

*CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND
AUDITOR REPORT
ORIGINALLY ISSUED IN TURKISH*

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES FOR
THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2020
WITH INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Türk Ekonomi Bankası AŞ.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Türk Ekonomi Bankası AŞ (the “Bank”), which comprise the balance sheet as at 31 December 2020, and the statement of income, statement of income and expense items accounted for under shareholders’ equity, statement of changes in shareholders’ equity and statement of cash flows for the year then ended and, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank 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 Agency (“BRSA”) Accounting and Reporting Regulations” including 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 BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

We conducted our audit in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards 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 *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, 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 opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
<p data-bbox="156 322 751 387"><i>Impairment of loans in accordance with TFRS 9 Financial Instruments Standard (“TFRS 9”)</i></p> <p data-bbox="156 421 815 640">Impairment of loans is a key area of judgment for the management. The Bank has the total loans and receivables amounting to TL 82,932,090 thousands, which comprise 59% of the Bank’s total assets in its unconsolidated financial statements and the total provision for impairment amounting to TL 4,047,771 as at 31 December 2020.</p> <p data-bbox="156 674 815 864">As of 1 January 2018, the Bank has started to recognize provisions for impairment in accordance with TFRS 9 and also “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750.</p> <p data-bbox="156 898 815 1182">In this respect, the method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note VIII of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p data-bbox="156 1216 815 1469">The Bank exercises significant decisions using judgment, interpretation and assumptions over calculating loan impairments. These judgments, interpretations and assumptions are key in the development of the financial models. In addition, impairment of loans and receivables consist of significant judgments and assumptions regarding with Covid 19 effects.</p> <p data-bbox="156 1503 815 1727">Not fulfilling the requirements of the TFRS 9 is a potential risk for the Bank. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans and receivables is considered as a key audit matter.</p> <p data-bbox="156 1760 815 1825">Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.6.</p>	<p data-bbox="834 322 1453 387">As part of our audit work, the following procedures were performed:</p> <p data-bbox="834 421 1477 622">We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p data-bbox="834 656 1477 757">We have assessed and analysed the relevant contract terms to assess management’s accounting policy and classification of the instrument for selected samples.</p> <p data-bbox="834 790 1477 1025">We have performed loan review procedures on selected samples of loans and receivables considering effects of Covid 19 with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.</p> <p data-bbox="834 1059 1477 1496">We have tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable regarding with Covid 19 effects, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p data-bbox="834 1529 1477 1594">We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p data-bbox="834 1628 1477 1830">We have tested whether the model is applied to appropriate segments of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets’ exposure periods.</p> <p data-bbox="834 1863 1477 1964">We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.</p>

Key Audit Matters	How the matter was addressed in the audit
	<p>Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements considering Covid 19 effects underlying the estimations of impairments were reasonable.</p> <p>We assessed expected credit losses determined based on individual assessment per Bank’s policy by means of supporting data, and evaluated appropriateness via communications with management considering Covid 19 effects.</p> <p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and receivables and related impairment provisions.</p>
<p>Pension Fund Obligations</p> <p>Defined benefit pension plan that the Bank provides to its employees is managed by Fortis Bank AŞ Mensupları Emekli Sandığı (“Plan”) which is established by the 20th provisional article of the Social Security Law numbered 506 (the “Law”).</p> <p>As disclosed in the Section III Note XVII to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to the 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 the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds’ members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation voucher.</p> <p>As of 31 December 2020, the Bank’s transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment 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 the Plan. Management uses expert opinion of the independent actuary in</p>	<p>Our audit work included the following procedures:</p> <p>We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank’s actuary.</p> <p>We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.</p>

Key Audit Matters	How the matter was addressed in the audit
<p>assessing uncertainties related to these underlying assumptions and estimates.</p> <p>As described in Section V Note II.8.c2 considering the subjectivity of key judgments 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 as a key audit matter.</p>	
<p><i>Information Technologies Audit</i></p> <p>The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.</p>	<p>Procedures within the context of our information technology audit work:</p> <ul style="list-style-type: none"> • We identified and tested the Banks' controls over information systems as part of our audit procedures. • Information generation comprise all layers of information systems (including applications, networks, transmission systems and database). The information systems controls tested are categorized in the following areas: <ul style="list-style-type: none"> • Security management • Change management • Operations management • We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner. • We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation. • Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation. • We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components. • Finally, we understood and tested the controls over database, network, application and operating system layers of applications.

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

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

In preparing the 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.

5) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA 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 financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements, including the disclosures, and whether the 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 to 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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) Other Responsibilities Arising from Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Bank’s set of accounts for the period 1 January - 31 December 2020 does not comply with TCC and the provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Yaman Polat.

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank’s financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Yaman Polat, SMMM
Partner

İstanbul, 5 February 2021

**Convenience Translation of
Publicly Announced Unconsolidated Financial Statements and Audit Report
Originally Issued in Turkish, See in Note I. of Section Three**

**UNCONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020**

Address : Saray Mahallesi Sokullu Caddesi No: 7/A – 7/B
Ümraniye 34768 - İstanbul
Telephone : (0 216) 635 35 35
Fax : (0 216) 636 36 36
Website : www.teb.com.tr
E-mail : yatirimciiliskileri@teb.com.tr

The unconsolidated financial report for the year-end prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information about the Bank
- Unconsolidated Financial Statements of the Bank
- Explanations on the Accounting Policies Applied in the Related Period
- Information on Financial Structure and Risk Management of the Bank
- Disclosures and Footnotes on Unconsolidated Financial Statements
- Other Explanations
- Independent Auditor’s Report

The accompanying audited unconsolidated financial statements, related disclosures and footnotes which are presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidance, and incompliance with the financial records of our Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Yavuz Canevi Chairman of the Board of the Directors	Nicolas de Baudinet de Courcelles Chairman of the Audit Committee	Ayşe Aşardağ Vice Chairman of the Audit Committee	Ümit Leblebici Chief Executive Officer	M. Aşkın Dolaştır Assistant General Manager Responsible of Financial Reporting	Hatice Ertuğral Regulatory Reporting Senior Manager
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Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title : Ashlhan Kaya / External Reporting Senior Manager
Telephone Number : (0216) 635 24 51
Fax Number : (0216) 636 36 36

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TÜRK EKONOMİ BANKASI A.Ş.

NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION

I. History of the Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “Bank”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009 BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50%.

II. Explanation on the Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in these Matters (if any), and the Group the Bank Belongs to

As of 31 December 2020, and 31 December 2019 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	31 December 2020		31 December 2019	
	Paid in Capital	%	Paid in Capital	%
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23	467,879	21.23
BNP Paribas SA	5,253	0.24	5,253	0.24
Kocaeli Chamber of Commerce	501	0.02	501	0.02
	2,204,390	100.00	2,204,390	100.00

As of 31 December 2020, the Bank’s paid-in-capital consists of 2,204,390,000 shares of TL 1.00 (full TL) nominal each.

TÜRK EKONOMİ BANKASI A.Ş.

NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Bank They Possess

<u>Name</u>	<u>Title</u>	<u>Education</u>
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
Dr.Akın Akbaygil	Deputy Chairman of the Board of Directors	PhD
Jean Paul Sabet	Deputy Chairman of the Board of Directors	University
Ayşe Aşardağ	Member of the Board of Directors and Vice Chairman of the Audit Committee	University
François Andre Jesualdo Benaroya	Member of the Board of Directors	University
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee	University
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
Xavier Henri Jean Guilmineau	Member of the Board of Directors	Master
Özden Odabaşı	Member of the Board of Directors	Master
Hans Wilfried J. Broucke	Member of the Board of Directors	Master
Nicolas de Baudinet de Courcelles	Member of the Board of Directors and Chairman of the Audit Committee	University
Ümit Leblebici	General Manager and the Executive Director	Master
Assistant General Managers;		
Gökhan Mendi	Senior Assistant General Manager Responsible from Retail and Private Banking Group	Master
Melis Coşan Baban	Chief Legal Advisor and Secretary of the Board of Directors	Master
Mehmet Ali Cer	Assistant General Manager Responsible from Information Technologies	Master
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Affairs Group	Master
Osman Durmuş	Assistant General Manager Responsible from Retail and Small Business Credit Group	University
Kubilay Güler	Assistant General Manager Responsible from Banking Operations and Support Services	University
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Dr.Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Akil Özçay	Assistant General Manager Responsible from Fixed Income	Master
Gökhan Özdil	Assistant General Manager Responsible from Corporate Loans	University
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
Ali İhsan Arıdaşır	Assistant General Manager Responsible from SME Loans	University
Ali Gökhan Cengiz	Assistant General Manager Responsible from SME Banking	Master
Bade Siphaoğlu Işık	Assistant General Manager Responsible from Human Resources Group	Master
Group Heads (*);		
Nimet Elif Akpınar	Head of Group Risk Management	University
Biröl Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Internal Audit (*);		
Hakan Tıraşın	Head of Internal Audit Group	University

(*) Group Heads and Head of Internal Audit are in Assistant General Manager status.

There are no Bank shares owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants.

TÜRK EKONOMİ BANKASI A.Ş.

NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Information on the Bank’s Qualified Shareholders

Name / Commercial Name	Share Amount	Share Ratio	Paid-up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,415	55.00%	1,212,415	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23%	467,879	-

TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by Fortis Bank SA/NV whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNPP Yatırımlar Holding A.Ş. are controlled by BNP Paribas SA.

V. Summary on the Bank’s Functions and Lines of Activity

The Bank’s operating areas include, corporate, commercial, SME, retail and private banking as well as project finance and custody operations. Besides the ordinary banking operations, the Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2020, the Bank has 451 local branches and 4 foreign branches (31 December 2019: 467 local branches, 4 foreign branches). As of 31 December 2020, the number of employees of the Bank is 8,850 (31 December 2019; 8,954).

VI. Differences between the Communiqué on Preparation of Financial Statements of Banks and Turkish Accounting Standards and Short Explanation about the Entities Subject to Full Consolidation or Proportional Consolidation and Entities which are Deducted from Equity or Entities which are not Included in these Three Methods

There is no difference for the Bank, except for the non-financial subsidiary, between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Financial Statements of Banks in Turkey.

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

TEB ARF Teknoloji A.Ş., a non-financial subsidiary owned 100% and by the Bank, was registered in the Trade Registry Gazette on 16 July 2020. The Bank presents TEB ARF Teknoloji A.Ş. in the subsidiaries line in its financial statements.

VII. Current or Likely, Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between Bank and its Subsidiaries

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet
- II. Statement of Off-Balance Sheet Items
- III. Statement of Profit or loss
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution

TÜRK EKONOMİ BANKASI A.Ş

UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020 AND 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Section 5 Note	Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		20,245,141	22,528,451	42,773,592	8,076,181	22,007,009	30,083,190
1.1 Cash and Cash Equivalents		11,518,749	18,122,448	29,641,197	2,626,642	18,709,959	21,336,601
1.1.1 Cash and Balances with Central Bank	(I-1)	3,431,921	13,519,382	16,951,303	716,053	11,239,917	11,955,970
1.1.2 Banks	(I-4)	1,908,213	4,615,206	6,523,419	1,071,174	7,480,991	8,552,165
1.1.3 Money Markets		6,180,886	-	6,180,886	840,263	-	840,263
1.1.4 Expected Loss Provision (-)		2,271	12,140	14,411	848	10,949	11,797
1.2 Financial Assets at Fair Value Through Profit or Loss		511,089	1,119,802	1,630,891	426,084	869,339	1,295,423
1.2.1 Government Debt Securities	(I-2)	463,550	984,266	1,447,816	385,317	782,677	1,167,994
1.2.2 Equity Securities		47,539	135,536	183,075	40,767	84,258	125,025
1.2.3 Other Financial Assets		-	-	-	-	2,404	2,404
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-5)	5,628,391	3,022,986	8,651,377	3,323,142	2,216,475	5,539,617
1.3.1 Government Debt Securities		5,617,510	3,022,986	8,640,496	3,315,247	2,216,475	5,531,722
1.3.2 Equity Securities		10,881	-	10,881	7,895	-	7,895
1.3.3 Other Financial Assets		-	-	-	-	-	-
1.4 Derivative Financial Assets		2,586,912	263,215	2,850,127	1,700,313	211,236	1,911,549
1.4.1 Derivative Financial Assets at Fair Value Through Profit and Loss	(I-3)	1,520,531	232,078	1,752,609	1,473,795	196,247	1,670,042
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-12)	1,066,381	31,137	1,097,518	226,518	14,989	241,507
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		76,191,309	15,213,133	91,404,442	57,002,218	13,480,439	70,482,657
2.1 Loans	(I-6)	69,567,055	13,365,035	82,932,090	56,725,319	12,492,716	69,218,035
2.2 Lease Receivables	(I-11)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(I-7)	10,197,854	2,325,087	12,522,941	3,549,987	1,356,631	4,906,618
2.4.1 Government Debt Securities		10,197,854	2,325,087	12,522,941	3,549,987	1,356,631	4,906,618
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Loss (-)		3,573,600	476,989	4,050,589	3,273,088	368,908	3,641,996
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)		112,859	-	112,859	131,362	-	131,362
3.1 Held for Sale Purpose	(I-17)	112,859	-	112,859	131,362	-	131,362
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		116,041	-	116,041	115,991	-	115,991
4.1 Investments in Associates (Net)	(I-8)	-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(I-9)	116,036	-	116,036	115,986	-	115,986
4.2.1 Unconsolidated Financial Subsidiaries		115,986	-	115,986	115,986	-	115,986
4.2.2 Unconsolidated Non-Financial Subsidiaries		50	-	50	-	-	-
4.3 Joint Ventures (Net)	(I-10)	5	-	5	5	-	5
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		5	-	5	5	-	5
V. PROPERTY AND EQUIPMENT (Net)	(I-13)	836,192	-	836,192	877,782	-	877,782
VI. INTANGIBLE ASSETS (Net)	(I-14)	564,803	-	564,803	555,886	-	555,886
6.1 Goodwill		421,124	-	421,124	421,124	-	421,124
6.2 Other		143,679	-	143,679	134,762	-	134,762
VII. INVESTMENT PROPERTIES (Net)	(I-15)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		19,678	-	19,678	10,958	-	10,958
IX. DEFERRED TAX ASSET	(I-16)	632,912	-	632,912	650,094	-	650,094
X. OTHER ASSETS (Net)	(I-18)	1,965,145	1,622,378	3,587,523	2,345,923	2,096,325	4,442,248
TOTAL ASSETS		100,684,080	39,363,962	140,048,042	69,766,395	37,583,773	107,350,168

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

TÜRK EKONOMİ BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020 AND 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES		Section 5 Note	Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
			TL	FC	Total	TL	FC	Total
I.	DEPOSITS	(II-1)	49,618,540	44,154,938	93,773,478	34,476,076	37,718,252	72,194,328
II.	FUNDS BORROWED	(II-3)	412,907	9,334,699	9,747,606	307,801	8,269,181	8,576,982
III.	MONEY MARKET FUNDS	(II-4)	3,830,785	2,717,468	6,548,253	1,317,498	327,167	1,644,665
IV.	SECURITIES ISSUED (Net)	(II-3)	4,810,637	-	4,810,637	2,333,877	-	2,333,877
4.1	Bills		4,766,623	-	4,766,623	2,333,877	-	2,333,877
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		44,014	-	44,014	-	-	-
V.	FUNDS		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		3,135,153	208,026	3,343,179	3,404,041	107,517	3,511,558
7.1	Derivative Financial Liabilities at Fair Value Through Profit and Loss	(II-2)	2,067,218	193,125	2,260,343	1,486,334	100,250	1,586,584
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-7)	1,067,935	14,901	1,082,836	1,917,707	7,267	1,924,974
VIII.	FACTORING LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES (Net)	(II-6)	547,035	51,922	598,957	614,030	39,677	653,707
X.	PROVISIONS	(II-8)	746,323	226,726	973,049	657,461	168,521	825,982
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		475,253	29,963	505,216	352,885	22,713	375,598
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		271,070	196,763	467,833	304,576	145,808	450,384
XI.	CURRENT TAX LIABILITY	(II-9)	321,406	-	321,406	213,516	-	213,516
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-10)	-	-	-	-	-	-
13.1	Held for Sale		-	-	-	-	-	-
13.2	Held from Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	(I-11)	-	4,194,951	4,194,951	-	3,190,503	3,190,503
14.1	Loans		-	-	-	-	-	-
14.2	Other Debt Instruments		-	4,194,951	4,194,951	-	3,190,503	3,190,503
XV.	OTHER LIABILITIES		4,070,593	256,082	4,326,675	4,029,751	454,725	4,484,476
XVI.	SHAREHOLDERS' EQUITY	(II-12)	11,360,851	49,000	11,409,851	9,705,323	15,251	9,720,574
16.1	Paid-in Capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2	Capital Reserves		390,297	-	390,297	390,297	-	390,297
16.2.1	Share Premiums		2,565	-	2,565	2,565	-	2,565
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		387,732	-	387,732	387,732	-	387,732
16.3	Other Accumulated Comprehensive Income or Expense that will not be Reclassified at Profit and Loss		279,006	-	279,006	312,187	-	312,187
16.4	Other Accumulated Comprehensive Income or Expense that will be Reclassified at Profit and Loss		(363,792)	49,000	(314,792)	(884,581)	15,251	(869,330)
16.5	Profit Reserves		7,664,139	-	7,664,139	6,603,179	-	6,603,179
16.5.1	Legal Reserves		452,086	-	452,086	398,568	-	398,568
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		7,020,021	-	7,020,021	6,194,919	-	6,194,919
16.5.4	Other Profit Reserves		192,032	-	192,032	9,692	-	9,692
16.6	Profit or Loss		1,186,811	-	1,186,811	1,079,851	-	1,079,851
16.6.1	Prior Periods' Profit / Loss		9,497	-	9,497	9,497	-	9,497
16.6.2	Current Periods' Profit / Loss		1,177,314	-	1,177,314	1,070,354	-	1,070,354
16.7	Minority Shares	(II-13)	-	-	-	-	-	-
TOTAL LIABILITIES			78,854,230	61,193,812	140,048,042	57,059,374	50,290,794	107,350,168

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

TÜRK EKONOMİ BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2020 AND 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
		Section 5 Note					
		TL	FC	Total	TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)	82,223,013	89,376,868	171,599,881	67,739,091	87,362,056	155,101,147
I.	GUARANTEES AND WARRANTIES	(III-1)	7,481,426	16,764,598	24,246,024	9,130,519	13,244,967
1.1	Letters of Guarantee	6,052,327	8,131,845	14,184,172	6,481,105	7,071,936	13,553,041
1.1.1	Guarantees Subject to State Tender Law	80,715	89,820	170,535	93,314	79,406	172,720
1.1.2	Guarantees Given for Foreign Trade Operations	344,482	545,346	889,828	319,439	417,745	737,184
1.1.3	Other Letters of Guarantee	5,627,130	7,496,679	13,123,809	6,068,352	6,574,785	12,643,137
1.2	Bank Acceptances	-	16,573	16,573	-	12,915	12,915
1.2.1	Import Letter of Acceptance	-	16,573	16,573	-	12,915	12,915
1.2.2	Other Bank Acceptances	-	-	-	-	-	-
1.3	Letters of Credit	-	5,025,525	5,025,525	260	2,623,591	2,623,851
1.3.1	Documentary Letters of Credit	-	3,656,589	3,656,589	-	1,119,305	1,119,305
1.3.2	Other Letters of Credit	-	1,368,936	1,368,936	260	1,504,286	1,504,546
1.4	Prefinancing Given as Guarantee	-	-	-	-	-	-
1.5	Endorsements	-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2	Other Endorsements	-	-	-	-	-	-
1.6	Purchase Guarantees for Securities Issued	-	-	-	-	-	-
1.7	Factoring Guarantees	-	-	-	-	-	-
1.8	Other Guarantees	1,428,395	2,548,277	3,976,672	2,649,033	2,382,926	5,031,959
1.9	Other Collaterals	704	1,042,378	1,043,082	121	1,153,599	1,153,720
II.	COMMITMENTS	(III-1)	17,188,967	2,831,971	20,020,938	16,821,291	3,460,708
2.1	Irrevocable Commitments	17,188,967	2,831,971	20,020,938	16,821,291	3,460,708	20,281,999
2.1.1	Asset Purchase Commitments	916,964	2,114,054	3,031,018	1,406,402	2,278,420	3,684,822
2.1.2	Deposit Purchase and Sale Commitments	-	94,524	94,524	-	759,924	759,924
2.1.3	Share Capital Commitment to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4	Loan Granting Commitments	5,498,822	237,748	5,736,570	5,059,676	174,696	5,234,372
2.1.5	Securities Issuance Brokerage Commitments	-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7	Commitments for Cheque Payments	1,741,408	-	1,741,408	1,769,641	-	1,769,641
2.1.8	Tax and Fund Liabilities from Export Commitments	47,494	-	47,494	71,566	-	71,566
2.1.9	Commitments for Credit Card Limits	8,978,512	-	8,978,512	8,506,931	-	8,506,931
2.1.10	Commitments for Credit Cards and Banking Services Promotions	5,767	-	5,767	4,975	-	4,975
2.1.11	Receivables from Short Sale Commitments on Securities	-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments on Securities	-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments	-	385,645	385,645	2,100	247,668	249,768
2.2	Revocable Commitments	-	-	-	-	-	-
2.2.1	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2	Other Revocable Commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(III-2)	57,552,620	69,780,299	127,332,919	41,787,281	70,656,381
3.1	Derivative Financial Instruments for Hedging Purposes	14,112,081	9,895,360	24,007,441	16,303,838	9,650,297	25,954,135
3.1.1	Fair Value Hedge	1,991,418	4,258,649	6,250,067	-	1,740,184	1,740,184
3.1.2	Cash Flow Hedge	12,120,663	5,636,711	17,757,374	16,303,838	7,910,113	24,213,951
3.1.3	Foreign Net Investment Hedges	-	-	-	-	-	-
3.2	Held for Trading Transactions	43,440,539	59,884,939	103,325,478	25,483,443	61,006,084	86,489,527
3.2.1	Forward Foreign Currency Buy/Sell Transactions	6,698,057	10,100,110	16,798,167	3,905,504	6,836,778	10,742,282
3.2.1.1	Forward Foreign Currency Transactions-Buy	4,420,031	4,234,382	8,654,413	2,186,296	3,210,603	5,396,899
3.2.1.2	Forward Foreign Currency Transactions-Sell	2,278,026	5,865,728	8,143,754	1,719,208	3,626,175	5,345,383
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates	35,101,585	43,210,657	78,312,242	18,588,736	48,542,952	67,131,688
3.2.2.1	Foreign Currency Swap-Buy	1,723,908	25,735,907	27,459,815	4,003,482	25,326,796	29,330,278
3.2.2.2	Foreign Currency Swap-Sell	20,517,677	10,825,732	31,343,409	12,453,254	16,946,840	29,400,094
3.2.2.3	Interest Rate Swaps-buy	6,430,000	3,324,509	9,754,509	1,066,000	3,134,658	4,200,658
3.2.2.4	Interest Rate Swaps-Sell	6,430,000	3,324,509	9,754,509	1,066,000	3,134,658	4,200,658
3.2.3	Foreign Currency, Interest Rate and Securities Options	1,050,757	3,069,974	4,120,731	2,952,821	5,548,060	8,500,881
3.2.3.1	Foreign Currency Options-Buy	729,259	1,370,067	2,099,326	1,726,935	2,562,617	4,289,552
3.2.3.2	Foreign Currency Options-Sell	321,498	1,699,907	2,021,405	1,225,886	2,985,443	4,211,329
3.2.3.3	Interest Rate Options-Buy	-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell	-	-	-	-	-	-
3.2.3.5	Securities Options-Buy	-	-	-	-	-	-
3.2.3.6	Securities Options-Sell	-	-	-	-	-	-
3.2.4	Foreign Currency Futures	590,140	543,771	1,133,911	36,362	35,164	71,526
3.2.4.1	Foreign Currency Futures-Buy	2,957	541,030	543,987	36,362	-	36,362
3.2.4.2	Foreign Currency Futures-Sell	587,183	2,741	589,924	-	35,164	35,164
3.2.5	Interest Rate Futures	-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy	-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell	-	-	-	-	-	-
3.2.6	Other	-	2,960,427	2,960,427	20	43,130	43,150
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	169,031,491	42,921,176	211,952,667	155,126,352	34,382,041	189,508,393
IV.	ITEMS HELD IN CUSTODY	26,642,365	5,778,751	32,421,116	22,692,296	3,362,169	26,054,465
4.1	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	14,096,812	4,231,162	18,327,974	12,683,121	1,926,086	14,609,207
4.3	Cheques Received for Collection	11,666,295	953,460	12,619,755	9,224,197	917,651	10,141,848
4.4	Commercial Notes Received for Collection	532,953	81,589	614,542	501,378	129,625	631,003
4.5	Other assets Received for Collection	125	512,540	512,665	125	388,807	388,932
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items under Custody	346,180	-	346,180	283,475	-	283,475
4.8	Custodians	-	-	-	-	-	-
V.	PLEDGES RECEIVED	139,190,758	36,757,375	175,948,133	127,978,988	30,359,974	158,338,962
5.1	Marketable Securities	306,697	459,121	765,818	362,798	100,651	463,449
5.2	Guarantee Notes	50,158,510	24,390,412	74,548,922	48,526,817	20,196,846	68,723,663
5.3	Commodity	142,587	108,608	251,195	50,194	-	50,194
5.4	Warranty	-	-	-	-	-	-
5.5	Immovable	77,965,304	8,026,196	85,991,500	69,855,979	7,236,289	77,092,268
5.6	Other Pledged Items	10,617,660	3,773,038	14,390,698	9,183,200	2,826,188	12,009,388
5.7	Pledged Items-Guaranty	-	-	-	-	-	-
VI.	ACCEPTED BILL, GUARANTEES AND WARRANTIES	3,198,368	385,050	3,583,418	4,455,068	659,898	5,114,966
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		251,254,504	132,298,044	383,552,548	222,865,443	121,744,097	344,609,540

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

TÜRK EKONOMİ BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED
31 DECEMBER 2020 AND 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. STATEMENT OF PROFIT OR LOSS

