**	**9,265,731**

PRIOR PERIOD

ACCOUNT DESCRIPTION	DEMAND DEPOSITS	TIME DEPOSITS UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Turkish Lira								
Bank Deposits	3,171	67,054	-	-	-	-	-	70,225
Saving Deposits	77	417,877	8,293,806	417,451	269,149	595,899	-	9,994,259
Public Sector Deposits	-	2,948	6,579	523	106	8	-	10,164
Commercial Deposits	248	1,421,329	1,712,154	84,491	86,575	199,088	-	3,503,885
Other	11	35,436	154,228	7,675	90,085	695,752	-	983,187
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**3,507**	**1,944,644**	**10,166,767**	**510,140**	**445,915**	**1,490,747**	**-**	**14,561,720**
Foreign Currency								
Foreign Currency Deposits	38	155,761	1,314,122	65,148	101,458	171,575	441	1,808,543
Bank Deposits	-	4,761	-	-	-	-	-	4,761
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	23	244	129	6,813	-	7,209
Total FC	**38**	**160,522**	**1,314,145**	**65,392**	**101,587**	**178,388**	**441**	**1,820,513**
Grand Total	**3,545**	**2,105,166**	**11,480,912**	**575,532**	**547,502**	**1,669,135**	**441**	**16,382,233**

5.4.2.5 INTEREST EXPENSE ON MONEY MARKET TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	235,375	4,285	21,085	14,085

5.4.2.6 INTEREST EXPENSE ON LEASE LIABILITIES

5.4.2.6.1 INTEREST EXPENSE ON FINANCIAL LEASES

	CURRENT PERIOD	PRIOR PERIOD
Financial Lease Expenses	-	2,788

5.4.2.6.2 INTEREST EXPENSE ON OPERATIONAL LEASES

	CURRENT PERIOD	PRIOR PERIOD
Operational lease expenses	129,771	182,867

5.4.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

5.4.3 DIVIDEND INCOME

	CURRENT PERIOD	PRIOR PERIOD
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Others	18,994	8,893
Total	**18,994**	**8,893**

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5.4.4 TRADING INCOME/LOSSES

	CURRENT PERIOD	PRIOR PERIOD
Income	**152,630,502**	**113,159,139**
Trading Account Income	1,758,882	376,612
Gains from Derivative Financial Instruments	10,688,264	10,465,446
Foreign Exchange Gains	140,183,356	102,317,081
Losses (-)	**152,449,015**	**115,098,658**
Trading Account Losses	1,133,705	582,439
Losses from Derivative Financial Instruments	17,073,338	13,338,366
Foreign Exchange Losses	134,241,972	101,177,853
Total	**181,487**	**(1,939,519)**

TL 4,289,379 (31 December 2019: TL 2,248,143) of foreign exchange gains and TL 2,415,466 (31 December 2019: TL 2,260,675) 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 15,965,405 and EUR 18,421,064 and securitization borrowings amounting to EUR 33,994,728 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 399,186,992 and EUR 30,000,000 and deposits amounting to TL 1,730,000, 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 16,656 (31 December 2019: TL 19,136) and loss of TL (247,380) (31 December 2019: loss of TL 623,240) 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 200,000, USD 55,544,712 and EUR 43,337,771, for its fixed rate coupons with a total face value of 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 12,559 (31 December 2019: gain of TL 161,485) and TL 371,381 (31 December 2019: gain of TL 206,320) 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.

The Bank applies cash flow hedge accounting in order to hedge its expected investment expenditures which are considered to have high probability of realization in the future from the exchange rate risk that will occur due to fluctuations in the market exchange rates. Cash flow hedge accounting is applied between the estimated investment expenditures amounting to USD 67,639,959 in total (31 December 2019: None) and foreign currency denominated assets and exchange differences arising from translation of foreign currency denominated assets into Turkish Lira are accounted under "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss". As of 31 December 2020, TL (24,655) arising from cash flow accounting is accounted under equity. There is no ineffective portion arising from cash flow hedge accounting.

The Bank applies cash flow hedge accounting in order to hedge its foreign Eurobond coupon returns which are considered to have high probability of realization in the future from the exchange rate risk that will occur due to fluctuations in the market exchange rates. Cash flow hedge accounting is applied between the estimated foreign Eurobond coupon returns amounting to USD 67,639,959 in total (31 December 2019: None) and foreign currency denominated liabilities and exchange differences arising from translation of foreign currency denominated liabilities into Turkish Lira are accounted under "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss". As of 31 December 2020, TL 24,655 (31 December 2019: None) arising from cash flow accounting is accounted under equity. There is no ineffective portion arising from cash flow hedge accounting.

The Bank applies cash flow hedge accounting in order to hedge its payment commitments made within the context of a special mile program that the Bank is subject to from the exchange rate risk that will occur due to fluctuations in the market exchange rates. Cash flow hedge accounting is applied between the payment commitments amounting to USD 11,333,460 in total (31 December 2019: None) and foreign currency denominated assets and exchange differences arising from translation of foreign currency denominated assets into Turkish Lira are accounted under "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss". As of 31 December 2020, TL (3,338) (31 December 2019: None) arising from cash flow accounting is accounted under equity. There is no ineffective portion arising from cash flow hedge accounting.

5.4.5 OTHER OPERATING INCOME

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

	CURRENT PERIOD	PRIOR PERIOD
Reversal of Prior Years' Provisions	**4,146,680**	**3,660,801**
Stage 1 Provisions	1,123,801	926,455
Stage 2 Provisions	1,557,092	1,624,158
Stage 3 Provisions	1,272,420	962,227
Others	193,367	147,961
Revenues from Term Sale of Assets	**114,882**	**95,841**
Others	**306,160**	**208,431**
Total	**4,567,722**	**3,965,073**

5.4.6 EXPECTED CREDIT LOSSES AND OTHER PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
Expected Credit Losses	**13,394,295**	**10,701,394**
12-Month ECL (Stage 1)	2,588,834	1,405,368
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	6,481,718	2,777,564
Lifetime ECL Impaired Credits (Stage 3)	4,323,743	6,518,462
Other Provisions	**3,766,103**	**820,604**
Impairment Losses on Securities	8,544	3,819
Financial Assets Measured at Fair Value through Profit/Loss	3,142	2
Financial Assets Measured at Fair Value through Other Comprehensive Income	5,402	3,817
Impairment Losses on Associates, Subsidiaries and Joint-ventures	295,281	-
Associates	295,281	-
Subsidiaries	-	-
Joint-ventures	-	-
Others	3,462,278	816,785
Total	**17,160,398**	**11,521,998**

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5.4.7 OTHER OPERATING EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Termination Benefits	104,984	100,897
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	98,725	24,096
Depreciation Expenses of Tangible Assets	353,983	359,306
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	95,176	78,083
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	7,881	23,167
Depreciation Expenses of Right-of-use Assets	290,607	276,312
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	4,358,215	3,511,819
Operational Lease related Expenses (*)	186,466	168,199
Repair and Maintenance Expenses	65,816	68,053
Advertisement Expenses	159,421	164,757
Other Expenses	3,946,512	3,110,810
Loss on Sale of Assets	882	7,764
Others (**)	1,020,578	800,687
Total	**6,331,031**	**5,182,131**

(*) Includes lease related expenses out of the scope of TFRS 16.
(**)Includes saving-deposits-insurance-fund related expenses of TL 581,914 (31 December 2019: TL 419,696) in the current period.

5.4.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

The profit before taxes includes a net interest income of TL 23,768,204 (31 December 2019: TL 19,027,192), a net fees and commissions income of TL 5,978,016 (31 December 2019: TL 6,088,510) and operating expenses of TL 6,331,031 (31 December 2019: TL 5,182,131). The Bank's profit before taxes realized at TL 8,639,410 (31 December 2019: TL 7,816,281) increasing by 10.53% (31 December 2019: decreasing by 7.45%) as compared to prior year.

The Bank has no discontinued operations

5.4.9 INFORMATION ON PROVISION FOR TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2020, the Bank recorded a tax charge of TL 4,168,731 (31 December 2019: TL 2,118,360) and a deferred tax income of TL 1,767,324 (31 December 2019: deferred tax charge of TL 460,920).

Deferred tax benefit/charge on timing differences:

DEFERRED TAX BENEFIT/(CHARGE) ON TIMING DIFFERENCES	CURRENT PERIOD	PRIOR PERIOD
Increase in tax deductible timing differences (+)	1,939,231	260,729
Decrease in tax deductible timing differences (-)	(54,759)	(130,553)
Increase in taxable timing differences (-)	(233,854)	(87,299)
Decrease in taxable timing differences (+)	116,706	418,043
Total	**1,767,324**	**460,920**

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

DEFERRED TAX BENEFIT/(CHARGE) ARISING ON TIMING DIFFERENCES, TAX LOSSES AND TAX DEDUCTIONS AND EXEMPTIONS	CURRENT PERIOD	PRIOR PERIOD
Increase/(decrease) in tax deductible timing differences (net)	1,884,472	130,176
Increase/(decrease) in taxable timing differences (net)	(117,148)	330,744
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
Total	**1,767,324**	**460,920**

5.4.10 INFORMATION ON NET PROFIT/LOSS FROM CONTINUED AND DISCONTINUED OPERATIONS

Net profit/loss from continued operations is 6,238,003 TL (31 December 2019: TL 6,158,841).

The Bank has no discontinued operations (31 December 2019: None).

5.4.11 NET PROFIT/LOSS

5.4.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF THE BANK'S PERFORMANCE

None.

5.4.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS

None.

5.4.12 COMPONENTS OF OTHER ITEMS IN STATEMENT OF PROFIT/LOSS

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

5.5 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

5.5.1 ANY CHANGES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS IN CURRENT PERIOD

5.5.1.1 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

As of 31 December 2020, an increase of TL 2,025,712 (31 December 2019: TL 502,294) that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

5.5.1.2 INFORMATION ON CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

"Unrealized profits / losses" arising from changes in financial assets measured at fair value through other comprehensive income, are not reflected in the income statement until the realization of either the collection of the value corresponding to the relevant financial asset, the sale, disposal of the asset or its weakness, and are accounted under shareholders'equity. After netting with the related deferred tax effect, an increase of TL 268,644 of (31 December 2019: an increase TL 1,028,798) is presented in the shareholders' equity for such transactions.

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5.5.1.3 INFORMATION ON HEDGE FUNDS

5.5.1.3.1 INCREASES DUE TO CASH FLOW HEDGES

As disclosed in note 5.4.4 Trading income/losses, the Bank has various cash flow hedges. After netting with the related deferred tax effect, an increase of TL 176,002 (31 December 2019: a decrease of TL 553,739) is presented in the shareholders' equity for such hedge transactions.

5.5.1.3.2 INFORMATION ON CHANGES IN INVESTMENT HEDGING ITEMS RELATED WITH FOREIGN ENTITIES

As disclosed in note 3.2.2 Foreign currency transactions, the Bank applies net investment hedge accounting for foreign exchange differences arising from the conversion of foreign currency investments and foreign currency long term loans to Turkish Lira. After netting with the related deferred tax effect, a increase of TL 774,447 (31 December 2019: a decrease of TL 189,720) is presented in the shareholders' equity for such hedge transactions.

5.5.2 TRANSFERS TO LEGAL AND EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	-	-
Transfers to Extraordinary Reserves from Prior Year Profits	6,153,404	6,631,820

5.5.3 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.2.4.

5.5.4 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.28.

5.5.5 COMPENSATION OF PRIOR PERIOD LOSSES

None (31 December 2019: TL None).

5.6 STATEMENT OF CASH FLOWS

5.6.1 DISCLOSURES FOR "OTHER" ITEMS AND "EFFECT OF CHANGE IN FOREIGN CURRENCY RATES CASH AND CASH EQUIVALENTS" IN STATEMENT OF CASH FLOWS

The net cash inflows arising from banking operations amount to TL 17,924,611 (31 December 2019: TL 10,897,227). TL 3,979,033 (31 December 2019: TL 4,979,356 cash outflow) of the net cash outflow is generated from the cash inflows resulted from the change in operating assets and liabilities and TL 21,903,644 (31 December 2019: TL 15,876,583) from the cash inflows resulted from operating profit. The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to a net inflow of TL 6,058,319 (31 December 2019: TL 2,046,096 net cash outflow). The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 1,021,993 (31 December 2019: TL 4,557,685).

The net cash inflows from financing activities is TL 2,128,343 (31 December 2019: TL 3,923,211 net cash outflow).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 2,345,379 (31 December 2019: TL 1,480,204).

5.6.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Note 5.1.10.3 of investments in subsidiaries.

5.6.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None (31 December 2019: None).

5.6.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
Cash on Hand	**3,995,007**	**3,818,197**
Cash in TL	1,594,581	1,562,382
Cash in Foreign Currency	2,400,426	2,255,815
Cash Equivalents	**33,480,418**	**26,729,128**
Other	33,480,418	26,729,128
TOTAL	**37,475,425**	**30,547,325**

5.6.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	CURRENT PERIOD 31 DECEMBER 2020	PRIOR PERIOD 31 DECEMBER 2019
Cash on Hand	**9,125,455**	**3,995,007**
Cash in TL	2,722,172	1,594,581
Cash in Foreign Currency	6,403,283	2,400,426
Cash Equivalents	**40,354,301**	**33,480,418**
Other	40,354,301	33,480,418
TOTAL	**49,479,756**	**37,475,425**

5.6.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 2,423,914 (31 December 2019: TL 2,818,396) of which TL 2,222,619 (31 December 2019: TL 2,657,254) and TL 201,295 (31 December 2019: TL 161,142) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

The blocked account at the Central Bank of Turkey with a principal of TL 26,010,300 (31 December 2019: TL 19,425,196) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold.

5.6.7 ADDITIONAL INFORMATION

5.6.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None (31 December 2019: None).

5.6.7.2 CASH INFLOWS PRESENTING INCREASE IN OPERATING CAPACITY OF THE BANK

None (31 December 2019: None).

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5.7 RELATED PARTY RISKS

5.7.1 TRANSACTIONS WITH THE BANK'S RISK GROUP

5.7.1.1 LOANS AND OTHER RECEIVABLES

CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
LOANS AND OTHER RECEIVABLES	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**
Balance at beginning of period	7,260,837	1,576,370	1,628	991,046	791	45,586
Balance at end of period	9,505,341	2,096,812	651,108	722,425	113,315	50,868
Interest and Commission Income	**263,742**	**22,075**	**500**	**-**	**7,486**	**174**

PRIOR PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
LOANS AND OTHER RECEIVABLES	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**
Balance at beginning of period	5,638,055	1,498,526	108,221	942,442	83,353	36,351
Balance at end of period	7,260,837	1,576,370	1,628	991,046	791	45,586
Interest and Commission Income	**200,424**	**15,369**	**2,753**	**-**	**6,766**	**94**

5.7.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
Deposits	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**
Balance at beginning of period	1,797,896	1,074,063	131,127	108,961	89,892	89,808
Balance at end of period	1,889,426	1,797,896	70,153	131,127	417,657	89,892
Interest Expense	**124,285**	**244,763**	**120**	**457**	**8,999**	**6,192**

5.7.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
Transactions at Fair Value Through Profit/(Loss):	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**
Balance at beginning of period	2,862,339	1,171,385	22,919,062	32,240,075	-	-
Balance at end of period	3,000,560	2,862,339	30,664,682	22,919,062	-	-
Total Profit/(Loss)	**8,691**	**37,698**	**(262,003)**	**(66,012)**	**-**	**-**
Transactions for Hedging:						
Balance at beginning of period	-	-	643,552	1,004,943	-	-
Balance at end of period	-	-	565,120	643,552	-	-
Total Profit/(Loss)	**-**	**-**	**(2,069)**	**1,272**	**-**	**-**

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 3,448,287 (31 December 2019: TL 2,101,157) compose 1.09% (31 December 2019: 0.84%) of the Bank's total cash loans and 0.70% (31 December 2019: 0.54%) of the Bank's total assets. The total loans and similar receivables amounting TL 10,269,764 (31 December 2019: TL 7,263,256) compose 2.08% (31 December 2019: 1.86 %) of the Bank's total assets. The non-cash loans of the risk group amounting TL 2,870,105 (31 December 2019: TL 2,613,002) compose 3.76% (31 December 2019: 4.32%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 2,377,236 (31 December 2019: TL 2,018,915) compose 0.74% (31 December 2019: 0.81%) of the Bank's total deposits.

The funds borrowed by the Bank from its risk group amounting TL 20,978,790 (31 December 2019: TL 16,239,465) compose 82,47% (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 196,304 (31 December 2019: TL 165,820).

A total rent income of TL 17,681 (31 December 2019: TL 14,210) was recognized for the real estates rented to the related parties.

Operating expenses for TL 101,084 (31 December 2019: TL 35,224) were incurred for the IT services rendered by the related parties. Banking services fees of TL 50,188 (31 December 2019: TL 35,155) were recognized from the related parties.

Insurance brokerage fee of TL 343,954 (31 December 2019: TL 234,614), shares brokerage fee of TL 134,108 (31 December 2019: TL 41,852), and fixed-rate securities brokerage fee of TL 6,367 (31 December 2019: TL 4,883).

Operating expenses of TL 84,759 (31 December 2019: TL 71,254) 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 76,902 as of 31 December 2020 (31 December 2019: TL 98,589).

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.

TÜRKİYE GARANTİ BANKASI AŞ
Unconsolidated Financial Report as of and for the Year Ended 31 December 2020
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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

5.8.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES

CURRENT PERIOD	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	884	18,540			
			COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1-Germany		
	1	1	2- China		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	13	1- Malta	30,001,077	-
	7	101	2- NCTR	4,312,995	80,000

PRIOR PERIOD	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	904	18,657			
			COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1-Germany		
	1	1	2- China		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	14	1- Malta	26,820,236	-
	7	111	2- NCTR	3,571,210	80,000

5.8.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE

In 2020, 1 domestic branches were opened and 21 branches were closed. (In 2019, 2 domestic branches were opened and 24 branches were closed.)

5.9 MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

None.

TÜRKİYE GARANTİ BANKASI AŞ

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(Thousands of Turkish Lira (TL))

6 OTHER DISCLOSURES ON ACTIVITIES OF THE BANK

6.1 BANK'S LATEST INTERNATIONAL RISK RATINGS

MOODY'S (DECEMBER 2020)

Outlook	Negative
Long Term FC Deposit	B2
Long Term TL Deposit	B2
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b3
Adjusted Loan Assessment	b3
Senior Unsecured Rating (Regular Bond)	B2 (Negative)
Senior Unsecured Rating (Medium-Term Note Program)	P (B2)
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

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

TÜRKİYE GARANTİ BANKASI AŞ

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6.2 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)	-

6.3 OTHER DISCLOSURES

None (31 December 2019: None).

7 DISCLOSURES ON INDEPENDENT AUDITORS' REPORT

7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements of the Bank as of 31 December 2020, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 28 January 2021, is presented before the accompanying financial statements.

7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

CONSOLIDATED FINANCIAL STATEMENTS

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

UBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS,
RELATED DISCLOSURES AND INDEPENDENT AUDITORS'
REPORT THEREON AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2020

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND
RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

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INDEPENDENT AUDITORS' REPORT

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

A)REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

We have audited the consolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together will be referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis For Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası A.Ş. and its consolidated financial subsidiaries as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Board Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by Banking Regulation and Supervision Agency ("BRSA") and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As stated in Note 2.9.4 of Section Five, the accompanying consolidated financial statements as at 31 December 2020 include a general reserve of total of TL 4,650,000 thousands, of which TL 2,150,000 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 reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

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

Key Audit Matters

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

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

KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
As of 31 December 2020, loans measured at amortised cost comprise 65% of the Group's total assets. The Group recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard"). The Group applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Bank management annually. The significant assumptions and estimates of the Group's management are as follows: - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model. The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.	Our procedures for testing the impairment of loans included below: • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Group management. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. • Additionally, we also evaluated the adequacy of the consolidated financial statements' disclosures related to impairment provisions.

Measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)

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

KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9. The fair value of the loan classified as financial assets measured at fair value through profit or loss according to business model is determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used. Management assesses the significant unobservable inputs and uncertainties due to assumptions and estimates with the involvement of an independent valuation firm. The Group has also financial liabilities (securitization loans) which are accounted by using the fair value option on the initial recognition in order to eliminate any accounting mismatch in accordance with TFRS 9. The fair value of the securitization loans which are accounted as financial liabilities measured at fair value through profit or loss are determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used. As mentioned above, the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) is determined as key audit matter considering high degree of judgements and assumptions.	Our procedures for testing the fair value hierarchy of the financial instruments (the fair value hierarchy of financial instruments determined as Level 3) included below: • We evaluated the design and implementation of the controls that the Group sets for the measurement of fair value of the relevant financial instruments • We assessed the policy of the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) based on TFRS 9 and compared with the requirements of TFRS 9. • We have involved our own valuation specialists to evaluate the significant unobservable inputs and assumptions used by the Group for the fair value calculation of the related instruments. Additionally, we also evaluated the adequacy of consolidated financial statements' disclosures related to the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).

Pension plan

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

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The Parent Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Parent Bank's employees are the members of this Fund. As disclosed in the Note 3.17 to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Parent Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members. As of 31 December 2020, the Parent Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. As of 31 December 2020, the Parent Bank's non-transferrable liabilities are also calculated by	Our procedures for auditing calculations of the management's pension plan liability included below: • We evaluated the design and implementation of the controls that the Group has set for the liability calculations related to the pension plan was tested. • We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations. • Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated. • We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations. • We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used. • Additionally, the adequacy of consolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with TSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:
• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

B) REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2020 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

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

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

Murat Alsan, SMMM
Partner

28 January 2021
Istanbul, Turkey

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TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

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

SUBSIDIARIES

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

STRUCTURED ENTITIES

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

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

SÜLEYMAN SÖZEN	RECEP BAŞTUĞ	AYDIN GÜLER	HAKAN ÖZDEMİR	JORGE SAENZ - AZCUNAGA CARRANZA	AVNİ AYDIN DÜREN	BELKIS SEMA YURDUM
Board of Directors Chairman	General Manager	Executive Vice President Responsible of Financial Reporting	Financial Reporting and Accounting Director	Audit Committee Member	Audit Committee Member	Audit Committee Member

The authorized contact person for questions on this financial report:
Name-Surname/Title: Handan SAYGIN/Director of Investor Relations
Phone no: +90 (212) 318 23 50
Fax no: +90 (212) 216 59 02
Faks: +90 (212) 216 59 02

GENERAL INFORMATION

1.1 HISTORY OF PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

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

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

The Bank provides banking services through 884 domestic branches, 8 foreign branches and 2 representative offices (31 December 2019: 904 domestic branches, 8 foreign branches and 2 representative offices). The Bank's head office is located in Istanbul.

1.2 PARENT BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON ITS RISK GROUP

As of 31 December 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).

On 7 April 2011, BBVA had acquired 503,160,000 shares at a nominal value of TL 5,032 and increased its ownership in the Bank's share capital to 25.01%.

In accordance with the terms of the agreement between BBVA and the Doğuş Group which was previously disclosed on 19 November 2014, the sale of shares representing 14.89% of the share capital of the Bank with a face value of TL 625,380 and 62,538,000,000 shares by the Doğuş Group to BBVA, was completed on 27 July 2015. Following the acquisition, BBVA's stake in the Bank reached to 39.90% and BBVA became the main shareholder. The Bank was moved to "Foreign Deposit Banks" category from "Private Deposit Bank" category by the BRSA.

On 21 February 2017, BBVA agreed with Doğuş Group to acquire 41,790,000,000 shares at a nominal value of TL 417,900 representing 9.95% ownership and on 22 March 2017 in accordance with the terms of the agreement share transfer had been finalized. After the share transfer BBVA's interest in the share capital of the Bank is at 49.85%.

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

BBVA Group

BBVA is operating for more than 160 years, providing variety of widespread financial and non-financial services to 80 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 124 thousand employees.

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Financial Report as of and for the Year Ended 31 December 2020
(Thousands of Turkish Lira (TL))

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

1.3 INFORMATION ON PARENT BANK'S BOARD OF DIRECTORS CHAIRMAN AND MEMBERS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER, EXECUTIVE VICE PRESIDENTS AND THEIR RESPONSIBILITIES AND, IF ANY, SHAREHOLDINGS IN THE BANK

BOARD OF DIRECTORS CHAIRMAN AND MEMBERS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Süleyman Sözen	Chairman	29.05.1997	University	40 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	28 years
Recep Baştuğ	Member and CEO	06.09.2019	University	31 years
Sait Ergun Özen	Member	14.05.2003	University	34 years
Dr. Muammer Cüneyt Sezgın	Member	30.06.2004	PhD	33 years
Jaime Saenz de Tejada Pulıdo	Member	02.10.2014	University	29 years
Javıer Bernal Dıonıs	Member	27.07.2015	Master	31 years
Rafael Salınas Martınez 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
Avnı Aydın Düren	Independent Member and Member of Audit Committee	17.06.2020	Master	29 years
Mevhıbe Canan Özsoy	Independent Member	04.04.2019	Master	32 years

CEO AND EXECUTIVE VICE PRESIDENTS:

NAME AND SURNAME	RESPONSİBİLİTY	APPOİNTMENT DATE	EDUCATİON	EXPERİENCE İN BANKİNG AND BUSİNESS ADMİNİSTRATİON
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

(*) As of 1 January 2021, Murat Atay is assigned as Head of Credit Risk Management.
(**) At the Board of Directors meeting dated 18 January 2021 it was decided to appoint Cemal Onaran to replace Selahattin Güldü as the Executive Vice President in charge of Commercial Banking and Sibel Kaya to replace Cemal Onaran as the Executive Vice President in charge of SME Banking. These appointments will be effective following the completion of necessary legal procedures and obtaining of legal approvals.

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

1.4 INFORMATION ON PARENT BANK'S QUALIFIED SHAREHOLDERS

COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Financial Report as of and for the Year Ended 31 December 2020
(Thousands of Turkish Lira (TL))

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

1.5 SUMMARY INFORMATION ON PARENT BANK'S ACTIVITIES AND SERVICES

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

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

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

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

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

1.6 CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN THE BANK AND ITS SUBSIDIARIES

As per the Regulation on Preparation of Consolidated Financial Statements of Banks, the investments in financial subsidiaries are subject to consolidation whereas as per the Turkish Accounting Standards and Turkish Financial Reporting Standards, the investments in both financial and non-financial subsidiaries are subject to consolidation.

1.7 CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Balance Sheet (Statement of Financial Position)
At 31 December 2020

2 CONSOLIDATED FINANCIAL STATEMENTS

			THOUSANDS OF TURKISH LIRA (TL)					
	ASSETS	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2020			PRIOR PERIOD 31 DECEMBER 2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**FINANCIAL ASSETS (Net)**		**42,032,640**	**95,118,539**	**137,151,179**	**34,725,166**	**74,235,255**	**108,960,421**
I.I	**Cash and Cash Equivalents**	5.1.1	**15,635,099**	**71,733,232**	**87,368,331**	**14,200,209**	**57,897,826**	**72,098,035**
1.1.1	Cash and Balances with Central Bank		6,997,122	48,722,225	55,719,347	3,285,977	38,739,329	42,025,306
1.1.2	Banks		782,969	21,578,566	22,361,535	747,860	18,834,329	19,582,189
1.1.3	Money Market Placements		8,043,941	1,662,847	9,706,788	10,205,763	453,693	10,659,456
1.1.4	Expected Credit Losses (-)		188,933	230,406	419,339	39,391	129,525	168,916
1.2	**Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)**	5.1.2	**1,356,222**	**7,026,509**	**8,382,731**	**692,738**	**4,526,562**	**5,219,300**
1.2.1	Government Securities		759,526	2,153,945	2,913,471	370,765	91,126	461,891
1.2.2	Equity Securities		547,867	54,021	601,888	303,272	30,148	333,420
1.2.3	Other Financial Assets		48,829	4,818,543	4,867,372	18,701	4,405,288	4,423,989
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)**	5.1.3	**22,580,548**	**14,205,017**	**36,785,565**	**18,274,036**	**10,369,493**	**28,643,529**
1.3.1	Government Securities		22,411,168	9,228,128	31,639,296	18,192,222	6,627,521	24,819,743
1.3.2	Equity Securities		58,305	254,511	312,816	32,328	350,053	382,381
1.3.3	Other Financial Assets		111,075	4,722,378	4,833,453	49,486	3,391,919	3,441,405
1.4	**Derivative Financial Assets**	5.1.4	**2,460,771**	**2,153,781**	**4,614,552**	**1,558,183**	**1,441,374**	**2,999,557**
1.4.1	Derivative Financial Assets Measured at FVTPL		2,013,066	2,144,333	4,157,399	1,133,910	1,424,303	2,558,213
1.4.2	Derivative Financial Assets Measured at FVOCI		447,705	9,448	457,153	424,273	17,071	441,344
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)**		**231,445,253**	**141,326,018**	**372,771,271**	**180,738,392**	**115,539,328**	**296,277,720**
2.1	**Loans**	5.1.5	**215,475,505**	**134,757,624**	**350,233,129**	**166,976,048**	**110,530,551**	**277,506,599**
2.2	**Lease Receivables**	5.1.6	**1,818,749**	**5,689,959**	**7,508,708**	**1,326,634**	**4,857,520**	**6,184,154**
2.3	**Factoring Receivables**	5.1.7	**2,205,049**	**721,520**	**2,926,569**	**1,809,179**	**620,984**	**2,430,163**
2.4	**Other Financial Assets Measured at Amortised Cost**	5.1.8	**22,663,984**	**10,574,927**	**33,238,911**	**20,732,279**	**6,988,063**	**27,720,342**
2.4.1	Government Securities		**22,630,403**	**10,541,868**	**33,172,271**	**20,591,464**	**6,967,172**	**27,558,636**
2.4.2	Other Financial Assets		**33,581**	**33,059**	**66,640**	**140,815**	**20,891**	**161,706**
2.5	**Expected Credit Losses (-)**		**10,718,034**	**10,418,012**	**21,136,046**	**10,105,748**	**7,457,790**	**17,563,538**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.1.9	**914,057**	**17,696**	**931,753**	**1,424,822**	**27,436**	**1,452,258**
3.1	Asset Held for Resale		914,057	17,696	931,753	1,424,822	27,436	1,452,258
3.2	Assets of Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES,SUBSIDIARIES AND JOINT VENTURES**		**160,390**	**6,105**	**166,495**	**149,767**	**4,087**	**153,854**
4.1	**Associates (Net)**	5.1.10	**46,370**	**7**	**46,377**	**35,747**	**6**	**35,753**
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		46,370	7	46,377	35,747	6	35,753
4.2	**Subsidiaries (Net)**	5.1.11	**114,020**	**6,098**	**120,118**	**114,020**	**4,081**	**118,101**
4.2.1	Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		114,020	6,098	120,118	114,020	4,081	118,101
4.3	**Joint Ventures (Net)**	5.1.12	**-**	**-**	**-**	**-**	**-**	**-**
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	5.1.13	**5,464,120**	**495,951**	**5,960,071**	**5,145,933**	**382,366**	**5,528,299**
VI.	**INTANGIBLE ASSETS (Net)**	5.1.14	**533,600**	**80,798**	**614,398**	**430,194**	**49,712**	**479,906**
6.1	Goodwill		6,388	-	6,388	6,388	-	6,388
6.2	Others		527,212	80,798	608,010	423,806	49,712	473,518
VII.	**INVESTMENT PROPERTY (Net)**	5.1.15	**561,525**	**-**	**561,525**	**569,719**	**-**	**569,719**
VIII.	**CURRENT TAX ASSET**		**3,420**	**85,563**	**88,983**	**7,649**	**78,568**	**86,217**
IX.	**DEFERRED TAX ASSET**	5.1.16	**3,618,388**	**22,015**	**3,640,403**	**1,861,118**	**20,892**	**1,882,010**
X.	**OTHER ASSETS (Net)**	5.1.17	**7,902,560**	**11,124,167**	**19,026,727**	**5,502,245**	**7,661,499**	**13,163,744**
	TOTAL ASSETS		**292,635,953**	**248,276,852**	**540,912,805**	**230,555,005**	**197,999,143**	**428,554,148**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Balance Sheet (Statement of Financial Position)

At 31 December 2020

	LIABILITIES AND SHAREHOLDERS' EQUITY	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31.12.2020			PRIOR PERIOD 31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**DEPOSITS**	5.2.1	**142,230,848**	**215,869,500**	**358,100,348**	**113,245,513**	**164,031,812**	**277,277,325**
II.	**FUNDS BORROWED**	5.2.2	**2,233,552**	**24,386,631**	**26,620,183**	**2,687,955**	**22,934,104**	**25,622,059**
III.	**MONEY MARKET FUNDS**	5.2.3	**1,098,116**	**2,065,862**	**3,163,978**	**416,266**	**1,370,595**	**1,786,861**
IV.	**SECURITIES ISSUED (NET)**	5.2.4	**6,094,432**	**16,722,649**	**22,817,081**	**6,036,084**	**14,990,453**	**21,026,537**
4.1	Bills		4,883,881	-	4,883,881	4,825,540	-	4,825,540
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		1,210,551	16,722,649	17,933,200	1,210,544	14,990,453	16,200,997
V.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES MEASURED AT FVTPL**	5.2.5	**-**	**16,137,939**	**16,137,939**	**-**	**14,342,293**	**14,342,293**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	5.2.6	**4,382,556**	**4,154,334**	**8,536,890**	**1,945,271**	**2,294,394**	**4,239,665**
7.1	Derivative Financial Liabilities Measured at FVTPL		4,250,527	3,881,002	8,131,529	1,305,445	2,199,506	3,504,951
7.2	Derivative Financial Liabilities Measured at FVOCI		132,029	273,332	405,361	639,826	94,888	734,714
VIII.	**FACTORING LIABILITIES**	5.2.7	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**LEASE LIABILITIES (Net)**	5.2.8	**840,772**	**185,595**	**1,026,367**	**969,316**	**165,454**	**1,134,770**
X.	**PROVISIONS**	5.2.9	**6,763,967**	**3,271,604**	**10,035,571**	**5,348,121**	**1,178,252**	**6,526,373**
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		1,297,372	156,160	1,453,532	1,135,056	111,605	1,246,661
10.3	Insurance Technical Provisions (Net)		721,292	107,820	829,112	589,541	50,992	640,533
10.4	Other Provisions		4,745,303	3,007,624	7,752,927	3,623,524	1,015,655	4,639,179
XI.	**CURRENT TAX LIABILITY**	5.2.10	**2,247,903**	**48,444**	**2,296,347**	**1,149,548**	**102,427**	**1,251,975**
XII.	**DEFERRED TAX LIABILITY**	5.2.10	**-**	**48,863**	**48,863**	**-**	**29,480**	**29,480**
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.2.11	**-**	**-**	**-**	**-**	**-**	**-**
13.1	Asset Held for Sale		-	-	-	-	-	-
13.2	Assets of Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBTS**	5.2.12	**1,029,532**	**5,569,437**	**6,598,969**	**261,478**	**4,468,229**	**4,729,707**
14.1	Borrowings		-	-	-	-	-	-
14.2	Other Debt Instruments		1,029,532	5,569,437	6,598,969	261,478	4,468,229	4,729,707
XV.	**OTHER LIABILITIES**	5.2.13	**18,859,556**	**4,261,518**	**23,121,074**	**14,252,573**	**2,283,783**	**16,536,356**
XVI.	**SHAREHOLDERS' EQUITY**	5.2.14	**62,050,247**	**358,948**	**62,409,195**	**53,554,029**	**496,718**	**54,050,747**
16.1	Paid-in Capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2	Capital Reserves		784,434	-	784,434	784,434	-	784,434
16.2.1	Share Premium		11,880	-	11,880	11,880	-	11,880
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		772,554	-	772,554	772,554	-	772,554
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,598,522	114,049	1,712,571	1,376,965	267,474	1,644,439
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		3,197,339	(115,937)	3,081,402	1,465,038	(94,917)	1,370,121
16.5	Profit Reserves		45,520,735	349,008	45,869,743	39,288,768	324,161	39,612,929
16.5.1	Legal Reserves		1,554,550	79,424	1,633,974	1,546,353	53,081	1,599,434
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		43,728,172	-	43,728,172	37,509,839	-	37,509,839
16.5.4	Other Profit Reserves		238,013	269,584	507,597	232,576	271,080	503,656
16.6	Profit/Loss		6,501,538	11,828	6,513,366	6,164,914	-	6,164,914
16.6.1	Prior Periods' Profit/Loss		196,448	11,828	208,276	-	-	-
16.6.2	Current Period's Net Profit/Loss		6,305,090	-	6,305,090	6,164,914	-	6,164,914
16.7	Minority Interest		247,679	-	247,679	273,910	-	273,910
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**247,831,481**	**293,081,324**	**540,912,805**	**199,866,154**	**228,687,994**	**428,554,148**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Off-Balance Sheet Items At 31 December 2020

		FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31.12.2020			PRIOR PERIOD 31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)			**252,150,378**	**408,163,964**	**660,314,342**	**187,129,637**	**307,620,161**	**494,749,798**
I.	**GUARANTEES AND SURETIES**	5.3.1	**31,824,340**	**48,971,054**	**80,795,394**	**23,655,572**	**39,101,523**	**62,757,095**
1.1	Letters of guarantee		31,475,024	33,857,845	65,332,869	23,555,242	26,872,148	50,427,390
1.1.1	Guarantees subject to State Tender Law		-	1,368,856	1,368,856	-	1,252,136	1,252,136
1.1.2	Guarantees given for foreign trade operations		2,489,512	845,758	3,335,270	1,408,118	620,356	2,028,474
1.1.3	Other letters of guarantee		28,985,512	31,643,231	60,628,743	22,147,124	24,999,656	47,146,780
1.2	Bank acceptances		70,194	2,103,257	2,173,451	35,845	1,543,198	1,579,043
1.2.1	Import letter of acceptance		70,194	2,103,257	2,173,451	35,395	1,521,807	1,557,202
1.2.2	Other bank acceptances		-	-	-	450	21,391	21,841
1.3	Letters of credit		279,122	12,884,100	13,163,222	64,485	10,611,998	10,676,483
1.3.1	Documentary letters of credit		-	-	-	-	-	-
1.3.2	Other letters of credit		279,122	12,884,100	13,163,222	64,485	10,611,998	10,676,483
1.4	Guaranteed prefinancings		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Underwriting commitments		-	-	-	-	-	-
1.7	Factoring related guarantees		-	-	-	-	-	-
1.8	Other guarantees		-	125,852	125,852	-	74,179	74,179
1.9	Other sureties		-	-	-	-	-	-
II.	**COMMITMENTS**		**75,926,337**	**28,902,086**	**104,828,423**	**62,668,511**	**14,344,299**	**77,012,810**
2.1	Irrevocable commitments		75,375,808	26,283,022	101,658,830	62,458,341	12,568,282	75,026,623
2.1.1	Asset purchase and sale commitments		4,765,892	23,152,339	27,918,231	5,306,346	10,576,157	15,882,503
2.1.2	Deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	2,780	2,780	-	6,336	6,336
2.1.4	Loan granting commitments		20,994,776	2,072,525	23,067,301	16,305,168	1,273,729	17,578,897
2.1.5	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheque payments		3,174,209	-	3,174,209	3,184,727	-	3,184,727
2.1.8	Tax and fund obligations on export commitments		143,224	-	143,224	137,121	-	137,121
2.1.9	Commitments for credit card limits		46,296,739	1,055,378	47,352,117	37,521,955	712,060	38,234,015
2.1.10	Commitments for credit cards and banking services related promotions		968	-	968	3,024	-	3,024
2.1.11	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		-	-	-	-	-	-
2.2	Revocable commitments		550,529	2,619,064	3,169,593	210,170	1,776,017	1,986,187
2.2.1	Revocable loan granting commitments		10,902	1,995,025	2,005,927	15,045	1,446,989	1,462,034
2.2.2	Other revocable commitments		539,627	624,039	1,163,666	195,125	329,028	524,153
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	5.3.2	**144,399,701**	**330,290,824**	**474,690,525**	**100,805,554**	**254,174,339**	**354,979,893**
3.1	Derivative financial instruments held for risk management		5,065,184	37,222,722	42,287,906	22,373,314	43,574,257	65,947,571
3.1.1	Fair value hedges		469,986	8,308,419	8,778,405	4,835,016	16,607,942	21,442,958
3.1.2	Cash flow hedges		4,595,198	28,914,303	33,509,501	17,538,298	26,966,315	44,504,613
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Trading derivatives		139,334,517	293,068,102	432,402,619	78,432,240	210,600,082	289,032,322
3.2.1	Forward foreign currency purchases/sales		9,069,175	11,312,583	20,381,758	7,322,962	8,764,639	16,087,601
3.2.1.1	Forward foreign currency purchases		6,506,988	3,879,245	10,386,233	3,686,017	4,409,675	8,095,692
3.2.1.2	Forward foreign currency sales		2,562,187	7,433,338	9,995,525	3,636,945	4,354,964	7,991,909
3.2.2	Currency and interest rate swaps		126,241,686	231,716,285	357,957,971	60,617,121	160,582,646	221,199,767
3.2.2.1	Currency swaps-purchases		8,963,202	92,403,946	101,367,148	9,766,706	67,104,838	76,871,544
3.2.2.2	Currency swaps-sales		65,522,846	47,853,673	113,376,519	43,894,979	29,683,702	73,578,681
3.2.2.3	Interest rate swaps-purchases		25,878,025	45,729,333	71,607,358	3,477,718	31,897,053	35,374,771
3.2.2.4	Interest rate swaps-sales		25,877,613	45,729,333	71,606,946	3,477,718	31,897,053	35,374,771
3.2.3	Currency, interest rate and security options		2,700,037	5,578,445	8,278,482	10,170,756	20,898,894	31,069,650
3.2.3.1	Currency call options		1,671,606	1,410,167	3,081,773	5,408,521	5,945,014	11,353,535
3.2.3.2	Currency put options		918,375	2,321,676	3,240,051	4,573,863	7,416,639	11,990,502
3.2.3.3	Interest rate call options		-	1,846,602	1,846,602	-	6,649,121	6,649,121
3.2.3.4	Interest rate put options		-	-	-	-	888,120	888,120
3.2.3.5	Security call options		25,011	-	25,011	87,880	-	87,880
3.2.3.6	Security put options		85,045	-	85,045	100,492	-	100,492
3.2.4	Currency futures		1,163,525	1,343,230	2,506,755	131,926	534,975	666,901
3.2.4.1	Currency futures-purchases		634,658	611,740	1,246,398	128,032	208,060	336,092
3.2.4.2	Currency futures-sales		528,867	731,490	1,260,357	3,894	326,915	330,809
3.2.5	Interest rate futures		-	-	-	-	29,604	29,604
3.2.5.1	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-	-	29,604	29,604
3.2.6	Others		160,094	43,117,559	43,277,653	189,475	19,789,324	19,978,799
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			**892,567,461**	**1,153,942,320**	**2,046,509,781**	**805,331,669**	**860,068,236**	**1,665,399,905**
IV.	**ITEMS HELD IN CUSTODY**		**67,992,766**	**56,592,842**	**124,585,608**	**61,688,136**	**42,938,926**	**104,627,062**
4.1	Customers' securities held		29,919,210	-	29,919,210	27,430,538	-	27,430,538
4.2	Investment securities held in custody		14,459,589	17,679,389	32,138,978	15,270,202	12,493,790	27,763,992
4.3	Checks received for collection		17,647,307	7,027,687	24,674,994	15,688,562	5,837,295	21,525,857
4.4	Commercial notes received for collection		2,484,480	1,094,391	3,578,871	2,702,936	938,150	3,641,086
4.5	Other assets received for collection		3,320,118	26,744,871	30,064,989	250,510	20,797,896	21,048,406
4.6	Assets received through public offering		-	181,367	181,367	-	144,496	144,496
4.7	Other items under custody		162,062	3,865,137	4,027,199	345,388	2,727,299	3,072,687
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**824,574,695**	**1,097,349,478**	**1,921,924,173**	**743,643,533**	**817,129,310**	**1,560,772,843**
5.1	Securities		6,569,370	2,166,776	8,736,146	4,036,323	1,563,950	5,600,273
5.2	Guarantee notes		23,246,598	19,038,091	42,284,689	23,737,421	13,743,078	37,480,499
5.3	Commodities		65,681	-	65,681	3,371	-	3,371
5.4	Warranties		-	536,450	536,450	-	377,819	377,819
5.5	Real estates		187,343,687	189,716,205	377,059,892	175,430,786	148,434,218	323,865,004
5.6	Other pledged items		607,349,359	885,891,825	1,493,241,184	540,435,632	653,010,149	1,193,445,781
5.7	Pledged items-depository		-	131	131	-	96	96
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		**-**	**-**	**-**	**-**	**-**	**-**
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**1,144,717,839**	**1,562,106,284**	**2,706,824,123**	**992,461,306**	**1,167,688,397**	**2,160,149,703**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Profit or Loss For the period ended at 31 December 2020

	INCOME AND EXPENSE ITEMS	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 01.01.2020 - 31.12.2020	PRIOR PERIOD 1.01.2019 - 31.12.2019
I.	**INTEREST INCOME**	5.4.1	**39,393,261**	**42,045,625**
1.1	Interest income on loans		30,919,973	33,866,206
1.2	Interest income on reserve deposits		82,696	368,148
1.3	Interest income on banks		200,909	720,601
1.4	Interest income on money market transactions		749,549	395,622
1.5	Interest income on securities portfolio		6,558,261	5,658,911
1.5.1	Financial assets measured at FVTPL		132,848	113,531
1.5.2	Financial assets measured at FVOCI		3,170,354	2,784,388
1.5.3	Financial assets measured at amortised cost		3,255,059	2,760,992
1.6	Financial lease income		505,551	511,531
1.7	Other interest income		376,322	524,606
II.	**INTEREST EXPENSE (-)**	5.4.2	**14,000,693**	**21,372,200**
2.1	Interest on deposits		9,437,262	16,529,107
2.2	Interest on funds borrowed		1,347,055	1,799,135
2.3	Interest on money market transactions		333,448	117,758
2.4	Interest on securities issued		2,328,935	2,650,526
2.5	Lease interest expense		133,480	188,093
2.6	Other interest expenses		420,513	87,581
III.	**NET INTEREST INCOME (I - II)**		**25,392,568**	**20,673,425**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**6,587,665**	**6,273,573**
4.1	Fees and commissions received		8,296,891	8,643,797
4.1.1	Non-cash loans		781,528	721,434
4.1.2	Others		7,515,363	7,922,363
4.2	Fees and commissions paid (-)		1,709,226	2,370,224
4.2.1	Non-cash loans		23,250	15,350
4.2.2	Others		1,685,976	2,354,874
V.	**DIVIDEND INCOME**	5.4.3	**22,178**	**11,276**
VI.	**NET TRADING INCOME/LOSSES (Net)**	5.4.4	**702,894**	**(1,806,062)**
6.1	Trading account income/losses		574,332	(157,084)
6.2	Income/losses from derivative financial instruments		(6,221,097)	(2,935,307)
6.3	Foreign exchange gains/losses		6,349,659	1,286,329
VII.	**OTHER OPERATING INCOME**	5.4.5	**6,550,123**	**5,676,784**
VIII.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII)**		**39,255,428**	**30,828,996**
IX.	**EXPECTED CREDIT LOSSES (-)**	5.4.6	**14,330,950**	**11,491,709**
X.	**OTHER PROVISIONS (-)**	5.4.6	**3,829,044**	**855,943**
XI.	**PERSONNEL EXPENSES (-)**		**4,419,743**	**4,187,991**
XII.	**OTHER OPERATING EXPENSES (-)**	5.4.7	**7,467,095**	**6,121,085**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**9,208,596**	**8,172,268**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**-**	**-**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVII.	**PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)**	5.4.8	**9,208,596**	**8,172,268**
XVIII.	**PROVISION FOR TAXES (±)**	5.4.9	**2,823,433**	**1,930,878**
18.1	Current tax charge		4,549,974	2,362,115
18.2	Deferred tax charge (+)		358,460	292,444
18.3	Deferred tax credit (-)		(2,085,001)	(723,681)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	5.4.10	**6,385,163**	**6,241,390**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from assets held for sale		-	-
20.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses on assets held for sale		-	-
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3	Others		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)**	5.4.8	**-**	**-**
XXIII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**	5.4.9	**-**	**-**
23.1	Current tax charge		-	-
23.2	Deferred tax charge (+)		-	-
23.3	Deferred tax credit (-)		-	-
XXIV.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)**	5.4.10	**-**	**-**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	5.4.11	**6,385,163**	**6,241,390**
25.1	Equity holders of the bank		6,305,090	6,164,914
25.2	Minority interest		80,073	76,476
	Earnings per Share		**0.01501**	**0.01468**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the period ended at 31 December 2020

	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 01.01.2020 - 31.12.2020	PRIOR PERIOD 1.01.2019 - 31.12.2019
I.	**CURRENT PERIOD PROFIT/LOSS**	**6,385,163**	**6,241,390**
II.	**OTHER COMPREHENSIVE INCOME**	**1,987,903**	**892,971**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**275,970**	**132,740**
2.1.1	Revaluation Surplus on Tangible Assets	447,795	77,072
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(163,387)	(14,279)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	40,130	80,509
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(48,568)	(10,562)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**1,711,933**	**760,231**
2.2.1	Translation Differences	1,980,100	465,491
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	417,926	1,296,692
2.2.3	Gains/losses from Cash Flow Hedges	208,567	(696,601)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(968,059)	(237,150)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	73,399	(68,201)
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**8,373,066**	**7,134,361**

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity
For the period ended at 31 December 2020

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	FOOTNOTES	PAID-IN CAPITAL	SHARE PREMIUM	SHARE CANCELLATION PROFITS	OTHER CAPITAL RESERVES	OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS TO BE RECYCLED TO PROFIT OR LOSS — OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS: REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS	TDEFINED BENEFIT PLANS' ACTUARIAL GAINS/LOSSES	OTHERS	OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS TO BE RECYCLED TO PROFIT OR LOSS: TRANSLATION DIFFERENCES	INCOME/EXPENSES FROM VALUATION AND/OR RECLASSIFICATION OF FINANCIAL ASSETS MEASURED AT FVOCI	OTHERS	PROFIT RESERVES	PRIOR PERIODS' PROFIT/LOSS	CURRENT PERIOD'S NET PROFIT/LOSS	SHAREHOLDERS' EQUITY BEFORE MINORITY INTEREST	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
PRIOR PERIOD (01/01/2019-31/12/2019)																	
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,534,923	(160,891)	99,362	2,744,795	(1,058,211)	(1,074,741)	32,977,973	6,641,652	-	46,689,296	197,546	46,886,842
II. Correction made as per TAS 8		-	-	-	-	-	-	1,855	-	(80,864)	79,009	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	1,855	-	(80,864)	79,009	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	5.5	4,200,000	11,880	-	772,554	1,534,923	(160,891)	101,217	2,744,795	(1,139,075)	(995,732)	32,977,973	6,641,652	-	46,689,296	197,546	46,886,842
IV. Total Comprehensive Income		-	-	-	-	63,039	(11,583)	117,734	465,491	1,035,507	(740,865)	(36,920)	-	6,164,914	7,057,317	77,044	7,134,361
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Others Changes		-	-	-	-	-	-	-	-	-	-	30,224	-	-	30,224	-	30,224
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	6,641,652	(6,641,652)	-	-	(680)	(680)
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(680)	(680)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	6,641,652	(6,641,652)	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,597,962	(172,474)	218,951	3,210,286	(103,568)	(1,736,597)	39,612,929	-	6,164,914	53,776,837	273,910	54,050,747
CURRENT PERIOD (01/01/2020-31/12/2020)																	
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,597,962	(172,474)	217,096	3,210,286	(573,850)	(1,264,460)	39,612,929	6,164,914	-	53,776,837	273,910	54,050,747
II. Correction made as per TAS 8		-	-	-	-	-	-	1,855	-	470,282	(472,137)	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	1,855	-	470,282	(472,137)	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	5.5	4,200,000	11,880	-	772,554	1,597,962	(172,474)	218,951	3,210,286	(103,568)	(1,736,597)	39,612,929	6,164,914	-	53,776,837	273,910	54,050,747
IV. Total Comprehensive Income		-	-	-	-	350,474	(130,270)	(152,072)	1,980,100	343,860	(612,679)	-	208,276	6,305,090	8,292,779	80,287	8,373,066
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		-	-	-	-	-	-	-	-	-	-	91,900	-	-	91,900	-	91,900
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	6,164,914	(6,164,914)	-	-	(106,518)	(106,518)
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(106,518)	(106,518)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	6,159,477	(6,159,477)	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	5,437	(5,437)	-	-	-	-
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,948,436	(302,744)	66,879	5,190,386	240,292	(2,349,276)	45,869,743	208,276	6,305,090	62,161,516	247,679	62,409,195

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Cash Flows For the period ended at 31 December 2020

STATEMENT OF CASH FLOWS	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL — CURRENT PERIOD 01.01.2020 - 31.12.2020	PRIOR PERIOD 1.01.2019 - 31.12.2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	23,293,551	18,011,088
1.1.1 Interests received		36,845,693	40,681,115
1.1.2 Interests paid		(14,126,804)	(21,880,818)
1.1.3 Dividend received		22,178	11,276
1.1.4 Fees and commissions received		8,296,891	8,643,797
1.1.5 Other income		6,550,123	5,426,784
1.1.6 Collections from previously written-off receivables		748,000	702,180
1.1.7 Cash payments to personnel and service suppliers		(10,102,158)	(8,649,574)
1.1.8 Taxes paid		(3,379,465)	(1,889,092)
1.1.9 Others		(1,560,907)	(5,034,580)
1.2 Changes in operating assets and liabilities	5.6	(13,665,034)	(3,572,118)
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		(2,915,666)	(1,110,263)
1.2.2 Net (increase) decrease in due from banks		607,830	5,256,848
1.2.3 Net (increase) decrease in loans		(83,989,602)	(28,502,718)
1.2.4 Net (increase) decrease in other assets		(17,220,069)	(2,296,756)
1.2.5 Net increase (decrease) in bank deposits		(1,314,464)	(3,491,287)
1.2.6 Net increase (decrease) in other deposits		82,300,437	37,470,410
1.2.7 Net increase (decrease) in financial liabilities measured at FVTPL		-	-
1.2.8 Net increase (decrease) in funds borrowed		2,415,940	(9,109,859)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		6,450,560	(1,788,493)
I. Net cash flow from banking operations	5.6	9,628,517	14,438,970
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	(11,718,982)	(1,550,313)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(6,921)	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(1,265,037)	(606,785)
2.4 Sales of tangible assets		596,902	384,197
2.5 Cash paid for purchase of financial assets measured at FVOCI		(22,357,051)	(7,316,987)
2.6 Cash obtained from sale of financial assets measured at FVOCI		15,372,364	7,038,450
2.7 Cash paid for purchase of financial assets measured at amortised cost		(7,310,245)	(1,248,680)
2.8 Cash obtained from sale of financial assets measured at amortised cost		3,251,006	199,492
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		4,386,378	(4,052,169)
3.1 Cash obtained from funds borrowed and securities issued		21,887,507	24,536,128
3.2 Cash used for repayment of funds borrowed and securities issued		(16,985,291)	(28,277,486)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	(680)
3.5 Payments for leases		(515,838)	(310,131)
3.6 Others		-	-
IV. Effect of translation differences on cash and cash equivalents		2,461,351	1,472,401
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	4,757,264	10,308,889
VI. Cash and cash equivalents at beginning of period	5.6	48,006,493	37,697,604
VII. Cash and cash equivalents at end of period (V+VI)	5.6	52,763,757	48,006,493

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

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Statement of Profit Distribution (*) For The Year Ended 31 December 2020

	STATEMENT OF PROFIT DISTRIBUTION	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (**) 31.12.2020	PRIOR PERIOD 31.12.2019
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT**		
1.1	CURRENT PERIOD PROFIT	8,639,410	7,816,281
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	2,401,407	1,657,440
1.2.1	Corporate tax (income tax)	2,401,407	1,657,440
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	**NET PROFIT FOR THE PERIOD (1.1-1.2)**	**6,238,003**	**6,158,841**
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	5,437
B.	**NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**-**	**6,153,404**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of redeemed shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	STATUS RESERVES (-)	-	-
1.11	EXTRAORDINARY RESERVES	-	6,153,404
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1	To owners of ordinary shares	-	-
2.2.2	To owners of privileged shares	-	-
2.2.3	To owners of redeemed shares	-	-
2.2.4	To profit sharing bonds	-	-
2.2.5	To holders of profit and loss sharing certificates	-	-
2.3	DIVIDENDS TO PERSONNEL (-)	-	-
2.4	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF ORDINARY SHARES	0.01485	0.01466
3.2	TO OWNERS OF ORDINARY SHARES (%)	148.52	146.64
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Profit Distribution Statement has been prepared according to unconsolidated financial statements.
(**) Decision regarding the 2020 profit distribution will be held at General Assembly meeting.

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

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3 ACCOUNTING POLICIES

3.1 BASIS OF PRESENTATION

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

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

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

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

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 2021 have no material effect on the consolidated financial statements, consolidated financial performance and on the Bank's accounting policies. New and revised Turkish Accounting Standards issued but not yet effective as of the finalization date of the consolidated financial statements have no material effect on the consolidated financial statements, consolidated financial performance and on the Bank's accounting policies.

In addition, the Indicator Interest Rate Reform - 2nd Phase, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021, was published in December 2020 and early implementation of the changes is allowed. With the modifications made, certain exceptions are provided for the basis used in the determination of contractual cash flows and hedge accounting implementations. The effects of the changes on the Bank's financials have been evaluated and it has been concluded that there is no need for early application. On the other hand, the process for the Indicative Interest Rate Reform is expected to be completed as of 31 December 2021, and the Bank's studies continues within the scope of compliance with the changes.

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 year end financial statements dated 31 December 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 and disclosed in the related accounting policies.

3.2 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

3.2.1 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

3.2.2 FOREIGN CURRENCY TRANSACTIONS

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

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

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In the current period, net investment hedge amounting to EUR 419,127,526 (31 December 2019: EUR 401,703,512) is applied in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 2,548,634 (31 December 2019: TL 1,580,575), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 31 December 2020. There is no ineffective portion arising from net investment hedge accounting.

3.3 INFORMATION ON CONSOLIDATED SUBSIDIARIES

As of 31 December 2020, Türkiye Garanti Bankası Anonim Şirketi and the following financial subsidiaries are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

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

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

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

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

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

3.4 FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

3.4.1 DERIVATIVE FINANCIAL ASSETS

Derivative financial assets measured at fair value through profit or loss

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

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

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

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

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

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to stand alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative but a separate financial instrument. If a hybrid contract contains a host that is an asset within the scope of this standard, it is applied the standard's requirements about classification of financial assets to the entire hybrid contract. The Bank and its consolidated financial subsidiaries do not have either any hybrid contract contains a host that is not an asset within the scope of this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard. Credit derivatives; are capital market tools designed to transfer credit risk from one party to another. The credit derivatives portfolio included in the off-balance sheet accounts composes of total return swaps and credit default swaps resulted from protection buying or selling.

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

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

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3.4.2 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

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

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

Derivative financial assets measured at fair value through other comprehensive income

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

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

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to statement of profit or loss under trading account income/loss caption over the maturity of the hedged item from that date of the hedge accounting is discontinued.

While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders' equity and presented under "accumulated other comprehensive income or expense to be reclassified to profit or loss" are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders' equity are recognised in statement of profit or loss considering the original maturity.

3.5 INTEREST INCOME AND EXPENSES

General

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

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

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

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

If the financial asset is impaired and classified as a non-performing receivable, it is applied the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of "expected credit losses" expense and "interest income from loans" for such calculated interest amount.

If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), the system calculates interest income at subsequent reporting periods by applying the effective interest rate to the gross amount.

Financial lease activities

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

3.6 FEES AND COMMISSIONS

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

3.7 FINANCIAL INSTRUMENTS

3.7.1 INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

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

3.7.2 INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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3.7.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

3.7.3.1 ASSESSMENT OF THE BUSINESS MODEL

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

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

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

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

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

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

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: it may be held financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

3.7.3.2 CONTRACTUAL CASH FLOWS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST ON THE PRINCIPAL AMOUNT OUTSTANDING

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

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

3.7.4 MEASUREMENT CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial investments and loans measured at amortised cost

Banka aşağıdaki koşullar sağlandığı sürece finansal yatırımlar ve krediler itfa edilmiş maliyetten tutulabilmektedir.

Financial investments and loans are measured at amortised cost if both of the following conditions are met:

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

Financial assets measured at fair value through other comprehensive income are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized cost by using the discounting method with effective interest rate, that approximates to fair value, for floating-rate securities; and by using valuation models or discounted cash flow techniques for fixed-rate securities.

Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in accumulated other comprehensive income or expense to be reclassified to profit or loss under the shareholders' equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders' equity are recognized in income statement.

Interests calculated and/or earned by using the effective interest method during holding of financial assets measured at fair value through other comprehensive income are recorded primarily in interest income. In case of sale of such debt securities are sold before maturity date, the difference between the sales income calculated as difference between the cost in accordance with the Uniform Chart of Accounts and the sale price and the recognized interest income is transferred to "trading account income/losses". The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) reclassified as financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost. CPI's are valued and accounted based on the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI's. The Bank determines its expected inflation rates in compliance with this guideline. The estimated inflation rate according to the Central Bank of Turkey and the Bank's expectations, maybe updated during the year when it is considered necessary.

As of 31 December 2020, due to adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets whose fair value difference is reflected in other comprehensive income, and deemed that no change is required in the fair valuation measurement as of the reporting date.

Equity instruments measured at fair value through other comprehensive income

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

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

As of 31 December 2020, due to the adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its equity instruments whose fair value difference is recognized in other comprehensive income, and no change is required in the fair valuation measurement as of the reporting date.

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

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and amortized costs are recorded as interest income in the income statement. The differences between the amortized costs and

the fair values of such securities are recorded under trading account income/losses in the income statement. In cases where such securities are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.
It is classified certain loans and securities issued at their origination dates, as financial assets/liabilities, irrevocably at fair value through profit or loss in order to eliminate any accounting mismatch in compliance with TFRS 9.

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

As of 31 December 2020, due to the adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets and liabilities which are measured at fair value through profit or loss, and deemed that no change is required in the fair valuation measurement as of the reporting date.

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

3.8 DISCLOSURES ON IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

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

The expected credit loss is calculated on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis.
It is constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occurring over the expected life of the financial instrument. The aforementioned policy is presented in Note 3.8.3.

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

3.8.1 CALCULATION OF EXPECTED CREDIT LOSSES

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

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

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date.

- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

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

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

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

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

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

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

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

In accordance with the BRSA Decision numbered 8970 dated 27 March 2020, the Bank records a loss allowance for loans which have days past due between 30 to 90 days and classified under Stage 1 at an amount equal to 12-month expected credit losses until 31 December 2020. Based on the BRSA Decision numbered 9312 dated 8 December 2020, this period was extended until 30 June 2021. However, according to the Bank’s risk models, since the number of days past due in such loans exceed 30 days, higher probability of default and loss given default parameters are taken into consideration compared to other loans in Stage 1.

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

In accordance with the BRSA Decision numbered 8948 dated 17 March 2020, starting from 17 March 2020, the Bank records a loss allowance for loans which have days past due between 90-180 days and classified under Stage 2 at an amount equal to their lifetime expected credit losses where the probability of default is taken into account as 100% until 31 December 2020. Based on the BRSA Decision numbered 9312 dated 8 December 2020, this period was extended until 30 June 2021.According to Bank’s risk models, Stage 3 parameters are used for loss given default as well as for the probability of default.

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

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

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day. Moreover, in accordance with the BRSA Decision numbered 8948 dated 17 March 2020 and Decision numbered 9312 dated 8 December 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 30 June 2021.

2. Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

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

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

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

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

As of 31 December 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 2020 and the Bank calculated expected credit losses provision based on the mentioned updated model at the year end of 2020.

3.8.1.1 LOAN COMMITMENTS AND NON-CASH LOANS

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

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

3.8.1.2 DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

3.8.1.3 CREDIT CARDS AND OTHER REVOLVING LOANS

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

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

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

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

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

3.8.2 FORWARD-LOOKING MACROECONOMIC INFORMATION

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

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

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

Step 3: In order to estimate the ultimate parameters to be used in the calculation of the expected credit losses, it is applied the methods of credit risk parameters reflection and forward-looking impact inclusion into the parameters.
The Bank updates its macroeconomic parameters incorporated into significant increase in credit risk and expected credit loss assessments in every three months, in February, May, August and November. The Bank has assessed the adverse impacts of the COVID-19 outbreak in its models by updating the macroeconomic parameters as of 31 March 2020 in addition to the February period.

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

The Bank takes into account different scenarios in the calculation of expected credit loss by evaluating the current economic conditions and expert opinions. Accordingly, the macroeconomic value estimates taken into account in the expected loss provision calculation are presented below.

DATE	GDP
31.12.2020	0.0%
31.12.2021	5.5%
31.12.2022	4.5%
31.12.2023	4.0%
31.12.2024	4.0%
31.12.2025	4.0%

3.8.3 SIGNIFICANT INCREASE IN CREDIT RISK

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

Qualitative assessment:

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

- Loans overdue more than 30 days as of the reporting date (In accordance with the BRSA Decision numbered 8970 dated 27 March 2020 and Decision numbered 9312 dated 8 December 2020, as of the reporting date loans with an overdue more than 90 days instead of 30 days are taken into consideration until 30 June 2021.)
- Loans classified as watchlist,
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason.

Quantitative assessment:

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.
The absolute and relative thresholds used for the probability of default are differentiated on the basis of segment/ loan group.

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

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

3.8.4 LOW CREDIT RISK

As per TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

It is not considered financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the other financial instruments or relative to the credit risk of the jurisdiction within which it is operated.

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

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

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

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

3.8.5 DISCLOSURES ON WRITE DOWN POLICY

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

In accordance with TFRS9, a provision is provided for the portions of the loans, that are not expected to be recovered as explained in the accounting policies 3.8 Disclosures on impairment of financial instruments and 3.8.1 Calculation of expected credit losses.

Accordingly, the loans which cannot be reasonably expected to be recovered regarding the opinions of the related department responsible from the collection and the portion up to the provision amount of the loans, that are classified as "Group V Loan" (Loans Classified as Loss), can be subject to write-down operation.

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

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

The write-down of these loans, which are not possible to be collected, is an accounting policy and this policy does not result in waiving the right of receivables.

3.9 DISCLOSURES ABOUT NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

3.9.1 NETTING OF FINANCIAL INSTRUMENTS

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

3.9.2 DERECOGNITION OF FINANCIAL INSTRUMENTS

3.9.2.1 DERECOGNITION OF FINANCIAL ASSETS DUE TO CHANGE IN THE CONTRACTUAL TERMS

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

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

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

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

3.9.2.2 DERECOGNITION OF A FINANCIAL ASSET WITHOUT ANY CHANGE IN THE CONTRACTUAL TERMS

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

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

3.9.2.3 DERECOGNITION OF FINANCIAL LIABILITIES

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

3.9.3 RECLASSIFICATION OF FINANCIAL INSTRUMENTS

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

3.9.4 RESTRUCTURING AND REFINANCING OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

- Recovery in debt service,

- At least 1 year should pass over the date of restructuring,

- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,

- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. In accordance with the BRSA Decision numbered 8970 dated 27 March 2020 and numbered 9312 and dated 8 December 2020 , The Bank will not apply the above-mentioned 30 days past due rule until 30 June 2021.

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

3.10 REPURCHASE AND RESALE AGREEMENTS AND SECURITIES LENDING

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

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

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

3.11 ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

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

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

3.12 GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

3.13 TANGIBLE ASSETS

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

As of 1 November 2015, changing the existing accounting policy, it has been decided to apply revaluation model for properties recorded under tangible assets instead of cost model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". 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. As of the reporting period, the Bank has made a fair valuation of all its real estates, considering the current market conditions and the changes are recognized in financial statements.

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

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

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

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

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

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS))	DEPRECIATION RATES (%)
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

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

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

Investment properties

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

Investment properties accounted at fair value are not depreciated.
Right-of-use assets

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

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

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

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

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

3.14 LEASING ACTIVITIES

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

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

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

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

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

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

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

3.15 PROVISIONS AND CONTINGENT LIABILITIES

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

3.16 CONTINGENT ASSETS

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

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3.17 LIABILITIES FOR EMPLOYEE BENEFITS

Severance indemnities and short-term employee benefits

As per the existing labor law in Turkey, the entities are required to pay certain amounts to the employees retired or fired except for resignations or misbehaviors specified in the Turkish Labor Law.

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

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

	31 DECEMBER 2020	31 DECEMBER 2019
Net Effective Discount Rate	3.01%	3.97%
Discount Rate	13.00%	12.50%
Expected Rate of Salary Increase	11.20%	9.70%
Inflation Rate	9.70%	8.20%

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

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

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

Retirement benefit obligations

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

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

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

"These contributions are as follows:

	31 DECEMBER 2020		31 DECEMBER 2019	
	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE
Pension contributions	15.5%	10.0%	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%	6.0%	5.0%

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

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

in the Official Gazette no. 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members. Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

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

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

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

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

b) Other benefits not transferable to SSF

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

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

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

3.18INSURANCE TECHNICAL RESERVES AND TECHNICAL INCOME AND EXPENSE

3.18.1 INSURANCE TECHNICAL RESERVES

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

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

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3.18.2 INSURANCE TECHNICAL INCOME AND EXPENSE

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

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

3.19 TAXATION

3.19.1 CORPORATE TAX

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

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

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

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

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

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

Tax applications for foreign branches

NORTHERN CYPRUS

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

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

Tax applications for foreign financial subsidiaries

THE NETHERLANDS
In the Netherlands, corporate income tax is levied at the rate of 16.5% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. These rates will be applied as 16.5% and 25% in 2020, as 15% and 21.7% in 2021. Based on the unilateral decree for the avoidance of double taxation between Turkey and The Netherlands, the dividend taxation is nil as of 1 January 2018 under certain conditions. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for six years. Tax losses can be carried back to the prior year. Companies must file their tax returns within five months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional eleven months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax for the Germany branch is 30%.

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

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

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

3.19.2 DEFERRED TAXES

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

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

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

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

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

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

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

3.19.3 TRANSFER PRICING

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

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

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

3.20 FUNDS BORROWED

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

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

3.21 SHARE AND SHARE ISSUANCES

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

3.22 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

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3.23 GOVERNMENT INCENTIVES

As of 31 December 2020, the Bank or its financial subsidiaries do not have any government incentives or grants (2019: None).

3.24 SEGMENT REPORTING

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

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

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey's traditional agricultural products. Additionally, the Bank provides banking services to enterprises and their employees working in retail and service sectors through product packages including overdraft accounts, POS machines, credit cards, cheque books, Turkish Lira and foreign currency deposits, investment accounts, internet banking and call-center, debit cards and bill payment modules.

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

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

CURRENT PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	12,157,824	10,915,841	5,949,036	10,210,549	39,233,250
Other	-	-	-	-	-
Total Operating Profit	**12,157,824**	**10,915,841**	**5,949,036**	**10,210,549**	**39,233,250**
Net Operating Profit	4,216,256	833,947	5,300,420	(1,164,205)	9,186,418
Dividend Income	-	-	-	22,178	22,178
Net Operating Profit	**4,216,256**	**833,947**	**5,300,420**	**(1,142,027)**	**9,208,596**
Provision for Taxes	-	-	-	2,823,433	2,823,433
Net Profit	**4,216,256**	**833,947**	**5,300,420**	**(3,965,460)**	**6,385,163**
Segment Assets	92,869,978	235,015,014	143,739,752	69,121,566	540,746,310
Investments in Associates and Subsidiaries	-	-	-	166,495	166,495
Total Assets	**92,869,978**	**235,015,014**	**143,739,752**	**69,288,061**	**540,912,805**
Segment Liabilities	239,078,721	128,625,167	75,658,975	35,140,747	478,503,610
Shareholders' Equity	-	-	-	62,409,195	62,409,195
Total Liabilities and Shareholders' Equity	**239,078,721**	**128,625,167**	**75,658,975**	**97,549,942**	**540,912,805**

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

3.25 PROFIT RESERVES AND PROFIT APPROPRIATION

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

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

In the ordinary General Assembly Meeting dated 17 July 2020, a decision is made regarding distribution of the unconsolidated net profit of the Bank amounting to TL 6,158,841 thousands, and the table considering the distribution made based on the decision is presented in note 6.2.

3.26 EARNINGS PER SHARE

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

	CURRENT PERIOD	PRIOR PERIOD
Distributable net profit/loss	6,305,090	6,164,914
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01501	0.01468

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

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

3.27 RELATED PARTIES

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

3.28 CASH AND CASH EQUIVALENTS

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

3.29 OTHER DISCLOSURES

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

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 CONSOLIDATED FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT

4.1 CONSOLIDATED TOTAL CAPITAL

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

4.1.1 COMPONENTS OF CONSOLIDATED TOTAL CAPITAL (*)

	CURRENT PERIOD	PRIOR PERIOD
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	4,972,554
Share Premium	11,880	11,880
Reserves	45,869,743	39,612,929
Other Comprehensive Income according to TAS	8,669,080	5,868,434
Profit	6,513,366	6,164,914
Current Period Profit	6,305,090	6,164,914
Prior Period Profit	208,276	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	6,694	913
Minority Interest	98,252	78,543
Common Equity Tier I Capital Before Deductions	**66,141,569**	**56,710,167**
DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	3,571,428	2,382,649
Leasehold Improvements on Operational Leases (-)	124,608	169,881
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	591,531	449,529
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting		-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-

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Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	**4,287,567**	**3,002,059**
Total Common Equity Tier I Capital	**61,854,002**	**53,708,108**
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	**-**	**-**
DEDUCTIONS FROM ADDITIONAL TIER I CAPITAL		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
ITEMS TO BE DEDUCTED FROM TIER I CAPITAL DURING THE TRANSITION PERIOD		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**61,854,002**	**53,708,108**
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	6,537,880	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)	4,623,236	3,756,696
Total Deductions from Tier II Capital	**11,161,116**	**8,450,176**
DEDUCTIONS FROM TIER II CAPITAL		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-

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Total Deductions from Tier II Capital	**-**	**-**
Total Tier II Capital	**11,161,116**	**8,450,176**
Total Equity (Total Tier I and Tier II Capital)	**73,015,118**	**62,158,284**
TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	82	109
Other items to be Defined by the BRSA (-)	1,802	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)	**73,013,234**	**62,150,354**
Total Risk Weighted Assets	**432,914,519**	**349,007,519**
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	**14.29**	**15.39**
Consolidated Tier I Capital Ratio (%)	**14.29**	**15.39**
Consolidated Capital Adequacy Ratio (%)	**16.87**	**17.81**
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	4.130	4.635
a) Capital Conservation Buffer Ratio (%)	2.500	2.500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.130	0.135
c) Systemically Important Banks Buffer Ratio (%)	1.500	2.000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.287	9.808
AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	3,681,400	1,903,531
LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	12,839,046	6,235,618
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4,623,236	3,756,696
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
DEBT INSTRUMENTS COVERED BY TEMPORARY ARTİCLE 4 (EFFECTİVE BETWEEN 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

Within the context of the measures that are announced by BRSA on 08 December 2020, in capital adequacy ratio calculation until 30 June 2021 may be calculated with arithmetic average of the Central Bank of Turkey's spot purchase exchange rates for 252 working days before credit risk calculation date and as of the announcement date negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" 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 31 December 2020. In case of applying the measures, consolidated capital adequacy ratio rises to 17.43% as of 31 December 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.

4.1.2ITEMS INCLUDED IN CAPITAL CALCULATION

CURRENT PERIOD	**INFORMATION ABOUT INSTRUMENTS INCLUDED IN TOTAL CAPITAL CALCULATION**		
Issuer	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479	ISIN: TRSGRANE2915	ISIN: TRSGRAN23013
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communique Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communique Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.
REGULATORY TREATMENT			
Subject to 10% deduction as of 1/1/2015	No	No	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	5,535 (31 December 2019: 4,441)	253 (31 December 2019: 253)	750
Nominal value of instrument (TL million)	5,535 (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	-	-	-

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

4.1.3 RECONCILIATION OF CAPITAL ITEMS TO BALANCE SHEET

CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE AT CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	4,793,973	310,373	5,104,346	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,712,571	-	1,712,571	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	3,081,402	310,373	3,391,775	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	45,869,743	-	45,869,743	
Profit or Loss	6,513,366	-	6,513,366	
Prior Periods' Profit/Loss	208,276	-	208,276	
Current Period Net Profit/Loss	6,305,090	-	6,305,090	
Minority Interest	247,679	(149,427)	98,252	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		716.139	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**62,409,195**		**61,854,002**	
Subordinated Debts				
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**61,854,002**	
Subordinated Debts			6,537,880	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			4,623,236	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			**11,161,116**	
Deductions from Total Capital (-)			1,884	Deductions from Capital as per the Regulation
Total			**73,013,234**	

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

4.2 CONSOLIDATED CREDIT RISK

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

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis. Credit worthiness of debtors is periodically reviewed in compliance with the legislation and in case that the risk level of debtor deteriorates, the credit limits are revised and further collateral is required by risk rating models developed and optimized for this purpose. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

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

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

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

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.
Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank developed a statistical-based internal default rate model for its credit portfolio of corporate/commercial/medium-size companies. This internal default rate model is used for expected credit loss of the Bank. Risk rating system which has been used for both to determine branch managers' credit authorization limits and in credit assessment process, is also used in default rate model calculations.