INCOME AND EXPENSE ITEMS		Section 5 Note	Audited Current Period 01.01-31.12.2020	Audited Prior Period 01.01-31.12.2019
I.	INTEREST INCOME	(IV-1)	11,239,492	12,358,965
1.1	Interest Income on Loans		8,673,914	10,605,062
1.2	Interest Income on Reserve Requirements		83,562	108,777
1.3	Interest Income on Banks		165,865	234,267
1.4	Interest Income on Money Market Transactions		145,965	245,284
1.5	Interest Income on Securities Portfolio		2,147,734	1,131,686
1.5.1	Financial Assets at Fair Value Through Profit or Loss		178,384	187,881
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		800,174	330,963
1.5.3	Financial Assets Measured at Amortized Cost		1,169,176	612,842
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		22,452	33,889
II.	INTEREST EXPENSE (-)	(IV-2)	5,093,416	6,922,720
2.1	Interest Expense on Deposits		3,688,830	5,645,472
2.2	Interest Expense on Funds Borrowed		490,497	517,583
2.3	Interest Expense on Money Market Transactions		238,193	115,205
2.4	Interest Expense on Securities Issued		454,149	514,885
2.5	Interest Expense on Leases		99,037	104,031
2.5	Other Interest Expenses		122,710	25,544
III.	NET INTEREST INCOME (I - II)		6,146,076	5,436,245
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		1,157,227	1,500,669
4.1	Fees and Commissions Received		1,761,110	2,375,008
4.1.1	Non-cash Loans		260,274	285,265
4.1.2	Other	(IV-12)	1,500,836	2,089,743
4.2	Fees and Commissions Paid (-)		603,883	874,339
4.2.1	Non-cash Loans		6,628	4,971
4.2.2	Other	(IV-12)	597,255	869,368
V.	DIVIDEND INCOME	(IV-3)	31,334	18,570
VI.	TRADING INCOME / LOSS (Net)	(IV-4)	(1,739,661)	(1,010,533)
6.1	Securities Trading Gains / Losses		(52,291)	125,374
6.2	Gains / Losses on Derivative Financial Instruments		(1,059,395)	(911,169)
6.3	Foreign Exchange Gains / Losses		(627,975)	(224,738)
VII.	OTHER OPERATING INCOME	(IV-5)	132,885	134,615
VIII.	GROSS OPERATING PROFIT (III+IV+V+VI+VII+VIII)		5,727,861	6,079,566
IX.	EXPECTED CREDIT LOSS (-)	(IV-6)	752,187	1,404,740
X.	OTHER PROVISION EXPENSES (-)	(IV-6)	(22,683)	89,173
XI.	PERSONNEL EXPENSE (-)		1,581,779	1,445,655
XII.	OTHER OPERATING EXPENSES (-)	(IV-7)	1,866,858	1,726,235
XIII.	NET OPERATING INCOME/LOSS (VIII-IX-X-XI-XII)		1,549,720	1,413,763
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV.	INCOME/LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XVI.	INCOME/LOSS ON NET MONETARY POSITION		-	-
XVII.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(IV-8)	1,549,720	1,413,763
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(IV-9)	(372,406)	(343,409)
18.1	Current Tax Provision		(486,856)	(525,749)
18.2	Deferred Tax Income Effect(+)		(1,314,199)	(211,949)
18.3	Deferred Tax Expense Effect(-)		1,428,649	394,289
XIX.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVII±XVIII)	(IV-10)	1,177,314	1,070,354
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from Non-current Assets Held for Sale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3	Income from Other Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses from Non-current Assets Held for Sale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3	Expenses for Other Discontinued Operations		-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)	(IV-8)	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Expense Effect(+)		-	-
23.3	Deferred Tax Income Effect(-)		-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET INCOME/LOSS (XIX+XXIV)	(IV-11)	1,177,314	1,070,354
25.1	Group's Profit / Loss		1,177,314	1,070,354
25.2	Minority Interest Profit / Loss (-)		-	-
	Earnings per Share		0.5341	0.4856

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

TÜRK EKONOMİ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited Current Period 01.01-31.12.2020	Audited Prior Period 01.01-31.12.2019
I. CURRENT PERIOD INCOME/LOSS	1,177,314	1,070,354
II. OTHER COMPREHENSIVE INCOME	511,963	(991,941)
2.1 Other Comprehensive Income that will not be Reclassified through Profit or Loss	(42,575)	11,567
2.1.1 Gains (losses) on Revaluation of Property, Plant and Equipment	-	-
2.1.2 Gains (losses) on Revaluation of Intangible Assets	-	-
2.1.3 Gains (losses) on Remeasurements of Defined Benefit Plans	(53,832)	10,775
2.1.4 Other Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss	500	3,061
2.1.5 Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss	10,757	(2,269)
2.2 Other Comprehensive Income that will be Reclassified to Profit or Loss	554,538	(1,003,508)
2.2.1 Exchange Differences on Translation	-	-
2.2.2 Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value Through Other Comprehensive Income	(132,443)	201,250
2.2.3 Income (loss) related with Cash Flow Hedges	829,370	(1,463,373)
2.2.4 Income (loss) related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Components of Other Comprehensive Income that will be Reclassified through Other Profit or Loss	-	-
2.2.6 Taxes Relating to Components of Other Comprehensive Income that will be Reclassified through Profit or Loss	(142,389)	258,615
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,689,277	78,413

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

**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2020 AND 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss								
Audited	Paid-in Capital	Share Premiums	Share Cancellation Profit	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Shares	Minority Shares	Total Shareholders' Equity
Period-End Balance 31.12.2019																
(III+IV+V+VI+VII+VIII+IX+X+XI)																
Current Period – 01.01-31.12.2020																
I. Prior Period End Balance	2,204,390	2,565	-	387,732	266,122	41,322	4,743	-	17,421	(886,751)	6,603,179	1,079,851	-	9,720,574	-	9,720,574
II. Corrections According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	2,204,390	2,565	-	387,732	266,122	41,322	4,743	-	17,421	(886,751)	6,603,179	1,079,851	-	9,720,574	-	9,720,574
IV. Total Comprehensive Income	-	-	-	-	-	(43,066)	491	-	(105,508)	660,046	-	-	1,177,314	1,689,277	-	1,689,277
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	9,394	-	-	-	-	-	1,060,960	(1,070,354)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	9,394	-	-	-	-	-	1,060,960	(1,070,354)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance 31.12.2020																
(III+IV+V+VI+VII+VIII+IX+X+XI)																
	2,204,390	2,565	-	387,732	275,516	(1,744)	5,234	-	(88,087)	(226,705)	7,664,139	9,497	1,177,314	11,409,851	-	11,409,851

1. Increase/decrease from tangible assets accumulated revaluation reserve,

2. Accumulated gains / losses on remeasurements of defined benefit plans,

3. Other (Other comprehensive income of associates and joint ventures accounted with equity method that will not be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will not be reclassified at profit or loss),

4. Foreign currency translation differences,

5. Accumulated revaluation and / or classification gains / losses of financial assets at fair value through other comprehensive income,

6. Other (Cash flow hedge gains / losses, other comprehensive income of associates and joint ventures accounted with equity method that will be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will be reclassified at profit or loss).

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

TÜRK EKONOMİ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2020 AND 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

VI. STATEMENT OF CASH FLOWS

		Audited	Audited
	Section 5 Note	Current Period 01.01-31.12.2020	Prior Period 01.01-31.12.2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	4,593,464	5,938,334
1.1.1	Interest received	10,687,114	11,944,525
1.1.2	Interest paid	(4,932,080)	(7,194,011)
1.1.3	Dividend received	31,334	18,570
1.1.4	Fees and commissions received	1,345,387	2,344,880
1.1.5	Other income	133,185	2,327,241
1.1.6	Collections from previously written off loans	1,610,390	1,077,143
1.1.7	Payments to personnel and service suppliers	(1,551,631)	(1,427,250)
1.1.8	Taxes paid	(342,411)	(741,734)
1.1.9	Others	(VI-1) (2,387,824)	(2,411,030)
1.2	Changes in operating assets and liabilities	7,800,843	(370,128)
1.2.1	Net (increase) in financial asset at fair value through profit or loss	(329,359)	(676,907)
1.2.2	Net (increase) in due from banks and other financial institutions	(83,896)	-
1.2.3	Net (increase) in loans	(10,570,598)	(1,673,378)
1.2.4	Net (increase) in other assets	(VI-1) (792,680)	(261,210)
1.2.5	Net increase in bank deposits	11,958,916	1,684,589
1.2.6	Net increase in other deposits	5,480,752	4,986,559
1.2.7	Net increase/(decrease) in financial asset at fair value through profit or loss	-	-
1.2.8	Net increase/(decrease) in funds borrowed	1,206,986	(3,151,430)
1.2.9	Net (increase)/decrease in matured payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	(VI-1) 930,722	(1,278,351)
I.	Net cash provided from banking operations	12,394,307	5,568,206
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities	(9,602,984)	(4,425,930)
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)	(50)	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)	-	-
2.3	Cash paid for purchase of tangible assets	(202,037)	(277,408)
2.4	Cash obtained from sale of tangible assets	3,907	22,128
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(6,171,855)	(4,627,548)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	3,620,752	2,281,659
2.7	Cash paid for purchase of financial assets measured at amortized cost	(7,591,796)	(1,726,438)
2.8	Cash obtained from sale of financial assets measured at amortized cost	823,184	-
2.9	Others	(VI-1) (85,089)	(98,323)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities	2,189,332	1,677,170
3.1	Cash obtained from funds borrowed and securities issued	14,631,331	15,002,839
3.2	Cash used for repayment of funds borrowed and securities issued	(12,196,805)	(13,101,686)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	-	-
3.5	Payments for financial leases	(245,194)	(223,983)
3.6	Others	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(VI-1) 1,432,624	475,011
V.	Net increase in cash and cash equivalents	6,413,279	3,294,457
VI.	Cash and cash equivalents at beginning of the period	16,328,523	13,034,066
VII.	Cash and cash equivalents at end of the period	(VI-2) 22,741,802	16,328,523

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

TÜRK EKONOMİ BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR 31 DECEMBER 2020 AND 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31.12.2020	Audited Prior Period 31.12.2019(*)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	1,549,720	1,413,763
1.2 TAXES AND DUTIES PAYABLE (-)	372,406	343,409
1.2.1 Corporate tax (Income tax)	486,856	525,749
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties (**)	(114,450)	(182,340)
A. NET INCOME FOR THE YEAR (1.1-1.2)	1,177,314	1,070,354
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	53,518
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	1,177,314	1,016,836
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
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 preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	1,016,836
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVE	-	-
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE	-	-
3.1 TO OWNERS OF ORDINARY SHARES	0.5340	0.4613
3.2 TO OWNERS OF ORDINARY SHARES (%)	53.40	46.13
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

(*) As of 31 December 2020, when the financial statements have been finalized, the General Assembly meeting has not been held.

(**) Other taxes and duties amount is deferred tax income (31 December 2019: Deferred tax income).

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

**NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards (“TAS”) and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to reporting principles on accounting records of Banks published by the Banking Regulation and Supervision Agency (“BRSA”) Financial Reporting Standards (TFRS) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) for those matters not regulated by the aforementioned regulations. The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being audited regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The new type of coronavirus (COVID-19), first emerging in China, has been classified as a pandemic affecting countries globally by the World Health Organization on 11 March 2020. COVID-19 has impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues and it still maintains uncertainty about the future stands. While many countries announce economic and financial programs in order to limit the damage caused by the virus, Turkey also set regulatory fiscal and monetary actions in motion to support the companies and households in such difficult conditions. Additional regulatory measures are continued to be announced to tackle adverse impacts on companies and certain sectors.

The effects of this global pandemic on the Bank's financial statements are regularly monitored by the Risk Management as well as the Bank's Management. While preparing the unconsolidated financial statements as of 31 December 2020, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgements used in the preparation of the financial statements. Bank Management takes the necessary precautions in order to keep the negative effects under control and to be affected at the minimum level. The approach preferred for the period of 31 December 2020, will be revised in the following reporting periods, considering the effect of the pandemic and future expectations.

b. The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements:

The accounting policies and valuation principles used in the preparation of the financial statements are subject to the regulations, communiqués, annotations and circulars issued by BRSA on accounting and financial reporting principles and the TFRS (“BRSA Accounting and Financial Reporting Legislation”) which has been put into force by the POA on issues not regulated by the BRSA determined according to the principles.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained between Notes II and XXV.

**NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Bank, risk bearing short positions of currency, interest or price movements is performed only by the Asset-Liability Management and Treasury Group using the limits defined by the Board of Directors. The Asset-Liability Committee manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Bank’s foreign currency asset and liability balances are valued with the Bank’s exchange buying rate at the reporting date and recognized as “Foreign Exchange Gains / Losses” within statement of income.

The Bank’s hedging activities for the currency risk due to foreign currency available for sale equity instruments are described under the Currency Risk section; and the Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Bank’s Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the balance sheet structure.

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

In accordance with “TAS 27”, investments in associates, subsidiaries and joint ventures are accounted with cost values and are reflected on the financial statements after deducting the provision for impairment, if any.

The dividends received from investments in associates, subsidiaries and joint ventures are reflected to income statements at the date of the right to receive dividend.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

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

Pursuant to "IFRS 9 Financial Instruments" ("IFRS 9"), derivative financial instruments of the Bank are classified as "Derivative financial assets at fair value through profit or loss" or "Derivative financial assets at fair value through other comprehensive income".

Assets and liabilities arising from derivative transactions are recorded in off-balance sheet through their contractual amounts. Derivative transactions are measured at fair value after initial recognition. In accordance with the classification of derivative financial instruments, they are disclosed under "Derivative Financial Assets at Fair Value Through Profit or Loss" or “Derivative Financial Assets at Fair Value Through Other Comprehensive Income”, in financial statements. Differences arising from the fair value changes of derivative financial instruments at fair value through profit or loss are recognized under “Gains / Losses on Derivative Financial Instruments” in “Trading Income / Loss” in the statement of profit or loss. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Derivative financial instruments are booked under off-balance sheet items. Derivative financial instruments where the underlying asset is money or commodity, are booked based on the amounts to be received / paid at the maturity date. Derivative financial instruments based on interest rate are booked with the principal amount on which the interest rate is calculated.

All derivative financial instruments are measured with fair value method. The fair value of the derivative financial instruments traded in organized markets is the price on the organized market.

**NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
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IV. Explanations on Forward and Option Contracts and Derivative Instruments (continued)

The cash flows of forward, currency swap, interest rate swap, and cross currency swap, transactions should be determined firstly in order to measure with fair value method. Expected cash flows due to the floating interest rate for these products are defined according to market interest rate at the valuation date. Valuation is calculated by discounting the cash flows with the market interest rate and foreign currencies are converted in to Turkish Lira with exchange rates at the valuation date.

Derivative financial instruments based on interest rate are measured not only with fair value method but also with amortized cost. While the fair value of derivatives are reflected in a single valuation account within the balance sheet, the amortized cost and the difference between the fair value and the amortized cost are reflected separately on the income / expense accounts.

Black and Scholes Model is used to measure the fair value of options. Options premiums are accrued on the start date of maturity. The valuation amount is composed of premiums valued at each valuation date. Premium to be paid calculated within this model is recorded as income, and the premium to be collected as expense.

The Bank has adopted fair value and cash flow hedge accounting. Hedge accounting can be applied in order to prevent short-term fluctuations in the income statement resulting from differences between valuation methods of assets and liabilities exposed to interest rate risk and their hedging derivative instruments.

A part of the Bank's fixed income foreign currency securities and Turkish Lira loans are subject to fair value hedge accounting. The fair value risk of the related financial assets with fixed interest rate is hedged by currency swaps and cross currency swaps. The Bank is also hedging the cash flow risk arising from financial debts, with interest rate swaps and cross currency swaps.

The hedge effectiveness between the derivative instruments / transactions used for hedging and hedged item, are measured regularly and the results are documented. In case of ineffectiveness of hedge accounting, the hedge accounting is terminated.

During period where the relation between hedging instrument and the hedged item is measured;

- a) Within the scope fair value hedge accounting, the fair value change of the hedged item is recognized in profit or loss,
- b) Within the scope of cash flow hedge accounting, the fair value change of the hedged item is recognized in other comprehensive income and the ineffective part of the gain or loss arisen from the hedging instrument is booked in profit or loss.

In the admission of the accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39. Within this context, the Bank will continue to apply the hedge accounting provisions of TAS 39.

While the Bank recognizes the fair value changes of the hedged items in the “Other Interest Income” and “Other Interest Expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “Gains/ Losses on Derivative Financial Instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “Other Interest Income” and “Other Interest Expense” accounts.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis. As the interest income and expense is accrued, all tax liabilities are fulfilled.

Financial assets and liabilities for which the future cash payments and collections are known, are discounted by using effective interest rate.

Accrued but not collected interests and discounts of loans, those classified as non-performing (Stage 3) are not reversed and included in interest income.

The interest amount representing the time value of the future collections of the non-performing loans is recognized under interest income and fully provisioned. The income effect arising from the discount of the estimates of expected collection as getting closer to the estimated date of collection, is recorded under interest income.

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VI. Explanations on Fees and Commission Income and Expenses

Fees and commissions other than integral part of the effective interest rate of the financial instruments measured at amortized cost are accounted in accordance with the TFRS 15 Revenue from Contracts with Customers Standard.

Income on banking services which are not related to periodic services are recorded as income when they are collected. In order to classify the fees and commissions collected from customers as income on banking services or as other non-interest income, they shouldn't be related with a credit transaction.

All type of fees and commissions collected from customers regarding cash loans are deferred in commissions on cash loans account and are recognized as income over the period of the loan by discounting with effective interest rate.

For Bank assurance services provided by the Bank commissions from insurance companies are recorded as income on accrual basis.

The commissions related with non-cash loans or periodic banking services, are deferred and recorded as income over the period according to the cut-off principle. Credit fee and commission expenses which are paid to other companies and institutions regarding financial liabilities and which create operational costs are discounted by effective interest rate and are recorded as expenses in the relevant period according to the cut-off principle.

VII. Explanations on Financial Assets

The Bank classifies and recognizes its financial assets as “Financial Assets at Fair Value through Profit or Loss”, “Financial Assets Measured at Fair Value through Other Comprehensive Income” or “Financial Assets Measured at Amortized Cost”. The financial assets are recognized or derecognized in accordance with the “Recognition and Derecognition” principles defined in Section 3 related to the classification and measurement of financial instruments of the "TFRS 9 Financial Instruments" standard published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at “fair value through profit or loss”, transaction costs are added or deducted to/from their fair value.

The Bank recognizes a financial asset in the financial statement when, and only when, the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the (“settlement date”). When the Bank first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to hold to collect and hold & sell the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through profit or loss are initially recognized at fair value and are subsequently measured at fair value. Gain and losses upon their valuation are accounted under the profit / loss accounts.

Equity securities classified as financial assets at fair value through profit or loss are recognized at fair value.

Accounting policies related to derivative financial instruments at fair value through profit or loss are explained in Section III. Footnote IV.

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VII. Explanations on Financial Assets (continued)

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized at acquisition costs that reflect their fair value by adding transaction costs. Financial assets at fair value through other comprehensive income are subsequently measured at their fair value. The interest income of financial assets at fair value through other comprehensive income that are calculated by effective interest rate method are reflected in the statement of profit or loss. The difference between the fair value of the financial assets at fair value through other comprehensive income and the amortized cost of the financial assets, i.e. "Unrealized gains and losses", is not recognized in the statement of profit or loss until the realization of the financial asset, the sale of the asset, the disposal of the asset or being impaired of the asset are accounted under "Other Accumulated Comprehensive Income or Expenses that will be reclassified at Profit or Loss" under shareholders' equity. Accumulated fair value differences under equity are reflected to the income statement when such securities are collected or disposed.

The Bank may elect at initial recognition to irrevocably designate an equity investment at fair value other comprehensive income where those investments are hold for purposes other than to generate investments returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends continue to be recognized in profit or loss in the financial statements.

All equity instruments classified as financial assets at fair value through other comprehensive income are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Financial Assets Measured at Amortized Cost

Financial investments measured at amortised cost:

A financial asset is classified as a financial asset measured at amortized cost when the Bank’s policy within a business model is to hold the asset to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial asset measured at amortized cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at “Amortized cost” by using the “Effective interest (IRR) rate method”. Interest income related to the financial asset measured at amortized cost is recognized in the statement of profit or loss.

Loans:

Loans are financial assets with fixed or determinable payment terms which are not traded on an active market and measured at amortized cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortized cost by using the “Effective interest (IRR) rate method”.

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VIII. Explanations on Impairment of Financial Assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, loan commitments and financial guarantee contracts in accordance with TFRS 9 principles 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” which came into force starting from 1 January 2018. Equity instruments are not subject to impairment assessment as they are measured at fair value.

Measurement of the expected credit losses reflects:

- Time value of Money
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date

The Bank has changed its credit calculation method with the expected credit loss model as of 1 January 2018. Expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions and the time value of money. The financial assets is divided into “3 stage categories” depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12 month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined based on the instrument’s lifetime expected credit losses. Following criteria have been taken into account in classification a financial asset as Stage 2:

- Loans having past due more than 30 days and less than 90 days
- Restructured loans
- Concordatum files
- Significant deterioration in probability of default

In the case of the occurrence of any of the first three items above, it is classified under Stage 2 loans regardless of the comparison between probabilities of default.

Significant deterioration in probability of default is considered as significant increase in credit risk and the financial asset is classified under Stage 2 loans. In this regard, it is assumed that the probability of default deteriorates, if the probability of default exceeds the thresholds defined by the Bank’s internal rating based credit rating models.

BRSA had increased the default definition on loans from 90 days to 180 days with the decision dated 17 March 2020 that would be valid until 31 December 2020. According to the BRSA decision dated 8 December 2020 and numbered 9312 this date is extended until 30 June 2021. Following the BRSA decision, The Bank regularly reviews probability of default rates for loans those are overdue between 90-180 days and continued to be followed in Stage 2 and makes the necessary updates. The effects of these updates are reflected in the financial statements. The regulation change does not include loans those are overdue more than 90 days before 17 March 2020.

The Bank continued to classify loans with delay of 90 to 180 days as Stage 2, valid from 17 March 2020 until 31 December 2020, in accordance with the BRSA decision dated 17 March 2020 and numbered 8948.

The Bank computed an increased expected credit loss provision or simulated Stage 3 level expected credit loss provision to Corporate and SME loan customers which are not subject to individual assessment by considering how many times the customer had delay more than 90 days in total after June 2020. In other segments, the expected credit loss was computed at Stage 3 level.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

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VIII. Explanations on Impairment of Financial Assets (continued)

Expected Credit Loss Calculation

Expected credit loss calculation refers to the calculation to estimate the loss of the financial instrument in case of default and it is based on 3 stage impairment model based on the change in credit quality. The Bank uses two different calculations considering 12 month and lifetime probability of default of the financial instruments.

If there is a significant increase in credit risk between the origination date and the reporting date of the loan, the lifetime probability of default is used and if there is no significant increase in credit risk the 12 month probability of default is used.

There are mainly 3 loan portfolios as Commercial portfolios, Retail portfolios and Public portfolios.

While the Bank uses the internal credit ratings for commercial portfolios, the internal behavioural scores is used for the retail portfolios. It is determined significant increase in credit risk by comparing the credit ratings/behavioural scores at the origination date and reporting date for both portfolios.

Default Definition: Debts having past due more than 90 days; in addition, the fact 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.

In addition, due to COVID-19, the “more than 90 days delay” condition, which was used in the definition of default for the classification of loans, began to be applied as “more than 180 days delay” in accordance with the BRSA decision as of 17 March 2020. This implementation will be valid until 30 June 2021. Consistent with the subjected change, provision has been provided in accordance with the Bank's risk policies.

As of 31 December 2020, considering the possible effects of COVID-19 the data obtained with the principle of best effort were reflected to the estimates and assumptions used in the calculation of expected credit losses with the best estimation method. In light of the related information, the Bank has reconsidered its macroeconomic expectations in the expected credit loss calculation. The Bank has also provided additional provisions through individual assessment for customers which may be considered as highly effected.

The Bank does not have any financial asset as purchased or originated credit-impaired.

Probability of Default (PD): PD represents the likelihood of default over a specified time period. Based on the historical data, 1-year PD of a customer is calculated for each portfolio on the basis of credit ratings and behavioural scores. PDs and LGDs used in the ECL calculation are (point in time, PIT) based on key portfolios and consider both current conditions and expected cyclical changes. Two types of probability of default are calculated.

- 12-Month PD: as the estimated probability of default occurring within the next 12 months
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument

Internal rating systems are used to measure the risk of both commercial and retail portfolios. The internal rating models used in the commercial portfolio include the customer's financial information and the answers to the qualitative question set. Behavioural score cards used in the retail portfolio include the behavioural data of the customer and the product in the Bank, the demographic information of the customer and the behavioural data of the customer in the sector. The probability of default is calculated based on historical data, current conditions and forward-looking macroeconomic expectations.

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

The Bank calculates the recovery rates for each portfolio in a way that include the collateral types and several risk elements based on historical data, and it is ensured that the time value of money is included into the calculation by discounting of these recoveries to the reporting date. The collaterals in the calculation are taken into account by considering the credit conversion factors. The collaterals included in “Communique on Credit Risk Mitigation Techniques” is taken into account with their rules in the communique. The remaining part is considered as unsecured portfolio and loss given default rate determined for this portfolio is applied.

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VIII. Explanations on Impairment of Financial Assets (Continued)

Expected Credit Loss Calculation (continued)

Exposure at Default (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. The expected default amount is calculated by discounting the principal and interest repayments for cash loans and income accruals by effective interest method while it refers to the value calculated through using credit conversion factors for non-cash loans and commitments. It shows the risk of the borrower at the date of default.

Effective interest rate: the discount factor which reflects the time value of money.

Lifetime ECL is calculated by taking into account the period during which the Bank will be exposed to credit risk. The maturity information defined for all cash and non-cash loans is used in the calculation of the expected credit loss along with their maturity and payment plans. The maturity refers to the contractual life of a financial instruments unless there is the legal right to call it earlier. The maturity analysis and credit risk mitigation processes such as cancellation/revision of the limits have been developed for the definition of behavioural maturity for loans that do not have maturity information and revolving loans.

When expected credit losses are estimated, it is considered that three different macroeconomic scenarios as “Base”, “Adverse” and “Favourable” and the weighted average of the results of these scenarios is taken into account. Forward-looking PDs based on the weighted average of these three scenarios are calculated on segment basis. The fundamental macroeconomic variable in the macroeconomic models is the estimated annual growth rate in gross national product. The Bank periodically reviews the parameters included in the calculation and updates them when necessary.

Expected Credit Loss Calculation of Stage 1 Loans: It is calculated by considering 12 month (1 year) PDs for the financial assets measured at amortized cost, which do not reflect a significant increase in credit risk. Therefore, it is a part of the lifetime expected credit losses. Such expected 12 month PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

In the case of the current default rate is below a defined threshold without comparison with the origination date, the related loans are classified under Stage 1 loans by considering their credit qualities. Treasury Bills and CBRT balances are classified under Stage 1 Loans. In addition, the institutions related to risk group of the Bank and other banks’ placements are classified under Stage 1 Loans.

Expected Credit Loss Calculation of Stage 2 Loans: It is calculated by considering lifetime PDs for the loans which has shown a significant increase in credit risk since origination. Such expected lifetime PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

In determining of the significant increase in credit risk, qualitative and quantitative assessments are performed.

Qualitative assessments:

The loans with a delay on repayment more than 30 days are classified under Stage 2 loans. In addition, the restructured loans are classified under this stage. Also, all the customers declaring concordatum are classified under this stage.

The Bank periodically reviews the parameters included in the calculation and updates them when necessary.

The Bank continued to classify loans with delay of 90 to 180 days as Stage 2, valid from 17 March 2020 until 31 December 2020, in accordance with the BRSA decision dated 17 March 2020 and numbered 8948.

Increased expected loss provision or simulated Stage 3 expected loan loss provision was allocated to Corporate and SME loan customers which are not subject to individual assessment by considering how many times the customer had delay more than 90 days in total after June 2020. In other segments, the expected credit loss provision was allocated as Stage 3 level.

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VIII. Explanations on Impairment of Financial Assets (continued)

Expected Credit Loss Calculation (continued)

Quantitative assessments:

“Significant increase in credit risk” is quantitatively based on the comparison the risk of default at the reporting date with the risk of default at the date of initial recognition. Where the change is above the defined threshold it is considered as significant increase in the credit risk, meaning that the credit is classified under Stage 2 Loans.

In the case of the internal credit rating of the loan is above a defined threshold, “high risk portfolio”, without comparison with the origination date, the related loans are classified under Stage 2 loans.

Expected Credit Loss Calculation of Stage 3 Loans: Lifetime expected credit losses are booked for the loans considered as impaired. When calculating the provisions by discounting the individual cash flow expectations for financial instruments which are above a defined threshold, loss given default rates are taken into account in case of default for financial instruments which are below the defined threshold.

IX. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has 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.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

Treasury bills and government bonds within the scope of repurchase agreements are classified in financial statements as financial assets carried at amortized costs, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income according to the classification of marketable securities subject to repurchase agreement, and are valued according to the measurement rules of the relevant category. Funds obtained through repurchase agreements are booked in a separate liability account, namely funds provided under repurchase agreements under money market balances. Income and expenses arisen from these transactions are booked in “Interest Income on Marketable Securities Portfolio” and “Interest Expense on Money Market Borrowings” in income statement.

Securities purchased under repurchase agreements (“reverse repos”) are accounted under “Money Market Placements” in the balance sheet. The difference between the purchase and resell price of the repurchase agreements is accrued over the life of repurchase agreements. As of 31 December 2020, the Bank has TL 3,679,810 reverse repo transaction (31 December 2019: TL 840,263).

As of 31 December 2020, the Bank does not have any marketable securities lending transaction (31 December 2019: None).

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Non-current assets held for sale consists of property, plant and equipment acquired for impairment and accounted in financial statements convenient with “TFRS 5 Assets Held for Sale and Discontinued Operations”.

As of 31 December 2020, assets held for sale and discontinued operations of the Bank are TL 112,859 (31 December 2019: TL 131,362). As per the appraisals performed for the real estates held for sale included “Assets Held for Sale” in the financial statements, TL 5,330 (31 December 2019: TL 10,598) has been reserved as provision for impairment losses.

As of 31 December 2020, the Bank has no discontinued operations.

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XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree’s identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date.

As explained in footnote 1 of Section 1, under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper 12 February 2011 dated and numbered as 27844, all rights, receivables, (assets and liabilities) of Fortis Bank A.Ş. would be transferred to the Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

Within the framework of TFRS 3 Business Combination, identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. In this context, the Bank has measured the identifiable assets acquired and the identifiable liabilities acquired in the date of the merger of Fortis Bank A.Ş. at fair value and presented in the financial statements as related items. The resulting difference of TL 48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder’s equity section. The amount of TL 421,124, which is the difference between TL 2,385,482, the fair value of transferred amount and TL 1,964,358, the identifiable net asset value is accounted as goodwill in the financial statements and the equity impact is shown under other shareholder’s equity section.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Bank comprise mainly software. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Software used are mainly developed within the Bank by the Bank’s personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

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XIII. Explanations on Tangible Fixed Assets

Tangible assets of the Bank are accounted for at their restated cost until 31 December 2004 and afterwards, the acquisition cost and any other cost incurred to prepare the asset ready for use are reflected, less reserve for impairment, if any.

Depreciation rates are defined according to the economic life of the relevant assets.

Depreciation is calculated using the straight line method, without taking residual values into consideration, based on the number of months that the asset is used. No amendment has been made to the depreciation method in the current period. The economic useful lives of the tangible fixed assets are as follows:

Buildings	50 years
Furniture, Fixtures and Office Equipment and Others	5-15 years

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed. Leasehold improvements amount is subject to depreciation during leasing period. This period is taken into consideration maximum five years. For the branches, this period is considered as three years in parallel with the Bank's business plans.

The Bank employs independent appraisers in determining the current fair values of its real estate's when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

“IFRS 16 Leases” was promulgated in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information and faithful representation. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements. The Bank has started to apply the related standard for the first time on 1 January 2019 by reflecting the application effects to the equity accounts.

Lease obligations under the contract in the amount of liabilities on the balance sheet equal to the sum of all cash payments and offset with the form shown gross interest expense arising from the contract. The right of use arising from the leasing transactions, at the date of commencement, the present value of the lease payments which have not been paid at that date is measured. In this measurement, if the interest can be easily determined, the implied interest rate in the lease is used. If this ratio is not easily determined, the Bank's alternative borrowing interest rate announced by the Asset and Liability Management Department is used.

Public Oversight Authority (POA) made amendments in IFRS 16 “Leases” standard by publishing the Concessions Granted in Lease Payments Regarding COVID-19 – “amendments regarding IFRS 16 Leases” on 5 June 2020. With this amendment, exception is granted to lessee on the subject of not evaluating whether the privileges granted on lessees' lease payments due to COVID-19 are changes on leasing or not. The subjected changes did not have a significant impact on the Bank's financial position or performance.

With the “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognized under “Tangible Assets” as an asset (tenure) and under “Lease Payables” as a liability.

XV. Explanations on Provisions and Contingent Liabilities

Provisions are provided for liabilities of uncertain timing or amount arising from past events have the probability to result in an expense or loss in the future and when it can be measured reliably.

Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. Provisions and contingent liabilities, excluding specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards (TAS 37) regarding Provisions, Contingent Liabilities and Contingent Assets.

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XVI. Explanations on Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized.

Contingent assets are disclosed in the financial statements’ notes where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. In case 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.

XVII. Explanations on Liabilities Regarding Employee Benefits

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over 1 year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS 19 Employee Benefits.

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

Employees transferred to the Bank following the business combination defined in “General Information” of the Bank and Fortis Bank A.Ş. are the members of “Fortis Bank A.Ş. Mensupları Emekli Sandığı” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No: 506. Technical financial statements of the Pension Fund are audited by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2020, the Pension Fund has 1,505 employees and 1,191 pensioners (31 December 2019: 1,552 employees and 1,139 pensioners).

Provisional Article 23 (1) of Banking Law No: 5411 (the “Banking Law”) published in the Official Gazette repeated no: 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No: 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No: 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers’ resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers’ resolution dated 24 February 2014 issued in the Official Gazette No:28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers’ resolution dated 8 April 2013 issued in the Official Gazette No:28636 on 3 May 2013. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published on the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no.5510, “Council of Ministers” is authorized to determine the date of transfer to the Social Security Institution has been replaced with “President”.

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2020. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

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XVII. Explanations on Liabilities Regarding Employee Benefits (Continued)

Since the Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable, they believe such liabilities will not bring any additional liability to the Bank.

XVIII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 September 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate has been applied as 22% for the 3 years between 2018-2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

The tax legislation requires advance tax to be calculated and paid based on earnings generated for each quarter, the amounts thus calculated and paid are offset from the final tax computed over the earnings of the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are taken into account in the Tax Statement according to Article 22 of the Prevention of Double Taxation Treaty signed between Northern Cyprus and the Turkish Republic.

50% portion of the gains derived from the sale of immovable (from 5 December 2017) which have been acquired due to loans under follow-up from the Bank and 75% portion of participation shares, founder's shares, dividend shares and preemption rights is tax exempt. 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the immovable properties held for at least two years are exempt from corporate taxation, providing that such gains are added to paid-in capital or held in a special fund account under liability for 5 years.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one instalment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Deferred Tax Asset/Liability

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

The deferred tax is calculated using the enacted tax rates that are valid as of the balance sheet date in accordance with the tax legislation in force. According to the Law, which was approved in the Grand National Assembly on 28 November 2017 and published in the Official Gazette dated 5 December 2017, the rate of Corporate Tax for the years 2018, 2019 and 2020 was increased from 20% to 22%. Therefore, deferred tax assets and liabilities are measured at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences are measured by 20%.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Deferred tax asset is calculated over temporary differences arisen from expected credit loss provision in line with TFRS 9 principles from 1 January 2018.

Deferred tax income balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XIX. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

XX. Explanations on Issued Equity Securities

There is no share issued in 2020.

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XXI. Explanations on Bill Guarantees and Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XXII. Explanations on Government Incentives

There is no government incentive utilized by the Bank.

XXIII. Explanations on Reporting According to Segmentation

The operating segments of the Bank include retail and private banking, SME banking, corporate banking, treasury and asset-liability management.

Retail and private banking lines of the Bank provide consumer loans, personal financing, housing, workplace and vehicle loans for customer needs related to general consumption, purchase of durable goods, and real estate. The Bank also provides account products like Marifetli, Fırsat and CEPTETEB along with the standard time deposit products to enable advantageous savings in different currencies and maturities. In regard to investment needs for customers, retail and private banking offers brokerage services for treasury bill transactions, government bonds, Eurobonds, foreign exchange purchases/sales, a wide-range of investment funds, private pension funds and equity securities transactions. It also provides practical account, credit deposit account, automatic bill/regular payment options, safe-deposit boxes and insurance services beside credit and debit cards offering advantages in shopping and banking transactions. These products and services are provided to customers through widespread physical branches and ATM network and also via a 24/7 call center, internet and mobile banking.

Corporate banking provides financial solutions and banking services to large-scale local firms, holdings and their group companies, and multinational companies operating in Turkey. In addition to the bank deposit services provided to corporate customers, corporate banking also develops tailored solutions and products for standard cash and non-cash loans, investment loans, cash management services in line with customer needs and demands and foreign trade financing. Foreign exchange purchase and sale transactions, corporate financing services, derivative products and solutions to manage foreign exchange and interest rate risk and commodity financing are other services provided by the Bank. The Bank provides these services and products for its corporate customers via teams, located in its corporate branches and Head Office, who are specialized in foreign trade, cash management, structured finance and multinational companies. It also benefits from the global business network and expertise of BNP Paribas Group.

SME banking provides small and medium-sized enterprises with financial solutions and exclusive services for non-financial matters. The Bank, which specifically designed its services for different segments in the field of SME Banking, has developed solutions that are tailored to the needs of these segments. In addition to solutions developed for small and medium-sized enterprises, solutions were developed for agricultural producers, jewellers, female leaders and entrepreneurship segments and for SME banking, enterprise banking, agriculture banking, gold banking, women’s banking and entrepreneurship banking. These solutions are provided on a larger scale based on the types of financial problems encountered by customers, and they are supported in non-financial matters via offering access to information, training and networks. At this point, the Bank does not only provide financial support to the SMEs but also provides the training and expertise they need to grow their business, strengthen their competitiveness and use their financing properly.

When determining the short, medium and long-term pricing strategy, Asset-Liability Management and the Treasury Group also manage the maturity mismatch, by adopting a principle foreseeing to work with a positive balance sheet margin. Spot and forward TL and foreign exchange purchase-sale transactions, treasury bill, government bond, and Eurobond purchase-sale transactions, and derivative product purchase/sale transactions are carried out under defined authorizations. The Bank also carries out activities related to providing medium and long-term funding, enabling funding at a price below the price reflecting the country risk price, diversifying funding resources, and creating an international investor base in this field.

The Financial Markets Group provides structured financial solutions to hedge foreign exchange/interest rate risks of customers and provides the most appropriate price for the market instruments offered to customers by monitoring market conditions.

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XXIII. Explanations on Reporting According to Segmentation (continued)

The details of the income statement and the balance sheet which the Bank operates as a business line:

Current Period	Retail and Private Banking	Corporate Banking	SME Banking	Other	Total
Dividend Income	-	-	-	31,334	31,334
Profit Before Tax	261,391	318,969	88,170	881,190	1,549,720
Tax Provision (-)	-	-	-	372,406	372,406
Net Profit for the Period	261,391	318,969	88,170	508,784	1,177,314

Current Period	Retail and Private Banking	Corporate Banking	SME Banking	Other	Total
Segment Assets	29,454,535	30,864,545	17,917,969	61,694,952	139,932,001
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	116,041	116,041
Total Assets	29,454,535	30,864,545	17,917,969	61,810,993	140,048,042
Segment Liabilities	57,220,832	28,190,237	8,208,073	35,019,049	128,638,191
Shareholders' Equity	-	-	-	11,409,851	11,409,851
Total Liabilities	57,220,832	28,190,237	8,208,073	46,428,900	140,048,042

Prior Period (31.12.2019)	Retail and Private Banking	Corporate Banking	SME Banking	Other	Total
Dividend Income	-	-	-	18,570	18,570
Profit Before Tax	572,390	838,101	(269,219)	272,491	1,413,763
Tax Provision (-)	-	-	-	343,409	343,409
Net Profit for the Period	572,390	838,101	(269,219)	(70,918)	1,070,354

Prior Period (31.12.2019)	Retail and Private Banking	Corporate Banking	SME Banking	Other	Total
Segment Assets	25,750,311	20,792,344	17,290,247	43,401,275	107,234,177
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	115,991	115,991
Total Assets	25,750,311	20,792,344	17,290,247	43,517,266	107,350,168
Segment Liabilities	51,472,544	14,120,899	6,479,553	25,556,598	97,629,594
Shareholders' Equity	-	-	-	9,720,574	9,720,574
Total Liabilities	51,472,544	14,120,899	6,479,553	35,277,172	107,350,168

XXIV. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 26 March 2020 of the Bank, TL 1,070,354 that constitutes the 2019 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL 53,518 as Legal Reserves, TL 9,394 as Special Reserves, TL 0.87 (full TL) as profit distributed to the holders of the founder jouissance certificates.

XXV. Reclassifications

In order to comply with the presentation of the financial statements dated 31 December 2020, some classifications were made on the statement of income and statement of cash flows dated 31 December 2019.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders’ Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks” and decision of BRSA dated 23 March 2020 and 3397 numbered, dated 16 April 2020 and 3984 numbered. According to the latest regulation changes;

In calculating the amount subject to credit risk; exchange buying rate which was used for the financial statements dated 31 December 2019 are used for calculating the foreign currency valuation.

In case that the net valuation differences of the securities owned by Banks which are included in the "Securities with Fair Value through Other Comprehensive Income" portfolio as of 23 March 2020 are negative, these differences are not taken into account in the amount of equity.

In accordance with the Standard Approach, 0% risk weight is used in the calculation of the amount subject to credit risk for FX receivables of Banks which are from Republic of Turkey Central Management within the scope of Regulation on Measurement and Assessment of Capital Adequacy of Banks published on the Official Gazette dated 23 October 2015 and numbered 29511.

As of 31 December 2020, Bank’s total capital has been calculated as TL 16,429,056 (31 December 2019: TL 14,339,636) and capital adequacy ratio is 18,51% (31 December 2019: 16.95%). This ratio is well above the minimum ratio required by the legislation. The credit risk of banking accounts has been calculated by using the “standard approach”, the market risk of purchase and sale accounts by using the “standard method”, counterparty credit risk of derivative and repo transactions by using the “fair value method”, credit valuation adjustments of over counter derivative transactions by using the “standard model” and operational risk by using the “basic indicator approach”.

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I. Explanations Related to Components of Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity:

	Current Period 31.12.2020	Amount related to treatment before 01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	8,293,298	
Gains Recognized in Equity as per TAS	63,530	
Profit	1,186,811	
Current Period Profit	1,177,314	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	527	
Common Equity Tier 1 Capital Before Deductions	11,951,383	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	23,436	
Leasehold Improvements on Operational Leases	38,025	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	131,757	131,757
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	614,342	
Total Common Equity Tier 1 Capital	11,337,041	

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I. Explanations Related to Components of Shareholders' Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Current Period 31.12.2020	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with 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 Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	11,337,041	
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	4,137,063	
Bank's borrowing instruments and related issuance premium(in the scope of temporary Article 4)	-	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	959,538	
Tier 2 Capital Before Deductions	5,096,601	
Deductions from Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with 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 Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	
Other Items Determined by BRSA (-)	-	
Total Deductions from Tier 2 Capital	-	
Total Tier 2 Capital	5,096,601	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	16,433,642	

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	Current Period 31.12.2020	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	1,046	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years (-)	-	
Other items to be defined by the BRSA (-)	3,540	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	16,429,056	
Total Risk Weighted Assets	88,762,236	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.77	
Tier 1 Capital Adequacy Ratio (%)	12.77	
Capital Adequacy Ratio (%)	18.51	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%)	2.50	
a) Capital conservation buffer requirement (%)	2.50	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	4.27	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	182,843	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	632,912	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,996,558	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(**)	959,538	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	
The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9	177,147	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

(**) The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9 has been deducted.

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	Prior Period 31.12.2019	Amount related to treatment before 01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	7,353,433	
Gains Recognized in Equity as per TAS	23,065	
Profit	1,079,851	
Current Period Profit	1,070,354	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Common Equity Tier 1 Capital Before Deductions	10,864,093	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	3,475	
Leasehold Improvements on Operational Leases	44,877	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	124,530	124,530
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank’s liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56, 4 th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	594,006	
Total Common Equity Tier 1 Capital	10,270,087	

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NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	Prior Period 31.12.2019	Amount related to treatment before 01.01.2014 (*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier 1 Capital before deductions	-	-
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital	-	-
Investments in equity instruments issued by banks or financial institutions invested in Bank’s additional Tier I Capital which are compatible with 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 Common Equity Tier 1 Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
Items to be deducted from Tier I Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
Total Deductions from Additional Tier 1 Capital	-	-
Total Additional Tier 1 Capital	-	-
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	10,270,087	
TIER 2 CAPITAL		
Bank’s borrowing instruments and related issuance premium	3,145,908	
Bank’s borrowing instruments and related issuance premium(in the scope of temporary Article 4)	-	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	932,332	
Tier 2 Capital Before Deductions	4,078,240	
Deductions from Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank’s Tier II Capital which are compatible with 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 Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital (-)	-	
Other Items Determined by BRSA (-)	-	
Total Deductions from Tier 2 Capital	-	
Total Tier 2 Capital	4,078,240	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	14,348,327	

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	Prior Period 31.12.2019	Amount related to treatment before 01.01.2014 (*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	2,467	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years(-)	-	
Other items to be defined by the BRSA (-)	6,224	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	14,339,636	
Total Risk Weighted Assets	84,609,081	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.14	
Tier 1 Capital Adequacy Ratio (%)	12.14	
Capital Adequacy Ratio (%)	16.95	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%)	2.50	
a) Capital conservation buffer requirement (%)	2.50	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	3.63	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	124,855	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	650,094	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,503,984	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(**)	932,332	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	
The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9	265,721	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

(**) The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9 has been deducted.

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	T	T-1	T-2	T-3	T-4
CAPITAL ITEMS					
Common Equity Tier 1 Capital	11,337,041	11,343,942	11,084,682	10,582,731	10,270,087
Common Equity Tier 1 Capital where the transition impact of TFRS 9 has not been applied (a)	11,159,894	11,166,795	10,907,535	10,405,584	10,004,366
Tier 1 Capital	11,337,041	11,343,942	11,084,682	10,582,731	10,270,087
Tier 1 Capital where the transition impact of TFRS 9 has not been applied (b)	11,159,894	11,166,795	10,907,535	10,405,584	10,004,366
Capital	16,429,056	16,472,605	15,644,097	15,063,625	14,339,636
Capital where the transition impact of TFRS 9 has not been applied (c)	16,251,909	16,295,458	15,466,950	14,886,478	14,073,915
TOTAL RISK WEIGHTED ASSETS					
Total Risk Weighted Assets	88,762,236	86,658,046	87,260,960	97,225,786	84,609,081
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.77	13.09	12.70	10.88	12.14
Common Equity Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	12.57	12.89	12.50	10.70	11.82
Tier 1 Capital Adequacy Ratio (%)	12.77	13.09	12.70	10.88	12.14
Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	12.57	12.89	12.50	10.70	11.82
Capital Adequacy Ratio (%)	18.51	19.01	17.93	15.49	16.95
Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	18.31	18.80	17.72	15.31	16.63
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	183,587,494	179,856,846	167,785,998	168,042,884	148,550,077
Leverage Ratio	6.11%	6.20%	6.57%	6.18%	6.91%
FTA not Applied Leverage Ratio (d)	6.01%	6.11%	6.47%	6.08%	6.73%

Basic information for the TFRS 9 transition process

- a: Common equity Tier 1 capital if Temporary Article 5 of the Regulation on equities of banks has not applied.
b: Tier 1 capital if Temporary Article 5 of the Regulation on equities of banks has not applied.
c: Total capital if Temporary Article 5 of the Regulation on equities of banks has not applied.
ç: Capital adequacy ratios calculated with capital items if Temporary Article 5 of the Regulation on banks has not applied.
d: The leverage ratio calculated with capital items if Temporary Article 5 of the Regulation on banks has not applied.

Explanations on Reconciliation of Capital Items to Balance Sheet:

Total Capital per Balance Sheet	11,409,851
Hedging Funds (effective portion)	226,705
Deductions Made Under Regulation	(602,482)
Transition Impact of TFRS 9 (Temporary 5 th Article)	177,147
Gerçeğe uygun değer farkı diğer kapsamlı gelire yansıtılan finansal varlıkların birikmiş yeniden değerlendirme ve/veya sınıflandırma kazançları/kayıpları	125,820
Common Equity Tier 1 Capital	11,337,041
Additional Tier 1 Capital	-
Tier 1 Capital	11,337,041
General Provisions (Stage 1 and 2)	959,538
Bank's Borrowing Instruments	4,137,063
Deductions Made Under Regulation	(4,586)
Total Equity	16,429,056

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I. Explanations Related to Components of Shareholders’ Equity (continued)

Information related to debt instruments included in equity calculation

All of the debt instruments included in equity calculation are issued by the Bank.

Issuer	TEB	TEB	TEB	TEB
Unique identifier of the debt instrument (e.g. CUSIP, ISIN)	XS1895575071	XS2023308278	XS1973559484	XS1845118865
Governing law(s) of the debt instrument	Turkey	Turkey	Turkey	Turkey
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at unconsolidated/consolidated/consolidated and unconsolidated	Available	Available	Available	Available
Type of the debt instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument
Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date)	1,551.5	907.2	544.3	1,134
Par value of debt instrument (TL Currency in mil)	1,551.5	907.2	544.3	1,134
Accounting classification of the debt instrument	34701100	34701100	34701100	34701100
Original date of issuance	05.11.2018	22.07.2019	14.05.2019	27.06.2018
Perpetual or dated	Time	Time	Time	Time
Original maturity date	05.11.2028	22.07.2029	14.05.2029	27.06.2028
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	05.11.2023	22.07.2024	14.05.2024	27.06.2023
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Fixed	Floating	Floating	Floating
Coupon rate and any related index	10.40%	6mEuribor+7.10%	6mEuribor+7.10%	6mEuribor+5.10%
Existence of a dividend stopper	None	None	None	None
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	None	None	None	None
Noncumulative or cumulative	None	None	None	None
Convertible or non-convertible				
If convertible, conversion trigger(s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to the debt instrument)	deposit and other receivables	deposit and other receivables	deposit and other receivables	deposit and other receivables
Whether conditions which stands in Article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess	Possess	Possess	Possess
According to Article 7 and 8 of Banks’ shareholders equity law that are not possessed(*)	-	-	-	-

(*) Under Article 8/2 in subsection (g) mechanism of write-down or conversion to common shares are stated.

**NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
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II. Explanations Related to Credit Risk

Credit risk is the risk and financial loss that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank’s loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The credit risks and limits related to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

As prescribed in the Communiqué numbered 29750 dated 22 June 2016 on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statements of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

A restructuring is defined as the privilege due to the borrower's encountered or likely to encountered financial difficulties. The privileges granted to the borrower assumed to be in financial difficulty are;

- A change in the terms and conditions of the loan or
- Partially or completely refinancing of the loan in favour of the debtor.

In order to be subject to restructuring, the firm must be confronted with the difficulty of payment. The difficulty should be supported by concrete developments or findings. Each restructuring request is evaluated on transaction basis by the authorized credit allocation unit according to the activity of the firm, the income generation structure by the sectoral operation.

Restructuring of the loans supported by Credit Guarantee Fund (“CGF loans”) is evaluated in accordance with the current legislation. The principles regarding to restructuring of Treasury-Back CGF loans in the scope of 11 October 2018 dated Presidential Decree are taken into account.

Non-required delay time loans that is not classified as Stage III Loans defined in “Regulation on Procedures and Principles for Classification of Loans And Provisions to be Set Aside” published in the Official Gazette numbered 29750 dated 22 June 2016, amended by the regulation published in the Official Gazette dated 14 December 2016 and numbered 29918, whose principal and interest payment collection delayed more than 30 days are considered as “past-due loan” in the Accounting Practice; group III, IV and V loans defined in the mentioned communiqué are considered as “impaired receivables” without considering refinancing or addition of the accrued interest and quasi-interest principal amount.

The Bank provides specific reserves to Group III, IV and V loans in accordance with “Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside”.

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NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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II. Explanations Related to Credit Risk (continued)

In calculating the amount subject to credit risk; exchange buying rate which was used for the financial statements dated 31 December 2019 are used for calculating the foreign currency valuation in accordance with BRSA decisions dated 23 March 2020 and numbered 3391, dated 16 April 2020 and numbered 3984.

In accordance with the Standard Approach, 0% risk weight is used in the calculation of the amount subject to credit risk for FX receivables of Banks which are from Republic of Turkey Central Management within the scope of Regulation on Measurement and Assessment of Capital Adequacy of Banks published on the Official Gazette dated 23 October 2015 and numbered 29511.

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types for the relevant period:

Exposure classifications	Current Period Risk Amount (*)	Average Risk Amount (*, **)
Conditional and unconditional receivables from central governments or central banks	35,611,406	30,378,860
Conditional and unconditional receivables from regional or local governments	1,198,712	1,191,770
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	9,619,818	8,412,497
Conditional and unconditional corporate receivables	42,602,286	41,606,407
Conditional and unconditional retail receivables	35,852,357	35,305,146
Conditional and unconditional secured mortgage receivables	10,955,985	11,567,659
Past due receivables	1,277,011	1,611,860
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	3,543,873	4,011,263
Investments in equities	167,257	144,178

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the arithmetic average of balances prepared to the end of the month.

Exposure classifications	Prior Period Risk Amount (*)	Average Risk Amount (*, **)
Conditional and unconditional receivables from central governments or central banks	20,808,776	19,889,510
Conditional and unconditional receivables from regional or local governments	1,249,725	1,028,952
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	12,343,046	8,454,625
Conditional and unconditional corporate receivables	34,548,225	38,019,684
Conditional and unconditional retail receivables	32,532,649	32,161,243
Conditional and unconditional secured mortgage receivables	12,654,892	10,737,238
Past due receivables	1,874,439	1,602,291
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, stockbrokers and corporate	-	-
Investments of natured collective investment enterprise	-	-
Other receivables	4,337,763	3,937,051
Investments in equities	132,920	115,964

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the arithmetic average of balances prepared to the end of the month.

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NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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II. Explanations Related to Credit Risk (continued)

For the positions of the Bank in terms of forward transactions and other similar contracts, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and proceeds related to forward transactions can be realized at maturity. However, in order to minimize the risk, back to back positions of existing risks are entered into the market due to necessity.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the volume of the restructured loans is not material to the financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are considered to be not material to the financial structure of the Bank.

The Bank does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2020, the receivables of the Bank from its top 100 and top 200 cash loan share in total cash loans are respectively 25.96% and 33.84%. (31 December 2019: 22.56% and 28.45%)

As of 31 December 2020, the receivables of the Bank from its top 100 and top 200 non-cash loan share are 72.30% and 83.41% respectively in the total non-cash loans. (31 December 2019: 58.35% and 66.46%)

As of 31 December 2020, the share of cash and non-cash receivables of the Bank from its top 100 and top 200 loan customers in total balance sheet and off-balance sheet assets is 10.49% and 14.01% respectively. (31 December 2019: 8.44% and 10.94%)

As of 31 December 2020, the general loan loss provision related with the credit risk taken by the Bank is TL 1,996,558 (31 December 2019: TL1,503,984).

Credit Rating System

Credit risk is evaluated according to the internal rating system of the Bank, which is linked to the rating scale, and loans are classified from the best rating to the lowest rating according to the probability of default. As of 31 December 2020, Retail, Business and Agricultural Banking loans are excluded from the internal rating system of the Bank and these loans constitute 29.70% of the total cash and non-cash loan portfolio (31 December 2019: 31.05 %). Application and behavioral scorecards are used for the Individual and Business segments, however behavioral scorecard is used for the Agricultural segment.