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

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Above Average	5.12	4.78
Average	33.28	37.87
Below Average	61.60	57.35
Total	**100.00**	**100.00**

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EXPOSURE CATEGORIES	CURRENT PERIOD (*)	AVERAGE (**)	PRIOR PERIOD (*)	AVERAGE (**)
Conditional and unconditional exposures to central governments or central banks	131,778,909	123,493,255	103,734,118	107,513,717
Conditional and unconditional exposures to regional governments or local authorities	1,331,960	1,078,311	647,572	390,746
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	197,353	222,656	301,778	324,717
Conditional and unconditional exposures to multilateral development banks	1,477,617	1,325,489	2,081,605	3,194,797
Conditional and unconditional exposures to international organisations	-	-	-	26,322
Conditional and unconditional exposures to banks and brokerage houses	49,626,954	53,192,025	52,716,456	47,888,934
Conditional and unconditional exposures to corporates	237,424,397	214,948,006	175,631,925	170,758,248
Conditional and unconditional retail exposures	127,372,548	114,962,382	102,306,150	95,801,876
Conditional and unconditional exposures secured by real estate property	32,029,906	34,243,661	31,029,824	34,273,054
Past due items	5,270,867	6,061,327	6,511,249	5,593,172
Items in regulatory high-risk categories	981,045	1,086,353	1,336,572	1,544,602
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	23,030	25,973	25,340	25,229
Shares	436,404	532,605	816,500	473,480
Other items	24,281,191	23,620,706	17,134,759	17,170,650

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) Average risk amounts are the arithmetical averages of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 25.26% (31 December 2019: 24.56%) and 31.73% (31 December 2019 : 30.59%) of the total cash loan portfolio except factoring and lease receivables, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 34.54% (31 December 2019: 38.01%) and 46.49% (31 December 2019: 49.43%) of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 8.35% (31 December 2019: 8.17%) and 10.77% (31 December 2019: 9.94%) of the total "on and off balance sheet" assets except factoring and lease receivables, respectively.

Stage 1 and Stage 2 expected losses for consolidated credit risk amount to TL 12,702,385 (31 December 2019: TL 6,149,560).

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4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

	EXPOSURE CATEGORIES							
CURRENT PERIOD (*)	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES**	**CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY**	**PAST DUE RECEIVABLES**	**OTHER**	**TOTAL**
Domestic	115,760,274	17,572,021	209,474,373	120,819,994	28,590,016	5,050,446	25,456,358	**522,723,482**
European Union (EU) Countries	14,207,305	22,087,393	19,795,489	6,051,071	3,373,429	217,116	2,934,346	**68,666,149**
OECD Countries(**)	71,755	1,226,027	4,090,491	11,491	13,652	243	20,181	**5,433,840**
Off-Shore Banking Regions	-	403,427	58,058	331	312	-	-	**462,128**
USA, Canada	953	6,898,166	1,368,667	16,383	22,108	142	-	**8,306,419**
Other Countries	1,738,622	1,421,194	2,552,404	473,278	30,389	2,920	151,220	**6,370,027**
Associates, Subsidiaries and Joint –Ventures	-	18,726	84,915	-	-	-	166,495	**270,136**
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	**-**
Total	**131,778,909**	**49,626,954**	**237,424,397**	**127,372,548**	**32,029,906**	**5,270,867**	**28,728,600**	**612,232,181**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis

	EXPOSURE CATEGORIES							
PRIOR PERIOD (*)	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES**	**CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY**	**PAST DUE RECEIVABLES**	**OTHER**	**TOTAL**
Domestic	90,064,059	16,312,602	155,069,266	96,819,453	28,486,576	6,281,533	18,950,489	**411,983,978**
European Union (EU) Countries	12,255,848	30,147,934	13,512,231	5,047,772	2,486,662	221,750	3,151,857	**66,824,054**
OECD Countries(**)	72	1,182,782	3,663,532	13,065	11,541	2	29,170	**4,900,164**
Off-Shore Banking Regions	-	15,327	583,472	55	1,135	-	310	**600,299**
USA, Canada	766	4,385,742	1,164,442	7,758	12,492	4,116	155	**5,575,471**
Other Countries	1,413,373	631,809	1,565,732	418,047	31,418	3,848	58,291	**4,122,518**
Associates, Subsidiaries and Joint –Ventures	-	40,260	73,250	-	-	-	153,854	**267,364**
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	**-**
Total	**103,734,118**	**52,716,456**	**175,631,925**	**102,306,150**	**31,029,824**	**6,511,249**	**22,344,126**	**494,273,848**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis

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4.2.2 RISK PROFILE BY SECTORS OR COUNTERPARTIES

	EXPOSURE CATEGORIES																		
CURRENT PERIOD (*)	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TP**	**YP**	**TOPLAM**
Agriculture	**-**	**20**	**-**	**-**	**-**	**-**	**3,964,623**	**781,349**	**304,410**	**21,459**	**26,559**	**-**	**-**	**-**	**-**	**-**	**-**	**1,514,185**	**3,584,235**	**5,098,420**
Farming and Stockbreeding	-	-	-	-	-	-	3,298,786	579,793	271,226	15,382	24,821	-	-	-	-	-	-	1,278,521	2,911,487	4,190,008
Forestry	-	20	-	-	-	-	156,559	165,776	26,405	5,050	1,420	-	-	-	-	-	-	130,596	224,634	355,230
Fishery	-	-	-	-	-	-	509,278	35,780	6,779	1,027	318	-	-	-	-	-	-	105,068	448,114	553,182
Manufacturing	**-**	**-**	**52,833**	**-**	**-**	**-**	**108,657,962**	**11,745,379**	**5,730,921**	**1,908,628**	**144,398**	**-**	**-**	**-**	**-**	**-**	**-**	**51,648,580**	**76,591,541**	**128,240,121**
Mining and Quarrying	-	-	-	-	-	-	4,152,738	402,105	182,097	4,265	1,307	-	-	-	-	-	-	1,823,025	2,919,487	4,742,512
Production	-	-	7	-	-	-	64,264,393	11,054,375	4,206,245	357,321	53,892	-	-	-	-	-	-	40,248,597	39,687,636	79,936,233
Electricity, Gas and Water	-	-	52,826	-	-	-	40,240,831	288,899	1,342,579	1,547,042	89,199	-	-	-	-	-	-	9,576,958	33,984,418	43,561,376
Construction	**-**	**-**	**-**	**-**	**-**	**-**	**14,359,495**	**3,442,234**	**1,052,408**	**278,304**	**220,994**	**-**	**-**	**-**	**-**	**-**	**-**	**7,530,898**	**11,822,537**	**19,353,435**
Services	**96,457**	**-**	**6,966**	**1,477,617**	**-**	**49,626,954**	**103,691,102**	**100,937,022**	**21,090,920**	**2,957,369**	**294,405**	**-**	**-**	**-**	**23,030**	**301,031**	**-**	**174,272,187**	**106,230,686**	**280,502,873**
Wholesale and Retail Trade	-	-	144	-	-	-	46,414,228	90,635,516	16,252,688	1,248,222	161,194	-	-	-	-	-	-	128,705,362	26,006,630	154,711,992
Accommodation and Dining	-	-	2,709	-	-	-	8,581,940	2,566,009	2,602,855	146,311	18,641	-	-	-	-	-	-	5,624,205	8,294,260	13,918,465
Transportation and Telecommunication	-	-	171	-	-	-	23,330,881	4,310,066	600,398	552,437	22,823	-	-	-	-	-	-	8,688,127	20,128,649	28,816,776
Financial Institutions	95,204	-	-	1,477,617	-	49,626,954	15,010,705	256,246	169,298	2,234	59,286	-	-	-	23,030	301,031	-	22,456,308	44,565,297	67,021,605
Real Estate and Rental Services	12	-	4	-	-	-	7,697,613	2,348,813	978,214	996,715	30,522	-	-	-	-	-	-	6,156,749	5,895,144	12,051,893
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	2,365	-	-	-	604,102	266,497	233,459	7,431	1,146	-	-	-	-	-	-	899,935	215,065	1,115,000
Health and Social Services	1,241	-	1,573	-	-	-	2,051,633	553,875	254,008	4,019	793	-	-	-	-	-	-	1,741,501	1,125,641	2,867,142
Others	**131,682,452**	**1,331,940**	**137,554**	**-**	**-**	**-**	**6,751,215**	**10,466,564**	**3,851,247**	**105,107**	**294,689**	**-**	**-**	**-**	**-**	**135,373**	**24,281,191**	**60,645,776**	**118,391,556**	**179,037,332**
Total	**131,778,909**	**1,331,960**	**197,353**	**1,477,617**	**-**	**49,626,954**	**237,424,397**	**127,372,548**	**32,029,906**	**5,270,867**	**981,045**	**-**	**-**	**-**	**23,030**	**436,404**	**24,281,191**	**295,611,626**	**316,620,555**	**612,232,181**

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

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

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4.2.3 ANALYSIS OF MATURITY-BEARING EXPOSURES ACCORDING TO REMAINING MATURITIES

CURRENT PERIOD

	EXPOSURE CATEGORIES (*)	TERM TO MATURITY UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR	DEMAND	TOTAL
1	Conditional and unconditional exposures to central governments or central banks	27,870,980	4,156,076	4,476,768	5,359,994	64,052,103	25,862,988	131,778,909
2	Conditional and unconditional exposures to regional governments or local authorities	-	15,392	3,044	471,767	841,754	3	1,331,960
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	605	401	24	16,559	107,025	72,739	197,353
4	Conditional and unconditional exposures to multilateral development banks	-	111,075	-	58,011	1,308,531	-	1,477,617
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	10,584,354	15,090,968	2,597,246	2,027,723	13,944,975	5,381,688	49,626,954
7	Conditional and unconditional exposures to corporates	11,049,863	23,150,277	30,253,607	33,151,428	129,090,449	10,728,773	237,424,397
8	Conditional and unconditional retail exposures	12,551,367	8,583,188	7,337,652	9,458,349	67,027,797	22,414,195	127,372,548
9	Conditional and unconditional exposures secured by real estate property	265,406	642,340	1,195,459	1,777,273	27,007,293	1,142,135	32,029,906
10	Past due items	-	-	-	-	-	5,270,867	5,270,867
11	Items in regulatory high-risk categories	284,637	39,194	105,123	38,628	299,604	213,859	981,045
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	23,030	23,030
16	Shares	-	-	-	-	-	436,404	436,404
17	Other items	68,512	781,571	-	-	-	23,431,108	24,281,191
	Total	**62,675,724**	**52,570,482**	**45,968,923**	**52,359,732**	**303,679,531**	**94,977,789**	**612,232,181**

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

PRIOR PERIOD

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

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

4.2.4 EXPOSURE CATEGORIES

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

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

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

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

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

		EXPOSURE CATEGORIES			
			EXPOSURES TO BANKS AND BROKERAGE HOUSES		
CREDIT QUALITY GRADE	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	EXPOSURES TO CORPORATES
1	AAA to AA-	%0%	20%	20%	20%
2	A+ to A-	20%	50%	50%	50%
3	BBB+ to BBB-	50%	50%	50%	100%
4	BB+ to BB-	100%	100%	100%	100%
5	B+ to B-	100%	100%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.2.5 EXPOSURES BY RISK WEIGHTS

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

CURRENT PERIOD Risk Weights	0%	2%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
Exposures before Credit Risk Mitigation	139,328,058	8,253,448	-	23,637,578	17,183,980	47,810,074	127,362,453	248,327,924	328,666	-	-	718,023
Exposures after Credit Risk Mitigation	146,530,574	249,526	-	22,991,213	17,170,271	41,827,346	119,932,185	244,470,508	328,279	-	-	718,023

PRIOR PERIOD Risk Weights	0%	2%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
Exposures before Credit Risk Mitigation	93,195,155	-	-	26,229,507	15,929,461	48,435,216	102,290,270	207,565,704	628,535	-	-	627,340
Exposures after Credit Risk Mitigation	102,857,143	-	-	15,526,009	15,920,719	28,300,000	93,859,384	204,820,246	601,341	-	-	627,340

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4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

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

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

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

CURRENT PERIOD	LOANS		
	SIGNIFICANT INCREASE IN CREDIT RISK (STAGE 2)	DEFAULTED (STAGE 3)	TFRS 9 EXPECTED CREDIT LOSSES
Agriculture	**350,161**	**173,628**	**158,475**
Farming and Stockbreeding	99,690	136,657	102,417
Forestry	52,887	29,723	30,922
Fishery	197,584	7,248	25,136
Manufacturing	**21,319,083**	**5,238,007**	**7,614,535**
Mining and Quarrying	269,448	36,781	49,219
Production	10,226,380	1,574,866	3,213,365
Electricity, Gas and Water	10,823,255	3,626,360	4,351,951
Construction	**3,266,949**	**1,691,061**	**1,421,158**
Services	**17,604,880**	**6,848,200**	**7,073,461**
Wholesale and Retail Trade	6,795,254	2,099,028	2,294,678
Accommodation and Dining	2,311,665	418,978	605,597
Transportation and Telecommunication	2,054,486	1,919,166	1,484,689
Financial Institutions	995,814	95,816	375,479
Real Estate and Rental Services	4,772,220	2,133,045	2,074,765
Professional Services	8,872	3,245	3,567
Educational Services	368,779	144,472	187,609
Health and Social Services	297,790	34,450	47,077
Others	**27,148,071**	**3,601,444**	**4,159,820**
Total	**69,689,144**	**17,552,340**	**20,427,449**

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

4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

	CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1	Stage 3. Provisions	12,853,350	4,722,139	1,805,393	4,684,286	11,085,810
2	Stage 1 and Stage 2 Provisions	6,148,056	9,792,260	3,188,142	49,789	12,702,385

	PRIOR PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1	Stage 3. Provisions	8,455,948	7,788,449	1,261,229	2,129,818	12,853,350
2	Stage 1 and Stage 2 Provisions	5,478,236	3,596,195	2,889,352	37,023	6,148,056

(*) Includes also foreign exchange losses and transfers.

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4.2.8 EXPOSURES SUBJECT TO COUNTERCYCLICAL CAPITAL BUFFER

CURRENT PERIOD COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	298,590,730	3,353,704	**301,944,434**
Romania	12,448,844	-	**12,448,844**
Switzerland	3,676,130	-	**3,676,130**
United Kingdom	3,373,826	137,996	**3,511,822**
the Netherlands	3,116,065	-	**3,116,065**
Germany	2,029,278	-	**2,029,278**
United States of America	1,370,081	-	**1,370,081**
NCTR	1,059,804	-	**1,059,804**
France	1,013,507	-	**1,013,507**
Other	6,899,154	-	**6,899,154**
Total	**333,577,419**	**3,491,700**	**337,069,119**

PRIOR PERIOD COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	231,916,453	1,583,698	**233,500,151**
Romania	8,858,687	-	**8,858,687**
Switzerland	3,253,422	-	**3,253,422**
the Netherlands	2,121,740	-	**2,121,740**
Germany	2,038,508	-	**2,038,508**
United Kingdom	1,645,722	117,613	**1,763,335**
United States of America	1,222,374	-	**1,222,374**
NCTR	1,149,890	-	**1,149,890**
France	808,530	-	**808,530**
Other	4,850,616	-	**4,850,616**
Total	**257,865,942**	**1,701,311**	**259,567,253**

4.3 CONSOLIDATED CURRENCY RISK

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2020, the Bank and its financial subsidiaries' net 'on balance sheet' foreign currency short position amounts to TL 35,256,691 (31 December 2019: TL 25,733,470), net 'off-balance sheet' foreign currency long position amounts to TL 48,572,126 (31 December 2019: TL 29,974,139), while net foreign currency close position amounts to TL 13,315,435 (31 December 2019: TL 4,240,669).

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

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

	EUR	USD
The Bank's foreign currency purchase rate at balance sheet date	9.0530	7.3800
Foreign currency rates for the days before balance sheet date:		
Day 1	9.0126	7.3333
Day 2	8.9800	7.3223
Day 3	9.0562	7.4040
Day 4	9.1855	7.5298
Day 5	9.1906	7.5410
Last 30-days arithmetical average rate	**9.3324**	**7.6632**

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The Bank's consolidated currency risk

	EUR	USD	OTHER FCS	TOTAL
CURRENT PERIOD				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	16,879,372	21,018,571	10,824,282	**48,722,225**
Banks	8,922,849	7,336,095	5,319,622	**21,578,566**
Financial Assets Measured at Fair Value through Profit/Loss	89,062	5,253,940	1,683,507	**7,026,509**
Money Market Placements	1,423,469	239,378	-	**1,662,847**
Financial Assets Measured at Fair Value through Other Comprehensive Income	4,099,658	8,041,993	2,063,366	**14,205,017**
Loans (*)	70,959,981	60,101,102	10,669,510	**141,730,593**
Investments in Associates, Subsidiaries and Joint-Ventures	4,796	-	1,309	**6,105**
Financial Assets Measured at Amortised Cost	486,006	10,088,921	-	**10,574,927**
Derivative Financial Assets Held for Hedging Purpose	6.977	2.500	-	**9.477**
Tangible Assets	288,836	267	205,905	**495,008**
Intangible Assets (**)	-	-	-	**-**
Other Assets (***)	3,351,642	5,535,323	(134,034)	**8,752,931**
Total Assets	**106,512,648**	**117,618,090**	**30,633,467**	**254,764,205**
Liabilities				
Bank Deposits	236,065	388,581	14,661	**639,307**
Foreign Currency Deposits	71,923,308	106,327,230	15,054,275	**193,304,813**
Money Market Funds	1,261,825	803,838	199	**2,065,862**
Other Fundings	12,410,866	11,718,569	259,780	**24,389,215**
Securities Issued (****)	1,328,815	37,101,210	-	**38,430,025**
Miscellaneous Payables	302,694	652,644	94,056	**1,049,394**
Derivative Financial Liabilities Held for Hedging Purpose	88,702	608,503	-	**697,205**
Other Liabilities (*****)	1,957,816	5,277,425	22,209,834	**29,445,075**
Total Liabilities	**89,510,091**	**162,878,000**	**37,632,805**	**290,020,896**
Net 'On Balance Sheet' Position	**17,002,557**	**(45,259,910)**	**(6,999,338)**	**(35,256,691)**
Net 'Off-Balance Sheet' Position	**(11,964,312)**	**50,846,573**	**9,689,865**	**48,572,126**
Derivative Assets	15,877,995	88,167,620	14,934,927	118,980,542
Derivative Liabilities	27,842,307	37,321,047	5,245,062	70,408,416
Non-Cash Loans	-	-	-	-
PRIOR PERIOD				
Total Assets	**87,178,444**	**91,635,420**	**22,961,655**	**201,775,519**
Total Liabilities	**74,830,485**	**134,916,665**	**17,761,839**	**227,508,989**
Net 'On Balance Sheet' Position	**12,347,959**	**(43,281,245)**	**5,199,816**	**(25,733,470)**
Net 'Off-Balance Sheet' Position	**(9,993,898)**	**43,385,166**	**(3,417,129)**	**29,974,139**
Derivative Assets	11,786,083	69,718,270	2,243,021	83,747,374
Derivative Liabilities	21,779,981	26,333,104	5,660,150	53,773,235
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 561,490 included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.
(**) As per the principles of "Regulation on the Calculation and Implementation of Foreign Currency Net General Position/Equity Standard Ratio by Banks on Consolidated and Non-Consolidated Basis", Intangible Assets have not been included in the currency risk measurement.
(***) Includes expected credit losses in accordance with TFRS 9.
(****) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.
(*****) The gold deposits of TL 21,925,380 included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

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4.4 CONSOLIDATED INTEREST RATE RISK

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

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

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

4.4.1 INTEREST RATE SENSITIVITY OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS (BASED ON REPRICING DATES)

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	NON-INTEREST BEARING (*)	TOTAL
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	21,781,892	-	-	-	-	33,937,455	**55,719,347**
Banks	7,899,203	145,185	221,242	-	65,371	14,030,534	**22,361,535**
Financial Assets Measured at Fair Value through Profit/Loss	121,652	156,864	6,621,314	567,060	34,836	881,005	**8,382,731**
Money Market Placements	8,666,177	798,183	239,363	-	-	3,065	**9,706,788**
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,505,043	5,941,973	5,613,013	9,546,527	6,562,198	5,616,811	**36,785,565**
Loans	84,830,111	43,814,653	115,732,970	87,848,725	17,083,286	11,358,661	**360,668,406**
Financial Assets Measured at Amortised Cost	2,535,903	2,274,122	10,104,577	8,039,157	4,363,794	5,921,358	**33,238,911**
Other Assets (**)	158,019	165,689	27,044	63,987	6,938	13,627,845	**14,049,522**
Total Assets	**129,498,000**	**53,296,669**	**138,559,523**	**106,065,456**	**28,116,423**	**85,376,734**	**540,912,805**
Liabilities							
Bank Deposits	618,842	718	-	-	-	734,195	**1,353,755**
Other Deposits	148,003,876	36,232,482	15,990,312	4,353,490	163,083	152,003,350	**356,746,593**
Money Market Funds	750,442	945,271	181,195	1,266,256	-	20,814	**3,163,978**
Miscellaneous Payables	-	-	-	-	-	16,096,546	**16,096,546**
Securities Issued (***)	10,355,512	2,854,920	4,205,539	12,078,742	15,547,005	512,271	**45,553,989**
Other Fundings	3,130,547	8,829,527	12,712,012	1,805,954	85,199	56,944	**26,620,183**
Other Liabilities	17,897	39,922	104,253	533,275	184,406	90,498,008	**91,377,761**
Total Liabilities	**162,877,116**	**48,902,840**	**33,193,311**	**20,037,717**	**15,979,693**	**259,922,128**	**540,912,805**
On Balance Sheet Long Position	**-**	**4,393,829**	**105,366,212**	**86,027,739**	**12,136,730**	**-**	**207,924,510**
On Balance Sheet Short Position	**(33,379,116)**	**-**	**-**	**-**	**-**	**(174,545,394)**	**(207,924,510)**
Off-Balance Sheet Long Position	**29,382,108**	**23,142,759**	**22,357,290**	**8,563,500**	**15,890,918**	**-**	**99,336,575**
Off-Balance Sheet Short Position	**(13,365,426)**	**(16,413,723)**	**(21,301,921)**	**(23,366,930)**	**(22,422,124)**	**-**	**(96,870,124)**
Total Position	**(17,362,434)**	**11,122,865**	**106,421,581**	**71,224,309**	**5,605,524**	**(174,545,394)**	**2,466,451**

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

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

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

4.4.2 AVERAGE INTEREST RATES ON MONETARY FINANCIAL INSTRUMENTS (%)

CURRENT PERIOD	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	(0.07)	-	-	5.40
Banks	(0.63)-4.25	0.09-4.44	-	12.30-18.60
Financial Assets at Fair Value through Profit/Loss	2.53	3.81-10.00	-	3.00-15.52
Money Market Placements	-	0.08	-	12.30-17.96
Financial Assets Measured at Fair Value through Other Comprehensive Income	0.63-4.35	3.25-11.88	-	11.27-15.11
Loans (*)	0.15-10.56	0.17-6.67	-	10.50-21.25
Financial Assets Measured at Amortised Cost	1.39	5.31	-	11.39-14.56
Liabilities				
Bank Deposits	(0.30)-0.01	0.35-0.75	-	14.42
Other Deposits	(0.75)- 7.00	0.02-3.60	-	6.00-14.25
Money Market Fundings	(0.50)-(0.38)	0.33-2.62	-	0.09-18.50
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.76	-	9.25-15.40
Other Fundings	0.30-5.50	0.50-4.46	-	5.32-19.97

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

(*) Lease receivables and factoring receivables are included.

4.5 CONSOLIDATED POSITION RISK OF EQUITY SECURITIES

4.5.1 EQUITY SHARES IN ASSOCIATES AND SUBSIDIARIES

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

4.5.2 COMPARISON OF CARRYING, FAIR AND MARKET VALUES OF EQUITY SHARES

CURRENT PERIOD		COMPARISON	
EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE	MARKET VALUE
1 Investment in Shares- Grade A	**139,056**	**-**	**-**
Quoted Securities	-	-	-
2 Investment in Shares- Grade B	**25,555**	**-**	**-**
Quoted Securities	-	-	-
3 Investment in Shares- Grade C	**822**	**-**	**-**
Quoted Securities	-	-	-
4 Investment in Shares- Grade D	**-**	**-**	**-**
Quoted Securities	-	-	-
5 Investment in Shares- Grade E	**1,014**	**-**	**-**
Quoted Securities	-	-	-
6 Investment in Shares- Grade F	**48**	**-**	**-**
Quoted Securities	-	-	-

PRIOR PERIOD		COMPARISON	
EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE	MARKET VALUE
1 Investment in Shares- Grade A	**126,415**	**-**	**-**
Quoted Securities	-	-	-
2 Investment in Shares- Grade B	**25,555**	**-**	**-**
Quoted Securities	-	-	-
3 Investment in Shares- Grade C	**822**	**-**	**-**
Quoted Securities	-	-	-
4 Investment in Shares- Grade D	**-**	**-**	**-**
Quoted Securities	-	-	-
5 Investment in Shares- Grade E	**1,014**	**-**	**-**
Quoted Securities	-	-	-
6 Investment in Shares- Grade F	**48**	**-**	**-**
Quoted Securities	-	-	-

4.5.3 REALISED GAINS/LOSSES, REVALUATION SURPLUSES AND UNREALISED GAINS/LOSSES ON EQUITY SECURITIES AND RESULTS INCLUDED IN CORE AND SUPPLEMENTARY CAPITALS

CURRENT PERIOD		GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALIZED GAINS AND LOSSES		
PORTFOLIO			TOTAL	AMOUNT IN	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN TIER I CAPITAL
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	43,051	-	43,051
3	Other Shares	-	28,973	28,973	-	-	-
	Total	**-**	**28,973**	**28,973**	**43,051**	**-**	**43,051**

PRIOR PERIOD		GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALIZED GAINS AND LOSSES		
PORTFOLIO			TOTAL	AMOUNT IN	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN TIER I CAPITAL
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	22,270	-	22,270
3	Other Shares	-	205,079	205,079	-	-	-
	Total	**-**	**205,079**	**205,079**	**22,270**	**-**	**22,270**

4.5.4 HISSE SENEDI BAZINDA SERMAYE YÜKÜMLÜLÜĞÜ TUTARLARI

CURRENT PERIOD

PORTFOLIO		CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	166,495	166,495	13,320
	Total	**166,495**	**166,495**	**13,320**

PRIOR PERIOD

PORTFOLIO		CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,854	153,854	12,308
	Total	**153,854**	**153,854**	**12,308**

4.6 LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO

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

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

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

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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 department reviews assumptions and parameters used in liquidity risk analysis.

The liquidity risk analysis and the important liquidity indicators are reported monthly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented in ALCO report. Internal liquidity metrics are monitored with limit levels approved by the Board of Directors/ the Board of Directors Risk Committee and reported regularly to related parties. Decentralized management approach is adopted in liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

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

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

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

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

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

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

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

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

In the scope of contingency plan within the framework of intraday liquidity risk management procedure, situations requiring the activation of contingency plan and indicating 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. Customers' gold deposit also increases in high level and becomes an important funding source in 2020. Deposits and capital constitute most of TL funding. For the reasons like real person customers cannot use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency assests and unused portion of USD, Euro and gold are used in TL funding via currency swap transactions. Swap transactions which is made for TL funding are made with CBRT, however swap transactions with foreign banks are also started to grow again due to increases in swap limits in the recent period. 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, metrics such as Bank's Liquidity Coverage Ratio are in extremely healthy level and this liquidity is used for the increase in loan demands.

4.6.1 LIQUIDITY COVERAGE RATIO

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. High quality liquid assets are composed of 7.59% cash, 34.27% deposits in central banks and 58.14% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 79.66% deposits, 6.63% funds borrowed and money market borrowings and 10.13% securities issued.

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

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

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CURRENT PERIOD		TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS				**126,032,909**	**70,040,350**
1	Total high-quality liquid assets (HQLA)	126,203,185	70,040,350	126,032,909	70,040,350
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	261,075,463	162,270,256	24,046,422	16,165,448
3	Stable deposits	41,222,484	1,231,545	2,061,124	61,577
4	Less stable deposits	219,852,979	161,038,711	21,985,298	16,103,871
5	Unsecured wholesale funding, of which:	102,101,201	59,125,079	52,434,274	28,699,864
6	Operational deposits	-	-	-	-
7	Non-operational deposits	82,317,838	51,632,393	36,990,764	22,256,103
8	Unsecured funding	19,783,363	7,492,686	15,443,510	6,443,761
9	Secured wholesale funding	845,156	-	538,803	-
10	Other cash outflows of which:	148,726,089	53,443,587	24,239,896	20,394,324
11	Outflows related to derivative exposures and other collateral requirements	11,786,346	14,967,811	11,786,346	14,967,811
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	136,939,743	38,475,776	12,453,550	5,426,513
14	Other revocable off-balance sheet commitments and contractual obligations	1,290,631	606,577	64,532	30,329
15	Other irrevocable or conditionally revocable off-balance sheet obligations	14,233,664	13,802,738	711,683	690,137
16	**Total Cash Outflows**	**528,272,204**	**289,248,237**	**102,035,610**	**65,980,102**
CASH INFLOWS					
17	Secured receivables	92,565	-	-	-
18	Unsecured receivables	39,195,168	22,133,052	28,374,505	16,816,359
19	Other cash inflows	1,340,578	25,119,618	1,275,375	25,084,909
20	**Total Cash Inflows**	**40,628,311**	**47,252,670**	**29,649,880**	**41,901,268**
				UPPER LIMIT APPLIED VALUES	
21	**Total HQLA**			**126,032,909**	**70,040,350**
22	**Total Net Cash Outflows**			**72,385,730**	**24,078,834**
23	**Liquidity Coverage Ratio (%)**			**174.33%**	**296.20%**

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

The table below presents the last three months of 2020's consolidated Liquidity Ratios:

PERIOD	TL+FC	FC
31 October 2020	173.00%	223.90%
30 November 2020	173.08%	300.94%
31 December 2020	176.92%	363.75%

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

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

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

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

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4.6.2 MATURITY ANALYSIS OF LIABILITIES ACCORDING TO REMAINING MATURITIES

	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	UNDISTRIBUTED	TOTAL
CURRENT PERIOD								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank of Turkey	29,709,047	26,010,300	-	-	-	-	-	**55,719,347**
Banks	19,225,068	2,702,931	146,190	221,791	179	65,376	-	**22,361,535**
Financial Assets at Fair Value through Profit/Loss	829,053	82,917	52,381	6,417,266	952,513	36,770	11,831	**8,382,731**
Money Market Placements	-	8,670,118	797,292	239,378	-	-	-	**9,706,788**
Financial Assets Measured at Fair Value through Other Comprehensive Income	312,816	1,180,542	1,016,939	3,949,123	20,588,182	9,737,963	-	**36,785,565**
Loans	806,195	51,414,549	35,485,849	103,386,150	119,435,465	29,248,076	20,892,122	**360,668,406**
Financial Assets Measured at Amortised Cost	-	248,147	143,453	3,137,851	21,078,875	8,630,585	-	**33,238,911**
Other Assets (*)	15,277,736	2,912,466	905,445	72,520	881,126	1,556,835	(7,556,606)	**14,049,522**
Total Assets	**66,159,915**	**93,221,970**	**38,547,549**	**117,424,079**	**162,936,340**	**49,275,605**	**13,347,347**	**540,912,805**
Liabilities								
Bank Deposits	733,952	619,078	725	-	-	-	-	**1,353,755**
Other Deposits	155,406,072	147,313,213	36,329,328	13,749,188	3,779,900	168,892	-	**356,746,593**
Other Fundings	-	3,347,255	1,308,692	16,088,681	3,559,242	2,316,313	-	**26,620,183**
Money Market Funds	-	701,035	1,000,086	188,186	1,274,671	-	-	**3,163,978**
Securities Issued (**)	-	1,562,878	4,700,295	1,565,262	18,979,268	18,746,286	-	**45,553,989**
Miscellaneous Payables	14,937,943	603,171	101,770	114,109	5,480	317	333,756	**16,096,546**
Other Liabilities (***)	3,676,276	2,526,644	4,233,375	659,399	1,602,133	3,668,970	75,010,964	**91,377,761**
Total Liabilities	**174,754,243**	**156,673,274**	**47,674,271**	**32,364,825**	**29,200,694**	**24,900,778**	**75,344,720**	**540,912,805**
Liquidity Gap	**(108,594,328)**	**(63,451,304)**	**(9,126,722)**	**85,059,254**	**133,735,646**	**24,374,827**	**(61,997,373)**	**-**
Net Off-Balance Sheet Position	**-**	**(796,440)**	**(2,522,343)**	**(320,890)**	**1,169,324**	**333,876**	**-**	**(2,136,473)**
Derivative Financial Assets	-	69,857,751	40,608,005	16,406,111	6,272,979	1,878,345	-	135,023,191
Derivative Financial Liabilities	-	70,654,191	43,130,348	16,727,001	5,103,655	1,544,469	-	137,159,664
Non-Cash Loans	**-**	**28,805,359**	**6,358,330**	**1,605,830**	**3,678,997**	**243,894**	**144,931,407**	**185,623,817**
PRIOR PERIOD								
Total Assets	**47,136,807**	**84,274,331**	**26,606,890**	**82,867,835**	**126,441,307**	**44,101,992**	**17,124,986**	**428,554,148**
Total Liabilities	**103,366,813**	**150,350,913**	**28,660,549**	**38,494,851**	**25,635,961**	**19,996,329**	**62,048,732**	**428,554,148**
Liquidity Gap	**(56,230,006)**	**(66,076,582)**	**(2,053,659)**	**44,372,984**	**100,805,346**	**24,105,663**	**(44,923,746)**	**-**
Net Off-Balance Sheet Position	-	287,376	(858,366)	359,378	1,070,563	207,299	-	1,066,250
Derivative Financial Assets	-	51,261,495	28,040,734	19,898,125	8,708,458	2,186,048	-	110,094,860
Derivative Financial Liabilities	**-**	**50,974,119**	**28,899,100**	**19,538,747**	**7,637,895**	**1,978,749**	**-**	**109,028,610**
Non-Cash Loans	**-**	**16,323,278**	**1,895,379**	**2,290,557**	**2,677,487**	**78,732**	**116,504,472**	**139,769,905**

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

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Contractual maturity analysis of liabilities according to remaining maturities

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

CURRENT PERIOD	CARRYING VALUE	NOMINAL PRINCIPAL OUTFLOW	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
Bank Deposits	1,353,755	1,353,512	733,952	618,842	718	-	-	-
Other Deposits	356,746,593	356,047,201	155,402,982	146,812,017	36,212,328	13,682,681	3,769,080	168,113
Other Fundings	26,620,183	24,904,490	-	3,314,744	1,311,658	14,654,570	3,646,566	1,976,952
Interbank Money Market Takings	3,163,978	3,153,798	199	696,442	997,404	186,182	1,273,571	-
Securities Issued (*)	45,553,989	46,364,310	-	1,544,772	4,568,779	1,494,056	18,834,785	19,921,918
Lease payables	1,026,367	1,411,456	-	30,545	57,986	180,121	871,823	270,981
Total	**434,464,865**	**433,234,767**	**156,137,133**	**153,017,362**	**43,148,873**	**30,197,610**	**28,395,825**	**22,337,964**

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

PRIOR PERIOD	CARRYING VALUE	NOMINAL PRINCIPAL OUTFLOW	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
Bank Deposits	2,668,751	2,667,979	2,322,684	287,966	53,348	3,981	-	-
Other Deposits	274,608,574	273,746,756	86,547,925	144,422,534	22,616,210	17,691,904	2,309,235	158,948
Other Fundings	25,622,059	24,022,628	-	2,758,287	692,547	16,704,420	3,716,428	150,946
Interbank Money Market Takings	1,786,861	1,790,934	149	356,594	480,547	469,044	404,559	80,041
Securities Issued (*)	40,098,537	40,345,307	-	289,127	3,763,227	750,000	17,481,987	18,060,966
Lease payables	1,134,770	1,774,652	-	34,962	84,260	263,593	1,015,206	376,631
Total	**345,919,552**	**344,348,256**	**88,870,758**	**148,149,470**	**27,690,139**	**35,882,942**	**24,927,415**	**18,827,532**

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

4.7 CONSOLIDATED LEVERAGE RATIO

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

The Bank's consolidated leverage ratio calculated by taking average of end of month leverage ratios for the last three-month periods, is 8.28% (31 December 2019: 9.00%). While the capital increased by 16.56% mainly as a result of increase in net profits, total risk amount increased by 26.85%. Therefore, the current period leverage ratio decreased by 72 basis points compared to prior period.

		CURRENT PERIOD(***)	PRIOR PERIOD(***)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	526,380,516	429,195,982
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" (**)	(471,116)	(641,834)
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	(20,229,036)	(17,115,298)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	21,674,603	8,459,363
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	2,533,857	1,266,554
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
7	Total risk amount	746,499,630	588,511,215

(*) Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements."
(**) The consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 2020 for the current period and 31 December 2019 for the prior period, are considered.
(***) Amounts in the table are three-month average amounts.

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	ON-BALANCE SHEET ASSETS	CURRENT PERIOD(*)	PRIOR PERIOD(*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	546,520,546	421,127,587
2	(Assets deducted in determining Tier I capital)	(709,113)	(620,064)
3	Total on-balance sheet risks (sum of lines 1 and 2)	545,811,433	420,507,523
	DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT DERIVATIVES		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	6,846,537	3,098,333
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	20,360,234	17,151,727
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	27,206,771	20,250,060
	SECURITIES OR COMMODITY FINANCING TRANSACTIONS (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	371,602	451,081
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	371,602	451,081
	OTHER OFF-BALANCE SHEET TRANSACTIONS		
10	Gross notional amounts of off-balance sheet transactions	175,643,681	148,569,105
11	(Adjustments for conversion to credit equivalent amounts)	(2,533,857)	(1,266,554)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	173,109,824	147,302,551
	CAPITAL AND TOTAL RISKS		
13	Tier I capital	61,767,602	52,990,193
14	Total risks (sum of lines 3, 6, 9 and 12)	746,499,630	588,511,215
	LEVERAGE RATIO		
15	Leverage ratio	8.28%	9.00%

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

4.8 FINANSAL VARLIK VE BORÇLARIN GERÇEĞE UYGUN DEĞERI ILE GÖSTERILMESINE ILIŞKIN AÇIKLAMALAR

	CARRYING VALUE		FAIR VALUE	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Financial Assets	**515,863,602**	**413,580,024**	**513,393,014**	**408,480,667**
Interbank Money Market Placements	9,706,788	10,659,456	9,706,449	10,659,456
Banks (*)	67,081,201	55,216,481	67,080,592	55,216,481
Financial Assets Measured at Fair Value Through	8.382.731	5.219.300	8.382.731	5.219.300
Profit/Loss	8,382,731	5,219,300	8,382,731	5,219,300
Financial Assets Measured at Fair Value through Other Comprehensive Income	36,785,565	28,643,529	36,785,565	28,643,529
Financial Assets Measured at Amortised Cost	33,238,911	27,720,342	33,872,550	27,505,451
Loans	**360,668,406**	**286,120,916**	**357,565,127**	**281,236,450**
Financial Liabilities	456,559,572	361,321,138	455,271,381	361,321,138
Bank Deposits	1,353,755	2,668,751	1,353,990	2,668,751
Other Deposits	356,746,593	274,608,574	355,323,678	274,608,574
Other Fundings from Financial Institutions	29,784,161	27,408,920	29,762,387	27,408,920
Securities Issued (**)	45,553,989	40,098,537	45,710,252	40,098,537
Other Liabilities	23,121,074	16,536,356	23,121,074	16,536,356

(*) Including the balances at the Central Bank of Turkey.
(**) Includes subordinated securities issued and financial liabilities measured at FVTPL.

The estimated fair value of banks, other fundings from Financial institutions, securities issued and deposits is calculated by finding discounted cash flows using current market interest rates.

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

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

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

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

CURRENT PERİOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Measured at Fair Value through Other Comprehensive Income	33,871,657	2,794,978	118,930	36,785,565
Financial Assets Measured at Fair Value through Profit/Loss	1,811,693	2,016,293	4,554,745	8,382,731
Derivative Financial Assets Held for Trading	7,581	3,927,929	221,889	4,157,399
Derivative Financial Assets Held for Hedging Purpose	-	457,153	-	457,153
Financial Assets at Fair Value	**35,690,931**	**9,196,353**	**4,895,564**	**49,782,848**
Derivative Financial Liabilities Held for Trading	5,351	6,393,815	1,237,105	7,636,271
Funds Borrowed (*)	-	-	16,137,939	16,137,939
Derivative Financial Liabilities Held for Hedging Pupose	-	900,619	-	900,619
Financial Liabilities at Fair Value	**5,351**	**7,294,434**	**17,375,044**	**24,674,829**

(*) Includes financial liabilities measured at FVTPL.

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

(*) Includes financial liabilities measured at FVTPL.
Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**4,576,976**	**4,231,868**
Purchases During the Period	452,994	185,909
Disposals Through Sale/Redemptions	(192,317)	(68,179)
Valuation Effect	60,781	227,378
Transfers	(2,870)	-
Balances at End of Period	**4,895,564**	**4,576,976**

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The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in note 5.1.2.2. 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 of 0.25% increase / (0.25% decrease) in the assumptions used in the based discounted cash flow method and 0.25% decrease / (0.25% increase) in the risk-free return on investment, assuming that all other variables remain constant, the assets and profit for the period are approximately will increase by TL 91 million (will decrease TL 91 million).

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

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

4.9 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

4.10 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

4.10.1 RISK MANAGEMENT STRATEGY AND WEIGHTED AMOUNTS

4.10.1.1 RISK MANAGEMENT STRATEGY

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

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

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

Risk management activities are structured under the responsibility of the Board of Directors. Besides oversight of corporate risk management policies and practices, capital adequacy and planning with liquidity adequacy subjects, management of various risks that the Bank may be exposed to is the responsibility of the Risk Committee, which consists of members of the Board of Directors. Accordingly, the Risk Management, which performs risk management functions, reports to the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Unit, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors. Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models. The Bank's main approach for the implementation of risk management model is establishing risk culture throughout the Bank, and aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for decision making and implementation mechanisms process by all employees.

The Bank manages all exposed crisis situations within the framework of business continuity policy and business continuity program formed by strategic goals which designate The Bank's business continuity vision and principles; takes necessary actions. Compliant with legislation, the Bank measures and monitors risks that exposed to, considering methods suitable with international standards. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, reports are prepared for board of directors, relevant committees and senior management.

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

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

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

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

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

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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) (*)	360,123,635	295,632,577	28,809,891
2	Of which standardised approach (SA)	360,123,635	295,632,577	28,809,891
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	9,712,230	4,877,729	776,978
5	Of which standardised approach for counterparty credit risk (SA-CCR)	9,712,230	4,877,729	776,978
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	23,030	25,340	1,842
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	18,058,688	10,614,225	1,444,695
17	Of which standardised approach (SA)	18,058,688	10,614,225	1,444,695
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	44,996,936	37,857,648	3,599,755
20	Of which basic indicator approach	44,996,936	37,857,648	3,599,755
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**432,914,519**	**349,007,519**	**34,633,161**

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

4.10.2 LINKAGES BETWEEN FINANCIAL STATEMENTS AND RISK AMOUNTS

4.10.2.1 DIFFERENCES AND MATCHING BETWEEN ASSET AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

		CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS					
CURRENT PERIOD	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS (*)	CARRYING VALUES IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PER TAS BUT IN COMPLIANCE WITH THE COMMUNIQUÉ "PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS"	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTER PARTY CREDIT RISK	SUBJECT TO MARKET RISK (**)	SUBJECT TO CAPITAL CALCULATION	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL
Assets							
Financial assets (net)	**144,093,388**	**137,151,179**	**129,373,713**	**8,549,053**	**5,004,924**	**(419,339)**	**-**
Cash and cash equivalents	93,844,002	87,368,331	86,324,182	1,463,488	-	(419,339)	-
Financial assets measured at fair value through profit/loss (FVTPL)	7,953,245	8,382,731	6,263,966	121,189	2,005,021	-	-
Financial assets measured at fair value through profit/loss (FVTPL)	35,433,071	36,785,565	36,785,565	2,348,798	-	-	-
Derivative financial assets	6,863,070	4,614,552	-	4,615,578	2,999,903	-	-
Loans (net)	**361,317,038**	**372,771,271**	**383,725,220**	**72,084**	**-**	**(12,006,969)**	**(30,455)**
Loans	341,542,663	350,233,129	350,261,812	-	-	1,884	(30,455)
Lease receivables	7,539,540	7,508,708	7,508,708	-	-	-	-
Factoring receivables	2,983,659	2,926,569	2,926,569	-	-	-	-
Non performing receivables	33,151,951	33,238,911	33,238,911	72,084	-	-	-
Expected credit losses (-)	23,900,775	21,136,046	10,210,780	-	-	12,008,853	-
Assets held for sale and assets of discontinued operations (net)	1,019,735	931,753	931,753	-	-	-	-
Ownership investments (net)	50,625	166,495	166,495	-	-	-	-
Tangible assets (net)	7,490,376	5,960,071	5,835,462	-	-	124,609	-
Intangible assets (net)	630,863	614,398	22,867	-	-	591,531	-
Investment property (net)	360,123	561,525	561,525	-	-	-	-
Current tax asset	85,207	88,983	88,983	-	-	-	-
Deferred tax asset	2,558,567	3,640,403	3,640,403	-	-	-	-
Other assets	8,774,594	19,026,727	20,376,060	-	-	(19,056)	(1,330,277)
TOTAL ASSETS	**526,380,516**	**540,912,805**	**544,722,481**	**8,621,137**	**5,004,924**	**(11,729,224)**	**(1,360,732)**
Liabilities							
Deposits	345,502,600	358,100,348	-	-	-	-	358,100,348
Funds borrowed	31,120,523	26,620,183	-	1,515,138	-	-	25,105,045
Money market funds	3,097,071	3,163,978	-	2,184,230	-	-	979,748
Securities issued (net)	23,532,271	22,817,081	-	-	-	-	22,817,081
Funds	-	-	-	-	-	-	-
Financial liabilities measured at fvtpl	15,591,683	16,137,939	-	-	-	-	16,137,939
Derivative financial liabilities	7,645,106	8,536,890	-	-	-	-	8,536,890
Factoring payables	-	-	-	-	-	-	-
Lease payables (net)	1,230,781	1,026,367	-	-	-	-	1,026,367
Provisions	9,405,118	10,035,571	809,936	-	-	1,367,718	7,857,917
Current tax liability	357,638	2,296,347	-	-	-	-	2,296,347
Deferred tax liability	136,108	48,863	-	-	-	-	48,863
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-	-
Subordinated debts	6,899,418	6,598,969	-	-	-	6,537,880	61,089
Other liabilities	20,827,627	23,121,074	-	-	26,314	-	23,094,760
Shareholders' equity	61,034,572	62,409,195	-	-	-	62,570,140	(160,945)
TOTAL LIABILITIES	**526,380,516**	**540,912,805**	**809,936**	**3,699,368**	**26,314**	**70,475,738**	**465,901,449**

(*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2019.
(**) Disclosed based on gross position amounts subject to general market risk and specific risk.

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		CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS					
PRIOR PERIOD	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS (*)	CARRYING VALUES IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PER TAS BUT IN COMPLIANCE WITH THE COMMUNIQUÉ "PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS"	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTER PARTY CREDIT RISK	SUBJECT TO MARKET RISK (**)	SUBJECT TO CAPITAL CALCULATION	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL
							-
Financial assets (net)	**116,894,623**	**108,960,421**	**104,985,393**	**5,434,237**	**2,681,644**	**(168,916)**	-
Cash and cash equivalents	80,829,479	72,098,035	71,983,941	283,010	-	(168,916)	-
Financial assets measured at fair value through profit/loss (FVTPL)	4,899,816	5,219,300	4,263,032	106,378	876,752	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	27,572,532	28,643,529	28,643,529	2,189,935	-	-	-
Derivative financial assets	3,592,796	2,999,557	94,891	2,854,914	1,804,892	-	-
Loans (net)	**277,072,426**	**296,277,720**	**301,696,603**	**720,035**	**-**	**(5,372,783)**	**(46,100)**
Loans	258,517,474	277,506,599	277,544,878	-	-	7,821	(46,100)
Lease receivables	5,988,804	6,184,154	6,184,154	-	-	-	-
Factoring receivables	2,122,595	2,430,163	2,430,163	-	-	-	-
Non performing receivables	27,171,132	27,720,342	27,720,342	720,035	-	-	-
Expected credit losses (-)	16,727,579	17,563,538	12,182,934	-	-	5,380,604	-
Assets held for sale and assets of discontinued operations (net)	1,513,758	1,452,258	1,452,258	-	-	-	-
Ownership investments (net)	39,369	153,854	153,854	-	-	-	-
Tangible assets (net)	6,984,768	5,528,299	5,358,417	-	-	169,882	-
Intangible assets (net)	471,527	479,906	30,379	-	-	449,527	-
Investment property (net)	336,620	569,719	569,719	-	-	-	-
Current tax asset	102,420	86,217	86,217	-	-	-	-
Deferred tax asset	1,935,644	1,882,010	1,882,010	-	-	-	-
Other assets	6,348,104	13,163,744	13,992,566	-	-	(8,630)	(820,192)
TOTAL ASSETS	**411,699,259**	**428,554,148**	**430,207,416**	**6,154,272**	**2,681,644**	**(4,930,920)**	**(866,292)**
Liabilities							
Deposits	257,651,518	277,277,325	-	-	-	-	277,277,325
Funds borrowed	26,878,976	25,622,059	-	1,867,232	-	-	23,754,827
Money market funds	1,519,475	1,786,861	-	1,464,991	26,741	-	321,870
Securities issued (net)	22,763,718	21,026,537	-	-	-	-	21,026,537
Funds	-	-	-	-	-	-	-
Financial liabilities measured at fvtpl	13,193,294	14,342,293	-	-	-	-	14,342,293
Derivative financial liabilities	5,994,293	4,239,665	-	-	-	-	4,239,665
Factoring payables	-	-	-	-	-	-	-
Lease payables (net)	1,066,907	1,134,770	-	-	-	-	1,134,770
Provisions	5,621,578	6,526,373	622,573	--		588,581	5,315,219
Current tax liability	477,024	1,251,975	-	--	-		1,251,975
Deferred tax liability	69,970	29,480	-	-	-	-	29,480
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	--	-		-
Subordinated debts	4,303,764	4,729,707	-	--		4,693,480	36,227
Other liabilities	20,343,735	16,536,356	-		-34,163	-	16,502,193
Shareholders' equity	51,815,007	54,050,747	-	-	-	54,327,516	(276,769)
TOTAL LIABILITIES	**411,699,259**	**428,554,148**	**622,573**	**3,332,223**	**60,904**	**59,609,577**	**364,955,612**

(*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2018.
(**) Disclosed based on gross position amounts subject to general market risk and specific risk.

4.10.2.2 MAJOR ITEMS CAUSING DIFFERENCES BETWEEN ASSETS AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

	CURRENT PERIOD	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	551,574,434	542,294,154	6,192,810	5,004,924
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	2,428,327	2,428,327	2,428,327	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	3,699,368	-	3,699,368	-
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	26,314	-	-	26,314
5	**Total Net Amount Under Regulatory Consolidation**	**550,277,079**	**544,722,481**	**4,921,769**	**4,978,610**
6	Off-balance Sheet Amounts (**)	639,814,324	53,565,358	4,440,481	149,026,010
7	Credit Risk Mitigation		(14,652,603)	(23,304)	-
8	Repurchase Transactions Valuation Adjustments		-	525,717	-
9	**Risk Amounts**		**583,635,236**	**9,864,663**	**154,004,620**

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.
(**) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

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

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.
(**) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

4.10.2.3 EXPLANATIONS ON DIFFERENCES BETWEEN CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION OF ASSETS AND LIABILITIES

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

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4.10.3 CONSOLIDATED CREDIT RISK

4.10.3.1 GENERAL INFORMATION ON CONSOLIDATED CREDIT RISK

4.10.3.1.1 GENERAL QUALITATIVE INFORMATION ON CONSOLIDATED CREDIT RISK

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

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

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

Loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the credit group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the regional offices, loans units and committees of headoffice, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors by notifying in written. Each unit operating in credit risk management is responsible for identifying risks arising from its own process, activities and systems, informing senior management and taking necessary action to reduce risk level.

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

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

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

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

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

4.10.3.1.2 CREDIT QUALITY OF CONSOLIDATED ASSETS

	CURRENT PERIOD	GROSS CARRYING VALUE IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PERTAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
		DEFAULTED	NON-DEFAULTED EXPOSURES		
1	Loans	16,118,312	424,405,592	10,215,084	430,308,820
2	Debt securities	-	71,395,169	-	71,395,169
3	Off-balance sheet exposures	1,441,170	86,226,142	813,149	86,854,163
4	**Total**	**17,559,482**	**582,026,903**	**11,028,233**	**588,558,152**

	CURRENT PERIOD	GROSS CARRYING VALUE IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PERTAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
		DEFAULTED	NON-DEFAULTED EXPOSURES		
1	Loans	19,510,386	336,457,080	12,182,934	343,784,532
2	Debt securities	-	55,981,493	-	55,981,493
3	Off-balance sheet exposures	1,544,164	83,681,738	624,572	84,601,330
4	**Total**	**21,054,550**	**476,120,311**	**12,807,506**	**484,367,355**

4.10.3.1.3 CHANGES IN STOCK OF DEFAULT LOANS AND DEBT SECURITIES

		CURRENT PERIOD	PRIOR PERIOD
1	**Defaulted loans and debt securities at end of the previous reporting period**	**19,510,386**	**13,753,384**
2	Loans and debt securities defaulted since the last reporting period	2,453,775	9,838,615
3	Receivables back to non-defaulted status	-	-
4	Amounts written off (-)	(4,887,932)	(1,903,007)
5	Other changes (-)	(957,917)	(2,178,606)
6	**Defaulted loans and debt securities at end of the reporting period**	**16,118,312**	**19,510,386**

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4.10.3.1.4 ADDITIONAL INFORMATION ON CREDIT QUALITY OF CONSOLIDATED ASSETS

4.10.3.1.4.1 QUALITATIVE DISCLOSURES RELATED TO THE CREDIT QUALITY OF ASSETS

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

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

4.10.3.1.4.2 BREAKDOWN OF EXPOSURES BY GEOGRAPHICAL AREAS, INDUSTRY AND AGEING

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 EXPOSURES PROVISIONED AGAINST BY MAJOR REGIONS AND SECTORS

	CURRENT PERIOD			PRIOR PERIOD		
	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS
Domestic	14,716,540	9,366,209	4,481,943	18,204,326	11,262,907	1,670,768
European Union (EU) Countries	997,894	628,626	402,373	1,161,426	818,276	231,389
OECD Countries	48,501	28,311	16	46,393	17,526	7
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	4,062	3,920	33	7,026	4,060	-
Other Countries	351,315	188,018	3,567	91,215	80,165	843
Total	**16,118,312**	**10,215,084**	**4,887,932**	**19,510,386**	**12,182,934**	**1,903,007**

	CURRENT PERIOD		
	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS
Agriculture	**176,729**	**125326**	**8,567**
Farming and Stockbreeding	139,864	96,343	7,863
Forestry	30,121	23,269	193
Fishery	6,744	5,714	511
Manufacturing	**4,837,239**	**2968542**	**1,893,917**
Mining and Quarrying	35,382	29,978	49,393
Production	1,364,789	1,058,727	359,402
Electricity, Gas and Water	3,437,068	1,879,837	1,485,122
Construction	**859,981**	**520,070**	**149,247**
Services	**6,838,175**	**4286026**	**1,274,655**
Wholesale and Retail Trade	2,359,176	1,664,312	307,415
Accomodation and Dining	427,149	261,661	94,872
Transportation and Telecommunication	1,576,312	994,316	494,902
Financial Institutions	95,705	63,039	848
Real Estate and Rental Services	2,062,454	1,059,789	343,680
Professional Services	156,475	95,402	26,702
Educational Services	137,350	127,909	4,672
Health and Social Services	23,554	19,598	1,564
Others	**3,406,188**	**2,315,120**	**1,561,546**
Total	**16,118,312**	**10,215,084**	**4,887,932**

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

4.10.3.1.4.4 AGEING OF PAST-DUE EXPOSURES

CURRENT PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	372,970	822,572	9,668,663	937,610	607,557
Retail Loans	270,132	467,045	1,082,754	114,944	90,097
Credit Cards	56,496	183,433	516,004	22,126	16,422
Others	716,211	14,564	155,253	2,648	811
Total	**1,415,809**	**1,487,614**	**11,422,674**	**1,077,328**	**714,887**

PRIOR PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	2,425,793	4,944,776	5,729,489	939,885	430,420
Retail Loans	381,725	979,621	737,307	288,931	178,355
Credit Cards	176,998	453,560	330,431	166,908	135,378
Others	863,164	9,626	332,259	4,662	1,098
Total	**3,847,680**	**6,387,583**	**7,129,486**	**1,400,386**	**745,251**

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4.10.3.2 CONSOLIDATED CREDIT RISK MITIGATION

4.10.3.2.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES

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

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

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

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

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

4.10.3.2.2 CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES

	CURRENT PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	400,673,013	29,635,807	27,973,156	8,959,316	8,959,316	-	-
2	Debt securities	71,128,582	266,587	31,236	-	-	-	-
3	**Total**	**471,801,595**	**29,902,394**	**28,004,392**	**8,959,316**	**8,959,316**	**-**	**-**
4	Of which defaulted	15,970,985	147,327	6,255	-	-	-	-

	CURRENT PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	297,831,309	45,953,223	43,951,673	10,970,595	10,970,595	-	-
2	Debt securities	55,901,683	79,810	17,292	-	-	-	-
3	**Total**	**353,732,992**	**46,033,033**	**43,968,965**	**10,970,595**	**10,970,595**	**-**	**-**
4	Of which defaulted	19,398,646	111,740	5,731	-	-	-	-

4.10.3.3 CONSOLIDATED CREDIT RISK UNDER STANDARDISED APPROACH

4.10.3.3.1 QUALITATIVE DISCLOSURES ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

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

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

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

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

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

		RISK CLASSES			
			EXPOSURES TO BANKS AND BROKERAGE HOUSES		
CREDIT QUALITY LEVEL	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	EXPOSURES TO CORPORATES
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.10.3.3.2 CONSOLIDATED CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION TECHNIQUES

	CURRENT PERIOD	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
	RISK CLASSES	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
1	Exposures to sovereigns and their central banks	128,859,193	2,378,846	137,812,921	195,895	2,158,997	2%
2	Exposures to regional and local governments	1,316,586	15,396	1,316,586	15,374	665,980	50%
3	Exposures to administrative bodies and non-commercial entities	175,453	54,968	175,415	14,042	189,457	100%
4	Exposures to multilateral development banks	1,361,267	-	1,361,267	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	37,118,646	28,095,309	28,893,402	5,060,375	11,433,582	34%
7	Exposures to corporates	194,125,564	76,095,578	187,863,192	39,396,971	223,197,451	98%
8	Retail exposures	120,578,183	75,102,371	113,745,130	6,183,272	89,942,445	75%
9	Exposures secured by residential property	17,169,463	14,764	17,156,528	13,743	6,009,594	35%
10	Exposures secured by commercial property	13,345,421	2,425,680	13,277,497	1,492,470	9,512,165	64%
11	Past-due items	5,270,867	143	5,270,855	-	3,672,900	70%
12	Exposures in high-risk categories	661,224	627,734	660,302	319,658	953,254	97%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	23,030	-	23,030	-	23,030	100%
16	Shares	436,404	-	436,404	-	436,404	100%
17	Other exposures	24,281,191	-	22,950,910	-	11,951,406	52%
18	**Total**	**544,722,492**	**184,810,789**	**530,943,439**	**52,691,800**	**360,146,665**	**-**

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

4.10.3.3.3 CONSOLIDATED EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

	REGULATORY PORTFOLIO												
	CURRENT PERIOD	0%	2%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	TOTAL RISK AMOUNT (POST-CCF AND CRM)
1	Exposures to sovereigns and their central banks	134,038,286	-	-	2,222,661	-	66,808	-	1,681,061	-	-	-	138,008,816
2	Exposures to regional and local government	-	-	-	-	-	1,331,960	-	-	-	-	-	1,331,960
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	189,457	-	-	-	189,457
4	Exposures to multilateral development banks	1,361,267	-	-	-	-	-	-	-	-	-	-	1,361,267
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	211,554	-	18,660,820	-	14,768,433	-	312,970	-	-	-	33,953,777
7	Exposures to corporates	-	-	-	770,745	-	6,892,234	-	219,597,184	-	-	-	227,260,163
8	Retail exposures	-	-	-	4,922	-	4,608	119,918,872	-	-	-	-	119,928,402
9	Exposures secured by residential property		-	-	-	17,170,271	-	-	-	-	-	-	17,170,271
10	Exposures secured by commercial property	-	-	-	-	-	10,515,603	-	4,254,364	-	-	-	14,769,967
11	Past-due items	-	-	-	-	-	3,204,330	-	2,058,107	8,418	-	-	5,270,855
12	Exposures in high-risk categories	-	-	-	-	-	373,268	-	286,831	319,861	-	-	979,960
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	23,030	-	-	-	23,030
16	Shares	-	-	-	-	-	-	-	436,404	-	-	-	436,404
17	Other exposures	10,998,800	-	-	879	-	-	-	11,951,231	-	-	-	22,950,910
18	**Total**	**146,398,353**	**211,554**	**-**	**21,660,027**	**17,170,271**	**37,157,244**	**119,918,872**	**240,790,639**	**328,279**	**-**	**-**	**583,635,239**

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

4.10.4 CONSOLIDATED COUNTERPARTY CREDIT RISK

4.10.4.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED COUNTERPARTY CREDIT RISK

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

Counterparty credit risk arising from derivative transactions is periodically being monitored and reported by the Market and

Structural Risk Department on product, country, counterparty and counterparty type basis.

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

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4.10.4.2 CONSOLIDATED COUNTERPARTY CREDIT RISK (CCR) APPROACH ANALYSIS

	CURRENT PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE (EFFECTIVE EXPECTED POSITIVE	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST -CRM	RWA
1	Standardised Approach -CCR (for derivatives)	4,615,578	4,440,481		1.4	9,032,754	6,036,250
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					831,909	255,651
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**6,291,901**

	PRIOR PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE (EFFECTIVE EXPECTED POSITIVE	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST -CRM	RWA
1	Standardised Approach -CCR (for derivatives)	2,854,914	1,806,014		1.4	4,641,950	2,998,145
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					733,589	288,188
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**3,286,333**

4.10.4.3 CONSOLIDATED CAPITAL REQUIREMENT FOR CREDIT VALUATION ADJUSTMENT (CVA)

		CURRENT PERIOD		PRIOR PERIOD	
		EAD POST-CRM	RWA	EAD POST-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	8,994,534	3,420,329	4,641,950	1,591,396
4	**Total subject to the CVA capital obligation**	**8,994,534**	**3,420,329**	**4,641,950**	**1,591,396**

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4.10.4.4 CONSOLIDATED CCR EXPOSURES BY RISK CLASS AND RISK WEIGHTS

CURRENT PERIOD	RISK WEIGHT									
REGULATORY PORTFOLIO	0%	2%	10%	20%	50%	75%	100%	150%	OTHER	TOTALCREDIT EXPOSURE
Exposures to sovereigns and their central banks	119,190	-	-	-	486,670	-	310,327	-	-	916,187
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	11	-	-	11
Exposures to multilateral development banks	13,031	-	-	-	-	-	-	-	-	13,031
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	37,972	-	1,322,291	4,153,453	-	17,889	-	-	5,531,605
Exposures to corporates	-	-	-	8,895	29,979	-	3,351,642	-	-	3,390,516
Retail exposures	-	-	-	-	-	13,313		-	-	13,313
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-		-	-		-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	**132,221**	**37,972**	**-**	**1,331,186**	**4,670,102**	**13,313**	**3,679,869**	**-**	**-**	**9,864,663**

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

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4.10.4.5 COLLATERALS FOR CONSOLIDATED CCR

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
CURRENT PERIOD	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	15,572	-	-	-	118,547	153,763
Cash-foreign currency	7,732	-	-	-	3,580,798	1,423,469
Domestic sovereign debts	-	-	-	-	152,722	1,361,583
Other sovereign debts	-	-	-	-	1,398,680	1,069,544
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	879,893
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**23,304**	**-**	**-**	**-**	**5,250,747**	**4,888,252**

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
PRIOR PERIOD	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	1,960	-	-	-	94,504	92,118
Cash-foreign currency	17,019	-	-	-	3,237,404	270,410
Domestic sovereign debts	-	-	-	-	12,600	2,204,395
Other sovereign debts	-	-	-	-	262,238	387,471
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	335,983
Equity securities	-	-	-	-	79,518	-
Other collateral	-	-	-	-	-	-
Total	**18,979**	**-**	**-**	**-**	**3,686,264**	**3,290,377**

4.10.4.6 CONSOLIDATED CREDIT DERIVATIVES I

	CURRENT PERIOD		PRIOR PERIOD	
Notionals	PROTECTION BOUGHT	PROTECTION SOLD	PROTECTION BOUGHT	PROTECTION SOLD
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	17,147,156	-	14,870,724
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	**-**	**17,147,156**	**-**	**14,870,724**
Fair Values	**-**	**(1,172,291)**	**-**	**(657,355)**
Positive fair values (asset)	-	64,814	-	94,891
Negative fair values (liability)	-	(1,237,105)	-	(752,246)

4.10.5 CONSOLIDATED SECURITISATIONS

None.

(Thousands of Turkish Lira (TL))

4.10.6 CONSOLIDATED MARKET RISK

4.10.6.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED MARKET RISK

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

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

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

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

4.10.6.2 CONSOLIDATED MARKET RISK UNDER STANDARDISED APPROACH

		RWA (*)	
		CURRENT PERIOD	**PRIOR PERIOD**
	Outright products	**17,890,638**	**10,576,137**
1	Interest rate risk (general and specific)	2,011,799	1,643,961
2	Equity risk (general and specific)	1,528,638	663,888
3	Foreign exchange risk	14,265,163	8,105,350
4	Commodity risk	85,038	162,938
	Options	**168,050**	**38,088**
5	Simplified approach	-	-
6	Delta-plus method	168,050	38,088
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**18,058,688**	**10,614,225**

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

4.10.7 CONSOLIDATED OPERATIONAL RISKR

The value at consolidated operational risk is calculated according to the basic indicator approach as per the Article 24 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

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

CURRENT PERIOD	31.12.2017	31.12.2018	31.12.2019	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	18,659,707	26,386,033	26,949,357	23,998,366	15	3,599,755
Value at Operational Risk (Total x % 12.5)						**44,996,936**

PRIOR PERIOD	31.12.2016	31.12.2017	31.12.2018	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	15,526,497	18,659,707	26,386,033	20,190,746	15	3,028,612
Value at Operational Risk (Total x % 12.5)						**37.857.648**

4.10.8 CONSOLIDATED BANKING BOOK INTEREST RATE RISK

4.10.8.1 NATURE OF INTEREST RATE RISK RESULTING FROM BANKING BOOK, MAJOR ASSUMPTIONS ON EARLY REPAYMENT OF LOANS AND MOVEMENTS IN DEPOSITS OTHER THAN TERM DEPOSITS AND FREQUENCY OF MEASURING INTEREST RATE RISK

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

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

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

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

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

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

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

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

4.10.8.2 ECONOMIC VALUE DIFFERENCES RESULTED FROM INTEREST RATE INSTABILITIES CALCULATED ON A BANK-ONLY BASIS ACCORDING TO REGULATION ON MEASUREMENT AND EVALUATION OF INTEREST RATE RISK RESULTED FROM BANKING BOOK AS PER STANDARD SHOCK METHOD

CURRENT PERIOD TYPE OF CURRENCY		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
1	TL	(+) 500 bps	(6,209,372)	(8.56)%
2	TL	(-) 400 bps	5,872,483	8.09%
3	USD	(+) 200 bps	401,784	0.55%
4	USD	(-) 200 bps	(629,807)	(0.87)%
5	EUR	(+) 200 bps	1,446,619	1.99%
6	EUR	(-) 200 bps	(1,707,593)	(2.35)%
	Total (of negative shocks)		**3,535,083**	**4,87%**
	Total (of positive shocks)		**(4,360,969)**	**(6,02)%**

PRIOR PERIOD TYPE OF CURRENCY		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
1	TL	(+) 500 bps	(4,463,035)	(7.21)%
2	TL	(-) 400 bps	4,159,132	6.72%
3	USD	(+) 200 bps	158,722	0.26%
4	USD	(-) 200 bps	(124,234)	(0.20) %
5	EUR	(+) 200 bps	65,395	0.11%
6	EUR	(-) 200 bps	(46,952)	(0.08) %
	Total (of negative shocks)		**3,987,946**	**6,45%**
	Total (of positive shocks)		**(4,238,918)**	**(6,85)%**

4.10.9 REMUNERATION POLICY

4.10.9.1 QUALITATIVE DISCLOSURES REGARDING REMUNERATION POLICIES

4.10.9.1.1 DISCLOSURES RELATED WITH REMUNERATION COMMITTEE

The Bank's Remuneration Committee is comprised of two non-executive members of the board.

The committee convened for ten times during the year. The duties and responsibilities of the Committee include the following:

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

The Bank has received consultancy service for compliance with the Guidelines on Sound Remuneration Practices in Banks.
The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank board members, senior management and the Bank staff deemed to perform the functions having material impact on the Bank's risk profile are considered as identified staff; and by the end of 2020, the number of identified staff is 27.

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4.10.9.1.2 INFORMATION ON THE DESIGN AND STRUCTURE OF REMUNERATION PROCESS

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

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

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

The Remuneration Policy of 2020 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee.

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

4.10.9.1.3 EVALUATION ABOUT HOW THE BANK'S REMUNERATION PROCESSES TAKE THE CURRENT AND FUTURE RISKS INTO ACCOUNT

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

4.10.9.1.4 EVALUATION ABOUT HOW THE BANK ASSOCIATES VARIABLE REMUNERATIONS WITH PERFORMANCE

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

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

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

4.10.9.1.5 EVALUATION ABOUT THE BANK'S METHODS TO ADJUST REMUNERATIONS ACCORDING TO LONG-TERM PERFORMANCE

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

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

4.10.9.1.6 EVALUATION ABOUT THE INSTRUMENTS USED BY THE BANK FOR VARIABLE REMUNERATIONS AND THE PURPOSES OF USE OF SUCH INSTRUMENTS

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash(share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2020, BBVA shares are taken as referance for payments based on non-cash instruments.

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

5 DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

5.1 CONSOLIDATED ASSETS

5.1.1 CASH AND CASH EQUIVALENTS

5.1.1.1 CASH AND BALANCES WITH CENTRAL BANK

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2,722,172	6,956,041	1,594,582	2,749,223
Central Bank of Turkey	4,274,948	40,444,718	1,691,395	33,942,897
Others	2	1,321,466	-	2,047,209
Total	**6,997,122**	**48,722,225**	**3,285,977**	**38,739,329**

Balances with the Central Bank of Turkey	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Unrestricted Demand Deposits	4,274,948	14,434,418	1,691,395	10,531,841
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	26,010,300	-	23,411,056
Total	**4,274,948**	**40,444,718**	**1,691,395**	**33,942,897**

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

5.1.1.2 BANKS BALANCES WITH THE CENTRAL BANK OF TURKEY

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks				
Domestic banks	486,817	161,010	502,368	41,583
Foreign banks	296,152	21,417,556	245,492	18,792,746
Foreign head office and branches	-	-	-	-
Total	**782,969**	**21,578,566**	**747,860**	**18,834,329**

The placements at foreign banks include blocked accounts amounting TL 2,423,914 (31 December 2019: TL 2,818,396) of which TL 2,222,619 (31 December 2019: TL 2,657,254) and TL 201,295 (31 December 2019: TL 161,142) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Furthermore, there are restricted deposits at various domestic banks amounting TL 465,118 (31 December 2019: TL 413,230) as required for insurance activities.

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Due from foreign banks	CURRENT PERIOD		PRIOR PERIOD	
	RESTRICTED BALANCES	UNRESTRICTED BALANCES	RESTRICTED BALANCES	UNRESTRICTED BALANCES
EU Countries	6,560,799	2,222,619	10,385,577	2,657,254
USA, Canada	6,769,759	-	4,354,767	-
OECD Countries (*)	4,434,919	-	45,459	-
Off-shore Banking Regions	108	-	-	-
Others	1,524,209	201,295	1,434,039	161,142
Total	**19,289,794**	**2,423,914**	**16,219,842**	**2,818,396**

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

5.1.1.3 EXPECTED CREDIT LOSSES FOR CASH AND CASH EQUIVALENTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	**8,043,941**	**-**	**10,205,763**	**-**
Central Bank of Turkey	-	-	-	-
Banks	8,003,922	-	10,205,763	-
Others	40,019	-	-	-
Foreign Transactions	**-**	**1,662,847**	**-**	**453,693**
Central banks	-	-	-	-
Banks	-	1,662,847	-	453,693
Others	-	-	-	-
Total	**8,043,941**	**1,662,847**	**10,205,763**	**453,693**

5.1.1.4 EXPECTED CREDIT LOSSES FOR CASH AND CASH EQUIVALENTS

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period	**168,916**	**-**	**-**	**168,916**
Additions during the Period (+)	1,507,985	-	-	1,507,985
Disposal (-)	(1,309,774)	-	-	(1,309,774)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	52,212	-	-	52,212
Balances at End of Period	**419,339**	**-**	**-**	**419,339**

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

5.1.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

5.1.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	209,690	-	23,712	-
Assets Subject to Repurchase Agreements	7,444	-	26,860	-
Total	**217,134**	**-**	**50,572**	**-**

5.1.2.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Government Securities	759,526	2,153,945	370,765	91,126
Equity Securities	547,867	54,021	303,272	30,148
Other Financial Assets (*)	48,829	4,818,543	18,701	4,405,288
Total	**1,356,222**	**7,026,509**	**692,738**	**4,526,562**

(*)Financial assets measured at fair value through profit or loss include loan amounting to USD 756,288,034 (31 December 2019:USD 710,182,828) provided to a special purpose entity. As detailed in Note 5.1.9.2, according to the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. After the capital increase, USD 154,885,708 of the related loan, which corresponds to the share of receivables in the Bank, has been paid off.