The risks that are subject to rating models can be allocated as follows:

Category	Description of Category	Share in the Total % 31.12.2020	Share in the Total % 31.12.2019
1st Category	The borrower has a very strong financial structure	47.06	40.39
2nd Category	The borrower has a good financial structure	25.30	25.38
3rd Category	The borrower has an intermediate level of financial structure	20.35	24.95
4th Category	The financial structure of the borrower must be closely monitored in the medium term	7.29	9.28
Total		100.00	100.00

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II. Explanations Related to Credit Risk (continued)

Profile of significant exposures in major regions:

	Exposure Categories (***)																Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory 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	Others		Investments in equities
Current Period																		
Domestic	70,174	598,426	-	-	-	1,690,830	30,670,286	24,561,633	5,455,931	1,075,347	-	-	-	-	-	1,408,311	167,257	65,698,195
European Union (EU) Countries	-	-	-	-	-	376,546	32	7,411	2,445	1,202	-	-	-	-	-	-	-	387,636
OECD Countries (*)	-	-	-	-	-	29,410	-	769	278	-	-	-	-	-	-	397	-	30,854
Off-Shore Banking Regions (***)	389,970	-	-	-	-	8	211,528	104,878	22,704	7,739	-	-	-	-	-	432	-	737,259
USA, Canada	-	-	-	-	-	195,970	-	803	311	27	-	-	-	-	-	-	-	197,111
Other Countries	-	-	-	-	-	15,929	6,099	2,585	482	27	-	-	-	-	-	-	-	25,122
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,041	-	116,041
Unallocated Assets/Liabilities (**)	-	935	-	-	-	561,081	10,616,055	2,208,847	424,648	90,173	-	-	-	-	-	2,889	-	13,904,628
Total	460,144	599,361	-	-	-	2,869,774	41,504,000	26,886,926	5,906,799	1,174,515	-	-	-	-	-	1,528,070	167,257	81,096,846

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

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

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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II. Explanations Related to Credit Risk (continued)

Profile of significant exposures in major regions: (continued)

	Exposure Categories (***)																	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	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 items	Receivables in regulatory 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	Others	Investments in equities	Total
Prior Period																		
Domestic	4,286,981	623,819	-	-	-	2,277,362	20,711,820	21,919,612	6,477,806	1,685,310	-	-	-	-	-	1,520,061	132,920	59,635,691
European Union (EU) Countries	-	-	-	-	-	1,376,688	4,079	9,718	4,904	1,752	-	-	-	-	-	191	-	1,397,332
OECD Countries(*)	-	-	-	-	-	148,208	108	529	413	3	-	-	-	-	-	540	-	149,801
Off-Shore Banking Regions (****)	399,811	-	-	-	-	9	234,520	106,298	43,444	6,187	-	-	-	-	-	306	-	790,575
USA, Canada	-	-	-	-	-	42,234	-	901	345	10	-	-	-	-	-	-	-	43,490
Other Countries	-	-	-	-	-	14,220	35,750	1,968	799	20	-	-	-	-	-	-	-	52,757
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,991	-	115,991
Unallocated Assets/Liabilities (**)	-	1,050	-	-	-	557,445	12,245,386	2,352,342	490,801	115,221	-	-	-	-	-	2,649	-	15,764,894
Total	4,686,792	624,869	-	-	-	4,416,166	33,231,663	24,391,368	7,018,512	1,808,503	-	-	-	-	-	1,639,738	132,920	77,950,531

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

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

(***) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(****) Northern Cyprus Turkish Republic balances are included in Off-Shore Banking Regions.

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II. Explanations Related to Credit Risk (continued)

Risk profile by Sectors or Counterparties:

Current Period	Exposure Categories (**)															Others	Investments in equities	TL (*)	FC	Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non- commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail secured by real estate property	Conditional and unconditional exposures secured by real estate property	Past due items	Exposures Receivables in the form in regulatory high-risk categories	Exposures of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings						
Agriculture	-	-	-	-	-	-	447,234	438,967	158,476	112,583	-	-	-	-	-	-	-	1,089,467	67,793	1,157,260	
Farming and Stockbreeding	-	-	-	-	-	-	443,548	431,691	157,781	111,728	-	-	-	-	-	-	-	1,078,011	66,737	1,144,748	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	3,686	7,276	695	855	-	-	-	-	-	-	-	11,456	1,056	12,512	
Manufacturing	-	-	-	-	-	-	24,855,202	4,902,058	1,764,334	330,290	-	-	-	-	-	-	6	22,480,233	9,371,657	31,851,890	
Mining and Quarrying	-	-	-	-	-	-	1,572,126	202,080	81,468	21,774	-	-	-	-	-	-	3	1,631,846	245,605	1,877,451	
Production	-	-	-	-	-	-	21,870,372	4,671,776	1,504,491	291,654	-	-	-	-	-	-	3	19,767,297	8,570,999	28,338,296	
Electricity, Gas and Water	-	-	-	-	-	-	1,412,704	28,202	178,375	16,862	-	-	-	-	-	-	-	1,081,090	555,053	1,636,143	
Construction	-	-	-	-	-	-	2,477,190	577,174	262,209	184,251	-	-	-	-	-	-	-	1,914,319	1,586,505	3,500,824	
Services	460,144	599,361	-	-	-	2,869,774	13,549,135	5,097,399	2,431,352	481,209	-	-	-	-	-	-	1,527,418	166,544	19,101,067	8,081,269	27,182,336
Wholesale and Retail Trade	-	-	-	-	-	-	5,745,415	2,529,212	767,050	210,204	-	-	-	-	-	-	78	7,539,402	1,712,557	9,251,959	
Accommodation and Dining	-	-	-	-	-	-	457,285	389,829	827,844	56,062	-	-	-	-	-	-	-	939,127	791,893	1,731,020	
Transportation and Telecom.	-	-	-	-	-	-	1,784,563	1,020,382	345,067	70,347	-	-	-	-	-	-	99	2,585,392	635,066	3,220,458	
Financial Institutions	460,144	-	-	-	-	2,869,774	1,947,044	52,674	100,912	5,769	-	-	-	-	-	-	1,526,984	166,544	3,902,824	3,227,021	7,129,845
Real Estate and Rental Services	-	-	-	-	-	-	3,004,184	759,125	308,164	101,740	-	-	-	-	-	-	246	2,646,475	1,526,984	4,173,459	
Self-Employment Services	-	-	-	-	-	-	411,191	305,939	79,234	24,662	-	-	-	-	-	-	3	633,765	187,264	821,029	
Educational Services	-	-	-	-	-	-	27,088	33,188	2,825	12,394	-	-	-	-	-	-	3	75,372	126	75,498	
Health and Social Services	-	599,361	-	-	-	-	172,365	7,050	256	31	-	-	-	-	-	-	5	778,710	358	779,068	
Other	-	-	-	-	-	-	175,239	15,871,328	1,290,428	66,182	-	-	-	-	-	-	646	713	17,299,893	104,643	17,404,536
Total	460,144	599,361	-	-	-	2,869,774	41,504,000	26,886,926	5,906,799	1,174,515	-	-	-	-	-	-	1,528,070	167,257	61,884,979	19,211,867	81,096,846

(*) Foreign Currency indexed credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to Credit Risk (continued)

Risk profile by Sectors or Counterparties: (continued)

Prior Period	Exposure Categories (**)																Others	Investments in equities	TL (*)	FC	Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non- commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organizations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to retail corporates	Conditional and unconditional exposures secured by real estate property	Conditional and unconditional exposures secured by real estate property	Past due items	Receivables in regulatory high-risk categories	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and collective investment undertakings	Exposures in the form of collective investment undertakings							
Agriculture	-	-	-	-	-	-	374,692	536,218	261,206	150,896	-	-	-	-	-	-	-	-	1,162,084	160,928	1,323,012	
Farming and Stockbreeding	-	-	-	-	-	-	317,205	525,965	258,848	148,777	-	-	-	-	-	-	-	-	1,090,841	159,954	1,250,795	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	57,487	10,253	2,358	2,119	-	-	-	-	-	-	-	-	71,243	974	72,217	
Manufacturing	-	-	-	-	-	-	18,252,019	4,977,803	2,163,538	554,389	-	-	-	-	-	-	-	21	15,490,396	10,457,374	25,947,770	
Mining and Quarrying	-	-	-	-	-	-	1,473,513	237,677	78,380	33,035	-	-	-	-	-	-	-	-	1,135,354	687,251	1,822,605	
Production	-	-	-	-	-	-	16,016,287	4,707,054	1,913,525	509,667	-	-	-	-	-	-	-	21	13,756,241	9,390,313	23,146,554	
Electricity, Gas and Water	-	-	-	-	-	-	762,219	33,072	171,633	11,687	-	-	-	-	-	-	-	-	598,801	379,810	978,611	
Construction	-	-	-	-	-	-	2,118,040	637,414	467,131	284,003	-	-	-	-	-	-	-	-	2,031,355	1,475,233	3,506,588	
Services	4,686,792	624,869	-	-	-	4,416,166	12,008,560	5,215,221	2,632,510	707,107	-	-	-	-	-	-	1,638,829	131,367	17,247,660	14,813,761	32,061,421	
Wholesale and Retail Trade	-	-	-	-	-	-	4,003,922	2,526,552	912,416	340,407	-	-	-	-	-	-	97	-	5,805,138	1,978,256	7,783,394	
Accommodation and Dining	-	-	-	-	-	-	733,180	417,832	802,371	68,350	-	-	-	-	-	-	-	-	818,428	1,203,305	2,021,733	
Transportation and Telecom.	-	-	-	-	-	-	1,536,635	978,073	293,854	142,060	-	-	-	-	-	-	-	115	2,266,800	683,937	2,950,737	
Financial Institutions	4,686,792	-	-	-	-	4,416,166	1,786,230	59,171	5,201	7,406	-	-	-	-	-	-	1,638,362	131,367	3,810,088	8,920,607	12,730,695	
Real Estate and Rental Services	-	-	-	-	-	-	3,438,078	907,814	510,515	114,144	-	-	-	-	-	-	242	-	3,057,345	1,913,448	4,970,793	
Self-Employment Services	-	-	-	-	-	-	380,682	279,877	103,933	31,773	-	-	-	-	-	-	-	-	682,986	113,279	796,265	
Educational Services	-	-	-	-	-	-	42,583	38,431	3,213	2,883	-	-	-	-	-	-	8	-	86,556	562	87,118	
Health and Social Services	-	624,869	-	-	-	-	87,250	7,471	1,007	84	-	-	-	-	-	-	5	-	720,319	367	720,686	
Other	-	-	-	-	-	-	478,352	13,024,712	1,494,127	112,108	-	-	-	-	-	-	-	888	1,553	14,704,84	406,892	15,111,74
Total	4,686,792	624,869	-	-	-	4,416,166	33,231,663	24,391,368	7,018,512	1,808,50	-	-	-	-	-	-	1,639,738	132,920	50,636,34	27,314,18	77,950,53	

(*) Foreign Currency indexed credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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II. Explanations Related to Credit Risk (continued)

Analysis of maturity-bearing exposures according to remaining maturities:

Current Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
Exposure classifications					
Conditional and unconditional exposures to central governments or central banks	460,144	-	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	2,896	1,917	2,504	73,817	517,264
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,556,176	82,212	102,568	50,379	99,750
Conditional and unconditional exposures to corporates	4,446,913	4,286,397	7,166,570	6,269,661	8,707,685
Conditional and unconditional retail exposures	4,743,410	932,170	2,272,421	2,793,708	13,924,631
Conditional and unconditional exposures secured by real estate property	321,818	215,569	504,560	624,601	3,813,992
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
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	-	-	-	-	-
Other receivables	12,972	-	-	-	-
Investment in equities	-	-	-	-	-
Total	11,544,329	5,518,265	10,048,623	9,812,166	27,063,322

Prior Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
Exposure classifications					
Conditional and unconditional exposures to central governments or central banks	1,066,414	471,734	149,250	-	2,999,393
Conditional and unconditional exposures to regional governments or local authorities	454	8,510	5,831	28,694	580,327
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2,521,879	149,760	391,771	354,946	22,467
Conditional and unconditional exposures to corporates	6,709,735	3,041,969	1,774,385	2,099,121	7,070,149
Conditional and unconditional retail exposures	5,901,738	662,123	1,057,436	1,960,244	12,447,543
Conditional and unconditional exposures secured by real estate property	1,060,771	188,558	418,402	500,288	4,358,543
Past due receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
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	-	-	-	-	-
Other receivables	9,742	-	-	-	-
Investment in equities	-	-	-	-	-
Total	17,270,733	4,522,654	3,797,075	4,943,293	27,478,422

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II. Explanations Related to Credit Risk (continued)

Information about the risk exposure categories:

The credit rating of Fitch Ratings International Rating Agency is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% weight concentration is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% weight concentration is used for receivables with a maturity period of more than three months, and the risk weight used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

Credit Quality Level	Fitch Ratings Long-Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

Exposures by risk weights:

Current Period												Deductions from Equity	
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%		
Exposures before													
Credit Risk													
Mitigation	37,120,331	-	6,848,950	4,781,154	10,296,262	35,844,332	45,768,483	169,194	-	-	-	-	595,492
Exposures after													
Credit Risk													
Mitigation	39,207,308	-	7,127,526	4,781,154	9,805,690	33,271,187	43,175,855	111,039	-	-	-	-	595,492
Prior Period												Deductions from Equity	
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%		
Exposures before													
Credit Risk													
Mitigation	18,782,383	-	9,722,718	5,619,543	8,772,509	32,503,479	44,694,831	386,973	-	-	-	-	599,223
Exposures after													
Credit Risk													
Mitigation	20,810,311	-	9,894,427	5,619,543	8,792,310	30,117,705	42,886,103	251,802	-	-	-	-	599,223

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II. Explanations Related to Credit Risk (continued)

Information in terms of major sectors and type of counterparties:

Current Period	Credits		Provisions
	Impaired Receivables (TFRS 9)		Expected Credit
	Significant Increase in Credit Risk (Stage II)	Credit-Impaired Losses (Stage III)	Loss Provisions (TFRS 9)
Agriculture	589,157	237,067	178,448
Farming and Stockbreeding	576,288	228,842	172,294
Forestry	-	3,634	2,088
Fishery	12,869	4,591	4,066
Manufacturing	1,731,493	674,352	851,836
Mining and Quarrying	189,483	14,968	75,194
Production	1,499,539	635,292	752,434
Electricity, Gas and Water	42,471	24,092	24,208
Services	4,248,425	2,132,357	2,003,325
Wholesale and Retail Trade	3,107,940	1,273,123	1,203,942
Accommodation and Dining	121,449	131,641	133,499
Transportation and Telecom.	293,137	98,481	176,684
Financial Institutions	40,969	9,653	10,883
Real Estate and Rental Services	344,119	384,202	268,913
Professional Services	303,989	137,755	141,206
Educational Services	24,358	32,194	24,886
Health and Social Services	12,464	65,308	43,312
Other	1,383,270	458,106	620,716
Total	7,952,345	3,501,882	3,654,325

Prior Period	Credits		Provisions
	Impaired Receivables (TFRS 9)		Expected Credit
	Significant Increase in Credit Risk (Stage II)	Credit-Impaired Losses (Stage III)	Loss Provisions (TFRS 9)
Agriculture	389,856	257,288	165,710
Farming and Stockbreeding	384,108	252,031	162,059
Forestry	-	675	612
Fishery	5,748	4,582	3,039
Manufacturing	1,542,620	803,789	626,803
Mining and Quarrying	84,136	13,466	18,190
Production	1,451,604	773,381	602,057
Electricity, Gas and Water	6,880	16,942	6,556
Services	3,064,524	1,857,476	1,449,342
Wholesale and Retail Trade	944,454	1,463,331	938,988
Accommodation and Dining	737,563	122,513	132,793
Transportation and Telecom.	492,117	149,666	137,225
Financial Institutions	212,560	13,413	59,972
Real Estate and Rental Services	553,559	33,710	122,601
Professional Services	60,825	64,569	44,882
Educational Services	17,606	7,229	8,298
Health and Social Services	45,840	3,045	4,583
Other	3,867,382	1,228,353	1,004,843
Total	8,864,382	4,146,906	3,246,698

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II. Explanations Related to Credit Risk (continued)

Information about Value Adjustment and Change in Provisions

	31.12.2019 Balance	Provision for the Period	Provision Reversal	Written off from Asset	Other Adjustments(*)	31.12.2020 Balance
Default (Stage III) Expected Loss Provisions (Stage I-II)	2,394,656	680,625	(207,531)	(485,853)	-	2,381,897
	1,503,984	980,025	(648,931)	-	161,480	1,996,558

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company

	31.12.2018 Balance	Provision for the Period	Provision Reversal	Written off from Asset	Other Adjustments(*)	31.12.2019 Balance
Default (Stage III) Expected Loss Provisions (Stage I-II)	1,705,877	1,543,159	(242,873)	(613,109)	1,602	2,394,656
	1,356,383	459,096	(353,802)	-	42,307	1,503,984

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company.

III. Explanations Related to Risks Involved in Counter-Cyclical Capital Buffer Calculation:

Current Period

Countries where the risk ultimately taken	Private sector loans in banking accounts	Risk weighted amounts calculated in trading accounts	Total
Turkey	71,192,511	1,031,487	72,223,998
TRNC	323,446	-	323,446
England	283,621	-	283,621
Egypt	6,098	-	6,098
Germany	4,714	-	4,714
Netherlands	993	-	993
France	954	-	954
Other	9,554	-	9,554
	71,821,891	1,031,487	72,853,378

Prior Period

Countries where the risk ultimately taken	Private sector loans in banking accounts	Risk weighted amounts calculated in trading accounts	Total
Turkey	63,538,329	613,436	64,151,765
TRNC	370,046	-	370,046
England	343,908	-	343,908
The Ivory Coast	29,622	-	29,622
Germany	6,331	-	6,331
Egypt	6,126	-	6,126
Belgium	1,730	-	1,730
Other	12,613	5	12,618
	64,308,705	613,441	64,922,146

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IV. Explanations Related to Currency Risk

Foreign currency risk indicates the probability of loss that the Bank is subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and risk is calculated by using the standard method.

The Board of Directors of the Bank sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Bank’s positions are also monitored.

As an element of the Bank’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

Asset Liability Management and Treasury Department of the Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Bank’s Asset-Liability Committee on a weekly basis.

As of 31 December 2020, the Bank’s balance sheet short position is TL 21,615,848 (31 December 2019: TL 12,304,371 short position) off-balance sheet long position is TL 20,950,439 (31 December 2019: 11,928,995 long position) and as a result net foreign currency short position is TL 665,409 (31 December 2019: net TL 375,376 short position).

The announced current foreign exchange buying rates of the Bank at 31 December 2020 and the previous five working days in full TL are as follows:

	24.12.2020	25.12.2020	28.12.2020	29.12.2020	30.12.2020	31.12.2020
USD	7.5343	7.5127	7.4187	7.3265	7.3415	7.3883
JPY	0.0727	0.0726	0.0716	0.0707	0.0713	0.0717
EURO	9.1843	9.1429	9.0634	8.975	9.0234	9.072

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 December 2019 are as follows:

	Monthly Average Foreign Exchange Rate
USD	7.6812
JPY	0.0740
EUR	9.3475

Information on the foreign currency risk of the Bank:

The Bank is exposed to foreign currency risk in large amounts in EURO and USD.

The table below shows the Bank's sensitivity to a 10% change in the USD and EURO rates. The rate of 10% used is the rate used to report the currency risk to the senior management within the Bank, and this rate represents the possible change expected by the management in exchange rates. 10% depreciation of USD and EURO against TL affects profit and equity amounts positively in the case of a short position and negatively in the case of a long position.

Change in FX Rate %		Effect on Profit / Loss	Effect on Equity (*)
		31 December 2020	31 December 2020
USD	10 increase	(21,533)	2,403
USD	10 decrease	21,533	(2,403)
EURO	10 increase	2,810	2,496
EURO	10 decrease	(2,810)	(2,496)
Change in FX Rate %		Effect on Profit / Loss	Effect on Equity (*)
		31 December 2019	31 December 2019
USD	10 increase	19,299	937
USD	10 decrease	(19,299)	(937)
EURO	10 increase	(7,623)	587
EURO	10 decrease	7,623	(587)

(*) The effect on equity does not include the effect of the change in exchange rates on the income statement.

The sensitivity of the Bank to the changes in the exchange rates did not change significantly in the current period. Opening or closing positions in line with market expectations may increase the sensitivity to changes in the period's exchange rates.

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IV. Explanations Related to Currency Risk (continued)

Information on the Bank's currency risk:

The table below shows the Bank's distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Bank also monitors the delta-adjusted position of the option transactions. As of 31 December 2020, the Bank has net USD short position TL 222,394 and net EUR long position TL 42,157.

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽¹⁾	5,575,267	6,192,796	1,748,758	13,516,821
Banks ⁽²⁾	563,501	2,195,685	1,846,441	4,605,627
Financial Assets at Fair Value Through Profit or Loss	273,495	846,307	-	1,119,802
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	2,402,125	597,696	23,165	3,022,986
Loans ⁽³⁾	9,748,810	2,539,105	834,361	13,122,276
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Financial Assets Measured at Amortized Cost ⁽⁴⁾	1,263,472	1,061,092	-	2,324,564
Derivative Financial Assets for Hedging Purposes ⁽⁵⁾	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets ⁽⁶⁾	1,450,428	185,001	5,956	1,641,385
Total Assets	21,277,098	13,617,682	4,458,681	39,353,461
Liabilities				
Bank Deposits	71	-	15	86
Foreign Currency Deposits ⁽⁷⁾	12,698,616	23,869,761	7,586,475	44,154,852
Money Market Borrowings	2,717,468	-	-	2,717,468
Funds Provided From Other Financial Institutions	9,056,646	4,472,261	743	13,529,650
Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	14,901	-	-	14,901
Other Liabilities ⁽⁸⁾	230,137	300,973	21,242	552,352
Total Liabilities	24,717,839	28,642,995	7,608,475	60,969,309
Net Balance Sheet Position	(3,440,741)	(15,025,313)	(3,149,794)	(21,615,848)
Net Off-Balance Sheet Position	3,506,359	14,570,186	2,964,614	21,041,159
Financial Derivative Assets ⁽⁹⁾	15,993,374	25,685,642	4,743,380	46,422,396
Financial Derivative Liabilities ⁽⁹⁾	12,487,015	11,115,456	1,778,766	25,381,237
Non-Cash Loans ⁽¹⁰⁾	8,000,422	7,226,322	1,537,854	16,764,598
Prior Period				
Total Assets	19,666,901	14,316,374	3,896,975	37,880,250
Total Liabilities	20,695,152	25,650,183	3,839,286	50,184,621
Net Balance Sheet Position	(1,028,251)	(11,333,809)	57,689	(12,304,371)
Net Off-Balance Sheet Position	797,511	11,133,800	(2,316)	11,928,995
Financial Derivative Assets ⁽⁹⁾	14,804,346	26,844,874	782,678	42,431,898
Financial Derivative Liabilities ⁽⁹⁾	14,006,835	15,711,074	784,994	30,502,903
Non-Cash Loans ⁽¹⁰⁾	6,880,451	5,459,747	904,769	13,244,967

(1) Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey TL 2,561(31 December 2019: TL 1,890) includes the balances of expected credit losses.

(2) The banks include TL 9,579 (31 December 2019: TL 9,059) of expected credit loss provisions.

(3) Foreign currency indexed loans amounting to TL 233,707 (31 December 2019: TL 495,451) are included in the loan portfolio. Also, it includes TL 476,466 (31 December 2019: TL 368,603) amounting to expected credit loss.

(4) Financial assets at amortized cost includes expected credit loss amounting to TL 523 (31 December 2019: TL 305).

(5) TL 31,137 (31 December 2019: TL 14,112) income accruals from derivative financial instruments is deducted from derivative financial assets held for risk management.

(6) TL 213,071 (31 December 2019: TL 184,862) income accruals from derivative financial instruments is deducted from other assets.

(7) Precious metal accounts amounting to TL 6,002,054 (31 December 2019: TL 2,349,023) are included in the foreign currency deposits.

(8) TL 175,503 (31 December 2019: TL 90,922) expense accruals from derivative financial instruments are deducted from other liabilities.

(9) Forward asset and marketable securities purchase-sale commitments of TL 951,630 (31 December 2019: TL 1,395,075) are added to derivative financial assets and TL 1,071,704 (31 December 2019: TL 883,345) has been added to derivative financial assets.

(10) There is no effect on the net off-balance sheet position.

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V. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank’s position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Liquidity Risk and Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank.

The Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Bank when necessary.

The Bank carries interest rate risk within the legal and internal limits and manages the interest rate risk in accordance with the bank's risk appetite.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing ⁽¹⁾	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽²⁾	11,452,134	-	-	-	-	5,495,853	16,947,987
Banks ⁽³⁾	4,732,084	-	-	-	-	1,780,679	6,512,763
Financial Assets at Fair Value Through Profit and Loss	297,525	91,886	760,926	201,958	95,521	183,075	1,630,891
Money Market Placements	6,180,886	-	-	-	-	(439)	6,180,447
Financial Assets at Fair Value Through Other Comprehensive Income ⁽⁴⁾	805,587	113,055	2,319,571	4,656,078	746,205	10,881	8,651,377
Loans ⁽⁵⁾	11,310,285	6,681,908	25,261,054	32,741,342	3,435,619	(545,889)	78,884,319
Financial Assets Measured at Amortized Cost ⁽⁶⁾	1,012,657	825,220	9,171,693	1,472,121	41,250	(2,818)	12,520,123
Other Assets	338,380	535,384	266,647	672,721	299,267	6,607,736	8,720,135
Total Assets	36,129,538	8,247,453	37,779,891	39,744,220	4,617,862	13,529,078	140,048,042
Liabilities							
Bank Deposits	7,424,601	-	-	-	-	43,796	7,468,397
Other Deposits	47,493,350	5,865,710	235,318	367	-	32,710,336	86,305,081
Money Market Borrowings	6,548,253	-	-	-	-	-	6,548,253
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	2,160,640	-	2,649,997	-	-	-	4,810,637
Funds Provided From Other Financial Institutions	-	-	-	-	-	-	-
Financial Institutions	758,398	594,518	8,303,532	91,158	4,194,951	-	13,942,557
Other Liabilities	227,987	28,532	383,341	1,309,066	244,413	18,779,778	20,973,117
Total Liabilities	64,613,229	6,488,760	11,572,188	1,400,591	4,439,364	51,533,910	140,048,042
Balance Sheet Long Position	-	1,758,693	26,207,703	38,343,629	178,498	-	66,488,523
Balance Sheet Short Position	(28,483,691)	-	-	-	-	(38,004,832)	(66,488,523)
Off-Balance Sheet Long Position	3,031,120	3,816,103	-	-	-	-	6,847,223
Off-Balance Sheet Short Position	-	-	(796,816)	(5,154,568)	(487,360)	-	(6,438,744)
Total Position	(25,452,571)	5,574,796	25,410,887	33,189,061	(308,862)	(38,004,832)	408,479

⁽¹⁾The expected loss provisions are presented under the “Non-Interest Bearing” column.

⁽²⁾Cash and cash equivalents include cash balances (cash in hand, cash in the safe deposit box, purchased checks) and the Central Bank of Turkey's outstanding loss provisions in the amount of TL 3,316.

⁽³⁾The banks include TL 10,656 of expected loss provisions.

⁽⁴⁾Receivables from money markets includes the expected losses provisions amounting to TL 439.

⁽⁵⁾The revolving loans amounting to TL 6,201,511 are presented under the “Up to 1 Month” column. It includes expected loss provisions amounting to TL 4,047,771.

⁽⁶⁾Financial assets at amortized cost include losses amounting to TL 2,818.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 836,192 intangible assets amounting to TL 564,803, subsidiaries amounting to TL 116,036 and entities under common control joint venture amounting to TL 5, assets held for sale amounting to TL 112,859 while other liabilities line includes the shareholders' equity of TL 11,409,851.

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V. Explanations Related to Interest Rate Risk (continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates): (continued)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,951,411	-	-	-	-	3,002,600	11,954,011
Banks	6,057,109	-	-	-	-	2,485,247	8,542,356
Financial Assets at Fair Value Through Profit and Loss	180,593	132,240	55,307	669,506	132,752	125,025	1,295,423
Money Market Placements	840,263	-	-	-	-	(29)	840,234
Financial Assets at Fair Value Through Other Comprehensive Income	1,057,349	529,972	523,340	2,416,056	1,005,005	7,895	5,539,617
Loans ⁽¹⁾	16,882,302	4,579,167	11,359,041	28,333,166	3,917,453	506,014	65,577,143
Financial Assets Measured at Amortized Cost	164,665	796,314	2,075,934	1,699,969	169,736	(1,104)	4,905,514
Other Assets	105,790	7,652	315,615	948,324	94,067	7,224,422	8,695,870
Total Assets	34,239,482	6,045,345	14,329,237	34,067,021	5,319,013	13,350,070	107,350,168
Liabilities							
Bank Deposits	362,573	-	-	-	-	23,739	386,312
Other Deposits	49,530,928	4,829,633	677,235	7,293	-	16,762,927	71,808,016
Money Market Borrowings	1,644,665	-	-	-	-	-	1,644,665
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	1,692,304	641,573	-	-	-	-	2,333,877
Funds Provided From Other Financial Institutions	-	-	-	-	-	-	-
FiFinancialInstitutions	1,736,892	2,987,103	5,676,760	100,473	1,266,257	-	11,767,485
Other Liabilities	23,862	117	711,943	2,330,152	86,263	16,257,476	19,409,813
Total Liabilities	54,991,224	8,458,426	7,065,938	2,437,918	1,352,520	33,044,142	107,350,168
Balance Sheet Long Position	-	-	7,263,299	31,629,103	3,966,493	-	42,858,895
Balance Sheet Short Position	(20,751,742)	(2,413,081)	-	-	-	(19,694,072)	(42,858,895)
Off-Balance Sheet Long Position	5,720,979	4,734,356	-	-	-	-	10,455,335
Off-Balance Sheet Short Position	-	-	(4,006,053)	(5,678,954)	(623,850)	-	(10,308,857)
Total Position	(15,030,763)	2,321,275	3,257,246	25,950,149	3,342,643	(19,694,072)	146,478

- (1) The expected loss provisions are presented under the “Non-Interest Bearing” column.
- (2) Cash balances (Cash, Effective Deposit, Money in transit, Notes Payable) and the Central Bank of the Republic of Turkey include balances of expected losses amounting to TL 1,959.
- (3) Banks include balance of expected loss provisions amounting to TL 9,809.
- (4) Money market placements include balance of expected loss provisions amounting to TL 29.
- (5) The revolving loans amounting to TL 7,177,775 are presented under the “Up to 1 Month” column. It includes expected loss provisions amounting to TL 3,640,892.
- (6) Financial assets at amortized cost include balance of expected loss provisions of TL 1,104.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 877,782 intangible assets amounting to TL 555,886, subsidiaries amounting to TL 116,036 and entities under common control joint venture amounting to TL 5, assets held for sale amounting to TL 131,362 while other liabilities line includes the shareholders’ equity of TL 9,720,574.

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V. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TL %
End of Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	12.00
Banks	(0.29)	0.21	(0.26)	17.88
Financial Assets at Fair Value Through Profit and Loss	2.60	2.65	-	10.12
Money Market Placements	-	-	-	17.98
Financial Assets at Fair Value Through Other Comprehensive Income	2.91	3.86	-	12.91
Loans	2.79	3.81	5.37	14.33
Financial Assets Measured at Amortized Cost	2.04	3.51	-	8.26
Liabilities				
Bank Deposits	-	-	-	10.65
Other Deposits	0.04	1.25	-	15.12
Money Market Borrowings	0.88	-	-	17.02
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	9.54
Funds Provided From Other Financial Institutions	2.09	4.91	-	10.69
	EUR %	USD %	YEN %	TL %
End of Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	10.00
Banks	-	1.59	-	11.43
Financial Assets at Fair Value Through Profit and Loss	1.52	4.89	-	8.66
Money Market Placements	-	-	-	11.46
Financial Assets at Fair Value Through Other Comprehensive Income	2.11	4.57	-	13.83
Loans	3.23	4.95	5.28	16.42
Financial Assets Measured at Amortized Cost	2.48	4.51	-	14.63
Liabilities				
Bank Deposits	-	1.40	-	5.10
Other Deposits	0.16	1.86	0.25	10.26
Money Market Borrowings	-	-	-	11.02
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	12.05
Funds Provided From Other Financial Institutions	2.16	5.65	-	12.31

Interest rate risk arising from banking accounts:

- a) Significant assumptions and frequency of measurement of interest rate risk, including the nature of interest rate risk arising from banking accounts and those related to the movement of deposits other than loan early repayments and time deposits:

Interest rate risk arising from banking accounts is monitored through different scenarios, and the interest risk exposed by presenting the results to the relevant committees is evaluated from different perspectives. There is a limit determined by the Board of Directors regarding the risk amount. It is taken care to ensure a certain harmony between assets and liabilities on the basis of currency, taking into account the market expectations of the bank.

Early repayment rates of loans were determined by examining historic the reaction of housing loans to interest movements in the previous periods. By analyzing the movements of demand deposits on the basis of branches and accounts, it has been determined the duration of demand deposits that remain in the Bank on account basis. Assumptions accepted in parallel with the results reached are reflected in the above mentioned products in interest rate sensitivity calculations.

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V. Explanations Related to Interest Rate Risk (continued)
Interest rate risk arising from banking accounts: (continued)

- b) Economic value differences arising from fluctuations in interest rates in accordance with the “Regulation on Measurement and Evaluation of Interest Rate Risk Arising from Banking Accounts by Standard Shock Method”:

Currency	Applied shock (+/- x base point)	Gains/ (Losses)	Gains /Equity– (Losses)/ Equity
TL	(400)	1,270,671	7.79%
TL	500	(1,422,031)	(8.72)%
EURO	(200)	(83,424)	(0.51)%
EURO	200	87,032	0.53%
USD	(200)	(101,872)	(0.62)%
USD	200	101,153	0.62%
Total (For negative shocks)	(800)	1,085,376	6.66%
Total (For positive shocks)	900	(1,233,845)	(7.57)%

VI. Explanations Related to Certificates Share Position Risk from Banking Book:

Equity securities which are not publicly traded in the Bank’s financial statements are booked as their fair value, or otherwise booked as their cost value whereby fair value can not be calculated properly.

The Bank does not have any shares traded in Borsa Istanbul.

VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio

- a) Information on liquidity risk management, such as the Bank's risk capacity, responsibilities and the structure of liquidity risk management, Bank’s internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Asset-Liability Management and Treasury Group is responsible for following up the Bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group use authorized products to provide sufficient liquidity based on liquidity position.

Responsibilities for liquidity management are described in the Liquidity Risk Policy which is audited and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long term liquidity estimates. The Asset-Liability Management Committee is responsible for preparing middle and long term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the Bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks and at a Liquidity Risk Committee meeting which is held monthly.

- b) Information on the centralization degree of liquidity management and funding strategy, and on operations between Bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the Bank's liquidity risk and performs this role only for the bank. Liquidity gap values are monitored within the limits set by the Board of Directors, and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity and we provide them borrowing facilities within market conditions and legal limits.

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VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio (continued)

- c) Information about the Bank's funding strategy including policies on funding types and variety of maturities:

While the Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Bank uses instruments such as long-term syndicated loans, securities issued in TL and foreign currency to diversify funding resources.

- d) Information on liquidity management based on currency which consists of a minimum of 5% of the Bank's total liabilities:

Excluding TL, USD and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the Liquidity Coverage Ratio is calculated daily for Total and Foreign Currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Liquidity Risk Committee which includes the General Manager, Assistant General Manager responsible from Financial Affairs Group, Group Risk Chief Officer, and the Assistant General Manager in charge of the Asset-Liability Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

- e) Information on liquidity risk mitigation techniques:

The Bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The Bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Assets-Liabilities Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the Bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions.

In the short term, liquidity risk is minimized with FX swaps, interbank borrowings and repurchase agreements, while cross currency swap transactions are used to minimize these risks in the long term.

- f) Explanation on the usage of the stress test:

The aim of the liquidity stress test is to analyse how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analysed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Bank and in the whole banking system, in cases of stress event are analysed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

- g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine;

- Whether the liquidity problem is specific to the bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Asset-Liability Management and Treasury Group, the Asset-Liability Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

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VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio:

	Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
	TL+FC	FC	TL+FC	FC
Current Period – 31 December 2020				
High Quality Liquid Assets				
1	High Quality Liquid Assets		36,582,088	15,499,469
Cash Outflows				
2	Real Person and Retail Deposits		61,582,931	31,915,012
3	Stable Deposits		13,647,077	-
4	Less Stable Deposits		47,935,854	31,915,012
5	Unsecured Debts Other than Real Person and Retail Deposits		32,361,702	14,472,515
6	Operational Deposits		117,835	-
7	Non-Operational Deposits		28,298,303	12,070,133
8	Other Unsecured Funding		3,945,564	2,402,382
9	Secured Funding		-	-
10	Other Cash Outflows		1,665,525	2,927,065
11	Outflows Related to Derivative Exposures and Other Collateral Requirements		1,665,525	2,927,065
12	Outflows Related to Restructured Financial Instruments		-	-
13	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets		-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations		-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations		34,747,936	12,938,807
16	Total Cash Outflows		27,570,187	14,682,613
Cash Inflows				
17	Secured Receivables		-	-
18	Unsecured Receivables		11,815,328	5,566,219
19	Other cash Inflows		966,659	9,003,399
20	Total Cash Inflows		12,781,987	14,569,618
Values to which the upper limit is applied				
21	Total High Quality Liquid Assets		36,582,088	15,499,469
22	Total Net Cash Outflows		17,356,491	3,670,653
23	Liquidity Coverage Ratio (%)		210.77	422.25

(*) Simple arithmetic average of the last three months data calculated by using weekly simple arithmetic averages.

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VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)**Liquidity Coverage Ratio: (continued)**

Prior Period – 31 December 2019	Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
	TL+FC	FC	TL+FC	TL
High Quality Liquid Assets				
1 High Quality Liquid Assets			22,314,509	14,243,288
Cash Outflows				
2 Real Person and Retail Deposits	52,470,993	25,987,479	4,616,009	2,598,748
3 Stable Deposits	12,621,803	-	631,090	-
4 Less Stable Deposits	39,849,190	25,987,479	3,984,919	2,598,748
5 Unsecured Debts Other than Real Person and Retail Deposits	21,413,624	11,074,642	11,928,061	5,872,051
6 Operational Deposits	70,441	-	17,610	-
7 Non-Operational Deposits	16,335,675	8,860,962	6,932,951	3,658,371
8 Other Unsecured Funding	5,007,508	2,213,680	4,977,500	2,213,680
9 Secured Funding	-	-	-	-
10 Other Cash Outflows	1,576,774	2,328,433	1,576,774	2,328,433
11 Outflows Related to Derivative Exposures and Other Collateral Requirements	1,576,774	2,328,433	1,576,774	2,328,433
12 Outflows Related to Restructured Financial Instruments	-	-	-	-
13 Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14 Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15 Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	32,629,677	10,716,211	2,666,309	1,124,445
16 Total Cash Outflows			20,787,153	11,923,677
Cash Inflows				
17 Secured Receivables	-	-	-	-
18 Unsecured Receivables	12,666,308	5,508,103	9,352,475	4,874,984
19 Other cash Inflows	1,731,364	8,382,892	1,731,364	8,382,892
20 Total Cash Inflows	14,397,672	13,890,995	11,083,839	13,257,876
			Values to which the upper limit is applied	
21 Total High Quality Liquid Assets			22,314,509	14,243,288
22 Total Net Cash Outflows			9,703,314	2,980,919
23 Liquidity Coverage Ratio (%)			229.97	477.82

(*) Simple arithmetic average of the last three months data calculated by using weekly simple arithmetic averages.

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VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)**Liquidity Coverage Ratio: (continued)**

The amount of high quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting Liquidity Coverage Ratio.

High quality liquid assets in order of their priority consist of the time accounts, bond portfolio, required reserve, cash and effective deposit. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effect more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

There are concentration limits on funding sources approved by Board of Directors. Proportional limits on product type are reported in relation to how much of the funding can be obtained from deposits, group funding, borrowings from banks and repo and other long-term sources.

Liquidity management of the subsidiaries subject to consolidation is carried out by the companies themselves. Although there is a consolidated reporting for the Liquidity Coverage Ratio, there is no centralized liquidity management. Finally, there is no significant cash inflow and cash outflow related to the liquidity profile of the Bank, which is included in the calculation of liquidity coverage ratio, but which is not included in the public disclosure template in the second paragraph of the related communiqué.

The weeks with lowest and highest liquidity coverage ratio for the last three months calculated by using weekly simple arithmetic averages are presented below:

	Current Period		Prior Period	
	TL+FC	FC	TL+FC	FC
Lowest	170.05%	274.27%	153.35%	358.28%
Week	23.10.2020	16.10.2020	04.10.2019	18.10.2019
Highest	267.71%	491.66%	375.55%	610.47%
Week	18.12.2020	11.12.2020	06.12.2019	06.12.2019

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**VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio
(continued)**

Liquidity Coverage Ratio: (continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽²⁾	5,499,169	11,452,134	-	-	-	-	(3,316)	16,947,987
Banks ⁽³⁾	2,347,591	4,175,828	-	-	-	-	(10,656)	6,512,763
Financial Assets at Fair Value Through Profit and Loss	-	215,364	12,605	676,294	448,032	95,521	183,075	1,630,891
Money Market Placements ⁽⁴⁾	-	6,180,886	-	-	-	-	(439)	6,180,447
Financial Assets at Fair Value Through Other Comprehensive Income	10,881	118,185	61,238	2,461,895	4,935,096	1,064,082	-	8,651,377
Loans ⁽⁴⁾	-	10,344,024	6,679,434	25,275,844	33,695,287	3,435,619	(545,889)	78,884,319
Financial Assets Measured at Amortized Cost ⁽⁵⁾	-	606,251	511,946	980,114	10,083,934	340,696	(2,818)	12,520,123
Other Assets	-	1,254,201	787,405	446,644	743,683	299,267	5,188,935	8,720,135
Total Assets	7,857,641	34,346,873	8,052,628	29,840,791	49,906,032	5,235,185	4,808,892	140,048,042
Liabilities								
Bank Deposits	43,796	7,424,601	-	-	-	-	-	7,468,397
Other Deposits	32,710,336	47,493,350	5,865,710	235,318	367	-	-	86,305,081
Funds Provided from Other Financial Institutions	-	741,423	59,141	8,829,629	117,413	4,194,951	-	13,942,557
Money Market Placements	-	6,548,253	-	-	-	-	-	6,548,253
Securities Issued	-	2,160,640	-	2,649,997	-	-	-	4,810,637
Miscellaneous Payables	-	-	-	-	-	-	-	-
Other Liabilities	-	5,030,934	781,778	617,866	1,642,131	517,508	12,382,900	20,973,117
Total Liabilities	32,754,132	69,399,201	6,706,629	12,332,810	1,759,911	4,712,459	12,382,900	140,048,042
Liquidity Gap	(24,896,491)	(35,052,328)	1,345,999	17,507,981	48,146,121	522,726	(7,574,008)	-
Net Off-Balance Sheet Position	-	223,288	(240,996)	117,535	126,240	(3,144)	-	222,923
Financial Derivative Assets	-	18,691,080	19,520,863	9,383,245	11,983,043	4,199,690	-	63,777,921
Financial Derivative Liabilities	-	18,467,792	19,761,859	9,265,710	11,856,803	4,202,834	-	63,554,998
Non-Cash Loans	6,918,016	1,354,463	2,719,244	6,823,344	6,430,957	-	-	24,246,024
Prior Period								
Total Assets	5,507,510	33,279,118	5,954,430	12,932,885	37,190,039	5,767,493	6,718,693	107,350,168
Total Liabilities	16,786,666	59,083,886	5,940,873	8,557,061	2,792,617	3,642,509	10,546,556	107,350,168
Liquidity Gap	(11,279,156)	(25,804,768)	13,557	4,375,824	34,397,422	2,124,984	(3,827,863)	-
Net Off-Balance Sheet Position	-	217,295	(20,526)	21,127	62,051	1,665	-	281,612
Financial Derivative Assets	-	18,322,414	6,162,762	13,378,270	15,125,169	3,374,022	-	56,362,637
Financial Derivative Liabilities	-	18,105,119	6,183,288	13,357,143	15,063,118	3,372,357	-	56,081,025
Non-Cash Loans	6,078,123	942,642	2,658,433	5,667,723	7,028,565	-	-	22,375,486

⁽¹⁾ The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and loans under follow-up, are classified as under undistributed.

⁽²⁾ Cash and cash equivalents include cash balances (cash in hand, cash in the safe deposit box, purchased checks) and the Central Bank of Turkey's outstanding loss provisions amounting to TL 3,316.

⁽³⁾ The banks include TL 10,656 of expected loss provisions.

⁽⁴⁾ Receivables from money markets includes the expected losses provisions amounting to TL 439.

⁽⁵⁾ The revolving loans amounting to TL 6,201,511 are presented under the “Up to 1 Month” column. It includes expected loss provisions amounting to TL 4,047,771.

⁽⁶⁾ Financial assets at amortized cost include losses amounting to TL 2,818.

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VII. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Analysis of financial liabilities by remaining contractual maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated	Total
31 December 2020								
Money Market Borrowings	-	6,568,394	-	-	-	-	(20,141)	6,548,253
Other Deposits	32,710,336	47,611,550	5,941,850	241,975	367	-	(200,997)	86,305,081
Banks Deposits	43,796	7,433,248	-	-	-	-	(8,647)	7,468,397
Funds From Other Financial Institutions	-	835,551	71,744	9,569,324	1,129,862	5,581,278	(3,245,202)	13,942,557
Issued Securities	-	-	4,413,557	739,050	-	-	(341,970)	4,810,637
Total	32,754,132	62,448,743	10,427,151	10,550,349	1,130,229	5,581,278	(3,816,957)	119,074,925
31 December 2019								
Money Market Borrowings	-	1,644,941	-	-	-	-	(276)	1,644,665
Other Deposits	16,762,927	49,590,016	4,856,525	702,372	8,133	-	(111,957)	71,808,016
Banks Deposits	23,739	362,650	-	-	-	-	(77)	386,312
Funds from Other Financial Institutions	-	1,058,591	400,531	7,466,273	1,197,495	4,214,894	(2,570,299)	11,767,485
Issued Securities	-	1,732,211	659,336	-	-	-	(57,670)	2,333,877
Total	16,786,666	54,388,409	5,916,392	8,168,645	1,205,628	4,214,894	(2,740,279)	87,940,355

Analysis of contractual maturity of the Bank’s derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated
31 December 2020						
Derivative financial instruments for hedging purposes						
Fair Value Hedge	1,047,907	4,338,325	-	-	863,835	6,250,067
Cash Flow Hedge	710,591	34,994	1,708,688	3,238,883	-	5,693,156
Trading Transactions						
Forward foreign exchange agreement	3,000,033	2,271,615	2,318,963	553,143	-	8,143,754
Swap money selling agreement	10,028,698	13,815,112	2,175,927	3,527,930	3,329,046	32,876,713
Swap interest agreement	-	-	-	-	-	-
Futures monetary agreement	-	209,828	380,096	-	-	589,924
Money exchange options contract	981,308	566,084	288,360	185,653	-	2,021,405
Total	15,768,537	21,235,958	6,872,034	7,505,609	4,192,881	55,575,019
31 December 2019						
Derivative financial instruments for hedging purposes						
Fair Value Hedge	-	935,776	-	804,408	-	1,740,184
Cash Flow Hedge	617,006	335,892	4,195,289	6,305,070	107,140	11,560,397
Trading Transactions						
Forward foreign exchange agreement	1,738,432	1,661,071	1,479,351	466,529	-	5,345,383
Swap money selling agreement	13,932,004	2,992,549	5,848,387	6,105,848	2,806,467	31,685,255
Swap interest agreement	26,051	14,667	105,270	142,349	9,818	298,155
Futures monetary agreement	-	-	-	35,164	-	35,164
Money exchange options contract	1,709,590	1,694,963	743,905	62,871	-	4,211,329
Total	18,023,083	7,634,918	12,372,202	13,922,239	2,923,425	54,875,867

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VIII. Explanations Related to Leverage Ratio

a) Information on issues that cause differences between current period and previous period leverage ratios:

There is a decrease in the leverage ratio in line with the increase on-balance sheet risks.

b) Leverage ratio:

Assets on the Balance Sheet	Current Period(*)	Prior Period(*)
1 Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	134,762,915	103,210,045
2 (Assets Deducted from Core Capital)	(675,833)	(580,323)
3 Total Risk Amount for Assets on the Balance Sheet	134,087,082	102,629,722
Derivative Financial Instruments and Credit Derivatives		
4 Renewal Cost of Derivative Financial Instruments and Loan Derivatives	1,777,668	438,483
5 Potential Credit Risk Amount of Derivative Financial Instruments and Loan Derivatives	492,002	560,417
6 Total Risk Amount of Derivative Financial Instruments and Loan Derivatives	2,269,670	998,900
Financing Transactions with Securities or Goods Warranties		
7 Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	900,450	3,323
8 Risk Amount Arising from Intermediated Transactions	-	-
9 Total Risk Amount of Financing Transactions with Securities or Goods Warranties	900,450	3,323
Off-the-Balance Sheet Transactions		
10 Gross Nominal Amount of the Off-Balance Sheet Transactions	46,024,212	46,734,215
11 (Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12 Total Risk Amount for Off-Balance Sheet Transactions	46,024,212	46,734,215
Capital and Total Risk		
13 Tier 1 Capital	11,154,878	10,224,843
14 Total Risk Amount	183,281,414	150,366,160
Leverage Ratio		
15 Leverage Ratio	6.09%	6.80%

(*) The amounts in the table are calculated by using the quarterly average amounts.

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IX. Explanations on the Presentation of Financial Assets and Liabilities at Their Fair Values

The table below shows the book value and fair value of financial assets and liabilities that are not shown at the fair value of the Bank's financial statements.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	112,749,029	85,404,864	112,447,072	87,155,529
Receivables From Money Markets	6,180,447	840,234	6,180,447	840,234
Banks	6,512,763	8,542,356	6,512,763	8,542,356
Financial Assets at Fair Value Through Other Comprehensive Income	8,651,377	5,539,617	8,651,377	5,539,617
Financial Assets Valued Over Amortized Cost	12,520,123	4,905,514	12,544,293	5,032,899
Loans	78,884,319	65,577,143	78,558,192	67,200,423
Financial Liabilities	121,695,133	91,123,255	121,946,859	91,289,902
Banks Deposits	7,468,397	386,312	7,468,397	386,312
Other Deposits	86,305,081	71,808,016	86,455,274	71,903,320
Funds Received from Other Financial Institutions (*)	20,490,810	13,412,150	20,592,343	13,483,493
Securities Issued	4,810,637	2,333,877	4,810,637	2,333,877
Miscellaneous Payables	2,620,208	3,182,900	2,620,208	3,182,900

(*) Debts to money markets and subordinated loans are included in the line of funds from other financial institutions.

Investment securities in the current period include financial assets valued at their amortized cost and at fair value through other comprehensive income. The fair value of assets held to maturity assets are determined based on market prices or quoted market prices of other securities subject to redemption in terms of interest, maturity and other similar circumstances, where their prices cannot be determined.

Due to the fact that demand deposits, variable rate placements and overnight deposits are short-term, hence their carrying value reflects their fair value. Estimated fair value of fixed interest deposits and funds provided from other financial institutions, is calculated with the presence of discounted cash flow using the current interest rates used for other debts of similar quality and similar maturity structure; by finding the discounted cash flow using the fair value of loans and the current interest rates used for receivables with similar and similar maturities. As the miscellaneous debts are short term, their carrying value approximately reflects their fair value.

The fair value of financial assets and liabilities are determined as follows:

- First level: Financial assets and liabilities are valued at the stock market prices traded in the active market for the same assets and liabilities.
- Second level: Financial assets and liabilities are valued from the inputs used to find the price of the relevant asset or liability directly or indirectly, which can be observed in the market other than the stock exchange price specified in the first level.
- Third level: Financial assets and liabilities are valued from inputs that are not based on any observable data in the market used to find the fair value of the asset or liability.

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NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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IX. Explanations on the Presentation of Financial Assets and Liabilities at Their Fair Values(continued)

The following table contains the analysis of the fair values of the financial instruments carried at fair values, including the stock market prices, valuation techniques, all model data of which can be measured in the market, or using valuation techniques whose data cannot be measured in the market:

31 December 2020	Level 1	Level 2	Level 3	Total
Financial Assets	10,065,146	3,008,598	58,651	13,132,395
Financial Assets at Fair Value Through Profit or Loss	1,447,816	1,887,914	47,770	3,383,500
<i>Government Debt Securities</i>	<i>1,447,816</i>	-	-	<i>1,447,816</i>
<i>Derivative Financial Assets at Fair Value Through Profit or Loss</i>	-	<i>1,752,609</i>	-	<i>1,752,609</i>
<i>Financial Assets at Fair Value Through Other Comprehensive Income</i>	-	<i>135,305</i>	<i>47,770</i>	<i>183,075</i>
Derivative Financial Assets for Hedging Purposes	-	1,097,518	-	1,097,518
Financial Assets at Fair Value Through Other Comprehensive Income	8,617,330	23,166	10,881	8,651,377
<i>Government Debt Securities</i>	<i>8,617,330</i>	<i>23,166</i>	-	<i>8,640,496</i>
<i>Other Fair Value Differences Financial Assets Reflected to Other Comprehensive Income</i>	-	-	<i>10,881</i>	<i>10,881</i>
Financial Liabilities	-	3,343,179	-	3,343,179
Derivative Financial Liabilities at Fair Value Through Profit or Loss	-	2,260,343	-	2,260,343
Derivative Financial Liabilities for Hedging Purposes	-	1,082,836	-	1,082,836
31 December 2019	Level 1	Level 2	Level 3	Total
Financial Assets	6,681,437	2,016,319	48,833	8,746,589
Financial Assets at Fair Value Through Profit or Loss	1,170,398	1,754,129	40,938	2,965,465
<i>Government Debt Securities</i>	<i>1,167,994</i>	-	-	<i>1,167,994</i>
<i>Derivative Financial Assets at Fair Value Through Profit or Loss</i>	-	<i>1,670,042</i>	-	<i>1,670,042</i>
<i>Financial Assets at Fair Value Through Other Comprehensive Income</i>	<i>2,404</i>	<i>84,087</i>	<i>40,938</i>	<i>127,429</i>
Derivative Financial Assets for Hedging Purposes	-	241,507	-	241,507
Financial Assets at Fair Value Through Other Comprehensive Income	5,511,039	20,683	7,895	5,539,617
<i>Government Debt Securities</i>	<i>5,511,039</i>	<i>20,683</i>	-	<i>5,531,722</i>
<i>Other Fair Value Differences Financial Assets Reflected to Other Comprehensive Income</i>	-	-	<i>7,895</i>	<i>7,895</i>
Financial Liabilities	-	3,511,558	-	3,511,558
Derivative Financial Liabilities at Fair Value Through Profit or Loss	-	1,586,584	-	1,586,584
Derivative Financial Liabilities for Hedging Purposes	-	1,924,974	-	1,924,974

There is no transition between levels in the current year.

X. Explanations Related to Transaction Carried Out on Behalf of Other Parties and Fiduciary Assets

The Bank performs buying transactions on behalf of customers, and gives custody, administration and advisory services.

The Bank does not deal with fiduciary transactions.

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XI. Explanations Related to Risk Management

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented within the scope of internal rating based approach have not been presented due to use of standard approach for the calculation of capital adequacy ratio by the Bank.

1. Risk management approach and Risk Weighted Amounts

1.1 Bank’s risk management approach

The objective of the Risk Management system is to provide that the risks that are derived from the bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Bank and all of its subsidiaries have been gathered under the Group Risk Management. Group Risk Management reports to the Boards of Directors of TEB Group through the Risk Committee and Audit Committee within the TEB A.Ş. and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

With Risk Policies, the Bank aims to,

- i) Identify the main risks to which bank is exposed and identified risks are within the controlled range,
- ii) Define roles and responsibilities to identify, analyse, measure, monitor, and control the main risks bank faces and other risks which may arise as a consequence of changes in activity structure and economic conditions,
- iii) Identify the volume of transactions which may cause non-controllable risks by considering equity strength or decrease the activities affected by such risks.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the “Senior Management” consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers of the Bank to provide compliance with risk policies containing the criteria required for each unit.

Risk Management Operations consist of;

- i) risk measurement,
- ii) monitoring of risks,
- iii) control of risk and reporting operations

Risk management operations are conducted by Group Risk Management and personnel.

Group Risk Management applies second order controls for quantifiable risks as part of continuous control system.