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	12,817,253	3,061,618	1,528,597	1,947,081
Assets subject to Repurchase Agreements	-	219,574	12,674	1,115,469
Total	**12,817,253**	**3,281,192**	**1,541,271**	**3,062,550**

5.1.3.2 DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	**31,256,078**	**24,083,685**
Quoted at Stock Exchange	31,256,078	24,083,685
Unquoted at Stock Exchange	-	-
Common Shares/Investment Fund	**8,385**	**132,968**
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	3,894	128,477
Value Increase/Impairment Losses (-)	**5,521,102**	**4,426,876**
Total	**36,785,565**	**28,643,529**

Expected losses of TL 134,280 (31 December 2019: TL 86,057) is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

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5.1.4 DERIVATIVE FINANCIAL ASSETS

5.1.4.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS MEASURED AT FVTPL

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

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	372,828	24,911	182,769	15,947
Swap Transactions	1,614,096	2,059,196	848,634	1,123,196
Futures	-	5,315	-	8,488
Options	26,142	54,240	91,162	269,828
Others	-	671	-	169
Total	**2,013,066**	**2,144,333**	**1,122,565**	**1,417,628**

5.1.4.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL ASSETS HELD FOR	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	-	-	11,345	6,675
Cash Flow Hedges	447,705	9,448	424,273	17,071
Net Foreign Investment Hedges	-	-	-	-
Total	**447,705**	**9,448**	**435,618**	**23,746**

As of 31 December 2020, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	CURRENT PERIOD			PRIOR PERIOD		
	FACE VALUE	ASSET	LIABILITY	FACE VALUE	ASSET	LIABILITY
Interest Rate Swaps	38,326,836	26,295	759,790	60,262,126	24,851	1,123,464
-TL	3,860,000	26,295	61,946	21,365,030	14,243	698,842
-FC	34,466,836	-	697,844	38,897,096	10,608	424,622
Cross Currency Swaps	3,134,232	423,881	139,983	5,003,466	430,655	71,954
-TL	1,183,661	421,410	71,706	1,008,284	421,375	45,966
-FC	1,950,571	2,471	68,277	3,995,182	9,280	25,988
Currency Forwards	42,320	-	846	-	-	-
-TL	21,523	-	-	-	-	-
-FC	20,797	-	846	-	-	-
Interest Rate Options	784,518	6,977	-	681,979	3,858	-
-TL	-	-	-	-	-	-
-FC	784,518	6,977	-	681,979	3,858	-
Total	**42,287,906**	**457,153**	**900,619**	**65,947,571**	**459,364**	**1,195,418**

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5.1.4.3 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/ LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	12,559	-	(27,070)	(14,511)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	-	-	-	-
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	348,896	-	(400,750)	(51,854)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	3,228	-	(67,438)	(64,210)

PRIOR PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/ LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	147,422	6,224	(186,490)	(32,844)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	14,063	1,691	(15,774)	(20)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	200,330	4,690	(234,896)	(29,876)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	6,809	5,415	(23,544)	(11,320)

5.1.4.4 CASH FLOW HEDGE ACCOUNTING

CURRENT PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	-	(123,688)	(112,416)	(14,968)	(6,424)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	26,295	(208,282)	(36,543)	(61,559)	(19,436)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	420,866	(46,409)	(41,184)	(19,599)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	3,015	(26,136)	9,503	(9,766)	-
Currency Forwards	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	(846)	136	473	-
Interest Rate Options	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	6,977	-	902	-	-
	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	-	(3,338)	-	-
Spot Position (*)	Expected investment expenditures	Cash flow risk resulted from foreign currency exchange rates	-	-	(24,655)	-	-
Spot Position (*)	Expected eurobond coupon revenues	Cash flow risk resulted from foreign currency exchange rates	-	-	24,655	-	-

(*) Consists of foreign currency items on the asset side of the balance sheet.
(**) Consists of foreign currency items on the liabilities side of the balance sheet.

In the current period, the amount reclassified from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions is TL (154,611) and the amount recognized in equity is TL 131,477.

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HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	7,075	(24,103)	(57,593)	42,611	831
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,171	(662,201)	(189,384)	414,925	(12,174)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	419,346	(82)	(34,928)	(11,946)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	5,894	(48,328)	(15,843)	14,482	-
Interest Rate Options	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	3,858	-	535	-	-

In the current period, the amount reclassified from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions is TL (50,017) and the amount recognized in equity is TL 10,677.

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	**-**	**878,143**	**62**	**603,746**
Corporates	-	878,143	62	603,746
Individuals	-	-	-	-
Indirect Lendings to Shareholders	**157,227**	**46,804**	**28,717**	**42,166**
Loans to Employees	**475,934**	**30**	**423,432**	**56**
Total	**633,161**	**924,977**	**452,211**	**645,968**

5.1.5.2 PERFORMING LOANS AND LOANS UNDER FOLLOW-UP INCLUDING RESTRUCTURED LOANS, AND PROVISIONS ALLOCATED FOR SUCH LOANS LOANS MEASURED AT AMORTISED COST

Loans measured at amortised cost

CURRENT PERIOD		LOANS UNDER FOLLOW-UP		
			RESTRUCTURED	
CASH LOANS (*)(**)	PERFORMING LOANS	NON-RESTRUCTURED	REVISED CONTRACT TERMS	REFINANCED
Loans	**276,811,710**	**38,490,252**	**14,616,905**	**5,101,354**
Working Capital Loans	54,797,706	5,888,387	1,092,210	2,637,340
Export Loans	27,270,952	1,190,085	121,912	134,943
Import Loans	1,440,733	-	-	-
Loans to Financial Sector	12,418,491	332,935	540	-
Consumer Loans	53,407,623	15,948,115	2,886,099	59,449
Credit Cards	29,180,808	3,717,502	422,390	-
Others	98,295,397	11,413,228	10,093,754	2,269,622
Specialization Loans	**-**	**-**	**-**	**-**
Other Receivables	**8,459,960**	**804,310**	**243,682**	**21,921**
Total	**285,271,670**	**39,294,562**	**14,860,587**	**5,123,275**

(*) Non-performing loans are not included.
(**) As of 31 December 2020, based on the resolution of the BRSA dated 27 March 2020 and numbered 8970 and dated 8 December 2020 and numbered 9312; starting from 17 March 2020 until 30 June 2021, 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 176,155 thousands.

PRIOR PERIOD		LOANS UNDER FOLLOW-UP		
			RESTRUCTURED	
CASH LOANS (*)	PERFORMING LOANS	NON-RESTRUCTURED	REVISED CONTRACT TERMS	REFINANCED
Loans	**221,544,221**	**26,191,796**	**2,609,325**	**8,861,675**
Working Capital Loans	41,870,625	3,948,376	202,613	2,703,923
Export Loans	19,656,411	1,127,858	68,174	166,605
Import Loans	675,825	-	-	-
Loans to Financial Sector	6,258,761	836,425	-	-
Consumer Loans	50,240,567	5,375,456	986,483	51,573
Credit Cards	23,994,909	2,985,436	476,277	-
Others	78,847,123	11,918,245	875,778	5,939,574
Specialization Loans	**-**	**-**	**-**	**-**
Other Receivables	**6,595,395**	**520,932**	**275,128**	**12,058**
Total	**228,139,616**	**26,712,728**	**2,884,453**	**8,873,733**

(*) Non-performing loans are not included.

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CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS		CONSUMER LOANS		FINANCIAL LEASE		FACTORING		TOTAL	
	TL	FC	TL	FC	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	101,713,021	98,184,079	70,568,515	6,330,171	1,437,779	4,266,055	2,063,811	708,239	175,783,126	109,488,544
Loans under Follow-up (Stage 2)	14,332,038	21,820,491	21,034,699	1,021,280	172,603	875,033	22,280	-	35,561,620	23,716,804
Total Stage 1 and 2 Loans	**116,045,059**	**120,004,570**	**91,603,214**	**7,351,451**	**1,610,382**	**5,141,088**	**2,086,091**	**708,239**	**211,344,746**	**133,205,348**
Expected Credit losses-Stage 1-2 (-)	2,941,502	5,752,809	1,718,989	110,398	43,955	167,867	17,318	841	4,721,764	6,031,915
Total Non-performing Loans	5,549,537	7,107,478	2,277,695	294,125	208,367	548,871	118,958	13,281	8,154,557	7,963,755
Expected Credit losses-Stage 3 (-)	4,175,931	3,811,057	1,466,325	213,753	146,356	282,100	106,281	13,281	5,894,893	4,320,191

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

	CURRENT PERIOD		PRIOR PERIOD	
	PERFORMING LOANS	LOANS UNDER FOLLOW-UP	PERFORMING LOANS	LOANS UNDER F OLLOW-UP
12-Month ECL (Stage 1)	2,189,211	-	1,227,132	-
Significant Increase in Credit Risk (Stage 2)	-	8,564,468	-	4,033,583

As of 31 December 2020, loans amounting to TL 3,723,673 are benefited as collateral under funding transactions (31 December 2019: TL 3,873,550).

Collaterals received for loans under follow-up

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	801,533	85,105	-	886,638
Loans Collateralized by Mortgages / Shares	16,723,605	4,420,193	-	21,143,798
Loans Collateralized by Pledged Assets	3,780,513	283,672	-	4,064,185
Loans Collateralized by Cheques and Notes	85,723	8,413	-	94,136
Loans Collateralized by Other Collaterals	10,924,606	13,326,871	-	24,251,477
Unsecured Loans	3,928,889	769,409	4,139,892	8,838,190
Total	**36,244,869**	**18,893,663**	**4,139,892**	**59,278,424**

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

Delinquency periods of loans under follow-up

CURRENT PERIOD (*)	CORPORATE / COMMERCİAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	273,322	670,489	110,504	1,054,315
61-90 days	280,450	263,561	48,629	592,640
Other	35,691,097	17,959,613	3,980,759	57,631,469
Total	**36,244,869**	**18,893,663**	**4,139,892**	**59,278,424**

(*) As of 31 December 2020, based on the resolution of the BRSA dated 17 March 2020 and numbered 8948 and dated 8 December 2020 and numbered 9312; starting from 17 March 2020 until 30 June 2021, 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 1,300,763.

PRIOR PERIOD	CORPORATE / COMMERCİAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	578,372	965,769	169,562	1,713,703
61-90 days	552,336	292,979	62,670	907,985
Other	27,464,981	5,154,764	3,229,481	35,849,226
Total	**28,595,689**	**6,413,512**	**3,461,713**	**38,470,914**

5.1.5.3 MATURITY ANALYSIS OF CASH LOANS

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-Term Loans	**118,193,873**	**265,317**	**8,404,611**	**677,672**
Loans	113,147,788	265,317	8,182,242	563,022
Specialization Loans	-	-	-	-
Other Receivables	5,046,085	-	222,369	114,650
Medium and Long-Term Loans	**155,485,699**	**11,326,781**	**26,723,458**	**23,472,683**
Loans	152,071,824	11,326,781	26,141,517	23,321,730
Specialization Loans	-	-	-	-
Other Receivables	3,413,875	-	581,941	150,953
Total	**273,679,572**	**11,592,098**	**35,128,069**	**24,150,355**

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PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-Term Loans	**79,163,645**	**53,417**	**6,952,751**	**709,023**
Loans	75,387,931	53,417	6,797,191	572,109
Specialization Loans	-	-	-	-
Other Receivables	3,775,714	-	155,560	136,914
Medium and Long-Term Loans	**144,046,629**	**4,875,925**	**19,605,401**	**11,203,739**
Loans	141,226,948	4,875,925	19,240,029	11,053,467
Specialization Loans	-	-	-	-
Other Receivables	2,819,681	-	365,372	150,272
Total	**223,210,274**	**4,929,342**	**26,558,152**	**11,912,762**

5.1.5.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Consumer Loans – TL	**1,312,986**	**61,142,502**	**62,455,488**
Housing Loans	18,390	21,264,889	21,283,279
Automobile Loans	150,350	1,941,950	2,092,300
General Purpose Loans	1,144,246	37,935,663	39,079,909
Others	-	-	-
Consumer Loans – FC-indexed	**-**	**148,475**	**148,475**
Housing Loans	-	148,475	148,475
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Consumer Loans – FC	**1,140,432**	**5,597,356**	**6,737,788**
Housing Loans	211,993	3,514,446	3,726,439
Automobile Loans	-	16,709	16,709
General Purpose Loans	388,306	1,329,661	1,717,967
Others	540,133	736,540	1,276,673
Retail Credit Cards – TL	**25,699,907**	**290,857**	**25,990,764**
With Installment	12,675,471	290,857	12,966,328
Without Installment	13,024,436	-	13,024,436
Retail Credit Cards – FC	**372,767**	**8,381**	**381,148**
With Installment	-	-	-
Without Installment	372,767	8,381	381,148
Personnel Loans – TL	**38,381**	**179,691**	**218,072**
Housing Loan	-	808	808
Automobile Loans	-	-	-
General Purpose Loans	38,381	178,883	217,264
Others	-	-	-
Personnel Loans - FC-indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	**10,232**	**84,375**	**94,607**

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Housing Loans	3,251	41,114	44,365
Automobile Loans	-	-	-
General Purpose Loans	5,759	31,230	36,989
Others	1,222	12,031	13,253
Personnel Credit Cards – TL	**142,946**	**613**	**143,559**
With Installment	50,521	613	51,134
Without Installment	92,425	-	92,425
Personnel Credit Cards – FC	**5,421**	**110**	**5,531**
With Installment	-	-	-
Without Installment	5,421	110	5,531
Deposit Accounts– TL (Real Persons)	**2,632,691**	**-**	**2,632,691**
Deposit Accounts– TL (Personnel)	**14,165**	**-**	**14,165**
Deposit Accounts– FC (Real Persons)	**-**	**-**	**-**
Total	**31,369,928**	**67,452,360**	**98,822,288**

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Consumer Loans – TL	**1,594,709**	**47,435,809**	**49,030,518**
Housing Loans	16,384	19,452,893	19,469,277
Automobile Loans	148,863	1,675,140	1,824,003
General Purpose Loans	1,427,774	26,307,776	27,735,550
Others	1,688	-	1,688
Consumer Loans – FC-indexed	**-**	**153,013**	**153,013**
Housing Loans	-	153,013	153,013
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Consumer Loans – FC	**840,787**	**4,282,561**	**5,123,348**
Housing Loans	141,006	2,623,272	2,764,278
Automobile Loans	185	18,319	18,504
General Purpose Loans	291,602	1,089,953	1,381,555
Others	407,994	551,017	959,011
Retail Credit Cards – TL	**21,363,651**	**370,358**	**21,734,009**
With Installment	9,822,361	370,358	10,192,719
Without Installment	11,541,290	-	11,541,290
Retail Credit Cards – FC	**397,299**	**15,602**	**412,901**
With Installment	-	-	-
Without Installment	397,299	15,602	412,901
Personnel Loans – TL	**36,453**	**156,398**	**192,851**
Housing Loan	-	724	724
Automobile Loans	-	19	19
General Purpose Loans	36,453	155,655	192,108
Others	-	-	-
Personnel Loans - FC-indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	**8,321**	**70,228**	**78,549**
Housing Loans	2,204	32,571	34,775

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Automobile Loans	-	-	-
General Purpose Loans	4,759	27,611	32,370
Others	1,358	10,046	11,404
Personnel Credit Cards – TL	**131,752**	**529**	**132,281**
With Installment	46,745	529	47,274
Without Installment	85,007	-	85,007
Personnel Credit Cards – FC	**6,233**	**193**	**6,426**
With Installment	-	-	-
Without Installment	6,233	193	6,426
Deposit Accounts– TL (Real Persons)	**2,062,475**	**-**	**2,062,475**
Deposit Accounts– TL (Personnel)	**13,325**	**-**	**13,325**
Deposit Accounts– FC (Real Persons)	**-**	**-**	**-**
Total	**26,455,005**	**52,484,691**	**78,939,696**

5.1.5.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	**1,201,606**	**10,357,196**	**11,558,802**
Real Estate Loans	797	684,036	684,833
Automobile Loans	322,558	3,238,507	3,561,065
General Purpose Loans	878,251	6,434,653	7,312,904
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	**-**	**352,872**	**352,872**
Real Estate Loans	-	47,604	47,604
Automobile Loans	-	50,229	50,229
General Purpose Loans	-	255,039	255,039
Others	-	-	-
Installment-based Commercial Loans – FC	**3,495,773**	**4,078,186**	**7,573,959**
Real Estate Loans	-	-	-
Automobile Loans	2,937	180,419	183,356
General Purpose Loans	-	88,733	88,733
Others	3,492,836	3,809,034	7,301,870
Corporate Credit Cards – TL	**6,532,632**	**248,274**	**6,780,906**
With Installment	3,209,845	248,274	3,458,119
Without Installment	3,322,787	-	3,322,787
Corporate Credit Cards – FC	**18,792**	**-**	**18,792**
With Installment	-	-	-
Without Installment	18,792	-	18,792
Deposit Accounts– TL (Corporates)	**1,739,236**	**-**	**1,739,236**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**12,988,039**	**15,036,528**	**28,024,567**

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	**698,237**	**10,937,099**	**11,635,336**
Real Estate Loans	1,532	541,123	542,655
Automobile Loans	128,728	2,008,812	2,137,540
General Purpose Loans	567,977	8,387,164	8,955,141
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	**-**	**768,231**	**768,231**
Real Estate Loans	-	48,785	48,785
Automobile Loans	-	155,719	155,719
General Purpose Loans	-	563,727	563,727
Others	-	-	-

Installment-based Commercial Loans – FC	**2,544,604**	**2,728,533**	**5,273,137**
Real Estate Loans	-	-	-
Automobile Loans	-	140,909	140,909
General Purpose Loans	222	102,257	102,479
Others	2,544,382	2,485,367	5,029,749
Corporate Credit Cards – TL	**5,002,179**	**135,481**	**5,137,660**
With Installment	1,830,025	135,481	1,965,506
Without Installment	3,172,154	-	3,172,154
Corporate Credit Cards – FC	**33,345**	**-**	**33,345**
With Installment	-	-	-
Without Installment	33,345	-	33,345
Deposit Accounts– TL (Corporates)	**1,336,839**	**-**	**1,336,839**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**9,615,204**	**14,569,344**	**24,184,548**

5.1.5.6 ALLOCATION OF LOANS BY CUSTOMERS (*)

	CURRENT PERIOD	PRIOR PERIOD
Public Sector	945,731	300,854
Private Sector	343,604,363	266,309,676
Total	**344,550,094**	**266,610,530**

(*) Non-performing loans are not included.

5.1.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS (*)

	CURRENT PERIOD	PRIOR PERIOD
Domestic Loans	311,297,812	241,117,177
Foreign Loans	33,252,282	25,493,353
Total	**344,550,094**	**266,610,530**

(*) Non-performing loans are not included.

5.1.5.8 LOANS TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Direct Lending	722,522	118,232
Indirect Lending	-	-
Total	**722,522**	**118,232**

5.1.5.9 PROVISION ALLOCATED FOR NON-PERFORMING LOANS (STAGE 3)

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans- Limited Collectability	383,555	1,274,532
Doubtful Loans	507,631	3,227,456
Uncollectible Loans	9,323,898	7,680,946
Total	**10,215,084**	**12,182,934**

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5.1.5.10 NON-PERFORMING LOANS (NPLS) (NET)

Non-performing loans and loans restructured from this category

	GROUP III	GROUP IV	GROUP V
CURRENT PERIOD	**SUBSTANDARD LOANS**	**DOUBTFUL LOANS**	**UNCOLLECTIBLE LOANS**
Gross amounts before provisions	198,077	331,103	3,870,900
Restructured Loans	198,077	331,103	3,870,900
PRIOR PERIOD			
Gross amounts before provisions	917,130	2,851,375	1,114,141
Restructured Loans	917,130	2,851,375	1,114,141

Movements in non-performing loan groups

	GROUP III	GROUP IV	GROUP V
CURRENT PERIOD	**SUBSTANDARD LOANS**	**DOUBTFUL LOANS**	**UNCOLLECTIBLE LOANS**
Balances at End of Prior Period	**2,603,803**	**5,246,849**	**11,659,734**
Additions during the Period (+)	997,420	962,942	493,413
Transfer from Other NPL Categories (+)	97,374	2,692,721	7,223,925
Transfer to Other NPL Categories (-)	2,698,999	7,254,399	60,622
Collections during the Period (-)	346,504	991,956	1,989,216
Write down /Write-offs (-) (*)	1,503	1,201	4,738,218
Debt Sale (-) (**)	50,970	-	96,040
Corporate and Commercial Loans	50,970	-	34,590
Retail Loans	-	-	61,370
Credit Cards	-	-	80
Other	-	-	-
Foreign Currency Differences	161,784	314,844	1,893,131
Balances at End of Period	**762,405**	**969,800**	**14,386,107**
Provisions (-)	383,555	507,631	9,323,898
Net Balance on Balance Sheet	**378,850**	**462,169**	**5,062,209**

	GROUP III	GROUP IV	GROUP V
PRIOR PERIOD	**SUBSTANDARD LOANS**	**DOUBTFUL LOANS**	**UNCOLLECTIBLE LOANS**
Balances at End of Prior Period	**3,147,412**	**5,035,594**	**5,570,378**
Additions during the Period (+)	8,276,247	1,308,238	254,130
Transfer from Other NPL Categories (+)	78,808	8,148,723	8,735,761
Transfer to Other NPL Categories (-)	8,164,400	8,723,026	75,866
Collections during the Period (-)	833,163	879,932	1,279,552
Write down /Write-offs (-)	149	57	875,986
Debt Sale (-) (**)	-	4,101	1,022,714
Corporate and Commercial Loans	-	1,762	221,039

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Retail Loans	-	1,652	489,301
Credit Cards	-	687	312,374
Other	-	-	-
Foreign Currency Differences	99,048	361,410	353,583
Balances at End of Period	**2,603,803**	**5,246,849**	**11,659,734**
Provisions (-)	1,274,532	3,227,456	7,680,946
Net Balance on Balance Sheet	**1,329,271**	**2,019,393**	**3,978,788**

(*) Details are disclosed in note 5.1.5.13.1 Disclosures on write down policy.
(**) All consists of sale of non-performing loans.

Non-performing loans in foreign currencies

	GROUP III	GROUP IV	GROUP V
CURRENT PERIOD	**SUBSTANDARD LOANS AND RECEIVABLES**	**DOUBTFUL LOANS AND RECEIVABLES**	**UNCOLLECTIBLE LOANS AND RECEIVABLES**
Balance at End of Period	**689,290**	**232,526**	**7,920,664**
Provisions (-)	354,238	161,771	4,487,206
Net Balance at Balance Sheet	**335,052**	**70,755**	**3,433,458**
PRIOR PERIOD			
Balance at End of Period	**1,051,988**	**2,041,425**	**6,040,133**
Provisions (-)	517,941	1,152,914	3,420,322
Net Balance at Balance Sheet	**534,047**	**888,511**	**2,619,811**

Gross and net non-performing loans as per customer categories

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	**DOUBTFUL LOANS**	**UNCOLLECTIBLE LOANS**
Current Period (Net)	**378,850**	**462,169**	**5,062,209**
Loans to Individuals and Corporates (Gross)	725,621	954,724	14,354,685
Provision (-)	372,377	501,299	9,295,744
Loans to Individuals and Corporates (Net)	353,244	453,425	5,058,941
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	36,784	15,076	31,422
Provision (-)	11,178	6,332	28,154
Other Loans and Receivables (Net)	25,606	8,744	3,268
Prior Period (Net)	**1,329,271**	**2,019,393**	**3,978,788**
Loans to Individuals and Corporates (Gross)	2,586,430	5,240,991	11,635,103
Provision (-)	1,266,314	3,225,700	7,658,978
Loans to Individuals and Corporates (Net)	1,320,116	2,015,291	3,976,125
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	17,373	5,858	24,631
Provision (-)	8,218	1,756	21,968
Other Loans and Receivables (Net)	9,155	4,102	2,663

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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)	**5,969**	**29,945**	**223,129**
Interest accruals and valuation differences	11,523	46,748	628,747
Provision (-)	5,554	16,803	405,618
Prior Period (Net)	**22,465**	**54,653**	**163,511**
Interest accruals and valuation differences	60,203	130,332	402,983
Provision (-)	37,738	75,679	239,472

Collaterals received for non-performing loans

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	15,438	373	-	15,811
Loans Collateralized by Mortgages	7,970,929	227,765	-	8,198,694
Loans Collateralized by Pledged Assets	1,725,881	37,793	-	1,763,674
Loans Collateralized by Cheques and Notes	150,337	2,975	-	153,312
Loans Collateralized by Other Collaterals	1,594,683	1,505,915	-	3,100,598
Unsecured Loans	1,841,591	250,151	794,481	2,886,223
Total	**13,298,859**	**2,024,972**	**794,481**	**16,118,312**

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

5.1.5.11 EXPECTED CREDIT LOSS FOR LOANS

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at End of Prior Period	**1,227,132**	**4,033,583**	**12,182,934**	**17,443,649**
Additions during the Period (+)	3,491,928	8,268,724	2,422,590	14,183,242
Disposal (-)	(3,436,416)	(3,292,269)	(1,511,619)	(8,240,304)
Debt Sale (-)	-	-	(122,788)	(122,788)
Write-offs (-)	-	-	(4,669,852)	(4,669,852)
Transfer to Stage1	1,215,585	(1,210,967)	(4,618)	-
Transfer to Stage 2	(479,118)	492,688	(13,570)	-
Transfer to Stage 3	(3,805)	(561,047)	564,852	-
Foreign Currency Differences	173,905	833,756	1,367,155	2,374,816
Balances at End of Period	**2,189,211**	**8,564,468**	**10,215,084**	**20,968,763**

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

5.1.5.12 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS

Loans and other receivables Classified as Loss are collected through legal follow-up and conversion of collaterals into cash.

5.1.5.13 WRITE-OFF POLICY

5.1.5.13.1 DISCLOSURES ON WRITE DOWN POLICY

As of 31 December 2020, in accordance with the relevant accounting policy the Bank has written down "Group V Loan" (Loans Classified as Loss) amounting to TL 4,013,937. During the period, the non-performing loan ratio of the Bank decreased from 5.77% to 4.56% after the loans were written-off in accordance with the amendment on the relevant Provisions Regulation.

	CURRENT PERIOD	
WRITE DOWN	TL	FC
Corporate/ Commercial Loans	1,388,082	1,505,156
Consumer Loans	616,025	-
Credit Carrds	504,674	-

As of 31 December 2020, Bank's consolidated subsidiaries, has also written down "Group V Loan" (Loans Classified as Loss) amounting to TL 715,835. During the period, the non-performing loan ratio of the Group decreased from 5.71% to 4.47% after the loans were written-off in accordance with the amendment on the relevant Provisions Regulation.

	CURRENT PERIOD	
WRITE DOWN (*)	TL	FC
Corporate/ Commercial Loans	110,998	572,895
Consumer Loans	-	31,942
Credit Carrds	-	4,288

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

5.1.5.13.2 DISCLOSURES ON WRITE-OFF POLICY

The genaral policy of the Bank regarding write-off process for loans under follow-up is to write-off the loans which are documented as uncollectible during the legal follow-up process. As of 31 December 2020, total loans written-off from assets are TL 11,150 (31 December 2019: TL 142,715).

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5.1.6 LEASE RECEIVABLE (NET)

5.1.6.1 FINANCIAL LEASE RECEIVABLES ACCORDING TO REMAINING MATURITIES

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Less than 1 Year	3,024,586	2,626,412	2,338,813	2,036,260
Between 1-5 Years	4,345,357	3,950,201	3,444,202	3,128,201
Longer than 5 Years	183,390	174,857	155,520	148,642
Total	**7,553,333**	**6,751,470**	**5,938,535**	**5,313,103**

Non-performing loans are not included.

5.1.6.2 NET FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Gross Financial Lease Receivables	7,553,333	5,938,537
Unearned Income on Financial Lease Receivables (-)	(801,863)	(625,434)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	**6,751,470**	**5,313,103**

Non-performing loans are not included.

5.1.6.3 FINANCIAL LEASE AGREEMENTS

Criteria applied for financial lease agreements

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

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

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

Details monitored subsequent to signing of financial lease agreements

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

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

5.1.7 FACTORING RECEIVABLES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	2,182,336	717,711	1,641,030	616,255
Medium and Long-Term	22,713	3,809	168,149	4,729
Total	**2,205,049**	**721,520**	**1,809,179**	**620,984**

5.1.8 FINANCIAL ASSETS MEASURED AT AMORTISED COST

5.1.8.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Investments	11,311,663	3,922,607	3,380,677	3,959,717
Investments subject to Repurchase Agreements	74,625	-	55,581	679,218
Total	**11,386,288**	**3,922,607**	**3,436,258**	**4,638,935**

5.1.8.2 GOVERNMENT SECURITIES MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Government Bonds	33,077,018	27,558,636
Treasury Bills	95,253	-
Other Government Securities	-	-
Total	**33,172,271**	**27,558,636**

5.1.8.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	**27,673,452**	**20,404,822**
Quoted at Stock Exchange	27,615,408	20,358,959
Unquoted at Stock Exchange	58,044	45,863
Valuation Increase / (Decrease)	**5,565,459**	**7,315,520**
Total	**33,238,911**	**27,720,342**

5.1.8.4 MOVEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**27.720.342**	**24.654.009**
	27,720,342	24,654,009
Foreign Currency Differences on Monetary Assets	1,895,313	772,371
Purchases during the Period	7,310,245	1,248,680
Disposals through Sales/Redemptions	(3,251,006)	(199,492)
Valuation Effect	**(435,983)**	**1,244,774**
Balances at End of Period	**33,238,911**	**27,720,342**

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5.1.8.5 EXPECTED CREDIT LOSS FOR FINANCIAL ASSETS MEASURED AT AMORTISED COST

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at End of Prior Period	**119,889**	**-**	**-**	**119,889**
Additions during the Period (+)	247,825	-	-	247,825
Disposal (-)	(219,538)	-	-	(219,538)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	19,107	-	-	19,107
Balances at End of Period	**167,283**	**-**	**-**	**167,283**

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

5.1.9 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

5.1.9.1 MOVEMENT OF ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period		
Cost	**1,171,231**	**870,977**
Accumulated Depreciation	**(12,173)**	**(13,293)**
Net Book Value	**1,159,058**	**857,684**
End of Current Period		
Additions	175,246	542,907
Disposals (Cost)	(434,371)	(265,683)
Disposals (Accumulated Depreciation)	491	1,120
Reversal of Impairment / Impairment Losses	23,890	21,053
Depreciation Expense for Current Period (-)	-	-
Currency Translation Differences on Foreign Operations	7,439	1,977
Cost	**943,435**	**1,171,231**
Accumulated Depreciation (-)	**(11,682)**	**(12,173)**
Net Book Value	**931,753**	**1,159,058**

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5.1.9.2 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES TO BE DISPOSED

	CURRENT PERIOD	PRIOR PERIOD
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.

5.1.10 INVESTMENTS IN ASSOCIATES

5.1.10.1 UNCONSOLIDATED INVESTMENTS IN ASSOCIATES

	ASSOCIATES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1	Emeklilik Gözetim Merkezi AŞ (1)	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ (1)	İstanbul/Turkey	4.98	4.98
3	Yatırım Finansman Menkul Değerler AŞ (1)	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ (1)	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ (2)	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ (1)	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ (2)	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ (1)	Ankara/ Turkey	1.49	1.49
9	JCR Avrasya Derecelendirme A.Ş. (2)	İstanbul/Turkey	2.86	2.86
10	Birleşik İpotek Finansmanı A.Ş. (3)	İstanbul/Turkey	8.33	8.33

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	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIOI	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	19,886	10,511	4,845	679	10	657	1,271	-
2	272,800	217,454	85,960	6,083	-	35,413	28,503	-
3	1,300,509	149,638	12,526	8,675	390	29,865	12,626	-
4	24,887,346	2,382,244	114,794	263,916	75,584	359,199	506,603	-
5	18,373,660	3,460,082	631,470	95,859	-	1,009,438	1,173,543	-
6	411,660	265,464	254,612	5,882	227	48,549	26,579	-
7	786,013,203	51,839,421	621,220	30,964,836	3,733,945	44,732,807	56,279,555	-
8	1,058,164	762,700	19,911	27,280	-	138,849	96,130	-
9	31,238	25,827	22,785	666	-	6,146	2,082	-
10	-	-	-	-	-	-	-	-

(1) Financial information is as of 30 September 2020.
(2) Financial information is as of 31 December 2019.
(3) Financial information is not available since the company is newly established in March 2020.
(*) Total fixed assets include tangible and intangible assets.

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

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

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

5.1.10.2 CONSOLIDATED INVESTMENTS IN ASSOCIATES

None.

5.1.10.3 MOVEMENT OF CONSOLIDATED INVESTMENTS IN ASSOCIATES

Movement of consolidated investments in associates

None.

Valuation methods of consolidated investments in associates

None.

Sectoral distribution of consolidated investments and associates

None.

Quoted consolidated investments in associates

None.

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.1.11 INVESTMENTS IN SUBSIDIARIES

Information on capital adequacy of major subsidiaries

CURRENT PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI HOLDING BV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI EMEKLILIK VE HAYAT AŞ	GARANTI YATIRIM MENKUL KIYMETLER AŞ
COMMON EQUITY TIER I CAPITAL					
Paid-in Capital to be Entitled for Compensation after All Creditors	1,243,533	3,488,929	357,848	517,159	13,750
Share Premium	-	117,453	-	-	-
Share Cancellation Profits	-	-	-	-	-
Legal Reserves	1,054,337	160,518	646,432	138,235	308,681
Other Comprehensive Income according to TAS	3,110,694	184,669	-	7,453	-
Current and Prior Periods' Profits	50,370	149,050	146,351	463,149	489,490
Minority interest	-	-	-	-	39,357
Common Equity Tier I Capital Before Deductions	**5,458,934**	**4,100,619**	**1,150,631**	**1,125,996**	**851,278**
Deductions From Common Equity Tier I Capital					
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	9,562	1,080,373	1,175	2,189	851
Leasehold Improvements on Operational Leases (-)	-	939	-	1,117	2,288
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	52,669	492,398	16,154	39,225	4,460
Net Deferred Tax Asset/Liability (-)	-	-	-	-	-
Total Deductions from Common Equity Tier I Capital	**62,231**	**1,573,710**	**17,329**	**42,531**	**7,599**
Total Common Equity Tier I Capital	**5,396,703**	**2,526,909**	**1,133,302**	**1,083,465**	**843,679**
Total Deductions From Tier I Capital	**-**	**-**	**-**	**-**	**-**
Total Tier I Capital	**5,396,703**	**2,526,909**	**1,133,302**	**1,083,465**	**843,679**
TIER II CAPITAL	**-**	**90,551**	**-**	**-**	**-**
TOTAL CAPITAL	**5,396,703**	**2,617,460**	**1,133,302**	**1,083,465**	**843,679**

PRIOR PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTİ HOLDING BV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI EMEKLILIK VE HAYAT AŞ	GARANTI YATIRIM MENKUL KIYMETLER AŞ
COMMON EQUITY TIER I CAPITAL					
Paid-in Capital to be Entitled for Compensation after All Creditors	913,772	2,560,180	357,848	67,159	13,750
Share Premium	-	86,188	-	-	-
Share Cancellation Profits	-	-	-	-	-
Legal Reserves	1,014,013	(23,430)	545,995	833,940	164,594
Other Comprehensive Income according to TAS	1,990,215	115,005	-	3,130	-
Current and Prior Periods' Profits	40,326	163,815	100,436	454,295	144,087
Minority interest	-	-	-	-	39,174
Common Equity Tier I Capital Before Deductions	**3,958,326**	**2,901,758**	**1,004,279**	**1,358,524**	**361,605**
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	795,952	668	(66)	95
Leasehold Improvements on Operational Leases (-)	-	164	-	1,197	4,505
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	35,037	361,254	13,004	42,949	3,560
Net Deferred Tax Asset/Liability (-)	-	-	-	-	-
Total Deductions from Common Equity Tier I Capital	**48,104**	**1,157,370**	**13,672**	**44,080**	**8,160**
Total Common Equity Tier I Capital	**3,910,222**	**1,744,388**	**990,607**	**1,314,444**	**353,445**
Total Deductions From Tier I Capital	**-**	**-**	**-**	**-**	**-**
Total Tier I Capital	**3,910,222**	**1,744,388**	**990,607**	**1,314,444**	**353,445**
TIER II CAPITAL	**332,155**	**66,346**	**-**	**-**	**-**
TOTAL CAPITAL	**4,242,377**	**1,810,734**	**990,607**	**1,314,444**	**353,445**

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

5.1.11.1 UNCONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	SUBSIDIARIES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
4	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
5	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
6	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
7	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST IN COME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE	AMOUNT OF EQUITY REQUIREMENT
1	124,033	115,665	33	10,821	-	8,311	24,950	-	-
2	47,642	20,824	453	1,995	-	2,014	(394)	-	-
3	3,511	1,746	1,030	-	-	(68)	(101)	-	-
4	6,078	4,969	-	477	-	638	596	-	-
5	10,938	8,992	10,930	-	-	(5)	(3)	-	-
6	2,774,008	382,031	2,375,038	18,416	-	311,701	33,887	-	-
7	5,601	4,816	-	1,024	-	1,764	1,259	-	-

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

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments
The companies which are not included within the scope of consolidation due to not being financial subsidiaries are measured at cost less impairment, if any.

5.1.11.2 MOVEMENT OF CONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**8,448,841**	**6,942,044**
Movements during the Period	**2,822,877**	**1,506,797**
Acquisitions and Capital Increases	-	-
Bonus Shares Received	382,110	-
Dividends from Current Year Profit	1,323,028	893,943
Sales/Liquidations	-	(352)
Reclassifications	-	-
Value Increase/Decrease (*) (**)	(907,974)	110,834
Currency Differences on Foreign Subsidiaries	2,025,713	502,372
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balances at End of Period	**11,271,718**	**8,448,841**
Capital Commitments	**-**	**-**
Share Percentage at the End of Period (%)	**-**	**-**

(*) Except for quoted subsidiaries, value increases / (decreases) are based on the results of equity accounting application.
(**) TL 594,393 thousands of this amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 31 December 2020.

Valuation methods of consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	-	-
Valued at Fair Value (*)	11,271,718	8,448,841

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

Sectoral distribution of consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Banks	5,424,808	3,921,884
Insurance Companies	954,245	1,153,607
Factoring Companies	174,760	134,182
Leasing Companies	1,146,060	1,018,498
Finance Companies	3,571,845	2,220,670
Other Subsidiaries	-	-

Quoted consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchanges	178,491	135,322
Quoted at International Stock Exchanges	-	-

Other information on consolidated investments in subsidiaries

	SUBSIDIARIES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	SHARES OF OTHER CONSOLIDATED SUBSIDIARIES (%)	METHOD OF CONSOLIDATION
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV (*)	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
12	Garanti Yatırım Ortaklığı AŞ	Istanbul / Turkey	-	3.61	Full Consolidation

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

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	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (**)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	5,846,989	1,146,490	22,274	439,394	-	146,351	100,436	-
2	2,912,563	213,590	16,298	298,344	1,689	50,150	24,438	-
3	1,484,838	814,432	31,283	29,892	12,484	492,950	144,173	-
4	219,827	199,490	1,206	9,473	4,704	64,266	37,222	-
5	2,855,596	1,123,807	42,625	141,962	87,606	463,150	454,295	-
6	31,053,380	5,439,719	341,505	588,122	13,598	50,367	40,327	-
7	3,081,903	3,079,346	-	-	-	(743)	(537)	-
8	2,992,228	2,525,614	-	363	-	(26,581)	(21,908)	-
9	20,029,104	3,020,827	669,623	655,336	99,877	125,109	162,462	-
10	1,486,164	272,887	9,861	77,580	-	21,253	20,769	-
11	1,071,068	176,963	21,324	81,899	-	17,237	12,178	-
12	42,829	40,853	954	1,333	2,500	1,202	3,639	103,360

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

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

Consolidated investments in subsidiaries disposed during the current period

None.

Consolidated investments in subsidiaries acquired during the current period

None.

5.1.12 INVESTMENTS IN JOINT-VENTURES

None.