Head of Group Risk Management reports to the Board of Directors via Risk Committee and Audit Committee.

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XI. Explanations Related to Risk Management (continued)

1. Risk management approach and Risk Weighted Amounts (continued)

1.2 Overview of Risk Weighted Amounts

	Risk Weighted Amounts		Minimum capital
	Current Period	Prior Period	Requirement
	Current Period	Prior Period	Current Period
1 Credit Risk (Excluding Counterparty Credit Risk) (CCR)	74,646,643	73,382,817	5,971,732
2 Of which Standardized Approach (SA)	74,646,643	73,382,817	5,971,732
3 Of which Internal Rating-Based (IRB) Approach	-	-	-
4 Counterparty Credit risk	2,116,406	1,203,770	169,312
5 Of which Standardized Approach for Counterparty Credit Risk (SA-CCR)	2,116,406	1,203,770	169,312
6 Of which Internal Model Method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity Investment in Funds - Look-Through Approach	-	-	-
9 Equity Investment in Funds - Mandate-Based Approach	-	-	-
10 Equity Investment in Funds - 1250% Weighted Risk Approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization Positions in banking accounts	-	-	-
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	2,451,650	1,649,750	196,132
17 Of which Standardized approach (SA)	2,451,650	1,649,750	196,132
18 Of which Internal model approaches (IMM)	-	-	-
19 Operational Risk	9,547,537	8,372,744	763,803
20 Of which Basic Indicator Approach	9,547,537	8,372,744	763,803
21 Of which Standard Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts Below the Thresholds for Deduction (Subject to a 250% Risk Weight)	-	-	-
24 Floor Adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	88,762,236	84,609,081	7,100,979

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XI. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values as reported in published financial statements (*)	Carrying value of items			Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework (**)	
Current Period					
Assets					
Cash Values and Central Bank	16,951,303	16,951,303	-	-	-
Banks	6,523,419	6,526,154	-	-	-
Receivables From Money Markets	6,180,886	2,501,076	3,679,810	-	-
Financial Assets at Fair Value through Profit Loss	1,630,891	183,074	-	1,447,817	-
Financial Assets at Fair Value Through Other Comprehensive Income	8,651,377	8,653,347	-	-	-
Financial Assets Measured by Amortized Cost	12,522,941	12,522,941	-	-	-
Part of Derivative Financial Assets at Fair Value Through Profit Loss	1,752,609	-	1,752,609	1,752,609	-
The Fair Value Differences of Derivative Financial Assets Reflected to Other Comprehensive Income	1,097,518	-	1,097,518	1,097,518	-
Frozen Financial Assets	-	-	-	-	-
Expected Loss Reserves (-)	4,065,000	2,294,073	-	-	-
Credits	82,932,090	82,932,088	-	-	-
Factoring Receivables	-	-	-	-	-
Non-Current Assets Held For Sale and Discontinued Operations (Net)	112,859	112,859	-	-	-
Affiliates (Net)	-	-	-	-	-
Subsidiaries (Net)	116,036	116,036	-	-	-
Joint Ventures (Joint Ventures) (Net)	5	5	-	-	-
Property, Plant and Equipment (Net)	836,192	798,168	-	-	38,025
Intangible Assets (Net)	564,803	-	-	-	564,803
Investment Properties (Net)	-	-	-	-	-
Current Tax Asset	19,678	19,678	-	-	-
Deferred Tax Asset	632,912	632,912	-	-	-
Other Assets (*)	3,587,523	1,845,163	1,470,105	-	272,255
Total assets	140,048,042	131,500,731	8,000,042	4,297,944	875,083
Liabilities					
Deposit	93,773,478	-	-	-	-
Loans received	9,747,606	-	-	-	-
Debts to money markets	6,548,253	-	6,548,253	-	-
Issued securities	4,810,637	-	-	-	-
Financial Liabilities with Fair Value Differences Reflected to Profit Loss	-	-	-	-	-
Derivative Financial Liabilities	3,343,179	-	1,604,879	-	-
Factoring Obligations	-	-	-	-	-
Lease Liabilities	598,957	-	-	-	-
Provisions	973,049	-	-	-	-
Current Tax Liability	321,406	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Fixed asset payables related to activities held and discontinued for sale (net)	-	-	-	-	-
Subordinated loans	4,194,951	-	-	-	-
Other Liabilities	4,326,675	-	2,461	-	-
Equity	11,409,851	-	-	-	-
Total liabilities	140,048,042	-	8,155,593	-	-

(*) Refers to Bank's unconsolidated financial statement

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XI. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Prior Period	Carrying values as reported in published financial statements (*)	Carrying value of items			Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework (**)	
Assets					
Cash Values and Central Bank	11,955,970	11,955,970	-	-	-
Banks	8,552,165	8,553,619	-	-	-
Receivables From Money Markets	840,263	-	840,263	-	-
Financial Assets at Fair Value through Profit Loss	1,295,423	125,026	-	1,170,397	-
Financial Assets at Fair Value Through Other Comprehensive Income	5,539,617	5,539,546	-	-	-
Financial Assets Measured by Amortized Cost	4,906,618	4,906,618	-	-	-
Part of Derivative Financial Assets at Fair Value Through Profit Loss	1,670,042	-	1,670,042	1,670,042	-
The Fair Value Differences of Derivative Financial Assets Reflected to Other Comprehensive Income	241,507	-	241,507	241,507	-
Frozen Financial Assets	-	-	-	-	-
Expected Loss Reserves (-)	3,653,793	2,352,545	-	-	-
Credits (*)	69,218,035	69,218,035	-	-	-
Factoring Receivables	-	-	-	-	-
Non-Current Assets Held For Sale and Discontinued Operations (Net)	131,362	131,362	-	-	-
Affiliates (Net)	-	-	-	-	-
Subsidiaries (Net)	115,986	115,986	-	-	-
Joint Ventures (Joint Ventures) (Net)	5	5	-	-	-
Property, Plant and Equipment (Net)	877,782	832,905	-	-	44,877
Intangible Assets (Net)	555,886	-	-	-	555,885
Investment Properties (Net)	-	-	-	-	-
Current Tax Asset	10,958	10,958	-	-	-
Deferred Tax Asset	650,094	650,094	-	-	-
Other Assets (*)	4,442,248	2,554,356	1,889,567	531	-
Total assets	107,350,168	102,241,935	4,641,379	3,082,477	600,762
Liabilities					
Deposit	72,194,328	-	-	-	-
Loans received	8,576,982	-	-	-	-
Debts to money markets	1,644,665	-	1,644,665	-	-
Issued securities	2,333,877	-	-	-	-
Financial Liabilities with Fair Value Differences Reflected to Profit Loss	-	-	-	-	-
Derivative Financial Liabilities	3,511,558	-	2,571,144	-	-
Factoring Obligations	-	-	-	-	-
Lease Liabilities	653,707	-	-	-	-
Provisions	825,982	-	-	-	-
Current Tax Liability	213,516	-	-	-	-
Deferred Tax Liability	-	-	-	-	-
Fixed asset payables related to activities held and discontinued for sale (net)	-	-	-	-	-
Subordinated loans	3,190,503	-	-	-	-
Other Liabilities	4,484,476	-	730,161	-	-
Equity	9,720,574	-	-	-	-
Total liabilities	107,350,168	-	4,945,970	-	-

(*) Refers to Bank's unconsolidated financial statements.

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XI. Explanations Related to Risk Management (continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.2 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Current Period		Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1	Asset carrying value amount under scope of regulatory consolidation	140,048,042	131,500,731	8,000,042	4,297,944
2	Liabilities carrying value amount under regulatory scope of consolidation	8,155,593	-	8,155,593	-
3	Total net amount under regulatory scope of consolidation	131,892,449	131,500,730	(155,551)	4,297,944
4	Off-balance sheet amounts	48,120,392	18,120,887	678,183	-
5	Differences in valuations	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-
8	Differences due to prudential filters	-	-	-	-
9	Exposure amounts considered for regulatory purposes	180,012,840	149,621,617	522,632	4,297,944

Prior Period		Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1	Asset carrying value amount under scope of regulatory consolidation	107,350,168	102,241,935	4,641,379	3,082,477
2	Liabilities carrying value amount under regulatory scope of consolidation	4,945,970	-	4,945,970	-
3	Total net amount under regulatory scope of consolidation	102,404,201	102,241,935	(304,591)	3,082,477
4	Off-balance sheet amounts	96,510,498	17,225,190	567,789	-
5	Differences in valuations	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-
8	Differences due to prudential filters	-	-	-	-
9	Exposure amounts considered for regulatory purposes	198,914,699	119,467,125	263,198	3,082,477

2.3 Explanations of differences between accounting and regulatory exposure amounts in accordance with TAS

The market value approach is used to make valuation of the positions in the Bank portfolios. The market data sources used for valuations are identified, defined in the Market Risk Policy, and reviewed annually. The relevant action is taken immediately when it is determined that the data does not reflect the market condition other than annual data source evaluation. Product valuations are checked by using sources such as Reuters and Bloomberg.

NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
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XI. Explanations Related to Risk Management (continued)**3. Credit Risk Disclosure****3.1 General information about credit risk****3.1.1 General qualitative information about credit risk**

The objective of the Risk Management system is to provide that the risks that are derived from the bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Credit Risk Management reports aim to supply risk level trends and risk expectations for the future. Details and content vary depending on the requirements of meetings and are presented in graphs and figures for ease of explanation and taking decisions.

The main report presented to Senior Management is the Credit Risk General Overview report, which is prepared monthly and discussed by the Risk Policies Committee. This report is also presented to the Board of Directors, Risk Committee and to the Audit Committee. Additionally, Group Risk Management prepares reports with special titles less frequently. Most of these reports are presented to the Risk Policies Committee. These reports may also be used in irregular meetings where emergent subjects are discussed or in meetings where the attendance of Senior Management is not required.

Credit risk policies are prepared in line with the Banking Law, external regulations, and general banking practices, and are approved by the Risk Policies Committee, Risk Committee, and Board of Directors.

The Bank’s credit activities are managed according to the General Credit Policy that is approved by the Risk Policies Committee, Risk Committee and the Board of Directors.

The Risk Appetite declaration is approved by the Board of Directors and audited once a year. The Bank combines existing risk management tools, processes, principles, and policies, using a consistent approach with risk appetite declaration, and ensures that risks taken are within the agreed upon limits. In this way, the consistency of risk practices is improved across the Bank.

The Bank controls the credit risk by monitoring loan receivables, limiting certain transactions with counter parties, evaluating the creditworthiness of the counter party regularly, diversifying loan types and products separately based on customer groups and industry to prevent the concentration of deferred payments and receiving guarantees when appropriate.

3.1.2 Credit quality of assets

Current Period	Gross carrying value in unconsolidated financial statements prepared as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	3,501,882	79,430,208	4,047,771	78,884,319
Debt Securities	-	21,163,437	2,818	21,160,619
Off-balance sheet exposures	-	44,266,962	311,330	43,955,632
Total	3,501,882	144,860,607	4,361,919	144,000,570

Prior Period	Gross carrying value in unconsolidated financial statements prepared as per TAS		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
Loans	4,146,906	65,071,129	3,640,892	65,577,143
Debt Securities	-	10,438,340	1,104	10,437,236
Off-balance sheet exposures	-	42,657,485	243,480	42,414,005
Total	4,146,906	118,166,954	3,885,476	118,428,384

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XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1 General information about credit risk (continued)

3.1.3 Changes in stock of defaulted loans and debt securities

1 Defaulted loans and debt securities at end of the 31 December 2019	4,146,906
2 Loans and debt securities that have defaulted since the last reporting period	1,451,572
3 Returned to non-defaulted status	-
4 Amounts written off(*)	(521,965)
5 Other changes (**)	(1,574,631)
6 Defaulted loans and debt securities at end of 31 December 2020 (1+2-3-4-5)	3,501,882

(*)The bank wrote off TL 97,496 of its non-performing loans. Additionally, the portion of the Bank's non-performing loan portfolio amounting to TL 424,469 for which a provision of TL 410,516 was provided, was sold in 2020 with a price of TL 35,759 and after following the completion of the necessary procedures, non-performing loans were written off from the records.

(**)Includes collections during the period.

1 Defaulted loans and debt securities at end of the 31 December 2018	2,774,744
2 Loans and debt securities that have defaulted since the last reporting period	3,062,812
3 Returned to non-defaulted status	-
4 Amounts written off(*)	(639,870)
5 Other changes (**)	(1,050,780)
6 Defaulted loans and debt securities at end of 31 December 2019 (1+2-3-4-5)	4,146,906

(*)The bank wrote off TL 171,832 of its non-performing loans. The Bank's non-performing loan portfolio amounting to TL 467,640 with provision TL 450,294 was sold in 2019 with a price of TL 26,363 after the completion of the necessary procedures, non-performing loans were written off from the records.

(**) Includes collections during the period

3.1.4 Additional disclosure related to the credit quality

- a) The scope and definitions of “past due” and “impaired” exposures used for accounting purposes and the differences, if any, between the definition of past due and impaired for accounting purposes

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, non-required delay time loans that is not classified as Stage III Loans, whose principal and interest payment collection delayed more than 30 days are considered as “non-performing loan” in the Accounting Practice.

Receivables past due more than 90 days are considered as “impaired receivables”, and they are classified as group III, IV, and V in accordance with Communiqué. A specific reserve is allocated for such receivables.

- b) The extent of past due exposures (more than 90 days) that are not considered to be “impaired” and the reasons for this

A specific provision is allocated for receivables which are overdue for more than 90 days in accordance with the Communiqué. According to the BRSA decision dated 17 March 2020, following the number of overdue days valid in the definition of default was changed from 90 days to 180 days, expected credit losses are allocated considering the Stage 2 and Stage 3 provision ratios for risks within this range.

- c) Description of methods used for determining impairments

Provision amount is determined in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”.

- d) The definition of the restructured exposure

If the borrower fails to make payment to the Bank due to a temporary lack of liquidity, loans and other receivables including deferred interest payments may be restructured to provide the borrower with additional liquidity to enable the Bank to collect its receivables, or a new repayment schedule may be arranged.

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XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1 General information about credit risk (continued)

3.1.4 Additional disclosure related to the credit quality (continued)

e) Breakdown of exposures by geographical areas, industry and residual maturity:

Breakdown of Loans and Receivables by sector:

	Current Period			
	TL	(%)	FC	(%)
Agriculture	16,512,303	25.00	3,051,887	22.83
Farming and Stockbreeding	16,211,517	24.54	3,050,339	22.82
Forestry	-	-	-	-
Fishery	300,786	0.46	1,548	0.01
Manufacturing	22,951,706	34.74	6,097,207	45.62
Mining and Quarrying	1,928,121	2.92	179,404	1.34
Production	20,849,286	31.56	5,886,041	44.04
Electricity, Gas and Water	174,299	0.26	31,762	0.24
Construction	1,115,441	1.69	61,756	0.46
Services	19,151,597	28.99	3,356,564	25.11
Wholesale and Retail Trade	5,609,523	8.49	554,172	4.15
Accommodation and Dining	3,349,901	5.07	792,491	5.93
Transportation and Telecom.	2,041,497	3.09	311,508	2.33
Financial Institutions	1,489,840	2.26	98,540	0.74
Real Estate and Rental Services	3,342,800	5.06	530,997	3.97
Self-Employment Services	2,719,581	4.12	1,037,743	7.76
Educational Services	313,805	0.48	17,315	0.13
Health and Social Services	284,650	0.43	13,798	0.10
Other	6,334,126	9.59	797,621	5.98
Total	66,065,173	100.00	13,365,035	100.00
	Prior Period			
	TL	(%)	FC	(%)
Agriculture	1,272,531	2.42	139,879	1.12
Farming and Stockbreeding	1,210,438	2.30	138,905	1.11
Forestry	-	-	-	-
Fishery	62,093	0.12	974	0.01
Manufacturing	14,855,656	28.26	5,936,539	47.53
Mining and Quarrying	1,158,785	2.20	203,068	1.63
Production	13,147,577	25.01	5,450,083	43.63
Electricity, Gas and Water	549,294	1.05	283,388	2.27
Construction	1,247,839	2.37	335,191	2.68
Services	13,222,498	25.15	5,735,750	45.91
Wholesale and Retail Trade	5,205,663	9.90	1,005,417	8.05
Accommodation and Dining	805,003	1.53	1,373,359	10.99
Transportation and Telecom.	2,099,437	3.99	336,643	2.69
Financial Institutions	1,936,249	3.68	1,516,889	12.14
Real Estate and Rental Services	1,070,901	2.04	1,402,519	11.23
Self-Employment Services	680,584	1.29	100,360	0.80
Educational Services	82,751	0.16	563	0.00
Health and Social Services	1,341,910	2.55	-	-
Other	21,979,889	41.80	345,357	2.76
Total	52,578,413	100.00	12,492,716	100.00

Breakdown of loans and receivables according to remaining maturities is provided in the note VII. of section four under the “Presentation of assets and liabilities according to their remaining maturities”.

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XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1 General information about credit risk (continued)

3.1.4 Additional disclosure related to the credit quality (continued)

f) Amounts of impaired exposures on geographical areas and industry basis (according to the definition used by the Bank for accounting purposes) and write-offs with related allowances.

All of the Bank’s loans under follow-up is in Turkey. Amounts of provision allocated receivables based on sector are presented in the note II of section 4 under “Information in terms of major sectors and type of counterparties”.

g) Ageing analysis of accounting past-due exposures

31 December 2020 (*)	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables				
Commercial Loans	265,565	155,830	438,085	859,480
Consumer Loans	520,416	180,156	256,865	957,437
Credit Cards	77,892	77,145	56,408	211,445
Total	863,873	413,131	751,358	2,028,362

(*) According to the BRSA’s decisions, dated 17 March 2020 and numbered 8948 and, dated 8 December 2020 and numbered 9312, to be effective from 17 March 2020 until 30 June 2021, total amount of loans with delays of 91 to 180 days which are continued to be classified as Stage 2 is TL 626,606 as of 31 December 2020.

31 December 2019	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables				
Commercial Loans	455,811	357,891	1,093,620	1,907,322
Consumer Loans	482,022	297,618	380,699	1,160,339
Credit Cards	96,362	103,803	73,313	273,478
Total	1,034,195	759,312	1,547,632	3,341,139

h) Breakdown of restructured exposures between impaired and not impaired exposures

Not impaired loans:

Current Period	Gross Amount	Significant Increase in Credit Risk (Stage II)	
		Net Amount	
Commercial Loans	1,585,123	(621,022)	964,101
Consumer Loans	154,605	(32,183)	122,422
Credit Cards	22,188	(1,735)	20,453
Total	1,761,916	(654,940)	1,106,976

Prior Period	Gross Amount	Significant Increase in Credit Risk (Stage II)	
		Net Amount	
Commercial Loans	1,927,889	(393,754)	1,534,135
Consumer Loans	137,661	(14,402)	123,259
Credit Cards	61,116	(3,605)	57,511
Total	2,126,666	(411,761)	1,714,905

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XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.1 General information about credit risk (continued)

3.1.4 Additional disclosure related to the credit quality (continued)

Impaired loans:

Current Period	Gross Amount	Default (Stage III)	Net Amount
Commercial Loans	65,682	37,989	27,693
Consumer Loans	27,484	18,913	8,571
Credit Cards	5,953	4,519	1,434
Total	99,119	61,421	37,698
Prior Period	Gross Amount	Default (Stage III)	Net Amount
Commercial Loans	47,120	28,442	18,678
Consumer Loans	56,711	34,791	21,920
Credit Cards	11,972	9,355	2,617
Total	115,803	72,588	43,215

3.2 Credit Risk Mitigation

3.2.1 Qualitative disclosure requirements related to credit risk mitigation techniques

- a) Core features of policies and processes for which the Bank makes on and off-balance sheet netting

The Bank does not perform on and off balance sheet offsetting to decrease credit risk, and credit derivatives are not used.

- b) Core features of policies and processes for collateral evaluation and management

Financial collaterals are measured at fair value as of reporting date and are included in the risk mitigation process. When allocating the collateral amount to loans provided, 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 legal validity of the mortgage is ensured by duly registering the mortgage in a timely manner, and significant changes in market conditions are monitored.

In terms of credit risk mitigation, the Bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on residential and commercial real estate reported under different risk class are other main types of collaterals.

- c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

Guarantor entity’s credit risk value is to be considered in credit risk mitigation process in cases where Bank credit customers obtained guarantee from other entities.

Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk concentration risk.

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XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosure (continued)

3.2 Credit risk mitigation

3.2.2 Credit risk mitigation techniques – Overview

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
Current Period							
1 Loans(*)	62,123,854	9,340,977	8,438,686	5,746,115	4,549,485	-	-
2 Debt securities(*)	19,865,015	-	-	-	-	-	-
3 Total	81,988,869	9,340,977	8,438,686	5,746,115	4,549,485	-	-
4 Of which defaulted(*)	3,290,277	123,545	87,776	65,615	297	-	-

(*) According to BRSA communiqué dated 23/03/2020 and numbered 24049440-045, 31/12/2019 exchange rates are used for credit risk calculations.

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives of which: secured amount
Prior Period							
1 Loans	51,501,497	10,623,941	9,464,806	4,740,052	3,794,739	-	-
2 Debt securities	10,438,340	-	-	-	-	-	-
3 Total	61,939,837	10,623,941	9,464,806	4,740,052	3,794,739	-	-
4 Of which defaulted	3,816,599	312,828	221,411	17,479	1,122	-	-

3.3 Credit risk under standardized approach

3.3.1 Disclosures on banks’ use of credit ratings under the standard approach for credit risk

For portfolios that are risk-weighted under the standardized approach for credit risk, banks must disclose the following information:

- a) Names of the External Credit Assessment Institutions (ECAIs) and Export Credit Agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period

The Bank uses Fitch Ratings International Rating Agency’s external ratings.

- b) The risk classes for which each ECAI or ECA is used

The credit rating of Fitch International Rating is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk weight on is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk weight is used for receivables with a maturity period of more than three months, and the risk weight used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

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3. Credit Risk Disclosure (continued)

3.3 Credit risk under standardized approach (continued)

3.3.1 Disclosures on banks’ use of credit ratings under the standard approach for credit risk (continued)

- c) A description of the process used to apply the issuer credit ratings onto other issuer comparable assets in the banking book
20% risk weight is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and a 50% risk weight is used for receivables with a maturity period of more than three months. According to the regulation on capital adequacy, corporates where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.
- d) The alignment of the alphanumerical scale of each agency used with risk buckets. (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply)

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

Credit Quality Level	Fitch Ratings Long- Term Credit Rating	Risk Weight of Receivables from Central Government or Central Banks	Receivables from Banks and Brokerage Houses		Corporate Receivables
			DTM less than 3 months	DTM higher than 3 months	
0	-		20%	50%	100%
1	AAA and AA-	0%	20%	50%	100%
2	A+ and A-	20%	20%	50%	100%
3	BBB+ and BBB-	50%	50%	50%	100%
4	BB+ and BB-	100%	100%	100%	100%
5	B+ and B-	100%	100%	100%	100%
6	CCC+ and below	150%	100%	100%	100%
7	-		150%	150%	100%

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XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3 Credit risk under standardized approach (continued)

3.3.2 Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts density		
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted amounts	Risk Weighted amounts density	
1	Exposures to central governments or central banks	35,081,966	-	37,168,942	-	460,144	1%
2	Exposures to regional governments or local authorities	1,196,851	3,910	1,195,676	1,851	598,768	50%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	7,131,564	2,113,171	7,016,925	1,689,485	2,364,609	27%
7	Exposures to corporates	30,929,793	17,725,095	29,078,801	9,418,754	37,816,140	98%
8	Retail exposures	32,868,189	15,383,637	30,423,707	2,836,385	24,942,728	75%
9	Exposures secured by residential property	4,654,019	334,268	4,654,019	127,135	1,673,404	35%
10	Exposures secured by commercial real estate	5,703,402	1,117,896	5,450,919	462,159	3,971,642	67%
11	Past-due loans	1,207,798	226,565	1,207,503	65,240	1,123,886	88%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	3,540,984	2,723,762	3,540,976	2,889	1,528,065	43%
17	Investments in equities	167,257	-	167,257	-	167,257	100%
18	Total	122,481,823	39,628,304	119,904,725	14,603,898	74,646,643	55%

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3. Credit Risk Disclosures (continued)

3.3 Credit risk under standardized approach (continued)

3.3.2 Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (continued)

Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amounts and Risk Weighted Amounts density		
	On-balance sheet Amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk Weighted Amounts	Risk Weighted Amounts density	
1	Exposures to central governments or central banks	20,795,764	-	22,823,247	445	4,686,792	21%
2	Exposures to regional governments or local authorities	1,247,638	4,566	1,242,201	2,087	622,150	50%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development Banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	10,917,720	2,235,018	10,819,861	1,718,566	4,387,903	35%
7	Exposures to corporates	21,700,590	18,703,110	20,454,546	11,499,334	30,921,617	97%
8	Retail exposures	29,340,715	15,428,657	27,088,081	3,014,696	22,568,577	75%
9	Exposures secured by residential Property	5,473,079	374,142	5,473,079	146,464	1,966,840	35%
10	Exposures secured by commercial real Estate	6,506,468	1,174,811	6,236,649	512,230	4,765,201	71%
11	Past-due loans	1,794,352	244,545	1,793,224	77,444	1,691,079	90%
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	4,335,114	4,450,530	4,335,112	2,649	1,639,738	38%
17	Investments in equities	132,920	-	132,920	-	132,920	100%
18	Total	102,244,360	42,615,379	100,398,920	16,973,915	73,382,817	63%

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XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3 Credit risk under standardized approach (continued)

3.3.3 Standardized approach – exposures by asset classes and risk weights

Current Period		0%	10%	20%	35%	50% secured by real estate (*)	75%	100%	150%	200%	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
Asset Classes / Risk Weights												
1	Exposures to regional governments or local authorities	36,708,798	-	-	-	-	-	460,144	-	-	-	37,168,942
2	Exposures to regional governments or local authorities	-	-	-	-	1,197,519	-	8	-	-	-	1,197,527
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and financial intermediaries	-	-	6,679,841	-	1,995,853	-	30,715	1	-	-	8,706,410
7	Exposures to corporates	-	-	127,443	-	1,158,920	-	37,211,192	-	-	-	38,497,555
8	Retail exposures	-	-	1,125	-	6,904	33,252,063	-	-	-	-	33,260,092
9	Exposures secured by residential property	-	-	-	4,781,154	-	-	-	-	-	-	4,781,154
10	Exposures secured by commercial real estate	-	-	-	-	3,882,873	-	2,030,205	-	-	-	5,913,078
11	Past-due loans	-	-	-	-	408,750	-	752,955	111,038	-	-	1,272,743
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	167,257	-	-	-	167,257
17	Other assets	1,969,069	-	58,413	-	-	-	1,516,383	-	-	-	3,543,865
18	Total	38,677,867	-	6,866,822	4,781,154	8,650,819	33,252,063	42,168,859	111,039	-	-	134,508,623

(*) The amount shown on the line of “Exposures secured by commercial real estate” is “Exposures secured by real estate” and other amounts shown on this column represented exposures subject to 50% risk weight.

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XI. Explanations Related to Risk Management (continued)

3. Credit Risk Disclosures (continued)

3.3 Credit risk under standardized approach (continued)

3.3.3 Standardized approach – exposures by asset classes and risk weights (continued)

Prior Period					50% secured					Other risk	Total credit risk
Asset Classes / Risk Weights	0%	10%	20%	35%	by real	75%	100%	150%	200%	weights	exposure amount
					estate (*)					(after CCF and CRM)	
1 Exposures to regional governments or local authorities	18,136,900	-	-	-	-	-	4,686,792	-	-	-	22,823,692
2 Exposures to regional governments or local authorities	-	-	-	-	1,244,276	-	12	-	-	-	1,244,288
3 Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to banks and financial intermediaries	-	-	9,044,671	-	1,838,724	-	1,645,882	9,150	-	-	12,538,427
7 Exposures to corporates	-	-	786,895	-	805,495	-	30,361,490	-	-	-	31,953,880
8 Retail exposures	-	-	5,755	-	21,615	30,075,157	250	-	-	-	30,102,777
9 Exposures secured by residential property	-	-	-	5,619,543	-	-	-	-	-	-	5,619,543
10 Exposures secured by commercial real estate	-	-	-	-	3,967,356	-	2,781,523	-	-	-	6,748,879
11 Past-due loans	-	-	-	-	601,830	-	1,026,186	242,652	-	-	1,870,668
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13 Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14 Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15 Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	132,920	-	-	-	132,920
17 Other assets	2,660,399	-	47,029	-	-	-	1,630,333	-	-	-	4,337,761
18 Total	20,797,299	-	9,884,350	5,619,543	8,479,296	30,075,157	42,265,388	251,802	-	-	117,372,835

(*) The amount shown on the line of “Exposures secured by commercial real estate” is “Exposures secured by real estate” and other amounts shown on this column represented exposures subject to 50% risk weight.

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XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk

4.1. Qualitative disclosure related to counterparty credit risk

Limit requests of clients demanding derivative transactions are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount that traced to risk weighted limits is multiplied by ratios based on each factor’s historical movement that varies according to transaction’s nominal amount, transaction’s maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market volatility, all tables are reviewed without waiting for annual period.

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen. Approval of the Board of Directors members is obtained if the Risk Policy Committee members deem necessary.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client’s all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and the Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties in principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are audited and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions.

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XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.2. Analysis of counterparty credit risk (CCR) exposure by approach

Current Period	Replacement cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardized Approach - CCR (For Derivatives)	1,452,674	498,722		1.4	1,923,504	1,229,934
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					1,047,632	420,982
Total						1,650,916

(*) Effective Expected Positive Exposure

Prior Period	Replacement Cost	Potential future exposure	EEPE(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardized Approach - CCR (For Derivatives)	424,504	567,790		1.4	978,777	807,495
Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					20,589	3,653
Total						811,148

(*)Effective Expected Positive Exposure

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XI. Explanations Related to Risk Management (continued)**4. Counterparty Credit Risk (continued)****4.3. Credit valuation adjustment (CVA) capital charge**

Current Period	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	1,923,504	465,490
Total subject to the CVA capital charge	1,923,504	465,490

Prior Period	EAD post-CRM	Risk Weighted Amounts
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)		-
(ii) Stressed VaR component (including the 3×multiplier)		-
All portfolios subject to the Standardized CVA capital charge	978,777	392,622
Total subject to the CVA capital charge	978,777	392,622

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XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.4. Counterparty credit risk by risk classes and risk weights

Current Period											Total credit exposure(*)
Risk Weight / Regulatory portfolio	0%	10%	20%	35%	50%	75%	100%	150%	Others		
Claims from central governments and central banks	529,441	-	-	-	-	-	-	-	-	-	529,441
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	254,344	-	1,137,118	-	-	-	-	-	1,391,462
Corporates	-	-	6,360	-	17,753	-	1,006,996	-	-	-	1,031,109
Retail portfolios	-	-	-	-	-	19,124	-	-	-	-	19,124
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-	-
Total	529,441	-	260,704	-	1,154,871	19,124	1,006,996	-	-	-	2,971,136

(*) Total credit risk: Amount related to capital adequacy calculation after the counterparty credit risk measurement techniques are applied.

(**) Other assets: The amounts not included in the credit risk of the counterparty reported in the risks table to the Central Counterparty.

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XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.4. Counterparty credit risk by risk classes and risk weights (continued)

Prior Period Risk Weight/ Regulatory portfolio	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposure(*)
Claims from central governments and central banks	13,012	-	-	-	-	-	-	-	-	13,012
Claims from regional and local governments	-	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	9,946	-	297,308	-	46,481	-	-	353,735
Corporates	-	-	131	-	15,706	-	574,234	-	-	590,071
Retail portfolios	-	-	-	-	-	42,548	-	-	-	42,548
Claims on landed real estate	-	-	-	-	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-	-	-	-	-
Claims which are determined as high risk by the board of BRSA	-	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Claims from corporates, banks and financial intermediaries which have short term credit rating	-	-	-	-	-	-	-	-	-	-
Investments which are qualified as collective investment institutions	-	-	-	-	-	-	-	-	-	-
Stock investment	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	-	-	-	-	-	-	-	-
Other assets(**)	-	-	-	-	-	-	-	-	-	-
Total	13,012	-	10,077	-	313,014	42,548	620,715	-	-	999,366

(*) Total credit risk: Amount related to capital adequacy calculation after the counterparty credit risk measurement techniques are applied.

(**) Other assets: The amounts not included in the credit risk of the counterparty reported in the risks table to the Central Counterparty.

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XI. Explanations Related to Risk Management (continued)

4. Counterparty Credit Risk (continued)

4.5. Composition of collateral for CCR exposure

Current Period	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	1,220	-	-	-	-
Cash – other currencies	-	3,711	-	-	-	-
Domestic sovereign debt	-	1,055	-	-	-	-
Other sovereign debt	-	21,906	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	27,892	-	-	-	-

Prior Period	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	298	-	-	-	-
Cash – other currencies	-	12,916	-	-	-	-
Domestic sovereign debt	-	74	-	-	-	-
Other sovereign debt	-	229	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	13,517	-	-	-	-

4.6. Credit derivatives exposures

	Current Period	
	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	-	-
Fair Values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

	Prior Period	
	Protection bought	Protection sold
Nominal		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	-	-
Fair Values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

4.7. Exposures to central counterparties

None.

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XI. Explanations Related to Risk Management (continued)

5. Securitization Disclosures

Since the Bank does not hold securitization position, the notes to be presented according to the ‘Communiqué on Disclosures about Risk Management to be announced to Public by Banks’ have not been presented.

6. Market Risk Disclosures

The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk charge. It also includes capital requirements for securitization positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures, which are reported in Section 5 – Counterparty credit risk.

Notes and explanations prepared in accordance with the “Communiqué on Disclosures about Risk Management to be announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. The notes to be presented on annually basis according to Communiqué have not been presented due to usage of standard approach for the calculation of market risk by the Bank.

6.1. Qualitative disclosure requirements related to market risk

Interest rate and foreign exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (VAR), as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by historic simulation. These results are also reported daily to the management.

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are followed up in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currency and in linear scenario analysis, not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted financial figures.

According to economic cost approach, changes in market interest rates may affect the Bank’s assets, liabilities and off balance sheet items values. The Bank’s economic value’s sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculated by discounting expected cash flow.

Economic value of the Bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents value of the Bank’s sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity’s influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

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XI. Explanations Related to Risk Management (continued)

6. Market Risk Disclosures (continued)

6.1. Qualitative disclosure requirements related to market risk (continued)

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testings are prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios. Scenario analysis both on historical and hypothetical basis are conducted.

Scenario analysis is applied both to currency and interest rates to be able to understand the effects on current portfolio.

Other than scenario analysis, various stress testings are applied to current portfolio; in order to see the effects of prior events on current position.

Nominal amount limits defined for bond portfolio, VAR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management. Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All Limit and risk positions are represented to Risk Policies Committee, Risk Committee and to The Board of Directors.

6.2. Standardized Approach

Current Period		Risk Weighted Amounts
Outright products		
1	Interest rate risk (general and specific)	1,561,156
2	Equity risk (general and specific)	-
3	Foreign exchange risk	248,933
4	Commodity risk	588,523
Options		
5	Simplified approach	-
6	Delta-plus method	53,038
7	Scenario approach	-
8	Securitization	-
9	Total	2,451,650

Prior Period		Risk Weighted Amounts
Outright product		
1	Interest rate risk (general and specific)	1,437,126
2	Equity risk (general and specific)	-
3	Foreign exchange risk	82,917
4	Commodity risk	107,119
Options		
5	Simplified approach	-
6	Delta-plus method	22,588
7	Scenario approach	-
8	Securitization	-
9	Total	1,649,750

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XI. Explanations Related to Risk Management (continued)

7. Explanations Related to Operational Risk

a) Operational risk has been calculated using the basic indicator approach. Market risk measurements are performed monthly.

b) In case of Basic Indicator Approach the following:

	31.12.2017	31.12.2018	31.12.2019	Total/Number of positive gross income years	Rate (%)	Total
Gross Income	4,133,929	5,159,211	5,982,919	5,092,020	15	763,803
Operational Risk Capital Requirement (Total*12.5)						9,547,537

	31.12.2016	31.12.2017	31.12.2018	Total/Number of positive gross income years	Rate (%)	Total
Gross Income	4,103,251	4,133,929	5,159,211	4,465,464	15	669,820
Operational Risk Capital Requirement (Total*12.5)						8,372,744

c) The Bank does not use the standard method.

d) The Bank does not use any alternative approach in standard method.

e) The Bank does not use advanced measurement approach.

8. Explanations Related to Remuneration Policy in Banks

TEB pays net salaries on the last working day of each month, after the required legal deductions are made. In addition to receiving a monthly salary, all TEB employees are assessed based on meeting their qualitative and quantitative targets, and the Bank may pay performance-based success and sales premiums or annual performance bonuses to reward employees’ collective and individual success.

An annual performance bonus is determined based on the Bank’s profitability, the results of Bank activities, and the realization of targets in line with market practices (local and/or professional). A performance bonus is only paid when the target realized in a particular year is at least 80%. Employees included in the success and sales premium scheme are paid success and sales premiums based to the targets realized during the year.

The remuneration policy of the Bank was prepared in line with the BRSA’s “Communiqué on Corporate Management of Banks” and “Guidance on Good Remuneration Practices in Banks”, and within the scope of the principle of proportionality, the content, structure, and strategies of the Bank’s activities, long-term targets, the risk management structure of the Bank and local regulations. These regulations aim to prevent taking excessive risks and evaluate actual contributions to the risk management.

The remuneration policy supports the Bank in managing risks in line with the principles and parameters determined and approved by the Board of Directors. The remuneration policy aims to attract and retain expert employees who will contribute to the Bank reaching its strategic targets in both business line and support functions.

SECOM (Selection and Compensation Committee) is responsible, on behalf of the Board of Directors, for ensuring that the remuneration policy is prepared in line with local and BNP Paribas regulations. SECOM manages the principles of the remuneration policy, taking opinions from the human resources, financial affairs, risk, compliance, and internal control groups. The remuneration policy is audited and approved by SECOM and submitted to the Board of Directors. The remuneration policy is reviewed annually.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

1. a) Information on Cash and Balances with the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	382,963	1,948,389	410,344	2,031,625
Balances with the Central Bank of Turkey	3,048,958	11,382,722	305,709	8,942,832
Other	-	188,271	-	265,460
Total	3,431,921	13,519,382	716,053	11,239,917

b) Information related to the account of the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	2,979,546	-	297,130	-
Unrestricted Time Deposit	-	4,626,036	-	3,932,318
Restricted Time Deposit	69,412	6,756,686	8,579	5,010,514
Total	3,048,958	11,382,722	305,709	8,942,832

Foreign currency unrestricted deposit amounting to TL 4,626,036 (31 December 2019: TL 3,932,318) foreign currency restricted deposit amounting to TL 6,756,686 (31 December 2019: TL 5,010,514) unrestricted deposit balance amounting to TL 2,979,546 (31 December 2019: TL 297,130), and restricted deposit amounting to TL 69,412 (31 December 2019: TL 8,579) comprises of reserve deposits. As of 31 December 2020, the Turkish lira required reserve ratios are determined to be within the range of 1% - 6% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2019: 1% - 2%), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 5% - 22% (31 December 2019: 5% - 21%).

2. Information on financial assets at fair value through profit and loss (net):

- a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None (31 December 2019: None).
- a.2) Financial assets at fair value through profit and loss subject to repurchase agreements: None (31 December 2019: None).

Net book value of unrestricted financial assets at fair value through profit and loss is TL 1,447,816 (31 December 2019: TL 1,167,994).

3. Positive differences related to derivative financial assets held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	392,758	56,660	144,959	9,474
Swap Transactions	1,091,529	165,479	1,302,918	179,827
Futures Transactions	-	-	-	-
Options	36,244	9,939	25,918	6,946
Other	-	-	-	-
Total	1,520,531	232,078	1,473,795	196,247

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I. Explanations and Disclosures Related to the Assets (continued)

4. Information on banks:

a) Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	1,851,274	801,236	1,015,539	185,361
Foreign Banks	56,939	3,813,970	55,635	7,295,630
Foreign Head Offices and Branches	-	-	-	-
Total	1,908,213	4,615,206	1,071,174	7,480,991

b) Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,637,693	5,946,715	-	-
USA, Canada	1,518,644	211,172	-	-
OECD Countries (*)	135,873	739,820	-	-
Coastal Banking Regions	556,267	446,599	-	-
Other	22,432	6,959	-	-
Total	3,870,909	7,351,265	-	-

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

5. Information on financial assets at fair value through other comprehensive income:

a.1) Information on financial assets at fair value through other comprehensive income given as collateral / blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity Securities	-	-	-	-
Bond, Treasury Bill and Similar				
Investment Securities	876,626	272,329	333,201	-
Other	-	-	-	-
Total	876,626	272,329	333,201	-

a.2) Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	869,642	2,567,087	77,088	-
Treasury Bills	-	-	-	-
Other Government Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	869,642	2,567,087	77,088	-

The book value of debt securities and equity securities in unrestricted financial assets at fair value through other comprehensive income is TL 4,065,693 (31 December 2019: TL 5,129,328)

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on financial assets at fair value through other comprehensive income (continued)

b.1) Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt Securities	8,640,496	5,531,722
Quoted at Stock Exchange	8,617,330	5,511,108
Unquoted at Stock Exchange	23,166	20,614
Share Certificates	10,881	7,895
Quoted at Stock Exchange	-	-
Unquoted at Stock Exchange	10,881	7,895
Impairment Provision (-)	-	-
Total	8,651,377	5,539,617

6. Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	438,193	1,596	182,856
Corporate Shareholders	-	438,193	1,596	182,856
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	153,482	-	139,703	-
Total	153,482	438,193	141,299	182,856

b) Information on the standard loans and loans under close monitoring and restructured loans under close monitoring:

Cash Loans	Loans under Close Monitoring			
	Standard Loans	Not Under the Scope of Restructuring	Loans Under Restructuring	
			Loans with Revised Contract Terms	Refinancing
Non-specialized Loans	71,477,863	6,190,429	92,352	1,669,564
Working Capital Loans	5,389,404	835,979	54,422	796,995
Export Loans	9,300,529	62,917	-	89,456
Import Loans	-	-	-	-
Loans Given to Financial Sector	2,655,503	-	-	-
Consumer Loans	16,922,139	2,915,680	3,912	150,693
Credit Cards	4,540,033	655,741	22,188	-
Other	32,670,255	1,720,112	11,830	632,420
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	71,477,863	6,190,429	92,352	1,669,564

	Current Period		Prior Period	
	Loans Under Close Monitoring		Loans Under Close Monitoring	
	Standard Loans	Standard Loans	Standard Loans	Monitoring
12 Month Expected Credit Losses	393,446	-	394,194	-
Significant increase in Credit Risk	-	1,360,252	-	894,153
Total	393,446	1,360,252	394,194	894,153

c) Distribution of cash loans by maturity structure:

	Loans under Close Monitoring		
	Standard Loans	Not under the Scope of Restructuring	Restructuring
Short Term Loans	35,701,203	1,564,549	152,657
Medium and Long Term Loans	35,776,660	4,625,880	1,609,259
Total	71,477,863	6,190,429	1,761,916

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	450,376	18,715,717	19,166,093
Housing Loans	663	4,502,862	4,503,525
Vehicle Loans	6,877	451,829	458,706
General Purpose Loans	442,836	13,761,026	14,203,862
Other	-	-	-
Consumer Loans –Indexed to FC	-	15,510	15,510
Housing Loans	-	15,510	15,510
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC (**)	-	19,914	19,914
Housing Loans	-	5,349	5,349
Vehicle Loans	-	1,909	1,909
General Purpose Loans	-	12,656	12,656
Other	-	-	-
Individual Credit Cards-TL	3,497,240	21,003	3,518,243
With Instalments	1,160,176	21,003	1,181,179
Without Instalments	2,337,064	-	2,337,064
Individual Credit Cards-FC	4,898	-	4,898
With Instalments	-	-	-
Without Instalments	4,898	-	4,898
Personnel Loans-TL	10,001	107,618	117,619
Housing Loans	-	356	356
Vehicle Loans	-	-	-
General Purpose Loans	10,001	107,262	117,263
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	32,257	52	32,309
With Instalments	9,979	52	10,031
Without Instalments	22,278	-	22,278
Personnel Credit Cards-FC	32	-	32
With Instalments	-	-	-
Without Instalments	32	-	32
Overdraft Accounts-TL(Real Persons) (*)	673,283	-	673,283
Overdraft Accounts-FC(Real Persons)	5	-	5
Total	4,668,092	18,879,814	23,547,906

(*) Overdraft accounts include personnel loans amounting to TL 3,522.

(**) Loans granted via branches abroad.

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	567,813	15,880,140	16,447,953
Housing Loans	3,287	5,334,276	5,337,563
Vehicle Loans	18,385	422,741	441,126
General Purpose Loans	546,141	10,123,123	10,669,264
Other	-	-	-
Consumer Loans –Indexed to FC	-	18,308	18,308
Housing Loans	-	18,308	18,308
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC (**)	-	27,949	27,949
Housing Loans	-	6,031	6,031
Vehicle Loans	-	3,655	3,655
General Purpose Loans	-	18,263	18,263
Other	-	-	-
Individual Credit Cards-TL	3,135,899	54,120	3,190,019
With Instalments	1,012,747	54,120	1,066,867
Without Instalments	2,123,152	-	2,123,152
Individual Credit Cards-FC	11,775	-	11,775
With Instalments	-	-	-
Without Instalments	11,775	-	11,775
Personnel Loans-TL	13,520	89,484	103,004
Housing Loans	-	517	517
Vehicle Loans	-	-	-
General Purpose Loans	13,520	88,967	102,487
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	31,920	-	31,920
With Instalments	10,293	-	10,293
Without Instalments	21,627	-	21,627
Personnel Credit Cards-FC	393	-	393
With Instalments	-	-	-
Without Instalments	393	-	393
Overdraft Accounts-TL(Real Persons) (*)	608,567	-	608,567
Overdraft Accounts-FC(Real Persons)	4	-	4
Total	4,369,891	16,070,001	20,439,892

(*) Overdraft accounts include personnel loans amounting to TL 4,386.

(**) Loans granted via branches abroad.

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

e) Information on commercial loans with instalments and corporate credit cards:

Current Period	Short Term	Medium and Long Term	Total
Commercial loans with instalment – TL	2,173,068	8,946,399	11,119,467
Business Loans	257	163,797	164,054
Vehicle Loans	61,037	1,257,926	1,318,963
General Purpose Loans	2,111,774	7,524,676	9,636,450
Other	-	-	-
Commercial loans with instalment - Indexed to FC	-	148,076	148,076
Business Loans	-	6,192	6,192
Vehicle Loans	-	23,201	23,201
General Purpose Loans	-	118,683	118,683
Other	-	-	-
Commercial loans with instalment – FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	1,660,003	917	1,660,920
With Instalments	601,673	917	602,590
Without Instalments	1,058,330	-	1,058,330
Corporate Credit Cards-FC	1,560	-	1,560
With Instalments	-	-	-
Without Instalments	1,560	-	1,560
Overdraft Accounts-TL(Legal Entities)	741,420	-	741,420
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	4,576,051	9,095,392	13,671,443
Prior Period	Short Term	Medium and Long Term	Total
Commercial loans with instalment – TL	1,006,177	9,781,970	10,788,147
Business Loans	1,000	170,690	171,690
Vehicle Loans	26,836	682,638	709,474
General Purpose Loans	978,341	8,928,642	9,906,983
Other	-	-	-
Commercial loans with instalment - Indexed to FC	-	331,604	331,604
Business Loans	-	5,899	5,899
Vehicle Loans	-	83,943	83,943
General Purpose Loans	-	241,762	241,762
Other	-	-	-
Commercial loans with instalment – FC	478	-	478
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	478	-	478
Other	-	-	-
Corporate Credit Cards-TL	1,504,191	-	1,504,191
With Instalments	385,150	-	385,150
Without Instalments	1,119,041	-	1,119,041
Corporate Credit Cards-FC	2,439	-	2,439
With Instalments	-	-	-
Without Instalments	2,439	-	2,439
Overdraft Accounts-TL(Legal Entities)	849,525	-	849,525
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	3,362,810	10,113,574	13,476,384

f) Distribution of loans by users:

	Current Period	Prior Period
Public	2,048,390	2,096,489
Private	77,381,818	62,974,640
Total	79,430,208	65,071,129

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	78,937,391	64,523,379
Foreign Loans	492,817	547,750
Total	79,430,208	65,071,129

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	345,966	277,729
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	345,966	277,729

i) Specific or non-performing loan (Stage 3) provisions for loans:

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	104,606	349,033
Loans and Receivables with Doubtful Collectability	198,193	572,537
Uncollectible Loans and Receivables	1,991,274	1,430,975
Total	2,294,073	2,352,545

j) Information on loans under follow-up (Net):

j.1) Information on loans and other receivables included in loans under follow-up which are restructured or rescheduled:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Receivables
Current Period			
Gross Amounts before Provisions	22,018	24,809	52,292
Restructured Loans	22,018	24,809	52,292
Prior Period			
Gross Amounts before Provisions	55,867	41,008	18,928
Restructured Loans	55,867	41,008	18,928

j.2) Movement of loans under follow-up:

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Receivables
Prior period end balance	624,321	1,168,994	2,353,591
Additions (+)	962,916	94,269	394,387
Transfers from other Categories of Loans under Follow-up (+)	-	1,173,957	1,705,142
Transfers to other Categories of Loans under Follow-up (-)	1,173,957	1,705,142	-
Collections (-)	245,121	412,866	916,644
Write-Offs (-)	4	691	96,801
Sold Portfolio (-)(*)	3	4,792	419,674
Corporate and Commercial Loans	-	4,572	171,810
Retail Loans	2	-	137,865
Credit Cards	1	220	109,999
Other	-	-	-
Current period end balance	168,152	313,729	3,020,001
Provision (-)	104,606	198,193	1,991,274
Net Balances on Balance Sheet	63,546	115,536	1,028,727

(*) Past due receivables amounting to TL 424,469 for which TL 410,516 of provision had been allocated, is sold for TL 35,759 during 2020. After all sales procedures were completed, these past due receivables have been written off from the portfolio.

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans (continued) :

j) Information on loans under follow-up (Net) (continued):

j.3) Information on foreign currency loans under follow-up:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
31 December 2020			
Period End Balance	13,274	82,483	206,622
Provision (-)	7,729	57,368	158,053
Net Balance on Balance Sheet	5,545	25,115	48,569
31 December 2019			
Prior Period End Balance	40,984	76,556	153,192
Provision (-)	22,125	42,944	121,969
Net Balance on Balance Sheet	18,859	33,612	31,223

j.4) Information regarding gross and net amounts of loans under follow-up with respect to user groups:

	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	168,152	313,729	3,020,001
Provision (-)	104,606	198,193	1,991,274
Loans to Real Persons and Legal Entities (Net)	63,546	115,536	1,028,727
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	624,321	1,168,994	2,353,591
Provision (-)	349,033	572,537	1,430,975
Loans to Real Persons and Legal Entities (Net)	275,288	596,457	922,616
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

j.5) Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	Group III	Group IV	Group V
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period(Net)	2,233	10,665	357,174
Interest Accruals, Rediscounts and Valuation Differences	18,675	40,732	637,700
Provision (-)	16,442	30,067	280,526
Prior Period (Net)	18,822	77,767	229,640
Interest Accruals, Rediscounts and Valuation Differences	76,914	175,092	394,218
Provision (-)	58,092	97,325	164,578

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

k) Outline of the liquidation policy for losses and other receivables:

Loans and other receivables, which are deemed not possible to be collected according to the “Regulation on Classification of Loans and Provisions and Provisions for Reserves” published in the Official Gazette dated 22 June 2016 and numbered 29750, are fulfilled by the requirements of the Tax Procedure Law in line with the decision taken by the Bank’s senior management classified as a loan as a loss.

l) Disclosures regarding the unregistered policy:

The Fifth Group - Loans classified as Loss Loans, with at least one reporting period in this group, and the lifetime expected credit loss due to the default of the debtor constitutes the Bank’s credits to be deducted. Deregistration is an accounting practice and does not result in the right to waive. Loans deducted from the record do not affect the legal follow-up of the Bank. Indicators are utilized regarding the absence of reasonable expectations regarding the recovery of loans. The deregistration is examined on an incident basis with predefined criteria and the following deregistration indicators are considered:

- The possibility of recovery is limited: Loans with low collateralization, limited collateral capability, limited assets that provide foreclosure collection, and less than expected cost income for collection are evaluated.

- Financial indicators: Financial indicators evaluating that the entire loan is not capable of recovering are evaluated,

- Long-term follow-up: Those who do not have reasonable collection expectations are evaluated in order to recover the loans that have been pursuing for a long time.

The following practices for the loans bank monitors, although the loans have ben written-off by the Bank, cannot be different from its registered loans.

- a) The methods applied for legal collection of loans from debtors,
- b) Decisions to be subjected to the sale of non-performing loans,
- c) Decisions to waive the credit by waiving the loans.