5.1.13 TANGIBLE ASSETS

	REAL ESTATES	RIGHT-OF-USE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	Total
Cost	**3,554,758**	**1,406,447**	**33,292**	**3,453,325**	**8,447,822**
Accumulated Depreciation	(74,352)	(317,799)	(21,808)	(2,505,564)	(2,919,523)
Net Book Value	3,480,406	1,088,648	11,484	947,761	5,528,299
Balances at End of Current Period					
Additions	37,470	555,822	9,187	783,787	1,386,266
Revaluation Model Difference	355,423	-	-	-	355,423
Revaluation Model Difference (Accumulated Depreciation)	55,769	-	-	-	55,769
Transfers to Investment Property	(24,274)	-	-	-	(24,274)
Disposals (Cost)	(11,434)	(381,283)	(2,645)	(642,571)	(1,037,933)
Disposals (Accumulated Depreciation)	4,985	53,930	2,581	310,309	371,805
Reversal of/Impairment Losses (-)	(70,084)	-	-	31	(70,053)
Depreciation Expense for Current Period	(43,452)	(340,696)	(4,754)	(347,666)	(736,568)
Currency Translation Differences on Foreign	(70,084)	-	-	31	(70,053)
Operations (Cost)	79,690	51,804	2,747	120,355	254,596
Currency Translation Differences on Foreign	79,690	51,804	2,747	120,355	254,596
Operations (Accumulated Depreciation)	**(2,684)**	**(15,611)**	**(2,462)**	**(102,502)**	**(123,259)**
Net Book Values at End of Current Period	3,861,815	1,012,614	16,138	1,069,504	5,960,071
Cost at End of Current Period	3,921,549	1,632,790	42,581	3,714,927	9,311,847
Accumulated Depreciation at End of Current Period	**(59,734)**	**(620,176)**	**(26,443)**	**(2,645,423)**	**(3,351,776)**
Net Book Values at End of Current Period	**3,861,815**	**1,012,614**	**16,138**	**1,069,504**	**5,960,071**

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

5.1.14 INTANGIBLE ASSETS

5.1.14.1 USEFUL LIVES AND AMORTISATION RATES

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

5.1.14.2 AMORTISATION METHODS

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

5.1.14.3 BALANCES AT END OF CURRENT PERIOD

	CURRENT PERIOD		PRIOR PERIOD	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Intangible Assets	1,556,696	942,298	1,227,876	747,970

5.1.14.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	**479,906**	**416,072**
Internally Generated Intangibles	-	31
Additions due to Mergers, Transfers and Acquisition	337,596	201,667
Disposals (-)	(61,601)	(3,281)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(165,387)	(140,804)
Currency Translation Differences on Foreign Operations	21,796	4,234
Other Movements	2,088	1,987
Net Book Value at End of Current Period	**614,398**	**479,906**

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5.1.14.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

5.1.14.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

5.1.14.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

5.1.14.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

5.1.14.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

5.1.14.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

5.1.14.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

5.1.14.12 GOODWILL

GOODWILL	SHARES %	CARRYING VALUE
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
Total		**6,388**

5.1.14.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

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

5.1.15 INVESTMENT PROPE

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning of Period	**569,719**	**558,309**
Additions	441	35,343
Disposals	(81,929)	(268)
Transfers	14,471	-
Fair Value Change	58,823	(23,665)
Net Currency Translation Differences on Foreign Subsidiaries	-	-
Net Book Value at End of Period	**561,525**	**569,719**

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

5.1.16 DEFERRED TAX ASSET

As of 31 December 2020, on a consolidated basis the Bank has a deferred tax asset of TL 3,640,403 (31 December 2019: TL 1,882,010) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2020, deferred tax assets of TL 4,012,676 (31 December 2019: TL 2,232,124) are reduced by deferred tax liabilities of TL 372,273 (31 December 2019: TL 350,114) with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

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	CURRENT PERIOD		PRIOR PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT	TAX BASE	DEFERRED TAX AMOUNT
Provisions (*)	4,292,575	809,652	2,839,430	549,331
Stages 1&2 Credit Losses	12,109,861	2,422,529	5,794,132	1,213,642
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	2,536,313	583,325	1,075,265	178,924
Revaluation Differences on Real Estates	(2,398,994)	(296,636)	(1,870,033)	(187,155)
Other	592,055	121,533	581,831	127,268
Deferred Tax Asset	**17,131,810**	**3,640,403**	**8,420,625**	**1,882,010**

(*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.
(**) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 31 December 2020, TL 1,726,541 (31 December 2019: TL 431,237 of deferred tax income) of deferred tax income and TL 24,831 (31 December 2019: TL 78,763 of deferred tax expense) of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

5.1.17 OTHER ASSETS

	CURRENT PERIOD		PRIOR PERIOD	
	TP	YP	TP	YP
Derivative Assets (Derivative Quarantees)	588,354	10,191,100	290,673	6,845,390
Receivables From Clearing Transactions	4,473,668	24,134	3,306,061	76,901
Prepaid Expenses	2,121,400	49,363	1,376,623	17,941
Cash Guarantees Given	280,539	374,522	69,104	200,673
Receivables From Forward Sale of Assets	1,137	147,246	1,137	114,592
Other	437,462	337,802	458,647	406,002
Total	**7,902,560**	**11,124,167**	**5,502,245**	**7,661,499**

5.2 CONSOLIDATED LIABILITIES

5.2.1 MATURITY PROFILE OF DEPOSITS

CURRENT PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	**21,812,460**	**-**	**4,951,661**	**54,915,238**	**599,918**	**327,900**	**1,273,240**	**1,719**	**83,882,136**
Foreign Currency Deposits	**98,869,954**	**-**	**12,585,532**	**62,404,261**	**4,664,697**	**6,517,111**	**8,078,886**	**37,565**	**193,158,006**
Residents in Turkey	77,849,583	-	10,216,335	57,205,242	1,939,543	1,684,309	2,434,202	36,302	151,365,516
Residents in Abroad	21,020,371	-	2,369,197	5,199,019	2,725,154	4,832,802	5,644,684	1,263	41,792,490
Public Sector Deposits	**880,139**	**-**	**37,809**	**64,397**	**136**	**10**	**-**	**-**	**982,491**
Commercial Deposits	**12,816,408**	**-**	**24,276,108**	**14,000,716**	**69,847**	**35,803**	**482,850**	**-**	**51,681,732**
Others	**391,099**	**-**	**172,403**	**1,121,142**	**19,856**	**176,034**	**3,236,314**	**-**	**5,116,848**
Precious Metal Deposits	**20,636,012**	**-**	**-**	**160,290**	**366,278**	**41,207**	**721,593**	**-**	**21,925,380**
Bank Deposits	**733,952**	**-**	**247,189**	**370,311**	**-**	**-**	**2,303**	**-**	**1,353,755**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	30,896	-	-	-	-	-	-	-	30,896
Foreign Banks	681,570	-	247,189	370,311	-	-	2,303	-	1,301,373
Special Financial Institutions	21,486	-	-	-	-	-	-	-	21,486
Others	-	-	-	-	-	-	-	-	-
Total	**156,140,024**	**-**	**42,270,702**	**133,036,355**	**5,720,732**	**7,098,065**	**13,795,186**	**39,284**	**358,100,348**

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

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	41,100,178	39,677,571	42,087,999	34,453,878
Foreign Currency Saving Deposits	46,222,647	37,004,702	88,027,097	70,678,418
Other Saving Deposits	10,285,722	3,179,119	10,189,152	2,565,718
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,427,705	1,169,315	238	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

None.

5.2.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

5.2.1.3.1 SAVING DEPOSITS OF INDIVIDUALS NOT COVERED BY INSURANCE LIMITS:

	CURRENT PERIOD	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	19,853	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,	162,289	166,340
Chief Executive Officer, Senior Executive Officers and their Relatives	-	-
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

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5.2.2 FUNDS BORROWED

Information on funds borrowed is as follows;

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	674,365	1,288,090	-	860,923
Domestic Banks and Institutions	1,345,613	2,371,039	1,326,874	1,320,690
Foreign Banks, Institutions and Funds	213,574	20,727,502	1,361,081	20,752,491
Total	**2,233,552**	**24,386,631**	**2,687,955**	**22,934,104**

5.2.2.1 MATURITIES OF FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	2,008,035	3,505,464	1,326,881	2,991,738
Medium and Long-Term	225,517	20,881,167	1,361,074	19,942,366
Total	**2,233,552**	**24,386,631**	**2,687,955**	**22,934,104**

5.2.2.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

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

5.2.3 MONEY MARKET FUNDS

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

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	**117,688**	**-**	**94,463**	**-**
Financial Institutions and Organizations	29,847	-	16,856	-
Other Institutions and Organizations	43,103	-	38,539	-
Individuals	44,738	-	39,068	-
Foreign Transactions	**881**	**2,065,661**	**81**	**1,370,446**
Financial Institutions and Organizations	-	2,065,661	-	1,370,446
Other Institutions and Organizations	850	-	-	-
Individuals	31	-	81	-
Total	**118,569**	**2,065,661**	**94,544**	**1,370,446**

5.2.4 SECURITIES ISSUED

	TL		FC	
CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	4,916,449	2,032,017	-	17,947,701
Cost	4,749,953	2,021,967	-	17,855,813
Carrying Value (*)	4,883,881	1,210,551	-	16,722,649

	TP	YP

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	4,832,936	2,032,018	-	15,882,842
Cost	4,822,428	2,030,144	-	15,809,477
Carrying Value (*)	4,825,540	1,210,544	-	14,990,453

(*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 1,581,953 and foreign currency securities with a total face value of USD 215,966,090 (31 December 2019: 863,079 TL and USD 206,943,000) and netted off such securities in the accompanying consolidated financial statements.

5.2.5 INFORMATION ABOUT FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Securities Issued	-	16,137,939	-	14,342,293
Total	**-**	**16,137,939**	**-**	**14,342,293**

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,323,462,798 (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 31 December 2020, the accumulated fair value change of the related financial liability amounted to TL 1,265,467 (31 December 2019: TL 725,306) and the corresponding gain/loss recognised in the statement of loss amounted to TL 540,161 (31 December 2019: TL 205,521). The carrying value of the related financial liability amounted to TL 16,137,939 (31 December 2019: TL 14,342,293).

5.2.6 DERIVATIVE FINANCIAL LIABILITIES

5.2.6.1 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES MEASURED AT FVTPL

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

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	145,739	14,697	155,718	7,065
Swap Transactions	4,058,363	3,337,870	931,412	1,730,884
Futures	28	-	6	-
Options	44,774	33,686	113,327	105,537
Others	-	1,114	-	298
Total	**4,248,904**	**3,387,367**	**1,200,463**	**1,843,784**

5.2.6.2 DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE

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

DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	1,623	493,635	104,982	355,722
Cash Flow Hedges	132,029	273,332	639,826	94,888
Net Foreign Investment Hedges	-	-	-	-
Total	**133,652**	**766,967**	**744,808**	**450,610**

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

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5.2.7 FACTORING PAYABLES

None.

5.2.8 LEASE PAYABLES

5.2.8.1 OPERATIONAL LEASE AGREEMENTS

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Less than 1 Year	268,143	200,977	383,053	247,396
Between 1-5 Years	722,382	533,480	846,977	550,604
Longer than 5 Years	419,578	291,910	547,238	336,770
Total	**1,410,103**	**1,026,367**	**1,777,268**	**1,134,770**

As of 31 December 2020, the weighted average of the incremental borrowing interest rates applied to TL, EUR, USD and RON lease liabilities presented in the statement of financial position of the Group are 13.9%, 1.7%, 7.0% and 5.5% (31 December 2019: 21.2%, 2.5%, 7% and 8%) respectively.

5.2.9 PROVISIONS

5.2.9.1 RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**558,285**	**489,257**
Provision for the Period	144,791	142,503
Actuarial Gain/Loss	120,886	(4,293)
Payments During the Period	(56,456)	(69,182)
Balances at End of Period	**767,506**	**558,285**

5.2.9.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

None (31 December 2019: None).

5.2.9.3 EXPECTED CREDIT LOSSES (STAGE 3) FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited	5.004	52.031
Collectibility	5,004	52,031
Doubtful Loans and Receivables	3,846	186,431
Uncollectible Loans and Receivables	804,299	386,110
Total	**813,149**	**624,572**

5.2.9.4 OTHER PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Benefits	1,453,532	1,246,661
Insurance Technical Provisions, Net	829,112	640,533
Provision for Promotion Expenses of Credit Cards	233,515	172,525
Provision for Lawsuits	316,873	488,730
Provision for Non-Cash Loans	2,151,889	1,214,480
Other Provisions(*)	5,050,650	2,763,444
Total	**10,035,571**	**6,526,373**

(*) Includes total general reserve of TL 4,650,000 (31 December 2019: 2,500,000) consisting of TL 2,150,000 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 28 December 2020 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 6,118,955 at 31 December 2020 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2020 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 28 December 2020 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 3,546,713 remains as of 31 December 2020 as details are given in the table below.

	31 DECEMBER 2020	31 DECEMBER 2019
Transferable Pension and Medical Benefits:		
Net present value of pension benefits transferable to SSF	(2,200,812)	(1,846,213)
Net present value of medical benefits and health premiums transferable to SSF	925,296	556,956
General administrative expenses	(74,857)	(64,962)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	**(1,350,373)**	**(1,354,219)**
Fair Value of Plan Assets (2)	**7,469,328**	**5,988,881**
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	**6,118,955**	**4,634,662**
Non-Transferable Benefits:		
Other pension benefits	(1,396,390)	(1,002,495)
Other medical benefits	(1,175,852)	(1,394,042)
Total Non-Transferable Benefits (4)	**(2,572,242)**	**(2,396,537)**
Asset Surplus over Total Benefits ((3)-(4))	**3,546,713**	**2,238,125**

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

	31 DECEMBER 2020	31 DECEMBER 2019
Balance at Beginning of Period	-	-
Actual contributions paid during the period	(127,520)	(91,969)
Total expense recognized in the income statement	85,084	73,334
Amount recognized in the shareholders' equity	42,436	18,635
Balance at End of Period	-	-

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

	31 DECEMBER 2020	31 DECEMBER 2019
	%	%
Discount Rate (*)	13.00	12.50
Inflation Rate (*)	9.70	8.20
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	13.90	12.40
Future Pension Increase Rate (*)	9.70	8.20

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

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

DEFINED BENEFIT OBLIGATION	PENSION BENEFITS EFFECT	MEDICAL BENEFITS EFFECT	OVERALL EFFECT
Assumption change	**%**	**%**	**%**
Discount rate +0.5%	(7.00)	(9.80)	(8.30)
Discount rate -0.5%	7.90	11.50	9.50
Medical inflation +0.5%	-	11.20	5.10
Medical inflation -0.5%	-	(9.70)	(4.40)

RETIREMENT INDEMNITIES	SENSITIVITY OF PAST SERVICE LIABILITY	SENSITIVITY OF NORMAL COST
Assumption change	**%**	**%**
Discount rate +0.5%	(6.00)	(7.40)
Discount rate -0.5%	6.60	8.30
Inflation rate +0.5%	6.20	(3.80)
Inflation rate -0.5%	(6.00)	4.00

5.2.10 TAX LIABILITY

5.2.10.1 CURRENT TAX LIABILITY

5.2.10.1.1 TAX LIABILITY

As of 31 December 2020, the corporate tax liability amounts to TL 1,845,890 (31 December 2019: TL 683,990) after offsetting with prepaid taxes. If the differences arising between the book value and the tax base value of the assets subject to the current tax liability are related to the shareholders' equity account group, the current tax asset or liability is netted off by the relevant accounts in this group.

5.2.10.1.2 TAXES PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Corporate Taxes Payable	1,845,890	683,990
Taxation on Securities Income	102,988	190,677
Taxation on Real Estates Income	8,665	5,321
Banking Insurance Transaction Tax	196,794	209,765
Foreign Exchange Transaction Tax	19,230	10,997
Value Added Tax Payable	13,494	35,049
Others	90,120	101,866
Total	**2,277,181**	**1,237,665**

5.2.10.1.3 PREMIUMS PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Social Security Premiums-Employees	6,310	5,411
Social Security Premiums-Employer	4,682	3,438
Bank Pension Fund Premium-Employees	345	37
Bank Pension Fund Premium-Employer	532	37
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	2,069	1,752
Unemployment Insurance-Employer	5,155	3,586
Others	73	49
Total	**19,166**	**14,310**

5.2.10.2 DEFERRED TAX LIABILITY

As of 31 December 2020, the deferred tax liability amounts to TL 48,863 (31 December 2019: TL 29,480).

5.2.11 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

5.2.12 SUBORDINATED DEBTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	1,029,532	-	261,478	-
Foreign Banks	-	-	-	4,468,229
Foreign Other Institutions	-	5,569,437	-	-
Total	**1,029,532**	**5,569,437**	**261,478**	**4,468,229**

Disclosures on subordinated debts are reported in Note 4.1.2.

5.2.13 OTHER LIABILITIES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Payables from credit card transactions	13,340,047	93,086	9,955,158	136,071
Payables from clearing transactions	3,534,101	23,089	2,978,282	74,119
Other	1,985,408	4,145,343	1,319,133	2,073,593
Total	**18,859,556**	**4,261,518**	**14,252,573**	**2,283,783**

5.2.14 SHAREHOLDERS' EQUITY

5.2.14.1 PAID-IN CAPITAL

	CURRENT PERIOD	PRIOR PERIOD
Common shares	4,200,000	4,200,000
Preference shares	-	-

5.2.14.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL SYSTEM	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

5.2.14.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

5.2.14.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None.

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5.2.14.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

5.2.14.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK'S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

None.

5.2.14.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None.

5.2.14.8 SECURITIES VALUE INCREASE FUND

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

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	**-**	**-**	**-**	**-**
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	**183,445**	**117,029**	**(40,429)**	**155,810**
Valuation Difference	190,085	117,029	(40,429)	155,810
Exchange Rate Difference	(6,640)	-	-	-
Total	**183,445**	**117,029**	**(40,429)**	**155,810**

5.2.14.9 REVALUATION SURPLUS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Movables	52,120	14,759	24,125	194,826
Real Estates	1,849,148	99,290	1,525,315	72,648
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-	-	-
Other	(302,746)	-	(172,475)	-
Total	**1,598,522**	**114,049**	**1,376,965**	**267,474**

5.2.14.10 BONUS SHARES OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

	CURRENT PERIOD	PRIOR PERIOD
Bankalararası Kart Merkezi AŞ	5,781	-
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	**6,694**	**913**

5.2.14.11 LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
I. Legal Reserve	1,126,710	1,092,170
II. Legal Reserve	507,264	507,264
Special Reserves	-	-
Total	**1,633,974**	**1,599,434**

5.2.14.12 EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	44,235,769	38,013,495

5.2.14.13 MINORITY INTEREST

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	**273,910**	**197,546**
Profit Share of Subsidiaries Net Profits	80,073	76,476
Prior Period Dividend Payment	(106,518)	(680)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	214	568
Balance at End of Period	**247,679**	**273,910**

5.3 CONSOLIDATED OFF-BALANCE SHEET ITEMS

5.3.1 OFF-BALANCE SHEET CONTINGENCIES

5.3.1.1 IRREVOCABLE CREDIT COMMITMENTS

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 27,918,231 (31 December 2019: TL 15,882,503), commitments for cheque payments of TL 3,174,209 (31 December 2019: TL 3,184,727) and commitments for credit card limits of TL 47,352,117 (31 December 2019: TL 38,234,015).

5.3.1.2 POSSIBLE LOSSES AND COMMITMENTS RESULTED FROM OFF-BALANCE SHEET ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Letters of Guarantee in Foreign Currency	33,857,845	26,872,148
Letters of Guarantee in TL	31,475,024	23,555,242
Letters of Credit	13,163,222	10,676,483
Bills of Exchange and Acceptances	2,173,451	1,579,043
Prefinancings	-	-
Other Guarantees	125,852	74,179
Total	**80,795,394**	**62,757,095**

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Expected losses for non-cash loans and irrevocable commitments

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Current Period Balances at Beginning of Period	**238.451**	**351.457**	**624.572**	**1.214.480**
Additions during the Period (+)	642,453	771,378	351,509	1,765,340
Disposal (-)	(513,980)	(241,228)	(261,762)	(1,016,970)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	150,407	(149,035)	(1,372)	-
Transfer to Stage 2	(44,197)	59,376	(15,179)	-
Transfer to Stage 3	(294)	(18,431)	18,725	-
Foreign Currency Differences	31,152	61,231	96,656	189,039
Balances at End of Period	**503,992**	**834,748**	**813,149**	**2,151,889**

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Prior Period Balances at Beginning of Period	**123.751**	**245.225**	**285.681**	**654.657**
Additions during the Period (+)	309,983	457,568	342,817	1,110,368
Disposal (-)	(268,789)	(180,334)	(148,924)	(598,047)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	92,434	(91,370)	(1,064)	-
Transfer to Stage 2	(25,400)	26,879	(1,479)	-
Transfer to Stage 3	(401)	(119,500)	119,901	-
Foreign Currency Differences	6,873	12,989	27,640	47,502
Balances at End of Period	**238,451**	**351,457**	**624,572**	**1,214,480**

Lifetime expected credit loss (Stage 3) of TL 813,149 (31 December 2019: TL 624,572) is made for unliquidated non-cash loans of TL 1,441,170 (31 December 2019: TL 1,544,164) recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

5.3.1.3 NON-CASH LOANS

	CURRENT PERIOD	PRIOR PERIOD
Non-Cash Loans against Cash Risks	14,143,550	11,045,938
With Original Maturity of 1 Year or Less	2,272,692	1,673,837
With Original Maturity of More Than 1 Year	11,870,858	9,372,101
Other Non-Cash Loans	66,651,844	51,711,157
Total	**80,795,394**	**62,757,095**

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5.3.1.4 OTHER INFORMATION ON NON-CASH LOANS

	CURRENT PERIOD			
	TL	(%)	FC	(%)
Agriculture	**120,752**	**0.38**	**235,022**	**0.48**
Farming and Stockbreeding	78,187	0.25	182,686	0.37
Forestry	20,634	0.06	35,972	0.07
Fishery	21,931	0.07	16,364	0.03
Manufacturing	**8,088,269**	**25.42**	**22,824,450**	**46.61**
Mining and Quarrying	311,013	0.98	392,989	0.80
Production	5,507,663	17.31	14,702,099	30.02
Electricity, Gas, Water	2,269,593	7.13	7,729,362	15.78
Construction	**3,913,005**	**12.30**	**8,396,510**	**17.15**
Services	**17,526,121**	**55.07**	**15,369,695**	**31.39**
Wholesale and Retail Trade	10,060,778	31.61	5,653,734	11.55
Accomodation and Dining	763,987	2.40	690,737	1.41
Transportation and	1.562.899	4,91	2.918.030	5,96
Telecommunication	1,562,899	4.91	2,918,030	5.96
Financial Institutions	3,345,100	10.51	5,808,752	11.86
Real Estate and Rental Services	1,497,849	4.71	224,114	0.46
Professional Services	-	-	-	-
Educational Services	44,668	0.14	2,345	-
Health and Social Services	250,840	0.79	71,983	0.15
Others	**2,176,193**	**6.84**	**2,145,377**	**4.38**
Total	**31,824,340**	**100.00**	**48,971,054**	**100.00**

	PRIOR PERIOD			
	TL	(%)	FC	(%)
Agriculture	**82,088**	**0.35**	**82,438**	**0.21**
Farming and Stockbreeding	57,843	0.24	71,349	0.18
Forestry	18,383	0.09	2,861	0.01
Fishery	5,862	0.02	8,228	0.02
Manufacturing	**6,260,335**	**26.46**	**19,436,019**	**49.71**
Mining and Quarrying	206,972	0.87	165,395	0.42
Production	3,979,058	16.82	12,962,588	33.15
Electricity, Gas, Water	2,074,305	8.77	6,308,036	16.13
Construction	**3,559,594**	**15.05**	**4,895,904**	**12.52**
Services	**11,603,232**	**49.05**	**12,030,732**	**30.77**
Wholesale and Retail Trade	7,574,284	32.02	4,744,647	12.13
Accomodation and Dining	508,837	2.15	437,836	1.12
Transportation and	939.459	3,97	2.414.923	6,18
Telecommunication	939,459	3.97	2,414,923	6.18
Financial Institutions	1,989,264	8.41	4,065,094	10.40
Real Estate and Rental Services	361,873	1.53	253,606	0.65
Professional Services	-	-	-	-
Educational Services	48,806	0.21	1,756	-
Health and Social Services	180,709	0.76	112,870	0.29
Others	**2,150,323**	**9.09**	**2,656,430**	**6.79**
Total	**23,655,572**	**100.00**	**39,101,523**	**100.00**

5.3.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II:

CURRENT PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	**28,350,985**	**43,422,047**	**3,371,337**	**4,620,007**
Letters of Guarantee	28,015,726	28,670,422	3,357,280	4,260,268
Bills of Exchange and Bank Acceptances	64,784	1,974,826	5,410	126,586
Letters of Credit	270,475	12,650,947	8,647	233,153
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	125,852	-	-

PRIOR PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	**20,778,770**	**35,247,709**	**2,544,787**	**2,840,202**
Letters of Guarantee	20,678,440	23,279,141	2,544,787	2,580,875
Bills of Exchange and Bank Acceptances	35,845	1,533,885	-	7,833
Letters of Credit	64,485	10,362,227	-	249,771
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	72,456	-	1,723

5.3.2 FINANCIAL DERIVATIVE INSTRUMENTS

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	**1,673,036**	**1,388,763**	**3,432,142**	**25,937,310**	**9,856,655**	**42,287,906**
Fair Value Hedges	**-**	**3,672**	**108,046**	**3,464,446**	**5,202,241**	**8,778,405**
Cash Flow Hedges	1,673,036	1,385,091	3,324,096	22,472,864	4,654,414	33,509,501
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	-	-	-	-	-	-
Foreign Currency related Derivative Transactions (I)	**130,995,776**	**80,796,821**	**28,141,999**	**2,419,948**	**1,599,460**	**243,954,004**
Currency Forwards – Purchases	3,583,742	3,332,019	3,336,701	133,771	-	10,386,233
Currency Forwards – Sales	3,531,876	3,200,622	3,130,080	132,947	-	9,995,525
Currency Swaps – Purchases	55,076,797	35,230,429	9,135,088	1,080,104	844,730	101,367,148
Currency Swaps – Sales	64,057,763	37,584,329	9,918,173	1,061,524	754,730	113,376,519
Currency Options – Purchases	1,801,527	421,555	852,907	5,784	-	3,081,773
Currency Options – Sales	1,963,099	434,376	836,758	5,818	-	3,240,051
Currency Futures – Purchases	501,272	302,326	442,800	-	-	1,246,398
Currency Futures – Sales	479,700	291,165	489,492	-	-	1,260,357
Interest Rate related Derivative Transactions (II)	**12,650,092**	**13,942,984**	**18,236,744**	**34,770,376**	**65,570,766**	**145,170,962**
Interest Rate Swaps – Purchases	6,319,347	6,922,163	9,118,578	17,052,287	32,194,983	71,607,358
Interest Rate Swaps – Sales	6,319,347	6,922,163	9,118,166	17,052,287	32,194,983	71,606,946
Interest Rate Options – Purchases	-	-	-	665,802	1,180,800	1,846,602
Interes Rate Options – Sales	-	-	-	-	-	-
Securities Options – Purchases	2,960	22,051	-	-	-	25,011
Securities Options – Sales	8,438	76,607	-	-	-	85,045
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	**8,373,543**	**403,504**	**206,295**	**12,154,311**	**22,140,000**	**43,277,653**
B. Total Trading Derivatives (I+II+III)	**152,019,411**	**95,143,309**	**46,585,038**	**49,344,635**	**89,310,226**	**432,402,619**
Total Derivative Transactions (A+B)	**153,692,447**	**96,532,072**	**50,017,180**	**75,281,945**	**99,166,881**	**474,690,525**

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	**207,286**	**1,516,182**	**11,785,096**	**37,103,482**	**15,335,525**	**65,947,571**
Fair Value Hedges	-	678,102	1,869,214	7,967,628	10,928,014	21,442,958
Cash Flow Hedges	207,286	838,080	9,915,882	29,135,854	4,407,511	44,504,613
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Foreign Currency related Derivative Transactions (I)	**97,200,426**	**53,632,581**	**32,425,811**	**5,683,643**	**1,606,303**	**190,548,764**
Currency Forwards – Purchases	2,904,428	1,880,546	3,153,314	157,404	-	8,095,692
Currency Forwards – Sales	2,886,386	1,842,199	3,091,346	171,978	-	7,991,909
Currency Swaps – Purchases	43,219,380	21,251,093	9,755,852	1,903,604	741,615	76,871,544
Currency Swaps – Sales	39,490,564	21,412,012	9,929,830	1,881,587	864,648	73,578,681
Currency Options – Purchases	4,257,046	3,149,744	3,182,866	763,879	-	11,353,535
Currency Options – Sales	4,415,113	3,578,695	3,240,735	755,959	-	11,990,502
Currency Futures – Purchases	14,441	259,759	36,343	25,549	-	336,092
Currency Futures – Sales	13,068	258,533	35,525	23,683	-	330,809
Interest Rate related Derivative Transactions (II)	**336,068**	**332,016**	**9,615,576**	**15,905,078**	**52,316,021**	**78,504,759**
Interest Rate Swaps – Purchases	140,040	91,784	1,870,976	7,952,539	25,319,432	35,374,771
Interest Rate Swaps – Sales	140,040	91,784	1,870,976	7,952,539	25,319,432	35,374,771
Interest Rate Options – Purchases	-	-	4,971,964	-	1,677,157	6,649,121
Interes Rate Options – Sales	-	-	888,120	-	-	888,120
Securities Options – Purchases	21,084	58,396	8,400	-	-	87,880
Securities Options – Sales	34,904	60,448	5,140	-	-	100,492
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	29,604	-	-	-	29,604
Other Trading Derivatives (III)	**4,074,028**	**693,099**	**159,893**	**3,950,269**	**11,101,510**	**19,978,799**
B. Total Trading Derivatives (I+II+III)	**101,610,522**	**54,657,696**	**42,201,280**	**25,538,990**	**65,023,834**	**289,032,322**
Total Derivative Transactions (A+B)	**101,817,808**	**56,173,878**	**53,986,376**	**62,642,472**	**80,359,359**	**354,979,893**

5.3.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2020, there are total return swaps of the Bank with a total face value of USD 2,323,462,798 (31 December 2019: USD 2,511,607,143) classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

5.3.4 CONTINGENT LIABILITIES AND ASSETS

The Bank and its consolidated financial affiliates made a total provision amounting to TL 316,873 (31 December 2019: TL 488,730) for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.9.4, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financials indicators such as CDS levels, currency exchange rates, interest rates etc.

5.3.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

5.4 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

5.4.1 INTEREST INCOME

5.4.1.1 INTEREST INCOME FROM LOANS (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	7,770,245	803,844	10,167,361	860,747
Medium and long-term loans	16,030,524	5,622,234	16,499,113	5,707,374
Loans under follow-up	481,968	211,158	503,825	127,786
Premiums Received from Resource Utilization Support Fund	-	-		
Total	**24,282,737**	**6,637,236**	**27,170,299**	**6,695,907**

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

5.4.1.2 INTEREST INCOME FROM BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	292	-	10,979	165,825
Domestic Banks	99,421	39,274	325,094	49,001
Foreign Banks	2,733	59,189	5,936	298,373
Foreign Head Offices and Branches	-	-	-	-
Total	**102,446**	**98,463**	**342,009**	**513,199**

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	98,770	34,078	103,938	9,593
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,619,478	550,876	2,286,211	498,177
Financial Assets Measured at Amortised Cost	2,837,449	417,610	2,483,331	277,661
Total	**5,555,697**	**1,002,564**	**4,873,480**	**785,431**

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2020, the valuation of such securities was made according to annual inflation as of balance sheet date.

(Thousands of Turkish Lira (TL))

5.4.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Received from Investments in Associates and Subsidiaries	43,428	25,224

5.4.2 INTEREST EXPENSES

5.4.2.1 INTEREST EXPENSES ON FUNDS BORROWED (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks	202,264	362,774	275,545	515,094
Central Bank of Turkey	23,624	1,896	-	4,672
Domestic Banks	79,317	60,343	122,706	75,575
Foreign Banks	99,323	300,535	152,839	434,847
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	782,017	-	1,008,496
Total	**202,264**	**1,144,791**	**275,545**	**1,523,590**

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

5.4.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Paid to Investments in Associates and Subsidiaries	22,428	26,576

5.4.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Expenses on Securities Issued	848,365	1,480,570	1,049,102	1,601,424

5.4.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

CURRENT PERIOD	DEMAND DEPOSITS	TIME DEPOSITS						TOTAL
		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR	ACCUMULATING DEPOSIT ACCOUNTS	
Turkish Lira								
Bank Deposits	1,404	55,181	-	-	-	-	-	56,585
Saving Deposits	2,212	288,233	5,024,558	33,528	26,575	178,182	-	5,553,288
Public Sector Deposits	-	8,734	8,668	1	-	1	-	17,404
Commercial Deposits	129	1,108,513	1,133,476	22,768	24,347	116,980	-	2,406,213
Others	2	43,861	126,184	33,514	14,578	465,143	-	683,282
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**3,747**	**1,504,522**	**6,292,886**	**89,811**	**65,500**	**760,306**	**-**	**8,716,772**
Foreign Currency								
Foreign Currency Deposits	5,005	111,813	335,624	43,269	62,434	133,781	339	692,265
Bank Deposits	(1,203)	717	2,303	6,023	11,434	1,084	-	20,358
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	21	7,846	-	7,867
Total FC	**3,802**	**112,530**	**337,927**	**49,292**	**73,889**	**142,711**	**339**	**720,490**
Grand Total	**7,549**	**1,617,052**	**6,630,813**	**139,103**	**139,389**	**903,017**	**339**	**9,437,262**

PRIOR PERIOD	DEMAND DEPOSITS	TIME DEPOSITS						TOTAL
		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR	ACCUMULATING DEPOSIT ACCOUNTS	
Turkish Lira								
Bank Deposits	3,059	65,200	-	-	-	-	-	68,259
Saving Deposits	2,347	421,487	8,302,030	429,739	270,841	595,899	-	10,022,343
Public Sector Deposits	-	2,948	6,579	523	106	8	-	10,164
Commercial Deposits	298	1,335,174	1,606,867	79,599	81,946	186,794	-	3,290,678
Others	11	35,436	154,228	7,675	90,085	695,752	-	983,187
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**5,715**	**1,860,245**	**10,069,704**	**517,536**	**442,978**	**1,478,453**	**-**	**14,374,631**
Foreign Currency								
Foreign Currency Deposits	21,787	215,367	1,396,566	120,225	138,699	225,963	441	2,119,048
Bank Deposits	-	5,162	846	3,910	9,342	8,959	-	28,219
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	23	244	129	6,813	-	7,209
Total FC	**21,787**	**220,529**	**1,397,435**	**124,379**	**148,170**	**241,735**	**441**	**2,154,476**
Grand Total	**27,502**	**2,080,774**	**11,467,139**	**641,915**	**591,148**	**1,720,188**	**441**	**16,529,107**

5.4.2.5 INTEREST EXPENSE ON MONEY MARKET TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	246,133	10,855	25,012	18,837

5.4.2.6 LEASE EXPENSES

5.4.2.6.1 FINANCIAL LEASE EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Financial Lease Expenses	-	2,788

5.4.2.6.2 OPERATIONEL LEASE EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Operationel lease expenses	133,480	185,305

5.4.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

5.4.3 DIVIDEND INCOME

	CURRENT PERIOD	PRIOR PERIOD
Financial Assets Valued at Fair Value through Profit or Loss	3,002	2,291
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Others	19,176	8,985
Total	**22,178**	**11,276**

5.4.4 TRADING INCOME/LOSSES (NET)

	CURRENT PERIOD	PRIOR PERIOD
Prior Period	**157.883.943**	**133.364.923**
Income	157,883,943	133,364,923
Trading Account Income	1,813,299	492,021
Derivative Financial Instruments	13,715,437	28,315,997
Foreign Exchange Gain	142,355,207	104,556,905
Losses (-)	**157,181,049**	**135,170,985**
Trading Account Losses	1,238,967	649,105
Derivative Financial Instruments	19,936,534	31,251,304
Foreign Exchange Losses	136,005,548	103,270,576
Total	**702,894**	**(1,806,062)**

TL 4,605,151 (31 December 2019: TL 2,448,840) of foreign exchange gains and TL 1,990,681 (31 December 2019: TL (2,538,991)) of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

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

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 15,965,405 and EUR 18,421,064 and securitization borrowings amounting to EUR 33,994,728 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 399,186,992 and EUR 30,000,000 and deposits amounting to TL 1,730,000, 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 16,656 (31 December 2019: gain of TL 19,136) and loss of TL (247,380) (31 December 2019:loss of TL (623,240)) 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 USD 55,544,712 and EUR 43,337,771, for its fixed rate coupons with a total face value of 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 12,559 (31 December 2019: gain of TL 161,485) and TL 371,381 (31 December 2019: gain of TL 206,320) 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.

The parent Bank applies cash flow hedge accounting in order to hedge its expected investment expenditures which are considered to have high probability of realization in the future from the exchange rate risk that will occur due to fluctuations in the market exchange rates.

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Cash flow hedge accounting is applied between the estimated investment expenditures amounting to USD 67,639,959 in total (31 December 2019: None) and foreign currency denominated assets and exchange differences arising from translation of foreign currency denominated assets into Turkish Lira are accounted under "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss". As of 31 December 2020, TL (24,655) arising from cash flow accounting is accounted under equity. There is no ineffective portion arising from cash flow hedge accounting.

The parent Bank applies cash flow hedge accounting in order to hedge its foreign Eurobond coupon returns which are considered to have high probability of realization in the future from the exchange rate risk that will occur due to fluctuations in the market exchange rates. Cash flow hedge accounting is applied between the estimated foreign Eurobond coupon returns amounting to USD 67,639,959 in total (31 December 2019: None) and foreign currency denominated liabilities and exchange differences arising from translation of foreign currency denominated liabilities into Turkish Lira are accounted under "Other Comprehensive Income/ Expense Items to be Recycled to Profit or Loss". As of 31 December 2020, TL 24,655 (31 December 2019: None) arising from cash flow accounting is accounted under equity. There is no ineffective portion arising from cash flow hedge accounting.

The parent Bank applies cash flow hedge accounting in order to hedge its payment commitments made within the context of a special mile program that the Bank is subject to from the exchange rate risk that will occur due to fluctuations in the market exchange rates. Cash flow hedge accounting is applied between the payment commitments amounting to USD 11,333,460 in total (31 December 2019: None) and foreign currency denominated assets and exchange differences arising from translation of foreign currency denominated assets into Turkish Lira are accounted under "Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss". As of 31 December 2020, TL (3,338) (31 December 2019: None) arising from cash flow accounting is accounted under equity. There is no ineffective portion arising from cash flow hedge accounting.

In the consolidated financial statements, the Bank applies cash flow hedge accounting by designating floating rate funds borrowed used by the one of the Bank's subsidiary with interest rate swap transactions of the Bank, in order to hedge the cash flow risk arising from fluctuations in market interest rates of these funds borrowed by the subsidiary, starting from 30 September 2019.In this respect, cash flow hedge accounting is applied for funds borrowed amounting to EUR 102,659,877 by designating interest rate swaps that include floor option with the same nominal value and interest rate swaps of USD 7,000,000 with the same nominal value and terms. In this respect, there is TL 840 amount accounted under shareholders' equity in the current period for interest rate swap transactions.

One of the Bank's consolidated subsidiaries enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 25,000,000 and EUR 20,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, the accumulated fair value loss for the hedged loans and bonds is TL 19,257 (31 December 2019: gain of TL 819). The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

One of the Bank's consolidated subsidiaries enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to EUR 35,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a loss of TL 10,489 (31 December 2019: a loss of TL 6,764) resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 610,122,778 sell and EUR 63,172,553 buy, SEK 6,832,438 sell and EUR 657,258 buy, PLN 207,219 sell and EUR 44,700 buy, HUF 1,908,719,444 sell and EUR 5,518,455 buy, DKK 5,570,302 sell and EUR 748,215 buy, NOK 2,573,751 sell and EUR 230,824 buy, RON 8,333,330 sell and EUR 1,642,753 buy, CHF 42,095 sell and EUR 39,390 buy. Accordingly, in the current period, a loss of TL 2,378 (31 December 2019: a loss of TL 9,999) resulting from currency derivative contracts were recognized under shareholder's equity.

One of the Bank's consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its financial lease receivables granted in Foreign Currency by designating swaps with the same face value amount and similar terms; EUR 15,000,000 sell and TL 139,095,000 buy, USD 29,000,000 sell and TL 209,090,000 buy. Accordingly, in the current period, a loss of TL 5,484 (31 December 2019: a loss of TL 4,247) resulting from interest rate swap agreements and a gain of TL 3,751 (31 December 2019: a gain of TL 22,856) from currency derivative contracts were recognized under shareholder's equity.

5.4.5 OTHER OPERATING INCOME

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

In the current period, a part of non-performing receivables of the Bank's one of its consolidated subsidiaries amounting to TL 147,010 (31 December 2019: 1,026,813) were sold for a consideration of TL 54,892 (31 December 2019: 70,566). Considering the related provision of TL 122,788 (31 December 2019: 1,025,129) made in the financial statements, a gain of TL 30,670 (31 December 2019: 68,882) is recognized under "Other Operating Income".

	CURRENT PERIOD	PRIOR PERIOD
Prior Year Reversals	**4,579,702**	**4,166,567**
Stage 1	1,317,604	1,156,539
Stage 2	1,645,664	1,731,371
Stage 3	1,421,253	1,129,416
Others	195,181	149,241
Income from term sale of assets	**138,213**	**103,562**
Others (*)	**1,832,208**	**1,406,655**
Total	**6,550,123**	**5,676,784**

(*) Premium income from insurance business amounting to TL 1,346,544 (31 December 2019: TL 1,037,739) which is included in other operating income in the accompanying financial statements is presented in "others" line item.

5.4.6 EXPECTED CREDIT LOSSES AND OTHER PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
Expected Credit Losses	**14,330,950**	**11,491,709**
12-Month ECL (Stage 1)	2,749,573	1,567,920
Significant Increase in Credit Risk (Stage 2)	6,900,740	3,005,735
Impaired Credits(Stage 3)	4,680,637	6,918,054
Other Provisions	3,829,044	855,943
Impairment Losses on Securities	62,208	16,569
Financial Assets Measured at Fair Value through Profit or Loss	56,806	12,752
Financial Assets Measured at Fair Value through Other Comprehensive Income	5,402	3,817
Impairment Losses on Associates, Subsidiaries and Joint-ventures	295,281	-
Associates	295,281	-
Subsidiaries	-	-
Joint-ventures (business partnership)	-	-
Others	3,471,555	839,374
Total	**18,159,994**	**12,347,652**

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5.4.7 OTHER OPERATING EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Termination Benefits	109,294	103,721
Defined Benefit Plan Obligations	-	-
Impairment Losses on Tangible Assets	98,951	24,104
Depreciation Expenses of Tangible Assets	395,872	400,186
Impairment Losses on Intangible Assets	-	328
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	165,387	140,883
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	7,881	23,167
Depreciation Expenses of Right-of-use Assets	340,696	327,302
Impairment Losses on Assets Held for Sale and Discontinued Assets	3,635	1,578
Other Operating Expenses	4,673,571	3,816,051
Operational Lease related Expenses (*)	193,117	177,721
Repair and maintenance expenses	92,123	92,014
Advertisement expenses	171,995	183,420
Other expenses	4,216,336	3,362,896
Loss on Sale of Assets	1,630	9,273
Others (**)	1,670,178	1,274,492
Total	**7,467,095**	**6,121,085**

(*) Includes lease related expenses out of the scope of TFRS 16.
(**) Includes saving-deposits-insurance-fund related expenses of TL 630,573 (31 December 2019: TL 456,362) and insurance-business claim losses of TL 453,793 (31 December 2019: TL 346,165) in the current period.

5.4.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

TL 25,392,568 (31 December 2019: TL 20,673,425) of the profit before taxes is derived from net interest income and TL 6,587,665 (31 December 2019: TL 6,273,573) from net fees and commissions income. The total operating expenses amounted to TL 7,467,095 (31 December 2019: TL 6,121,085). The profit before taxes reached to TL 9,208,596 (31 December 2019: TL 8,172,268) increasing by 12.68% (31 December 2019: decreasing by 6.64%) as compared to the prior year.

There is no amount from discontinued operations.

5.4.9 INFORMATION ON PROVISION FOR TAXES FOR CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2020, on a consolidated basis, the Bank recorded a current tax expense of TL 4,549,974 (31 December 2019: TL 2,362,115) and a deferred tax income of TL 1,726,541 (31 December 2019: TL 431,237 tax income).

There is no amount from discontinued operations.

Deferred tax benefit/charge on timing differences

DEFERRED TAX (BENEFIT)/CHARGE ON TIMING DIFFERENCES	CURRENT PERIOD	PRIOR PERIOD
Increase in Tax Deductible Timing Differences (+)	(1,964,736)	(303,287)
Decrease in Tax Deductible Timing Differences (-)	116,311	202,528
Increase in Taxable Timing Differences (-)	242,149	89,916
Decrease in Taxable Timing Differences (+)	(120,265)	(420,394)
Total	**(1.726.541)**	**(431.237)**

Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions

DEFERRED TAX (BENEFIT)/CHARGE ARISING ON TIMING DIFFERENCES, TAX LOSSES AND TAX DEDUCTIONS AND EXEMPTIONS	CURRENT PERIOD	PRIOR PERIOD
(Increase)/Decrease in Tax Deductible Timing Differences (net)	(1,858,794)	(72,195)
(Increase)/Decrease in Taxable Timing Differences (net)	121,884	(330,478)
(Increase)/Decrease in Tax Losses (net)	10,369	(28,564)
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	**(1,726,541)**	**(431,237)**

5.4.10 NET OPERATING PROFIT/LOSS AFTER TAXES INCLUDING NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS

The Bank's net operating profit after taxes is TL 6,385,163 (31 December 2019: TL 6,241,390).

There is no amount from discontinued operations.

5.4.11 NET PROFIT/LOSS

5.4.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF BANK'S PERFORMANCE

None.

5.4.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS

None.

5.4.11.3 MINORITY INTEREST'S PROFIT/LOSS

	CURRENT PERIOD	PRIOR PERIOD
Net Profit/(Loss) of Minority Interest	80,073	76,476

5.4.12 COMPONENTS OF OTHER ITEMS IN INCOME STATEMENT

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

5.5 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

5.5.1 ANY CHANGES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS IN CURRENT PERIOD

5.5.1.1 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

As of 31 December 2020, an increase of TL 1,980,100 (31 December 2019: TL 465,491) that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

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5.5.1.2 INFORMATION ON CHANGES IN FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

"Unrealized profits / losses" arising from changes in financial assets measured at fair value through other comprehensive income, are not reflected in the income statement until the realization of either the collection of the value corresponding to the relevant financial asset, the sale, disposal of the asset or its weakness, and are accounted under shareholders'equity. After netting with the related deferred tax effect, an increase of TL 344,512 of (31 December 2019: an increase TL 1,035,915) is presented in the shareholders' equity for such transactions.

5.5.1.3 INFORMATION ON HEDGE FUNDS

5.5.1.3.1 INCREASES DUE TO CASH FLOW HEDGES

As disclosed in note 5.4.4 Trading income/losses, the Bank has various cash flow hedges. After netting with the related deferred tax effect, an increase of TL 161,766 (31 December 2019: a decrease of TL 551,146) is presented in the shareholders' equity for such hedge transactions.

5.5.1.3.2 INFORMATION ON CHANGES IN INVESTMENT HEDGING ITEMS RELATED WITH FOREIGN ENTITIES

As disclosed in note 3.2.2 Foreign currency transactions, the Bank applies net investment hedge accounting for foreign exchange differences arising from the conversion of foreign currency investments and foreign currency long term loans to Turkish Lira. After netting with the related deferred tax effect, a increase of TL 774,447 (31 December 2019: a decrease of TL 189,720) is presented in the shareholders' equity for such hedge transactions.

5.5.2 TRANSFERS TO LEGAL AND EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	14,406	14,076
Transfers to Extraordinary Reserves from Prior Year Profits	6,145,071	6,627,576

5.5.3 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.2.14.3.

5.5.4 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.29.

5.5.5 COMPENSATION OF PRIOR PERIOD LOSSES

None (31 December 2019: TL None).

(Thousands of Turkish Lira (TL))

5.6 CONSOLIDATED STATEMENT OF CASH FLOWS

5.6.1 DISCLOSURES FOR "OTHER" ITEMS AND "EFFECT OF TRANSLATION DIFFERENCES CASH AND CASH EQUIVALENTS" IN STATEMENT OF CASH FLOWS

The net cash inflows arising from banking operations amount to TL 9,628,517 (31 December 2019: TL 14,438,970). TL 13,665,034 (31 December 2019: TL 3,572,118 cash inflows) of these net cash inflows is generated from the cash outflow resulted from the change in operating assets and liabilities and TL 23,293,551 (31 December 2019: TL 18,011,088) from the cash inflows resulted from operating profit. The "net increase (decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to an increase of TL 6,450,560 (31 December 2019: TL 1,788,493 decrease). The net cash inflows from financing activities amount to TL 4,386,378 (31 December 2019: TL 4,052,169 net cash outflows).

The effect of translation differences on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 2,461,351 (31 December 2019: TL 1,472,401).

5.6.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Notes 5.1.10 and 5.1.11.

5.6.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None (31 December 2019: TL None).

5.6.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	4,343,805	4,072,788
Cash in TL	1,594,582	1,562,395
Cash in Foreign Currency	2,749,223	2,510,393
Cash Equivalents	43,662,688	33,624,816
Others	43,662,688	33,624,816
Total	**48,006,493**	**37,697,604**

5.6.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	**9,678,213**	**4,343,805**
Cash in TL	2,722,172	1,594,582
Cash in Foreign Currency	6,956,041	2,749,223
Cash Equivalents	**43,085,544**	**43,662,688**
Others	43,085,544	43,662,688
Total	**52,763,757**	**48,006,493**

5.6.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 2,423,914 (31 December 2019: TL 2,818,396) of which TL 2,222,619 (31 December 2019: TL 2,657,254) and TL 201,295 (31 December 2019: TL 161,142) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Furthermore, there are restricted deposits at various domestic banks amounting TL 465,118 (31 December 2019: TL 413,230) as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 26,010,300 (31 December 2019: TL 19,425,196) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold.

5.6.7 ADDITIONAL INFORMATION

5.6.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None (31 December 2019: TL None).

5.6.7.2 CASH INFLOWS PRESENTING INCREASE IN BANKING ACTIVITY RELATED CAPACITY

None (31 December 2019: TL None).

5.7 RELATED PARTY RISKS

5.7.1 TRANSACTIONS WITH PARENT BANK'S RISK GROUP;

5.7.1.1 LOANS AND OTHER RECEIVABLES

CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND IN DIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
LOANS AND OTHER RECEIVABLES	CASH	NON-CASH	CASH	NON-CASH	CASH	NON-CASH
Balance at beginning of period	192,177	4,064	38,598	1,003,750	28,717	45,561
Balance at end of period	792,970	27,873	662,187	878,143	157,906	51,551
Interest and Commission Income	**45,227**	**14**	**29,744**	**-**	**9,226**	**175**

PRIOR PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
LOANS AND OTHER RECEIVABLES	CASH	NON-CASH	CASH	NON-CASH	CASH	NON-CASH
Balance at beginning of period	300,597	5,024	116,428	954,272	147,203	36,351
Balance at end of period	192,177	4,064	38,598	1,003,750	28,717	45,561
Interest and Commission Income	**28,972**	**7**	**10,351**	**-**	**7,384**	**94**

5.7.1.2 DEPOSITS

BBANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
DEPOSITS	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**
Balance at beginning of period	137,563	134,824	133,851	109,448	107,955	107,483
Balance at end of period	347,975	137,563	70,153	133,851	441,807	107,955
Interest Expenses	**22,428**	**26,576**	**129**	**467**	**9,012**	**6,574**

5.7.1.3 DERIVATIVE TRANSACTIONS

BBANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**
TRANSACTIONS AT FAIR VALUE THROUGH PROFIT/(LOSS)						
Balance at beginning of period	116,223	34,363	23,854,032	33,860,021	-	9,479
Balance at end of period	572,425	116,223	30,964,751	23,854,032	-	-
Total Profit/(Loss)	**(716)**	**542**	**(266,345)**	**(72,707)**	**-**	**-**
Transactions for Hedging						
Balance at beginning of period	-	-	643,552	1,004,943	-	-
Balance at end of period	-	-	565,120	643,552	-	-
Total Profit/(Loss)	**-**	**-**	**(2,069)**	**1,272**	**-**	**-**

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

5.7.2 BANK'S RISK GROUP

5.7.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

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

5.7.2.2 CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

The cash loans of the risk group amounting TL 879,749 (31 December 2019: TL 147,011) compose 0.25% (31 December 2019: 0.05%) of the Bank's total consolidated cash loans and 0.16% (31 December 2019: 0.03%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 1,613,063 (31 December 2019: TL 259,492) compose 0.30% (31 December 2019: 0.06%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 957,567 (31 December 2019: TL 1,053,375) compose 1.19% (31 December 2019: 1.68%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 859,935 (31 December 2019: TL 379,369) compose 0.24% (31 December 2019: 0.14%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial subsidiaries from their risk group of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

A total rent income of TL 5,526 (31 December 2019: TL 5,415) was recognized for the real estates rented to the related parties. No operating expenses were incurred for the IT services rendered by the related parties (30 September 2019: TL 414). Other income of TL 4,248 (31 December 2019: TL 3,905) for the IT services rendered and banking services fee income of TL 17,468 (31 December 2019: TL 12,513) were recognized from the related parties.

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Operating expenses of TL 87,688 (31 December 2019: TL 66,569) 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 116,069 as of 31 December 2020 (31 December 2019: TL 134,035).

5.7.2.3 OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None.

5.7.2.4 TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

None.

5.7.2.5 ALL KIND OF AGREEMENTS SIGNED LIKE ASSET PURCHASES/SALES, SERVICE RENDERING, AGENCIES, LEASING, RESEARCH AND DEVELOPMENT, LICENSES, FUNDING, GUARANTEES, MANAGEMENT SERVICES

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

Purchase of equipments for internal use are partly arranged through leasing.

5.8 DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR EQUITY INVESTMENTS, AND FOREIGN REPRESENTATIVE OFFICES OF PARENT BANK

5.8.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES OF PARENT BANK

	PARENT BANK				
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	884	18,540	COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1- Germany		
	1	1	2- China		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	13	1- Malta	30,001,077	-
	7	101	2- KKTC	4,312,995	80,000

5.8.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE OF PARENT BANK

In 2020, 1 domestic branches were opened and 21 branches were closed. (In 2018, 2 domestic branches were opened and 24 branches were closed.)

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5.8.3 INFORMATION ON CONSOLIDATED FINANCIAL SUBSIDIARIES OF PARENT BANK

GARANTI BANK INTERNATIONAL NV

	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	9	1- Turkey		
	1	-	2- Switzerland		
				TOTAL ASSETS	LEGAL CAPITAL
HEAD OFFICE-THE NETHERLANDS		209	1- Netherlands	30,370,458	EUR 136,836,000
FOREIGN BRANCHES	1	18	2- Germany	682,922	-

GARANTI BANK SA

	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
ROMANIA HEAD OFFICE AND BRANCHES	75	1,008	Romania	20,632,817	RON 1,208,086,946

Other consolidated foreign financial subsidiaries

	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
GARANTI HOLDING BV	-	Netherlands	3,081,903	EUR 385,388,600
G NETHERLANDS BV	-	Netherlands	3,082,419	EUR 120,682,821
MOTORACTIVE IFN SA	78	Romania	1,530,960	RON 40,138,655
RALFI IFN SA	111	Romania	1,103,352	RON 10,661,500

Consolidated domestic financial subsidiaries

	NUMBER OF EMPLOYEES	TOTAL ASSETS	LEGAL CAPITAL
GARANTI FINANSAL KIRALAMA AŞ	102	5,846,989	350,000
GARANTI FAKTORING AŞ	122	2,912,563	79,500
GARANTI EMEKLILIK VE HAYAT AŞ	706	2,855,596	50,000
GARANTI YATIRIM MENKUL KIYMETLER AŞ	296	-	8,328
GARANTI PORTFÖY YÖNETIMI AŞ	41	-	25,000
GARANTI YATIRIM ORTAKLIĞI AŞ	9	-	35,000

5.9 MATTERS ARISING SUBSEQUENT TO THE BALANCE SHEET DATE

None.

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6 OTHER DISCLOSURES ON ACTIVITIES

6.1 INFORMATION ON INTERNATIONAL RISK RATINGS

6.1.1 PARENT BANK'S INTERNATIONAL RISK RATINGS

MOODY'S (DECEMBER 2020

Outlook	Negative
Long Term FC Deposit	B2
Long Term TL Deposit	B2
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b3
Adjusted Loan Assessment	b3
Senior Unsecured Rating (Regular Bond)	B2 (Negative)
Senior Unsecured Rating (Medium-Term Note Program)	P (B2)
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

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

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6.1.2 INTERNATIONAL RISK RATINGS OF GARANTI BANK INTERNATIONAL NV, A CONSOLIDATED SUBSIDIARY

MOODY'S (JUNE 2020) *

Long Term FC Deposit	Ba1
Short Term FC Deposit	NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba1
Outlook	Negative
Long Term Counterparty Risk Assessment	Baa2(cr)
Short Term Counterparty Risk Assessment	P-2(cr)
Long Term Counterparty Risk Rating	Baa3
Short Term Counterparty Risk Rating	P-3

(*) Latest date in risk ratings or outlooks

6.1.3 INTERNATIONAL RISK RATINGS OF GARANTI FAKTORING, A CONSOLIDATED SUBSIDIARY

FITCH RATINGS (SEPTEMBER 2020) (*)

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

(*) Latest date in risk ratings or outlooks

6.1.4 INTERNATIONAL RISK RATINGS OF GARANTI FINANSAL KIRALAMA, A CONSOLIDATED SUBSIDIARY

FITCH RATINGS (SEPTEMBER 2020) (*)

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

(*) Latest date in risk ratings or outlooks

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6.1.5 INTERNATIONAL RISK RATINGS OF GARANTI BANK SA, A CONSOLIDATED SUBSIDIARY

FITCH RATINGS (MAY 2020) (*)

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

(*) Latest date in risk ratings or outlooks

6.2 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 2018, 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)	-

6.3 OTHER DISCLOSURES

None (31 December 2019: None).

7 INDEPENDENT AUDITORS' REPORT

7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The consolidated financial statements of the Bank and its financial subsidiaries as of 31 December 2020, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 28 January 2021, is presented before the accompanying consolidated financial statements.

7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

GRI 102-46

APPENDIX A.1: REPORTING GUIDELINES FOR THE NON-FINANCIAL DISCLOSURES

This section is the guidelines applied for the indicators in scope of limited assurance as explained in the table below. The data reported for each indicator is for the year ended on December 31, 2020. The reporting covers Garanti BBVA's operations in Turkey, including Garanti BBVA Payment Systems, Garanti BBVA Mortgage and Garanti BBVA Technology, unless specifically mentioned in the relevant indicator definition. The operational control approach was chosen for the reporting scope.

INDICATOR	GUIDANCE NOTES
Materiality Analysis	As Garanti BBVA, in our 2020 analysis, where we compile current and potential expectations, risks and opportunities from a group strategy perspective with all internal and external stakeholders, we include industry reports, global reports, UN Environment Program Finance Initiative ('UNEP FI') and Global Reporting Initiative (' We reviewed the recommendations of international professional organizations such as GRI ') and considered Group-based evaluations of 59 international reports shedding light on current trends. On the other hand, taking into account the outputs of the analysis completed for global investors and non-governmental organizations in the BBVA Group, we determined our priority topics. Then, we reached out to all key stakeholder groups of Garanti BBVA, both internal and external, through surveys, meetings and phone calls to get their opinions, and we conducted a comprehensive stakeholder analysis on these issues. The assurance indicator regarding this issue are the priority issues evaluated in line with the methodology developed by the Bank for prioritization and the feedback received from stakeholders. For details, see our Our Material Matters section on page 56.
Sustainability Governance	Garanti BBVA's Sustainability Management is mentioned in the Risk Management section on page 50. Sustainability Management covers the policies and mechanisms used for the decision-making process regarding economic, environmental and social impacts.
Total Yearly Energy Consumption by Source	This indicator is defined as the energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use, and purchased electricity by Garanti BBVA's operations (Headquarters, service buildings, branches and ATMs) in Turkey. Universal energy conversion factors provided by the IPCC are used to convert source data in cubic meters, litres and tonnes to MWh. Total Energy consumption is reported following the guidance in GRI 302-1 Energy consumption within the organization and can be found in Appendix A.3: Environmental Performance Data.
Total Yearly Water Consumption by Source	This indicator is defined as the total water consumption mainly coming from municipality by Garanti BBVA's operations Turkey. Reported following the guidance in GRI 303-3 Total water withdrawal by source in the Appendix A.3: Environmental Performance Data.
Total Yearly Waste Generated • Recycled hazardous waste • Recycled non-hazardous waste	Recyclable hazardous waste (cartridges and batteries) are collected centrally by TAP (Portable Battery Manufacturers and Importers Association) and HP (Hewlett Packard Enterprise). Their total weight is calculated based on data from these two organizations. Since there is no measurement mechanism for non-hazardous recyclable wastes (paper, plastic etc.) collected centrally by the municipalities, the calculation of the generated wastes is based on the amount of waste generated in the Garanti BBVA Headquarters Building. In 2020, the total non-hazardous recyclable waste of this building was calculated as 20 kg according to the statement obtained from Beşiktaş Municipality the previous year. The average monthly non-hazardous recyclable waste generation per person is calculated by taking into account the average monthly number of employees of the Headquarters building. Annual non-hazardous waste generation per person (20 kg) is calculated by taking the average of the monthly figures. The annual total non-hazardous recyclable waste amount collected from all buildings within the scope was calculated by multiplying the unit waste generation by the total number of employees in all buildings. For details, you can refer to Annex A.3: Environmental Performance Indicators.

GRI 102-46

Total Yearly GHG Emissions in tCO_2e reported under scope 1 and 2 of the GHG Protocol (2015)	This indicator is defined as the GHG emissions (CO_2, CH4 and N_2O and f-gases) from energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use and refrigerants for Scope 1, and purchased electricity by Garanti BBVA's operations in Turkey (Headquarters, service buildings, branches and ATMs) for Scope 2. IPCC Fifth Assessment Report factors are used for global warming potentials and emission factors. Grid Emission Factor is calculated based on the most recent data available by TEİAŞ for 2020. GHG emissions are reported following the guidance in GRI 305-1 Direct greenhouse gas (GHG) emissions (Scope 1), GRI 305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2) and the GHG Protocol - Location-based approach and can be found in Appendix A.3: Environmental Performance Data.
Total Yearly GHG emissions from business air travel – Scope 3 & Air Travel in Kilometres	Scope 3 emissions related to business air travel by Garanti BBVA employees is reported following the guidance in GRI 305-3 and the GHG Protocol (2015). Average passenger DEFRA 2020 emission factors (without RF) are used for air travel emissions calculations. Flights are classified as Short Haul (less than 500 km), Medium Haul (between 500 km and 1,600 km), and Long Haul (over 1,600). Please see Appendix A.3: Environmental Performance Data.
GHG Emissions Intensity in the Reporting Period	Total Scope 1 and Scope 2 GHG emissions divided by total assets of the Bank as of calendar year end in billion TL terms. The total assets are based on the Bank's audited financial statements. Reported following the guidance in GRI 305-4 and can be found in Appendix A.3: Environmental Performance Data.
Annual percentage change in GHG Emission Intensity	The percentage change in the GHG Emissions Intensity compared to the previous year's GHG emissions intensity. The total assets are based on the Bank's audited financial statements. Reported following the guidance in GRI 305-4 and can be found in Appendix A.3: Environmental Performance Data.
Total Yearly Avoided Emissions due to operational renewable energy projects under loan from Garanti BBVA	Emissions avoided by the electricity generation based on the operational capacity of solar, wind and hydropower plants during the reporting period are calculated. The projects Garanti BBVA has participated in financing which were operational in the reporting period are taken into consideration for the calculations. Grid Emission Factor is calculated based on the most recent data available by TEİAŞ for 2020. The projects that are active are within the scope of the audit. By financing renewable energy projects, emissions are prevented by preventing the burning of additional fossil fuels for electrical energy demand.
E&S Impact Assessment Process related to projects financed by Garanti BBVA • # of assessed projects in 2020 • # of rejected projects in 2020 • Risk rating of the assessed projects in 2020 • # of project site visits conducted in 2020	Within the scope of the Bank's Environmental and Social Credit Policies, it has an internal methodology based on local legislation and international good practices for environmental and social risk assessment process. For details, see the Risk Management Section on page 50 and the Environmental and Social Impacts Assessment Process (ESIAP) section on the Garanti BBVA Sustainability website.

GRI 102-46

Renewable Energy Portfolio • Amount of investments in renewable energy projects by type as of the reporting period end. • Installed capacity of renewable energy projects by type as of the reporting period end. • Garanti BBVA's market share of operational installed wind capacity in Turkey as of the reporting period end	After the annual consolidated report is completed, the cumulative financing amount provided for renewable energy is calculated and published annually in various public reports, especially the Integrated Activity Report. total wind power installed in Turkey by the Energy team data from official institutions (TEİAŞ DOE) is collected. On a project basis, banks that provide financing according to the installed capacity of the project and, if necessary, the amount of financing are determined. Market share is calculated over the installed capacity.
Cardless Transactions from Garanti BBVA ATMs • Total number of cardless transaction from Garanti BBVA ATMs in the reporting period • Total volume of cardless transactions from Garanti BBVA ATMs in the reporting period	Cardless transactions include the following transaction data performed at all ATMs of Garanti BBVA. • CepBank Withdrawal • Withdrawing Money with QR • Depositing Money • Invoice / Fee / Game of Chance Payment Credit Card Debt Payment • Deposit with QR • Mobile Phone TL Top-up • Withdrawing Money with Reference Number • Depositing with GarantiOne QR • Personal Consumer Loan Application
Community Investments • Total monetary amount of community investments in the reporting period	Social investments are defined as the total amount of investment made in programs that create social impact and are compatible with the bank's business strategy and stakeholder priorities. These programs are based on a value principle shared with Garanti BBVA's "Sponsorship and Corporate Responsibility Policy". The total investment amount contributed to the group investments during the reporting period is explained in this indicator.
Human Resources • Women employee ratio: - Senior+Middle Management - Total Women Employees • # of maternity leaves • # of paternity leaves • Ratio of women employees returned to work after maternity leave • # of employees registered to Gender Equality trainings in 2020 • # of employees attended the Female Leadership Trainings in 2020	In calculating female employee rates, monthly average values within the reporting period are taken into account. It includes senior managers, CEO and Assistant General Managers. It includes mid-level managers, Regional Managers, Credit Regional Managers, Unit Managers, Branch Managers, Managers and Consultants. The number of female employees on maternity leave is defined as female employees who entered maternity leave and went on leave during the reporting period. The number of employees on paternity leave is defined as male employees who entered paternity leave and went on leave. The rate of employees returning to work after maternity leave is defined as female employees calculated and reported for the previous year instead of the reporting period and still working at Garanti BBVA after maternity leave at the end of the reporting period. With the Women Leadership Trainings organized for branch manager, regional manager, regional credit manager and female employees in cooperation with the United Nations Women Program, Garanti BBVA has developed and assigned to all employees as a mandatory social gender roles and their work environment. It includes Gender Equality Education that focuses on how it affects.
Absentee Rate	The lost working days rate is the ratio of the total number of lost days calculated based on the medical reports of all sick leave and injuries entered into the Bank's system as of 06.01.2021, in the reporting period.
Number of Clients • # of total customers • # of digital banking customers • # of mobile banking customers	The total number of customers is defined as the number of customers calculated by including customers with at least 1 open product to active customers as of the end of the reporting period. The number of Digital Banking customers is defined as the total number of active customers who have logged into online or mobile channels at least once in the last 3 months. The number of Mobile Banking customers is defined as the total number of active customers who have logged into the mobile channel at least once in the last 3 months.

GRI 102-46, 102-47

APPENDIX A.2: SCOPE AND BOUNDARIES OF THE MATERIALITY ANALYSIS

MATERIAL ISSUE	INTERNAL AND EXTERNAL IMPACTS	RELEVANT SECTION	PAGE
Capital Adequacy and Financial Performance	Displaying strong and sustainable financial performance is important for both the Bank and external stakeholders and affects individuals and institutions to whom Garanti BBVA attributes economic value.	Operational Excellence	146
Corporate Governance and Effective Management of All Risks	Effective, accountable and responsible internal operation mechanisms are important for Garanti BBVA and its external stakeholders	Operational Excellence Sustainability Corporate Governance	146 116 194
Ethical behavior & consumer protection	Transparent reporting informs all stakeholders about Garanti BBVA. Banking with honest and ethical values is important for Garanti BBVA's reputation and all stakeholders.	Financial Health Reaching more Customers Data & Technology Corporate Governance	102 134 170 194
Easy, fast & DIY	Digitalization of internal processes and services offered to customers and also allows customers to perform any operation in an easy and agile way while making use of digital platforms and state-of-the-art technology has importance for customers and Garanti BBVA	Reaching more Customers Operational Excellence Data & Technology	134 146 170
Financial Health and Inclusion	Providing financial literacy training to those with less economic resources to support them in entering the banking system affects the Bank and all its stakeholders.	Financial Health Sustainability Data & Technology	102 116 170
Climate Change: Risks & Opportunities	It covers the effects of climate change arising from Garanti BBVA's own activities as well as the activities of its customers. Considering environmental impacts and climate change impacts in financing processes affects the Bank and all its stakeholders and expresses Garanti BBVA's sector leadership and transformation in the field of sustainable finance.	Sustainability	116
Responsible Use of Personal Data (Data privacy, responsible artificial intelligence)	The use and security of personal data and the confidentiality of customer information are important to all customers. Security breaches affect Garanti BBVA both financially and reputationally.	Data & Technology	170
Cybersecurity & responsible use of data	Cyber risks, use of personal data, data security and privacy of customer information are important to all customers. Security violations have financial and reputational impacts on Garanti BBVA.	Data & Technology	170
Cyber Security (Cyber attack, data theft, fraud)	Cyber risks, cyber attacks, data security and fraud are important for all customers and Garanti BBVA. Security breaches affect Garanti BBVA both financially and reputationally.	Data & Technology	170
Employee Engagement and Talent Management	It is important for the performance of Garanti BBVA that the work environment is attractive for employees, improving their loyalty and well-being with the investment made in employees, including experts and ensuring continuous improvement.	The Best and Most Engaged Team	182
Diversity and Work-Life Balance	Respect for diversity and equality (gender, age, religion, race...); Paying attention to the balance between business life and private life is important for Garanti BBVA and its external stakeholders.	The Best and Most Engaged Team	182
Human Rights	Respecting human rights is important for both the Bank and its external stakeholders.	The Best and Most Engaged Team	182
Inclusive Growth (Contribution to society, entrepreneurship, financial inclusion, financial education)	Supporting the economic development of the country and the society, compliance with the legislation, creating employment and realizing social programs affect Garanti BBVA and the individuals and institutions that Garanti BBVA attributes economic value to. Providing financial literacy training to those with less economic resources to support them in entering the banking system affects the Bank and all its stakeholders.	Sustainability	116

APPENDIX A.3. ENVIRONMENTAL PERFORMANCE DATA

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

ENERGY SOURCE	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)	TOTAL CONSUMPTION (2019)	TOTAL CONSUMPTION (2020)
Non-Renewable Electricity (MWh)	114,479	107,743	107,447	25,021
Renewable Electiricity (MWh)	-	-	51	73,206
Natural Gas for Heating (m3)	3,396,123	3,918,686	5,270,775	3,575,311
Natural Gas for Heating (MWh)	32,563	37,574	50,538	34,281
Diesel for Heating (liter)	151,656	119,184	51,642	81,692
Diesel for Heating (MWh)	1,492	1,173	508	804
Coal for Heating (ton)	102	88	21	15,6
Coal for Heating (MWh)	354	307	73	54
Diesel Consumption in Generators (liter)	142,857	137,597	129,347	74,540
Diesel Consumption in Generators (MWh)	1,405	1,354	1,273	733
Fuel Oil (liter)	28,306	0	6,120	4,455
Fuel Oil (MWh)	300	0	65	47
Diesel Consumption in Vehicle* (liter)	1,110,128	1,110,982	1,091,907	710,832
Diesel Consumption in Vehicle* (MWh)	10,922	10,931	10,743	6,994
Gasoline Consumption in Vehicle* (liter)	0	26,686	59,098	17,125
Gasoline Consumption in Vehicle* (MWh)	0	237	525	152
Total Energy Consumption (MWh)	161,515	158,758	171,172	141,293

** Only in commercial use.*

GHG EMISSIONS* (TONNES OF CO_2 EQUIVALENT)

YEAR	SCOPE 1 (TCO_2E)	SCOPE 2** (TCO_2E)	SCOPE 3*** (TCO_2E)	TOTAL (TCO_2E) (SCOPE 1 & 2)	GHG EMISSIONS INTENSITY**** (TCO_2E /TOTAL ASSETS)	% CHANGE IN GHG EMISSIONS INTENSITY
2020	10,508	11,934	345	22,442	42	74%
2019	14,923	55,198	2,196	70,121	164	-3%
2018	12,933	54,300	3,111	67,233	168	-15%
2017	11,835	58,628	2,494	70,463	198	-9%
2016	10,924	57,259	3,181	68,183	218	-20%
2015	11,763	63,874	3,571	75,637	271	-0,4%
2014	8,698	57,378	3,709	66,077	274	-22%

WATER CONSUMPTION[1]

	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)	TOTAL CONSUMPTION (2019)	TOTAL CONSUMPTION (2020)
Water (1.000 m^3)	287	284	260	260

WASTE MANAGEMENT[2]

TYPE	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)	TOTAL CONSUMPTION (2019)	TOTAL CONSUMPTION (2020)
Hazardous (ton)	11	7	6	4
Recycled (ton)	709	560	368	385

PAPER CONSUMPTION

	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)	TOTAL CONSUMPTION (2019)	TOTAL CONSUMPTION (2020)
Paper (1.000 ton)	1.5	1.1	0.9	0.6

** The impact of remote working is not included in the resource consumption and emission calculations.*

*** Location based*

**** Stated Scope 3 emissions are due to the business flights.*

***** Scope 3 is not included in the intensity calculations*

1 99.7% of Garanti BBVA officies in Turkey use the water supplied by the municipality.

2 Disclosure of waste indicators began in 2017.

APPENDIX A.4: ENVIRONMENTAL & SOCIAL IMPACT ASSESSMENT PROCESS INDICATORS IN 2020

RISK ASSESSMENT BREAKDOWN OF PROJECTS WHCIH WERE SUBJECTED TO ESIAP IN 2020

ASSESSMENT RESULT BREAKDOWN		NUMBER OF PROJECTS	LOAN LIMIT (USD, MILLION)
Category	Category A	2	190
	Category B	3	117
	Category C	0	-
Risk Rating	R1	1	145
	R2	4	162
	R3	0	-
	R4	0	-
Final Grade	1	2	190
	2	1	117
		0	-

In 2020, 1 project was rejected within the scope of the Environmental and Social Impact Assessment System.

APPENDIX A.5: TCFD DISCLOSURE TABLE

THEMATIC AREA	RECOMMENDED DISCLOSURES	REFERENCE LINKS
Governance	Describe the board's oversight of climate-related risks and opportunities	Sustainability Committee, Committees section page 49 2020 CDP Climate Change Report, page 4,8
	Describe management's role assessing and managing climate-related risks and opportunities	Sustainability Committee, Committees section page 49 2020 CDP Climate Change Report, page 4,8 Garanti BBVA Sustainability Governance
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Risk and Opportunities section, pages 64 2020 CDP Climate Change Report, page 13-23 2020 CDP Water Report, page 16-20
	Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning	Sustainability section, page 116 2020 CDP Climate Change Report, pages 23-28 2020 CDP Water Report, page 20-23
	Describe the resilience of the organization's strategy, taking into consideration different scenarios, including a 2°C or lower scenario	Sustainability section, page 116 2020 CDP Climate Change Report, page 31 2020 CDP Water Report, page 49 Garanti BBVA Climate Change Action Plan Science Based Target Commitment 2018-19 Carbon Pricing Leadership Report, pages 50 and 51 Garanti BBVA Case Study
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks	Garanti BBVA Environmental & Social Loan Policies Garanti BBVA Environmental & Social Risk Management Garanti BBVA Climate Change Action Plan Declaration 2020 CDP Climate Change Report, page 13-14 2020 CDP Water Report, pages 33-67 Sustainable Finance Declaration
	Describe the organization's processes for managing climate-related risks	Garanti BBVA Environmental & Social Loan Policies Garanti BBVA Environmental & Social Risk Management Garanti BBVA Climate Change Action Plan 2020 CDP Climate Change Report, page 13-14 2020 CDP Water Report, pages 33-67 Sustainable Finance Declaration
	Describe how processes for identifying, assessing, and managing these risks are integrated into the organization's overall risk management	Garanti BBVA Environmental & Social Risk Management 2020 CDP Climate Change Report, page 13-14 2020 CDP Water Report, page 33-67 Sustainable Finance Declaration
Metrics and Targets	Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process	Appendix A.3: Environmental Performance Data, pages 562 Appendix A.4: Environmental & Social Impact Assessment Process Indicators, pages 564 2020 CDP Climate Change Report, pages 23-28 2020 CDP Water Report, pages 33-67
	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions	Appendix A.3: Environmental Performance Data, pages 562 2020 CDP Climate Change Report, page 93-101
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Risk and Opportunities section, page 64 Sustainability section, page 116 2020 CDP Climate Change Report, page 23-28 2020 CDP Water Report, pages 33-67

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APPENDIX A.6. UNEP FI PRINCIPLES FOR RESPONSIBLE BANKING IMPACT REPORT

DEFINITION	GRI STANDARDS DISCLOSURE	DESCRIPTION	REFERENCE LINKS
PRINCIPLE 1: ALIGNMENT			
1.1 Describe	GRI 102-1,102-2, 102-4, 102-5, 102-6, 102-7	Established in 1946, Garanti BBVA is Turkey's second largest private bank with consolidated assets of close to TL 541 billion as of December 31, 2020. Garanti BBVA is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania. As of December 31, 2020, Garanti BBVA provides a wide range of financial services to its more than 19 million customers with 18,656 employees through an extensive distribution network of 884 domestic branches, seven foreign branches in Cyprus and one in Malta, and two international representative offices one in Düsseldorf and one in Shanghai. Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti BBVA has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, Garanti BBVA has an actual free float of 50.07% in Borsa Istanbul as of December 31, 2020.	For details please visit 2020 Garanti BBVA Annual Integrated Report page 28.
1.2 Describe	GRI 413-1, 413-2	The Sustainable Development Goals emphasize the importance of cooperation among all stakeholders from governments to individuals in reaching the 2030 targets. For many years, Garanti BBVA has been participating in local and international organizations, which allowed for widespread, high-leverage engagement of the business community, governments and policymakers with numerous national and international organizations. With its leading position in sustainable finance and development in Turkey, the Bank is in cooperation with its peers and the business world globally. Thus, the Bank develops new partnerships with the key stakeholders who have the leadership vision in order to enable the establishment of sustainable finance and development initiatives and plays a key role for the transition of the sector by ensuring stakeholder's engagement. Garanti BBVA chairs, or participates in many local and international platforms such as UNEP FI Principles for Responsible Banking, Global Compact Turkey, the Turkish Business Council for Sustainable Development (BCSD Turkey), the Banks Association of Turkey Role of the Financial Sector in Sustainable Growth Working Group and the Turkish Industry and Business Association (TUSIAD) Environment and Climate Change Working Group meetings.	For details please visit 2020 Garanti BBVA Annual Integrated Report page 119.
PRINCIPLE 2: IMPACT AND TARGET SETTING			
2.1 Impact Analysis	GRI 102-8, 102-15, 201-1, 203-1, 203-2, 305-5, 413-1, 413-2, FS-13, FS-14	Within the scope of our impact analyses, the top two sectors we finance the most: energy (14%); and transportation vehicles and transportation (10%). With the help of the analysis of certain sectors', we have learned about the scale of our environmental and social risks that we need to focus on. We conducted evaluations to determine the intensity of environmental and social risks caused by these sectors and to understand which industry makes the existing risks more prominent. Because of greenhouse gas emission intensity, the sectors that we finance; energy and transportation vehicles, transportation are our focus points. Especially; topics such as; energy production with fossil fuels like oil and natural gas, usage of non-renewable resources, highway transports, fossil fuels usage in vehicles these 2 sectors have a big impact on climate change. In addition, we have developed products that will enable environmentally friendly alternatives in transportation. To create awareness about energy efficiency in building, we have improved products that will incentivize individuals to buy environmentally-friendly houses. For this reason, our main goals are to identify feasible transition opportunities, to establish incentive mechanisms to reduce their risks with our customers, especially those serving in carbon-intensive sectors, to assist in inter-sectoral transformation, and to provide financial models that will help spread nature-friendly business practices.	For details please visit 2020 Garanti BBVA Annual Integrated Report page 88, 116 and 129.
2.2 Target setting	GRI 102-8, 102-15, 203-1, 203-2, 305-5, 405-1, 413-1, 413-2	Garanti BBVA developed and implemented Environmental and Social Loan Policies (ESLP) in 2011 to minimize the indirect effects of the loans provided by the Bank and in 2012, the bank implemented the E&S Impact Assessment System. In 2015, we published our Climate Change Action Plan to help Turkey's battle with climate change and support transition to a low carbon economy. Within the scope of this plan, we have committed that at least 60% of new power plant projects will be renewable energy investments in project finance loans. By overachieving this goal with 100%, we have provided USD XX billion to date to renewable energy. We set up incentive mechanisms that can change the habits and ways of doing business of our customers in order to help transformation in the sector. We lauched our Environmetally-Friendly Auto Loan to customers in May 2017 for the financing of electrical and hybrid automobiles that ensure fuel efficiency and stand out with their environmentally features. Total lending reached to TL 34.7 million at the end of 2020. We rolled out our Green Mortgage product to promote energy efficient and environmentally-friendly buildings in 2017. Total financing provided to date amounted to TL 520 million. In addition to these, we set up each of our sustainable products and services such as the Gender Equality Loan and the Sustainability-related Syndication Loan in line with the Paris Agreement and the SDGs. In this direction, we contribute to 16 SDGs in total, with the impact of our sustainable products & services. Moreover, in order to manage our direct impacts in line with the Paris Agreement, we announced our absolute emission reduction targets in line with the 1.5 degrees target in March 2020, based on the methodology of the Science-Based Targets Initiative. Accordingly, we aim to reduce our Scope 1 and Scope 2 carbon emissions by 29% by 2025 and 71% by 2035.	For details please visit 2020 Garanti BBVA Annual Integrated Report page 70, 116, 122 and 123..

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2.3 Plans for Target Implementation and Monitoring	GRI 201-2, 305-5, FS-14	Our main strategies in minimizing environmental and social risks are; to encourage the sectoral transformations of our customers serving in the sectors we have determined, to minimize environmental and social risks in their financing portfolio, to maintain their commitment to renewable energy, to provide financing options in line with the Environmental and Social Loan Policies established by Garanti BBVA and the BBVA Group of in an integrated manner. Since 2014, 100% of the financing provided to greenfield electricity generation investments in Project Finance were renewable investments. We continue to maintain our market leader position with 24.7% market share. With the renewable power plant we financed, we avoided 7.2 million tons of carbon emissions in 2020. The total lending for Green Auto Loan, reached TL 34.7 million as of 2020YE, the Bank is looking into different options to offer an even more advantages loan to consumers with more attractive interest rates in 2021. Garanti BBVA aims to provide at least TL 90 million for electric and hybrid vehicles in the upcoming period. We continuously improve the processes of our Green Mortgage, which reached TL 520 million in total, and we will increase the amount of financing we will provide in this area. Garanti BBVA aims to provide TL 985 million in this area in the upcoming years. As Garanti BBVA, we have contributed EUR 1.3 billion in total as of end of 2020 for the Pledge 2025 declared by our main shareholder the BBVA Group in 2018. For the next 4 years, we aim to contribute at least TL 14 billion within the scope the Pledge. In the upcoming period, we will continue to develop the bank's sustainable product portfolio, which is more than 40 products today, which is designed to encourage our customers to more sustainable business models and aims to minimize environmental and social risks, in line with the SDGs.	For details please visit 2020 Garanti BBVA Annual Integrated Report pages 69 and 124.
PRINCIPLE 3: CLIENTS AND CUSTOMERS			
3.1 Overview	GRI 102-44	Analyzing the sectors financed by Garanti BBVA enabled us to identify the ones with high environmental and social risks. In this context, we are establishing new mechanisms to support our customers and suppliers in their sectoral transformation. We organize informative seminars on sustainable finance products and services, especially for our employees in corporate banking. In this way, we aim to promote sustainable finance products among corporate customers. In addition, we increase the awareness of our customers in the environmental and social field, and strive to offer innovative solutions and suggestions to grow their business in a sustainable way. We support the dissemination of sustainable growth with customers and financial institutions who are informed about environmental and social issues and the topics discussed in field visits, workshops and conferences, workshops and conferences we conduct on environmental and social issues.	For details please visit 2020 Garanti BBVA Annual Integrated Report page 60.

3.2 Describe	GRI 102-9, 102-44, 203-2	Garanti BBVA has been working on sustainability for more than 15 years. Since sustainability is one of the bank's main strategic priorities, the bank has a team of experts in Environmental, Social and Governance (ESG) issues. The Sustainable Finance Team, consisting of 6 full-time employees, ensures the continuity of the bank's sustainability activities. We play a leading role in sustainable products and services. The number of sustainable products and services we offer to our customers has exceeded 40. Within the scope of sustainable products, loans and positive impact-oriented investment principles, we turn our savings into sustainable investments with an investment amount of TL 51 billion. Among these, there are many innovative products such as the Gender Loan structure that provides interest rate advantages to our customers , if they improve thier gender equality performances, and the ESG-linked Syndicated Loan for the bank's own debt financing. Both of these products are a first in the world. In addition, Garanti BBVA plays an active role in the sustainable debt financing market, such as the issuance of Green Bonds compliant with the Green Bond Principles and Gender Bond, which is designed to be used for the financing of women entrepreneurs. In our future plans, we aim to reach out to more customers regarding sustainable financing mechanisms in their borrowing processes and to adopt sustainable business models through our knowledge on sustainable finance. In 2020, we acted as Bookrunner for a TL 100.5 million green bond issuance of one of our customers. This was also the first green bond issueance in Turkish Lira. In this process, by positioning ourselves as a consultant, we supported our customers at every step from the preparation of the framework document for the bond to the negotiations with the rating agency, and shared our knowledge and experience in this field. Following the issuance, we informed our corporate, retail and private banking customers through our digital channels about the opportunities brought by investments that contribute to sustainable development.	For details please visit 2020 Garanti BBVA Annual Integrated Report pages 67, 82, 116 and 126.
PRINCIPLE 4: STAKEHOLDERS			
4.1 Describe	GRI 102-40, 102-42, 102-43, 102-46	We act in dialogue with all our key stakeholders, internal and external, through various channels. Considering the feedback received as a result of these dialogues and the outputs of the working group in which the Responsible Banking Unit in the BBVA Group is included; we determine the priority issues of Garanti BBVA. According to this analysis, our main stakeholder groups; Our customers, employees, shareholders and investors, non-governmental organizations, international organizations and associations, government bodies and regulatory authorities, and international financial institutions. We reached most of our prioritized stakeholders through surveys. We asked our stakeholders to prioritize among the 13 priority issues they consider important and want to highlight, and share their perceptions of important trends and their views and expectations about the Bank's practices. Taking into account the views of our stakeholders, we have gathered our strategic priorities under six main headings; (1) Financial Health, (2) Sustainability, (3) Reaching More Customers, (4) Operational Superiority, (5) Best and Most Connected Team, and (6) Data and Technology.	Please visit the Engagement of Stakeholders section of Garanti BBVA 2020 Integrated Annual Report page 59 for details.

PRINCIPLE 5: GOVERNANCE & CULTURE			
5.1 Describe	GRI 102-18	Within Garanti BBVA, the Responsible Banking Committee (RBC) is authorized to officially approve and review activities related to responsible and sustainable banking and to control the actions related to sustainability. The Responsible Banking Committee is chaired by a Board Member. Among the members are the General Manager and the Executive Vice Presidents of the relevant departments. The implementation and control of the Responsible Banking Principles is under the responsibility of both the full-time Sustainable Finance Team and the Responsible Banking Committee.	Please visit Garanti BBVA 2020 CDP Climate Change Report page 3-4 for details.
5.2 Describe	GRI 102-13, 102-18	Sustainable Finance is one of Garanti BBVA's focuses and is owned by the bank's top management. Communication and coordination between the Responsible Banking Committee and the entire bank is ensured through the Sustainability Representatives assigned in all branches and units of the bank. In addition, in September 2020, a total of 16,751 Garanti BBVA employees were assigned a sustainability training, including the Principles for Responsible Banking. The assigned training was completed by a total of 8,865 Garanti BBVA employees as of December 31, 2020. To identify new opportunities, we recognize that to remain as a leader in sustainable finance in Turkey, we recognize the need for cooperation at the global level with our peers and our suppliers. In particular, we continue our efforts to assign sustainability training to our suppliers, with whom we cooperate, in order to clearly demonstrate the sustainability strategies of the bank and encourage them to comply with these rules. With our social media posts, which we call Sustainable Habits, we try to raise awareness of both our employees and our customers on environmental and social issues with a different theme every month. Within the scope of Sustainable Habits, we share good practices and useful ideas from our employees on our social media accounts.	For details please visit 2020 Garanti BBVA Annual Integrated Report page 120.
5.3 Governance Structure for Implementation of the Principles	GRI 102-8, 102-18	All coordination regarding compliance with the Principles for Responsible Banking will be carried out by the Sustainable Finance Team. The Sustainable Finance Team will regularly inform the Responsible Banking Committee about developments, target realizations and processes.	For details please visit 2020 Garanti BBVA Annual Integrated Report pages 28 and 116.
PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY			
6.1 Progress on Implementing the Principles for Responsible Banking	GRI 102-13, 102-18, 201-2	In addition to the policies we have built within the bank; we also follow the developments in Turkey and we are organizing various actions. For example, Sustainability Principles Compliance Framework issued by the Capital Markets Board in October 2020, to increase the awareness of companies on ESG issues in Turkey and taken towards the expansion of the principles of transparency and accountability in this area was one of the most important steps. As Garanti BBVA, in the coming period, the knowledge gained in this field, our customers just as a consultant in nature, we aim to support the transfer and development of green investments in Turkey.	For details please visit 2020 Garanti BBVA Annual Integrated Report page 48, 68 and 116.

APPENDIX A.7. UNGC AND WEPs PRINCIPLES ANALYSIS ACCORDING TO GRI STANDARDS CONTENT

A. UN GLOBAL COMPACT PRINCIPLES

UNGC REQUIREMENTS – ACTIVE LEVEL	GRI STANDARDS DISCLOSURES	PAGE REFERENCES
High Level Commitment and Strategy	GRI 102-14	Messages from the Chairman and CEO, page 17
Governance	GRI 102-14, GRI 102-18, GRI 102-19, GRI 102-20	Messages from the Chairman and CEO, page 17, Corporate Governance, page 194
Stakeholder Engagement	GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44	Stakeholder Engagement, pages 59
Describe Practical Actions	GRI 103: Yönetişim Yaklaşımı 2016	GRI Standards Content Index, pages 572
Disclose Results and Outcomes	GRI Standartları İçerik Endeksi	GRI Standards Content Index, pages 572
UNGC FOUR ISSUE AREA	**GRI STANDARDS DISCLOSURES**	**PAGE REFERENCES**
Human Rights	GRI 412-1, GRI 412-2, GRI 412-3, GRI 410-1, GRI 103-2, GRI 413-1, GRI 413-2	GRI Standards Content Index, pages 572; The Best and Most Engaged Team, page 182 Sustainability, page 116
Labor	GRI 102-8, GRI 102-41, GRI 202-1, GRI 202-2, GRI 401-1, GRI 401-3, GRI 402-1, GRI 404-1, GRI 404-3, GRI 405-1, GRI 405-2, GRI 406-1, GRI 407-1	GRI Standards Content Index, pages 572; The Best and Most Engaged Team, page 182
Environment	GRI 301-2, GRI 301-3, GRI 302-1, GRI 302-2, GRI 302-4, GRI 302-5, GRI 303-3, GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 305-6, GRI 305-7, GRI 307-1	Sustainability, page 116 Operational Excellence, page 146 Environmental Performance Data, Appendix A.3, pages 562
Anti-Corruption	GRI 102-16, GRI 102-17, GRI 205-1, GRI 205-2, GRI 205-3	GRI Standards Content Index, page; 572 Corporate Governance, page 194

B. WOMEN'S EMPOWERMENT PRINCIPLES (WEPs) PROGRESS REPORT

WEPs	GRI STANDARDS DISCLOSURES
Principle 1 - Leadership Promotes Gender Equality	GRI 405-1, GRI 405-2
Principle 2 - Equal Opportunity, Inclusion & Non-discrimination	GRI 202-1, GRI 401-1, GRI 401-3, GRI 405-1, GRI 405-2, GRI 406-1
Principle 3 - Health, Safety and Freedom from Violence	GRI 406-1; GRI 403-9
Principle 4 - Education and Training	GRI 404-1; GRI 404-3
Principle 5 - Enterprise Development, Supply Chain and Marketing Practices	GRI 204-1; GRI 103-1; GRI 103-2; GRI 103-3
Principle 6 - Community Leadership and Engagement	GRI 413-1
Principle 7 - Measure and publicly report on gender equality	GRI 405-1; GRI 405-2; GRI 103-1; GRI 103-2; GRI 103-3

GRI STANDARDS CONTENT INDEX "IN ACCORDANCE"- CORE OPTION

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Turkish version of the report.

GRI STANDARDS	DISCLOSURES	PAGE NUMBERS, URLs AND/OR DIRECT ANSWERS	OMISSIONS
GRI 101: FOUNDATION 2016	GRI 101 does not consist of indicators		
GRI 102: GENERAL DISCLOSURES 2016	ORGANIZATIONAL PROFILE		
	102-1	T. Garanti Bankası A.Ş.	
	102-2	28, 30-31, 34-35, 36-37, 38-39	
	102-3	Nispetiye Mah. Aytar Cad. No: 2, 34340 Levent/İstanbul/ Türkiye	
	102-4	28, 29, 38-39	
	102-5	28, 29, 38-39	
	102-6	30-31, 34-35, 36-37, 38-39, 146-159, 182-183, 255	
	102-7	28, 30-31, 36-37, 38-39, 41	
	102-8	102, 116, 134, 146, 182	
	102-9	82-85	
	102-10	There has not been any in the shareholder structure of the Company.	
	102-11	42-43, 44-47, 49	
	102-12	https://www.garantibbvainvestorrelations.com/en/sustainability/detail/Supported-Initiatives/864/3771/0	
	102-13	https://www.garantibbvainvestorrelations.com/en/sustainability/detail/Supported-Initiatives/864/3771/0	
	STRATEGY		
	102-14	15-19	
	102-15	22-27, 50-53, 56-85, 88-89, 102, 116, 134, 146, 160, 170, 182, 200-202	
	ETHICS AND INTEGRITY		
	102-16	78-79, 80 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/ethics-and-integrity-principles/	
	102-17	190, 198-199, 230-231, 242, 247-249 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/ethics-and-integrity-principles/	
	GOVERNANCE		
	102-18	41-49	
	102-19	41-53, 220-237	
	102-20	41-53, 220-237	
	STAKEHOLDER ENGAGEMENT		
	102-40	59	
	102-41	As clearly stated in our Human Rights Declaration; ""Garanti BBVA respects the constitutional right regarding unionization and collective labor contracts. All employees are free with respect to union membership and act of their own free will." https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Declaration-of-Human-Rights/584/1866/0 All employees are covered by collective bargaining agreements.	
	102-42	59	
	102-43	59-63	
	102-44	60-63	
	REPORTING PRACTICE		
	102-45	4-5	
	102-46	56-58, 59, 81-85, 558-561	
	102-47	56-58, 561	

GRI 102: GENERAL DISCLOSURES 2016	102-48	There are no adjustments regarding the previous period report.
	102-49	4-5, 56-57
	102-50	4
	102-51	02.03.2020
	102-52	Annual
	102-53	5
	102-54	4
	102-55	572-581
	102-56	8-13, 558-560
GRI 200: ECONOMIC PERFORMANCE SERIES 2016		
	ECONOMIC PERFORMANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	82-85, 88-89, 146-159, 255, 561
	103-2	64-65, 88-89, 146-159,561
	103-3	8-13, 254, 255
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	84, 88, 146-159, 255, 258-557
	201-2	https://surdurulebilirlik.garantibbva.com.tr/media/1519/tgaranti_bankasi_as_-_cdp_climate_change_questionnaire_2020.pdf
	201-3	146-159
	201-4	Garanti Bank did not receive any financial assistance from government during the reporting period.
	MARKET PRESENCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	182-191, 561
	103-2	182-191
	103-3	182-191
GRI 202: MARKET PRESENCE 2016	202-1	All Garanti BBVA employees are paid above the minimum wage.
	202-2	The senior management, including the CEO, EVPs and Coordinators, is Turkish. By doing this the Bank is better able to understand and serve an increasingly wide range of customers across Turkey. In Garanti BBVA's overseas operations, local talent is also hired at various levels of the organizations.

	INDIRECT ECONOMIC IMPACTS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	82-85, 116-131, 561
	103-2	82-85, 116-131, 561
	103-3	116-131
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	84-85, 116-131
	203-2	84-85, 116-131
	PROCUREMENT PRACTICES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/supply-chain-management/
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/supply-chain-management/
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/supply-chain-management/
GRI 204: PROCUREMENT PRACTICES 2016	204-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/garanti-bbva-code-of-conduct-for-suppliers/
	ANTI-CORRUPTION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	40, 48-49, 561
	103-2	48-49, 50, 53, 176-179, 196, 242, 247, 248, 249 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Anti-Corruption-Policy-Statement/1713/7947/0
	103-3	48-49, 50, 197-199, 200-202
GRI 205: ANTI CORRUPTION 2016	205-1	241-242 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Code-of-Conduct/94/405/0
	205-2	47
	205-3	There are no cases about corruption.
	ANTI-COMPETITIVE BEHAVIOR	
GRI 103: MANAGEMENT APPROACH 2016	103-1	40, 561
	103-2	40, 241, 247, 249
	103-3	40, 48-49, 197-199, 200
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016	206-1	There has been no new case regarding anti-competitive behavior in the reporting period

GRI 300: ENVIRONMENTAL STANDARDS SERIES 2016			
	ENERGY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	68-70 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/environmental-management-system/	
	103-2	68-70	
	103-3	68-70	
GRI 302: ENERGY 2016	302-1	562	
	302-2	558-560, 562-563	
	302-4	121-125	
	302-5		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.
	WATER AND EFFLUENTS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	64-66	
	103-2	64-66	
	103-3	61	
GRI 303: WATER AND EFFLUENTS 2018	303-1	563 https://surdurulebilirlik.garantibbva.com.tr/media/1520/tgaranti_bankasi_as_-_cdp_water_security_questionnaire_2020.pdf	
	303-2	563 https://surdurulebilirlik.garantibbva.com.tr/media/1520/tgaranti_bankasi_as_-_cdp_water_security_questionnaire_2020.pdf	
	303-3	563 https://surdurulebilirlik.garantibbva.com.tr/media/1520/tgaranti_bankasi_as_-_cdp_water_security_questionnaire_2020.pdf	
	EMISSIONS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	68-70 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/climate-change-action-plan-declaration/	
	103-2	68-70 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/climate-change-action-plan-declaration/	
	103-3	68-70, 121-125 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/climate-change-action-plan-declaration/	
GRI 305: EMISSIONS 2016	305-1	559, 563	
	305-2	559, 563	
	305-3	84, 559, 563	
	305-4	124-125, 559, 563	
	305-5	116, 121-125, 559, 563	
	305-6		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.
GRI 305: EMISSIONS 2016	305-7		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances
	WATER AND EFFLUENTS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/	
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/	
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/	
GRI 306: EFFLUENTS AND WASTE 2016	306-2	558, 563	
	ENVIRONMENTAL COMPLIANCE		
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-policy/	
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-policy/	
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-policy/	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	There have not been any incidents of noncompliance with environmental laws and regulations or resulting in a penalty during the reporting period.	
GRI 400 SOCIAL STANDARDS SERIES 2016			
	EMPLOYMENT		
GRI 103: MANAGEMENT APPROACH 2016	103-1	182-183	
	103-2	182-183	
	103-3	182-183	
GRI 401: EMPLOYMENT 2016	401-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/social-performance-data/	
	401-2	188-189	
	401-3	191	
	LABOR/MANAGEMENT RELATIONS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	154-155, 158-159, 230	
	103-2	154-155, 158-159, 230	
	103-3	154-155, 158-159, 230	
GRI 402: LABOR/MANAGEMENT RELATIONS 2016	402-1	230 Garanti BBVA recruitment and dismissal processes are based on the Labor Law. The notice periods are implemented as stated in the Law.	

	OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	187-188	
	103-2	187-188	
	103-3	187-188	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1	187-188, 249	
	403-2	188	
	403-3	187-188, 249	
	403-4	188 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/social-performance-data/	
	403-5	188	
	403-6	188	
	403-7	188	
	403-9	188	
	403-10	There is no employee who has diagnosis of occupational disease because of bank activities in 2020.	
	TRAINING AND EDUCATION		
GRI 103: MANAGEMENT APPROACH 2016	103-1	182-184	
	103-2	182-184	
	103-3	182-184	
GRI 404: TRAINING AND EDUCATION 2016	404-1	184 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/social-performance-data/	
	404-2	182-186, 191	
	404-3	183	
	DIVERSITY AND EQUAL OPPORTUNITY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	71-72, 116	
	103-2	116	
	103-3	116	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	71-72, 84, 116, 125-127 https://surdurulebilirlik.garantibbva.com.tr/surdurulebilirlik-yaklasimimiz/odak-alanlarimiz/sosyal-performans-verileri/	
	405-2	190	Garanti BBVA's compensation system is totally genderneutral and based entirely on performance. Salary variations result from relative experience levels of employees.

HUMAN RIGHTS ASSESSMENT		
	HUMAN RIGHTS ASSESSMENTS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	412-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	412-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	412-3	72-73 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/responsible-and-sustainable-development/community-investment-programs/
	NON-DISCRIMINATION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	53, 81, 84, 182-191
	103-2	53, 81, 84, 182-191
	103-3	53, 81, 84, 182-191
GRI 406: NON-DISCRIMINATION 2016	406-1	No complaints were made in the reporting period.
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	241
	103-2	241
	103-3	241
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	407-1	241 Garanti BBVA respects the constitutional right regarding unionization and collective labor contracts. All employees are free with respect to union membership and act of their own free will. During the reporting period.

	LOCAL COMMUNITIES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	102,103
	103-2	102,103
	103-3	102-103, 116-131
GRI 413: LOCAL COMMUNITIES 2016	413-1	37, 102-103, 116-119, 127-129
	413-2	102-103, 116-119
	MARKETING AND LABELING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	134-142
	103-2	134-143
	103-3	134-143
GRI 417: MARKETING AND LABELING 2016	417-1	103, 108
	417-2	There were no incidents of significant non-compliance reported in the reporting period.
	417-3	There were no incidents of significant non-compliance reported in the reporting period.
	CUSTOMER PRIVACY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	60-61, 63, 171, 176
	103-2	171, 176-177 https://www.garantibbva.com.tr/en/sme_banking/delivery_channels/internet_banking/security/privacy_and_confidentiality_policy.page
	103-3	82-83, 170, 177-179
GRI 418: CUSTOMER PRIVACY 2016	418-1	179
	SOCIOECONOMIC COMPLIANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	63, 194-253
	103-2	194-253
	103-3	194-253
GRI 419: SOCIOECONOMIC COMPLIANCE 2016	419-1	204-205

FINANCIAL SERVICES SUPPLEMENT		
	PRODUCT PORTFOLIO	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
GRI FINANCIAL SERVICES SUPPLEMENT PRODUCT PORFOLIO	FS6	62-63
	FS7	62-63
	FS8	63, 110, 171, 251
	ACTIVE OWNERSHIP	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
GRI FINANCIAL SERVICES SUPPLEMENT LOCAL COMMUNITIES	FS10	63, 68-70, 134-143, 251
	FS11	63, 68-70, 134-143, 251
	LOCAL COMMUNITIES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	68-77, 88-89
	103-2	134-135
	103-3	134-135
GRI FINANCIAL SERVICES SUPPLEMENT LOCAL COMMUNITIES	FS13	88-89
	FS14	68-69, 88-89, 110, 113, 135 Cardless transactions options through ATMs and Community Investments for people with disabilities.

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Organizational Changes

302 2 min 1 customer

Organizational changes made in 2020 are summarized below to reflect the final structure at year-end.

CONSUMER FINANCE DEPARTMENT that previously reported to Commercial Banking Executive Vice President now reports to Retail Banking Executive Vice President.

TALENT AND CULTURE LEARNING section was created under Talent and Culture Executive Vice President in order to provide a focus on training and development specialization.

INFORMATION SYSTEMS SECURITY organization reporting to Vice President was set up, and an Information Security Officer was assigned pursuant to the Regulation on Information Systems and Electronic Banking Services.

LEGAL OPERATIONS organization was abolished and its functions were transferred to Legal Collections and Abacus Operation Center.

Upon transfer of business development teams and functions under the Corporate, Commercial and SME business lines, Client Digital Solutions Department was reorganized under the name **CLIENT SOLUTIONS** which covers client customer solutions, business development, marketing and performance analytics, digital transformation functions.

Customer Analytics, Innovation and Product Development Department and Customer Experience and Satisfaction Department functions were merged and reorganized as **CUSTOMER EXPERIENCE AND SERVICE MODEL MANAGEMENT** with a focus on service model design, customer experience and customer solutions analytics.

The transition of the Head Office organization to the new organizational model adopting **AGILE METHODS AND PRINCIPLES** commenced in 2019. In the reporting period, the same perspective, approach and principles were maintained and reorganization was undertaken at a substantial portion of our Head Office organization besides our field organization, and related job areas were restructured. This new model is intended to achieve the following:

- Create autonomous and multidisciplinary teams possessing end-to-end process or project management/execution skills,
- Respond to customer demands more quickly while offering them higher quality products/services under the continuous development model, and achieve higher productivity along this line,
- Dedicate the teams to priority projects of processes in line with the Group's Dynamics and strategic goals.

Support Services Providers

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SERVICE PROVIDER	SERVICE DETAIL
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	Marketing, promotion, product development and consulting for payment systems, primarily for debit and credit cards, and marketing of retail products including retail loans
KURYE NET MOTORLU KURYECİLİK VE DAĞITIM HİZMETLERİ A.Ş.	Credit/debit card delivery
AKTİF İLETİ VE KURYE HİZMETLERİ A.Ş.	Credit/debit card delivery
INGENİCO ÖDEME SİSTEM ÇÖZÜMLERİ A.Ş.	POS software development and upgrading services
VERİFONE ELEKTRONİK VE DANIŞMANLIK LTD. ŞTİ.	POS software development and upgrading services
GARANTİ KONUT FİNANSMANI DANIŞMANLIK HİZMETLERİ A.Ş.	Marketing and consulting services for mortgage products
HANGİSİ İNTERNET VE BİLGİ HİZMETLERİ A.Ş.	Online marketing of mortgage products
VERKATA LLC	Online marketing of mortgage products
LOOMİS GÜVENLİK HİZMETLERİ A.Ş.	Delivery of cash, commercial papers and gold within the scope of Law No. 5188
AUSTURIA CARD TURKEY	Card printing and personalization services
ENUYGUN COM İNTERNET BİLGİ HİZMETLERİ TEKNOLOJİ VE TİC. A.Ş.	Online marketing of mortgage products
MATRİKS BİLGİ DAĞITIM HİZMETLERİ A.Ş.	Software/software maintenance/update services
KONUT KREDİSİ COM TR DANIŞMANLIK ANONİM ŞTİ.	Online marketing of mortgage products
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	Reminder calls, technical support help desk, overdue debt notification, provision of account information to customers, updating customers' personal data, credit card cancellation, closure and activation; receiving limit increase or decrease requests, forwarding customer requests to the Bank
COLLECTURK ALACAK YÖNETİMİ VE DANIŞMANLIK A.Ş.	Declaration of liability and reminder calls services
SESTEK SES VE İLETİŞİM BİLGİSAYAR TEK. SAN. VE TİC. A.Ş.	Marketing of payment systems, particularly of credit and debit cards, and forwarding customer requests such as credit card limit increase to the Bank
ATOS BİLİŞİM DANIŞMANLIK VE MÜŞTERİ HİZMETLERİ SANAYİ VE TİC. A.Ş.	Credit card sales, business place verification, credit card limit increase, address update and similar other calls via the Call Center

WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Credit card sales, declaration of liability
CMC İLETİŞİM BİLGİSAYAR REKLAM VE DANIŞMANLIK HİZMETLERİ SAN. TİC. A.Ş.	Credit card sales, declaration of liability
DER POS ÖDEME SİSTEMLERİ VE PAZARLAMA TİC. LTD. ŞTİ.	Merchant acquisition and marketing of retail products including retail loans
KAYRAGRUP PAZARLAMA DANIŞMANLIK VE DESTEK HİZMETLERİ TİC. A.Ş.	Marketing of retail products and services
TEMPO ÇAĞRI MERKEZİ VE İŞ SÜREÇLERİ DIŞ KAYNAK HİZMETLERİ TİC. A.Ş	Declaration of liability and reminder calls services
GLOBAL BİLGİ PAZARLAMA DANIŞMA VE ÇAĞRI SERVİSİ HİZMETLERİ A.Ş.	Declaration of liability and reminder calls services
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Data entry and filing of customer requests received by the Bank, giving feedback to customers regarding their requests
BRİNK'S GÜVENLİK HİZMETLERİ A.Ş.	Delivery of cash, commercial papers, precious metals and other precious assets within the scope of Law No. 5188
MT BİLGİ TEKNOLOJİLERİ VE DIŞ TİCARET ANONİM ŞİRKETİ	POS software development and upgrading services
WİN BİLGİ İLETİŞİM HİZMETLERİ A.Ş.	Declaration of liability and reminder calls services
CRİF ALACAK YÖNETİM VE DANIŞMANLIK HİZMETLERİ A.Ş.	Declaration of liability and reminder calls services
ARAS KARGO YURT İÇİ VE YURT DIŞI TAŞIMACILIK A.Ş.	Internal mail transportation from/to branches
IRON MOUNTAİN ARŞİVLEME HİZMETLERİ A.Ş.	Archive services
VERİSOFT BİLGİ İŞLEM TİC. VE SAN. A.Ş.	POS software development and upgrading services
CMC İLETİŞİM BİLGİSAYAR REKLAM VE DANIŞMANLIK HİZMETLERİ SAN. TİC. A.Ş.	Reminder calls services via the Call Center
ZİNGAT GAYRİMENKUL BİLGİ SİSTEMLERİ A.Ş.	Online marketing of mortgage products
SECURITAS GÜVENLİK HİZMETLERİ A.Ş.	Private Security Services within the scope of Law No. 5188
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Declaration of liability and reminder calls services via the Call Center
HOBİM ARŞİVLEME VE BASIM HİZMETLERİ A.Ş.	Safekeeping of the Bank's archive boxes
DHL WORLDWİDE EXPRESS TAŞIMACILIK VE TİC. A.Ş	Delivery of documents for export transactions to correspondent banks
PROCAT DANIŞMANLIK YAZILIM TELEKOMÜNİKASYON PAZARLAMA TİCARET A.Ş.	Call center service
KREDİ KAYIT BÜROSU A.Ş.	Disaster recovery center back-up service
TEPE SAVUNMA VE GÜVENLİK SİSTEMLERİ SAN. A.Ş.	Private Security Services within the scope of Law No. 5188
CMC İLETİŞİM BİLGİSAYAR REKLAM VE DANIŞMANLIK HİZMETLERİ SAN. TİC. A.Ş.	Call center services (Consumer loans + Overdraft Accounts + Pensioners)
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Call Center services (Overdraft Accounts + Loans + Bills)
BDH BİLİŞİM VE DESTEK HİZMETLERİ A.Ş.	Business place contract and document provision

HOBİM ARŞİVLEME VE BASIM HİZMETLERİ A.Ş.	Printing and enveloping service
DATAFAKS KAĞIT MAMÜLLERİ SANAYİ VE TİCARET LTD. ŞTİ.	Cheque printing service
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Filing and data entry services fort he Bank's or customers' documents
KARTEK KART VE BİLİŞİM TEKNOLOJİLERİ A.Ş.	POS software development and upgrading services
GÜZEL SANATLAR ÇEK BASIM LİMİTED ŞİRKETİ	Cheque printing service
GLOBAL BİLGİ PAZARLAMA DANIŞMA VE ÇAĞRI SERVİSİ HİZMETLERİ A.Ş.	Marketing of retail products and services and of products and services classified as retail receivables
CMC İLETİŞİM BİLGİSAYAR REKLAM VE DANIŞMANLIK HİZMETLERİ SAN. TİC. A.Ş.	Marketing of retail products and services and of products and services classified as retail receivables
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Marketing of retail products and services and of products and services classified as retail receivables
METİS BİLGİSAYAR SİSTEMLERİ SANAYİ VE TİCARET A.Ş.	Marketing of retail products and services and of products and services classified as retail receivables
GARANTİ KONUT FİNANSMANI DANIŞMANLIK HİZMETLERİ A.Ş.	Operational services for sales of Bank-owned properties

* *In addition to the companies and services listed above, support service has been procured from 681 dealers for retail loan marketing.*

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TRADE REGISTRY NO
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DOMESTIC BRANCHES
Garanti BBVA has 884 domestic branches in 81 cities as of 2020 year end. Information on domestic branches is available on the Bank's website.

INFORMATION ON SOCIAL MEDIA
You may follow Garanti BBVA on Facebook, Twitter, Instagram, YouTube and LinkedIn.

www.facebook.com/GarantiBBVA
www.twitter.com/garantibbva
www.instagram.com/garantibbva
www.linkedin.com/company/garanti-bbva/
www.youtube.com/garantibbva
www.twitter.com/garantiyesor

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TURKISH REPUBLIC OF NORTHERN CYPRUS - GIRNE BRANCH
Mete Adanır Caddesi No:18
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Fax: +90 392 650 53 20

TURKISH REPUBLIC OF NORTHERN CYPRUS - GAZIMAGUSA BRANCH
Sakarya Mahallesi Eşref Bitlis
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Fax: +90 392 630 03 20

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