Within the scope of TFRS 9, the deducted amount during the period is TL 97,496 (31 December 2019: TL 171,832) and its effect on NPL ratio is 0.12%(31 December 2019: 0.23%) . The follow-up conversion rate, after deductions, is 4.22% (31 December 2019 5.99%) in the current period frozen loan figures, while the calculated rate including the loans deducted during the year is 4.34% (31 December 2019 : 6.22%) .

m) Other explanations and disclosures :

Current Period	Commercial	Consumer	Credit Cards	Total
Standard Loans	50,015,691	16,922,139	4,540,033	71,477,863
Loans under Close Monitoring	4,204,131	3,070,285	677,929	7,952,345
Loans Under Follow-Up	3,096,177	315,522	90,183	3,501,882
Total	57,315,999	20,307,946	5,308,145	82,932,090
12 Month Expected Credit Loss (Stage I) (-)	176,623	162,525	54,298	393,446
Significant Increase in Credit Risk (Stage II) (-)	1,033,284	263,142	63,826	1,360,252
Default (Stage III) (-)	1,996,399	228,731	68,943	2,294,073
Total	3,206,306	654,398	187,067	4,047,771
Net Credit Balance on the Balance Sheet	54,109,693	19,653,548	5,121,078	78,884,319

Prior Period	Commercial	Consumer	Credit Cards	Total
Standard Loans	37,586,208	14,593,587	4,026,952	56,206,747
Loans under Close Monitoring	5,538,399	2,612,198	713,785	8,864,382
Loans Under Follow-Up	3,617,237	398,230	131,439	4,146,906
Total	46,741,844	17,604,015	4,872,176	69,218,035
12 Month Expected Loss Reserves (Stage I) (-)	192,135	144,831	57,228	394,194
Significant Increase in Credit Risk (Stage II) (-)	686,025	161,159	46,969	894,153
Default (Stage III) (-)	2,009,282	250,895	92,368	2,352,545
Total	2,887,442	556,885	196,565	3,640,892
Net Credit Balance on the Balance Sheet	43,854,402	17,047,130	4,675,611	65,577,143

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

m) Other explanations and disclosures (continued)

The following is a reclassification of provision for impairment on loans by stage;

Current Period

Commercial	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2019	192,135	686,025	2,009,282	2,887,442
Transfers;				
- Stage 1 to Stage 2	(8,724)	49,433	-	40,709
- Stage 1 to Stage 3	(1,029)	-	34,371	33,342
- Stage 2 to Stage 3	-	(70,704)	259,761	189,057
- Stage 2 to Stage 1	2,529	(19,907)	-	(17,378)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	87,699	574,689	141,749	804,137
Collections	(110,444)	(285,376)	(189,132)	(584,952)
Sold Portfolio	-	-	(163,411)	(163,411)
Write-off	-	-	(96,221)	(96,221)
Currency differences	14,457	99,124	-	113,581
Total expected credit losses 31 December 2020	176,623	1,033,284	1,996,399	3,206,306

Prior Period

Commercial	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2018	218,413	634,220	760,528	1,613,161
Transfers;				
- Stage 1 to Stage 2	(19,564)	104,626	-	85,062
- Stage 1 to Stage 3	(5,387)	-	169,762	164,375
- Stage 2 to Stage 3	-	(82,960)	378,714	295,754
- Stage 2 to Stage 1	2,817	(17,869)	-	(15,052)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	117,210	243,941	1,388,936	1,750,087
Collections	(127,005)	(224,291)	(236,201)	(587,497)
Sold Portfolio	-	-	(282,227)	(282,227)
Write-offs	-	-	(171,832)	(171,832)
Currency differences	5,651	28,358	1,602	35,611
Total expected credit losses 31 December 2019	192,135	686,025	2,009,282	2,887,442

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

m) Other explanations and disclosures (continued)

Current Period

Consumer	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2019	144,831	161,159	250,895	556,885
Transfers;				
- Stage 1 to Stage 2	(9,009)	69,594	-	60,585
- Stage 1 to Stage 3	(1,226)	-	27,155	25,929
- Stage 2 to Stage 3	-	(16,472)	65,561	49,089
- Stage 2 to Stage 1	4,209	(30,446)	-	(26,237)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	72,237	122,632	29,704	224,573
Collections	(48,517)	(43,325)	(18,399)	(110,241)
Sold Portfolio	-	-	(124,910)	(124,910)
Write-offs	-	-	(1,275)	(1,275)
Currency differences	-	-	-	-
Total expected credit losses 31 December 2020	162,525	263,142	228,731	654,398

Prior Period

Consumer	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2018	85,416	149,047	769,345	1,003,808
Transfers;				
- Stage 1 to Stage 2	(7,719)	37,698	-	29,979
- Stage 1 to Stage 3	(2,701)	-	54,025	51,324
- Stage 2 to Stage 3	-	(13,970)	74,977	61,007
- Stage 2 to Stage 1	4,716	(28,485)	-	(23,769)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	91,331	52,767	(555,612)	(411,514)
Collections	(26,212)	(35,898)	(6,672)	(68,782)
Sold Portfolio	-	-	(85,168)	(85,168)
Write-offs	-	-	-	-
Currency differences	-	-	-	-
Total expected credit losses 31 December 2019	144,831	161,159	250,895	556,885

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

m) Other explanations and disclosures (continued)

Current Period

Credit Cards	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2019	57,228	46,969	92,368	196,565
Transfers;				
- Stage 1 to Stage 2	(5,373)	35,955	-	30,582
- Stage 1 to Stage 3	(1,144)	-	22,014	20,870
- Stage 2 to Stage 3	-	(5,174)	32,122	26,948
- Stage 2 to Stage 1	6,441	(16,903)	-	(10,462)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	4,183	14,254	22,475	40,912
Collections	(7,037)	(11,275)	-	(18,312)
Sold Portfolio	-	-	(100,036)	(100,036)
Write-offs	-	-	-	-
Currency differences	-	-	-	-
Total expected credit losses 31 December 2020	54,298	63,826	68,943	187,067

Prior Period

Credit Cards	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2018	51,561	52,947	128,307	232,815
Transfers;				
- Stage 1 to Stage 2	(5,389)	27,657	-	22,268
- Stage 1 to Stage 3	(2,850)	-	71,316	68,466
- Stage 2 to Stage 3	-	(7,962)	67,091	59,129
- Stage 2 to Stage 1	7,383	(17,452)	-	(10,069)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	13,240	3,035	(91,447)	(75,172)
Collections	(6,717)	(11,256)	-	(17,973)
Sold Portfolio	-	-	(82,899)	(82,899)
Write-offs	-	-	-	-
Currency differences	-	-	-	-
Total expected credit losses 31 December 2019	57,228	46,969	92,368	196,565

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I. Explanations and Disclosures Related to the Assets (continued)

6. Information on loans: (continued)

m) Other explanations and disclosures (continued):

The fair value of collaterals of non- performing loans, capped with the respective outstanding loan balance, at 31 December 2020 is TL 1,902,570 (31 December 2019: TL 2,272,171).

The fair value of the collateral of non-performing loans that do not exceed the risk:

	Current Period	Prior Period
Mortgage	1,459,066	1,595,390
Vehicle	118,677	161,143
Cash	878	1,068
Other (*)	323,949	514,570
Total	1,902,570	2,272,171

(*) Other amount includes Treasury backed and Portfolio guaranteed CGF guarantee amounting to TL 323,949 (31 December 2019: TL 514,750).

As of 31 December 2020, the fair value of the collaterals of the customers' total principal risk related to the loans under close monitoring is TL 3,911,887 (31 December 2019: TL 3,406,585).

Fair value of the part of the collaterals of the closely monitored loans that do not exceed the risk:

	Current Period	Prior Period
Mortgage	3,263,239	2,741,280
Vehicle	282,443	304,501
Cash	230,542	265,836
Other	135,663	94,968
Total	3,911,887	3,406,585

As of 31 December 2020 and 31 December 2019, the details of the commodities and real estates that the bank has acquired for disposal of credit receivables are as follows:

31 December 2020	Commercial	Consumer	Total
Residential, commercial or industrial properties	108,709	4,150	112,859
Other	-	-	-
Total	108,709	4,150	112,859

31 December 2019	Commercial	Consumer	Total
Residential, commercial or industrial properties	123,326	8,036	131,362
Other	-	-	-
Total	123,326	8,036	131,362

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I. Explanations and Disclosures Related to the Assets (continued)

7. Information on financial assets measured at amortized cost:

- a) a.1) Information on financial assets measured at amortized cost and subject to repurchase agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity Securities	-	-	-	-
Bond, Treasury bill and similar investment securities	2,971,137	1,153,219	1,194,716	405,580
Total	2,971,137	1,153,219	1,194,716	405,580

- a.2) Information on financial assets measured at amortized cost and given as collateral / blocked:

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity Securities	-	-	-	-
Bond, Treasury bill and similar investment securities	6,698,645	1,171,868	1,978,084	-
Other	-	-	-	-
Total	6,698,645	1,171,868	1,978,084	-

Financial assets valued over their amortized cost classified as free warehouse TL 528,072 (31 December 2019: TL 1,328,238).

- a.3) Information on held-to-maturity investments given as collateral or blocked:

	Current Period	Prior Period
Government Bonds	12,522,941	4,906,618
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	12,522,941	4,906,618

- a.4) Information government debt securities measured at amortized cost:

	Current Period	Prior Period
Debt securities	12,522,941	4,906,618
Quoted on a Stock Exchange	12,522,941	4,906,618
Unquoted	-	-
Impairment Provision (-)	-	-
Total	12,522,941	4,906,618

- a.5) Movement of financial assets measured at amortized cost:

	Current Period	Prior Period
Beginning Balance	4,906,618	2,792,080
Foreign Currency Differences on Monetary Assets	377,092	-
Purchases During the Year ^{(*)(**)}	8,062,415	2,114,538
Disposals Through Sales and Redemptions	(823,184)	-
Impairment Provision (-)	-	-
Closing Balance	12,522,941	4,906,618

(*) Includes rediscount amounts.

(**) In the current period, the securities portfolio of the Chief Investment Office were transferred to the Asset-Liability Management and Treasury Group due to the change in the business model of the Bank management. During this transition, securities held as Financial Assets at Fair Value through Other Comprehensive Income amounting to TL 291,603 were classified as Financial Assets Measured at Amortized Cost. After this reclassification, the valuation difference amounting to TL 20,141 has been reversed from equity.

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I. Explanations and Disclosures Related to the Assets (continued)

8. Information on associates (Net):

- a.1) Information on unconsolidated associates according to Communiqué on Preparing Banks’ Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2019: None).
- a.2) Information on the unconsolidated associates: None (31 December 2019: None).
- a.3) Explanations of consolidated associates: None (31 December 2019: None).
- a.4) Information on sector information on consolidated associates: None (31 December 2019: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2019: None).

9. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:

Subsidiaries do not use internal capital adequacy assessment approach.

	TEB Faktoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in Capital to be Entitled for Compensation after All Creditors	50,000	28,794	6,860
Reserves	100,454	47,846	6,674
Net income for the period and prior period income	40,455	104,065	20,849
Income/ Loss recognized under equity in accordance with TAS	-	-	(122)
Leasehold Improvements on Operational Leases (-)	186	303	58
Goodwill and intangible asset and the related deferred tax liability (-)	3,031	4,162	551
Total Common Equity Tier 1 Capital	187,692	176,240	33,652
General Provision	3,832	-	-
Total Equity	191,524	176,240	33,652

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirement: None (31 December 2019: None).
- c) Information on the unconsolidated subsidiaries: None (31 December 2019: None).
- d) Information on the consolidated subsidiaries:
- d.1) Information on the consolidated subsidiaries:

	Address (City/ Country)	The Bank’s share percentage-If different voting percentage (%)	Other shareholders’ share percentage (%)
1	TEB Faktoring A.Ş.	İstanbul/Turkey	100.00
2	TEB Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	96.62
3	TEB Portföy Yönetimi A.Ş.	İstanbul/Turkey	25.60

Information on the consolidated subsidiaries with the order as presented in the table above:

	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income on Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (*)	Fair Value
1	2,620,875	190,909	4,355	197,063	-	29,417	39,385	-
2	522,419	180,705	3,630	33,279	-	78,931	31,755	-
3	44,370	34,261	1,890	2,928	98	13,590	4,917	-

(*) These figures are shown per BRSA financial statements as of 31 December 2019.

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I. Explanations and Disclosures Related to the Assets (continued)

9. Information on subsidiaries (Net): (continued)

d.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	115,986	115,986
Movements during the period	-	-
Purchases	-	-
Bonus shares obtained	-	-
Share in current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
Balance at the end of the period	115,986	115,986
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	43,417	43,417
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	72,569	72,569
Total	115,986	115,986

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2019: None).

e) Information on non-financial subsidiaries that are not consolidated:

TEB ARF Teknoloji A.Ş. was established by the Bank with TL 50,000 paid-in capital and 100% ownership; It was registered in the Trade Registry Gazette on 16 July 2020.

10. Explanations on entities under common control (joint ventures):

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Parent Bank	Share of the Group (%)	Current Asset	Non-current Asset	Long-term Receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Ta Güvenlik Hizmetleri A.Ş.	0.1	33.3	113,710	47,576	25,018	215,676	(193,028)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated the Parent Bank’s financial statements:

The Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. and it is presented as joint venture in financial statements however, it is carried by cost value since necessary requirements for consolidation is not met.

11. Information on financial lease receivables (Net): None (31 December 2019: None).

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I. Explanations and Disclosures Related to the Assets (continued)

12. Positive differences related to derivative financial assets for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	416,239	31,137	7,024	14,112
Cash Flow Hedge	650,142	-	219,494	877
Foreign Net Investment Hedge	-	-	-	-
Total	1,066,381	31,137	226,518	14,989

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset.

According to cash flow hedges terminated by the Bank, accumulated valuation differences amounted TL 18,266 (31 December 2019: TL 20,286) is recorded under equity as of 31 December 2020 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

13. Information on tangible assets:

	31 December 2019	Purchases	Sales	Other	31 December 2020
Cost:					
Real estate	109,711	574	(1,206)	358	109,437
Right of Use	1,017,239	77,631	(85,644)	-	1,009,226
Furniture, Furnishings, Office Machines and Other Securities	879,596	123,832	(13,994)	-	989,434
Total cost	2,006,546	202,037	(100,844)	358	2,108,097
	31 Decemer 2019	Period Expenses	Sales	Other	31 December 2020
Accumulated Depreciation:					
Real estate	51,802	3,556	(417)	56	54,997
Right of Use Depreciation	479,140	145,792	(85,644)	-	539,288
Furniture, Furnishings, Office Machines and Other Securities	597,822	93,271	(13,473)	-	677,620
Total Accumulated Depreciation	1,128,764	242,619	(99,534)	56	1,271,905
Net Book Value	877,782				836,192

- The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

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I. Explanations and Disclosures Related to the Assets (continued)

14. Information on intangible assets:

	31 December 2019	Purchases	Sales	Other	31 December 2020
Cost:					
Other Intangible Assets	468,333	85,089	(409)	-	553,013
Total cost	468,333	85,089	(409)	-	553,013
	31 December 2019	Depreciation Expense	Sales	Other	31 December 2020
Accumulated Depreciation:					
Other Intangible Assets	333,571	75,775	(12)	-	409,334
Total Accumulated Depreciation	333,571	75,775	(12)	-	409,334
Net Book Value	134,762				143,679

- Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.
- Book value of intangible assets that are restricted or pledged in use: None.
- Amount of purchase commitments for intangible fixed assets: None.
- Information on revalued intangible assets according to their types: None.
- Amount of total research and development expenses recorded in income statement within the period if any: None.
- Positive or negative consolidation goodwill on entity basis: Not applicable for unconsolidated financial statements.
- Information on goodwill:

Following the publication of the BRSA's permission dated February 10, 2011 in the Official Gazette dated February 12, 2011 and numbered 27844, all rights by the termination of the legal personality of Fortis Bank A.Ş. The merger of two banks was realized through the transfer of receivables, liabilities and liabilities to the Bank in the form of ashes. The shareholders of Fortis Bank A.Ş., which was dismissed due to the merger, were given 1.0518 registered TEB shares for each share with a nominal value of TL 1 to be replaced with their existing shares. Since the enterprises subject to this merger are not controlled by the same person or persons before and after the business merger, the transaction has been evaluated within the scope of TFRS 3. Fortis Bank A.Ş. The difference between this value and the fair value of Fortis Bank A.Ş.'s identifiable net assets acquired is recognized as goodwill, considering the fair value of the equity shares subject to change as a result of the merger as of 14 February 2011. It has been recognized.

- Beginning and ending balance of the goodwill and movement on goodwill in the current period:

	Current Period	Prior Period
Beginning period	421,124	421,124
Foreign currency differences	-	-
Acquisitions	-	-
Balance at the end of the period	421,124	421,124

15. Information on investment properties: None (31 December 2019: None)

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I. Explanations and Disclosures Related to the Assets (continued)

16. Information on deferred tax assets:

- a) As of 31 December 2020, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL 632,912 (31 December 2019: TL 650,094). There are no tax exemptions or deductions over which deferred tax asset is computed.
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax:

	Current Period	Prior Period
As of January 1	650,094	187,325
TFRS 16 Transition Effect	-	24,083
Deferred Tax Income / (Expense)	114,450	182,340
Deferred Tax Accounted Under Equity	(131,632)	256,346
Deferred Tax Asset	632,912	650,094

After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. The deferred tax income of TL 114,450 is stated under the tax provision in the income statement (31 December 2019: TL 182,340 income). The portion of the deferred tax that is directly attributable to equity which is presented in the table below has been netted within the relevant accounts in the statement of shareholders' equity.

	Current Period	Prior Period
Financial assets fair value through other comprehensive income	26,926	(44,390)
From hedge accounting	(169,324)	302,891
Actuarial gains and losses	10,766	(2,155)
Total	(131,632)	256,346

17. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Beginning of Period Cost	131,362	109,104
Accumulated Depreciation at the Beginning of the Period (-)	-	-
Net Book Value	131,362	109,104
Opening Balance	131,362	109,104
Acquired	137,125	149,647
Disposed (-)	160,897	122,922
Impairment (-)	(5,269)	4,467
Depreciation Value (-)	-	-
Period End Cost	112,859	131,362
Period End Accumulated Depreciation (-)	-	-
Closing Net Book Value	112,859	131,362

18. Information on other assets:

Other assets of the balance sheet amount to TL 3,587,523 (31 December 2019: TL 4,442,248) and do not exceed 10% of the total balance sheet excluding off-balance sheet commitments.

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NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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II. Explanations and Disclosures Related to the Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	3,343,473	-	13,247,327	9,248,027	174,061	15,303	31,868	-	26,060,059
Foreign Currency Deposits	18,427,496	-	7,600,065	11,882,963	97,381	92,277	52,616	-	38,152,798
Residents in Turkey	17,203,160	-	7,316,504	11,506,796	67,244	42,090	36,070	-	36,171,864
Residents Abroad	1,224,336	-	283,561	376,167	30,137	50,187	16,546	-	1,980,934
Public Sector Deposits	431,997	-	59,843	136,651	8,020	-	-	-	636,511
Commercial Deposits	4,493,650	-	3,953,410	5,879,776	158,781	1,448	13,824	-	14,500,889
Other Institutions Deposits	206,580	-	145,091	539,426	61,442	63	168	-	952,770
Precious Metals Deposits	5,807,140	-	31,022	94,004	15,788	50,503	3,597	-	6,002,054
Bank Deposits	43,796	-	7,424,601	-	-	-	-	-	7,468,397
Central Bank of Turkey	31	-	-	-	-	-	-	-	31
Domestic Banks	8	-	-	-	-	-	-	-	8
Foreign Banks	43,757	-	7,424,601	-	-	-	-	-	7,468,358
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	32,754,132	-	32,461,359	27,780,847	515,473	159,594	102,073	-	93,773,478

a.2) Prior period:

	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total
Saving Deposits	2,913,675	-	11,685,382	8,760,022	198,974	159,316	142,791	-	23,860,160
Foreign Currency Deposits	8,689,233	-	9,179,868	16,994,157	220,469	75,587	91,126	-	35,250,440
Residents in Turkey	8,125,778	-	8,724,284	16,524,666	196,404	32,768	74,233	-	33,678,133
Residents Abroad	563,455	-	455,584	469,491	24,065	42,819	16,893	-	1,572,307
Public Sector Deposits	424,598	-	73,628	50,872	7,475	-	-	-	556,573
Commercial Deposits	3,315,957	-	3,921,717	1,904,438	101,496	3,210	55,398	-	9,302,216
Other Institutions Deposits	143,878	-	65,741	266,882	12,458	91	554	-	489,604
Precious Metals Deposits	1,275,586	-	90,788	700,588	38,080	142,511	101,470	-	2,349,023
Bank Deposits	23,739	-	362,573	-	-	-	-	-	386,312
Central Bank of Turkey	25	-	-	-	-	-	-	-	25
Domestic Banks	16	-	-	-	-	-	-	-	16
Foreign Banks	23,698	-	358,772	-	-	-	-	-	382,470
Special Financial Institutions	-	-	3,801	-	-	-	-	-	3,801
Other	-	-	-	-	-	-	-	-	-
Total	16,786,666	-	25,379,697	28,676,959	578,952	380,715	391,339	-	72,194,328

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance (*)		Exceeding the Limit of Insurance (*)	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	14,783,424	14,607,157	10,931,481	8,731,764
Foreign Currency Saving Deposits	7,067,339	6,075,469	14,081,460	12,928,549
Other Deposits in the Form of Saving Deposits	2,567,019	781,197	2,854,708	1,320,538
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-
Total	24,417,782	21,463,823	27,867,649	22,980,851

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

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II. Explanations and Disclosures Related to the Liabilities (continued)

b) Information on saving deposits under the guarantee of saving deposit insurance: (continued)

b.1) Saving deposits exceeding the limit of insurance: (continued)

ii) Deposits of real persons not under the guarantee of saving deposit insurance:

	Current Period	Prior Period
Foreign Branches’ Deposits and Other Accounts	639,161	615,203
Deposits of Controlling Shareholders and Their Close Families	1,130,777	3,823,134
Deposits of Chairman and Members of the Board of Directors and Their Close Families	66,845	68,002
Deposits Obtained Through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated 26 September 2004.	-	-
Saving Deposits in Banks Established in Turkey Exclusively for Off Shore Banking Activities	-	-

2. Information on derivative financial liabilities:

a) Negative differences related to derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	71,044	6,778	97,772	25,075
Swap Transactions	1,977,574	179,821	1,362,074	71,890
Futures Transactions	-	-	-	-
Options	18,600	6,526	26,488	3,285
Other	-	-	-	-
Total	2,067,218	193,125	1,486,334	100,250

3. Information on funds borrowed and debt securities issued:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	412,907	34,552	307,801	169,120
From Foreign Banks, Institutions and Funds	-	9,300,147	-	8,100,061
Total	412,907	9,334,699	307,801	8,269,181

As of 31 December 2020, the Bank has borrowings from its related parties amounting to TL 3,915,889 (31 December 2019: TL 3,507,164).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	412,907	4,859,037	307,801	4,735,058
Medium and long-term	-	4,475,662	-	3,534,123
Total	412,907	9,334,699	307,801	8,269,181

c) Additional explanations regarding the areas where the Bank's obligations are concentrated:

The Bank diversifies its funding sources with customer deposits, loans from abroad, securities issued and borrowings from money markets. Deposits are the most important source of funding of the Bank and do not present any risk concentration with its stable structure spread over a wide base. Loans received mainly consist of funds obtained from various foreign financial institutions with different features and maturity-interest structure. There is no risk concentration in the bank's funding sources.

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II. Explanations and Disclosures Related to the Liabilities (continued)

3. Information on funds borrowed and debt securities issued: (continued)

d) Information on Debt Securities Issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	4,766,623	-	2,333,877	-
Treasury Bills	44,014	-	-	-
Total	4,810,637	-	2,333,877	-

4. Funds provided through repurchase transactions:

Information on funds provided through repurchase transactions:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Transactions	3,830,785	2,717,468	1,317,498	327,167
Financial Institutions and Organizations	3,830,785	2,717,468	1,317,498	327,167
Other Institutions and Organizations	-	-	-	-
Individuals	-	-	-	-
From Overseas Transactions	-	-	-	-
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	-	-	-	-
Individuals	-	-	-	-
Total	3,830,785	2,717,468	1,317,498	327,167

5. Other external funding payables which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:

Other foreign sources item of the balance sheet is TL 1,699,019 (31 December 2019: TL 1,293,901) and does not exceed 10% of the total balance sheet.

6. Explanation on financial lease obligations (Net):

With the “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognized under “Tangible Fixed Assets” as an asset (tenure) and under “Liabilities from Leasing” as a liability. Bank has as of 31 December 2020 TL 598,957 (31 December 2019: TL 653,707) Liabilities from Leasing amount.

7. Negative differences table related to derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
For the protection of fair value risk	84,098	-	-	-
For cash flow hedge purposes	983,837	14,901	1,917,707	7,267
For protection from net investment risk abroad	-	-	-	-
Total	1,067,935	14,901	1,917,707	7,267

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset.

As of 31 December 2020, there are accumulated valuation differences of TL 18,266 (31 December 2019: TL 20,286) under equity as of 31 December 2020. This amount is spread over the remaining terms of the hedged items by the Bank and transferred to the income statement.

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II. Explanations and Disclosures Related to the Liabilities (continued)

8. Information on provisions:

- a) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: There are no provision on the foreign currency indexed loans that is offset from the loans on the balance sheet (31 December 2019: None).
- b) The specific provisions provided for unindemnified non-cash loans or expected credit loss for non-cash loans:

	Current Period	Prior Period
Stage 1	58,241	55,551
Stage 2	165,265	145,818
Stage 3	87,824	42,111
Total	311,330	243,480

- c) Liabilities on unused vacation, bonus, health, employee termination benefits:

As of 31 December 2020, the Bank received TL 13,581(31 December 2019: TL 12,344) allowance, TL 286,464 (31 December 2019: TL 192,002) and TL 168,071 (31 December 2019: TL 139,152) related to the premiums to be paid to bank personnel and TL 37,100 (31 December 2019: TL 32,100) reflected the provision of other personnel expenses to the “Provisions for Employee Rights” account in the financial statements.

c.1) Termination Benefits:

In determining the liability, the Bank makes use of independent actuaries and makes assumptions on issues such as discount rate, employee turnover rate and future salary increases. These assumptions are reviewed annually:

	31 December 2020	31 December 2019
Discount rate (%)	14.50	12.51
Estimated inflation rate (%)	10.03	6.59
Salary increase rate over inflation rate (%)	1.00	1.00

Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	192,002	173,020
Current service cost	18,634	18,702
Interest cost	23,390	28,185
Reductions and payments	2,543	9,047
Actuarial loss / (gain)	64,314	577
Compensations paid	(14,419)	(37,529)
Total	286,464	192,002

c.2) Retirement Benefits:

The employees who have joined the Bank as a consequence of the merger of TEB and Fortis Bank are members of the “Pension Fund Foundation” established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XVI “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on TAS 19 principles. The Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2020 and 31 December 2019. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

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II. Explanations and Disclosures Related to the Liabilities (continued)

8. Information on provisions: (continued)

c) Liabilities on unused vacation, bonus, health, employee termination benefits: (continued)

c.2) Pension Rights: (continued)

Within the frame of the assumptions determined;

Period Based Pension and Health Obligations:	31 December 2020	31 December 2019
Net Present Value of Transferrable Retirement Liabilities	(1,081,794)	(919,469)
Net Present Value of Transferrable Retirement and Health Contributions	371,589	355,986
General Administration Expenses	(10,818)	(9,195)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(721,023)	(572,678)
Fair Value of Plan Assets (2)	2,998,581	2,646,999
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	2,277,558	2,074,321
Non-Transferable Benefits (4)	(624,502)	(404,727)
Asset Surplus over Total Benefits ((3)-(4))	1,653,056	1,669,594

As of 31 December 2020 and 31 December 2019, the distribution of the fair value of the total assets of the Pension Fund is as follows:

	31 December 2020	31 December 2019
Bank placements	2,804,241	1,119,326
Property, plant and equipment	119,573	114,378
Government bonds and treasury bills, fund and rediscount interest income	-	1,278,238
Other	74,767	135,057
Total	2,998,581	2,646,999

Actuarial assumptions used in the calculation of liabilities excluding the period-based liabilities according to TAS 19 are as follows:

	31 December 2020	31 December 2019
Discount rates	14.50%	12.51%
Inflation expectations	10.03%	6.59%

As of 31 December 2020, health inflation is assumed to be above 20% (31 December 2019: 20%). It is assumed that general wage increase and SSI ceiling increase rates will be the same as inflation. CSO 2001 (31 December 2019: CSO 2001) Female / Male mortality table was used to represent the expected mortality rates both before and after retirement.

d) Information on other provisions:

	Current Period	Prior Period
Provision for Non-Cash Loans	311,330	243,480
Provision for Legal Cases	91,772	51,069
Provision for Promotions of Credit Cards and Banking Services	11,935	12,936
Other	52,796	142,899
Total	467,833	450,384

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II. Explanations and Disclosures Related to the Liabilities (continued)

8. Information on provisions: (continued)

d) Information on other provisions (continued)

Below is the reconciliation of impairment provisions for non-cash loans;

Current Period	Standard Qualified Loans (Stage I)	Loans in Close Monitoring (Stage II)	Loans Under Follow-Up (Stage III)	Total
31 December 2019	55,551	145,818	42,111	243,480
Transfers;				
- Stage 1 to Stage 2	(3,464)	22,238	-	18,774
- Stage 1 to Stage 3	(78)	-	1,489	1,411
- Stage 2 to Stage 3	-	(12,704)	85,543	72,839
- Stage 2 to Stage 1	3,162	(9,071)	-	(5,909)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	15,206	(213)	(35,539)	(20,546)
Collections	(17,063)	(21,075)	(5,780)	(43,918)
Write-offs	-	-	-	-
Exchange differences	4,927	40,272	-	45,199
Total Expected Loss Reserve 31 December 2020	58,241	165,265	87,824	311,330

Prior Period	Standard Qualified Loans (Stage I)	Loans in Close Monitoring (Stage II)	Loans Under Follow-Up (Stage III)	Total
31 December 2018	50,741	104,222	47,696	202,659
Transfers;				
- Stage 1 to Stage 2	(3,253)	30,060	-	26,807
- Stage 1 to Stage 3	(282)	-	6,045	5,763
- Stage 2 to Stage 3	-	(3,768)	31,155	27,387
- Stage 2 to Stage 1	2,084	(6,592)	-	(4,508)
- Stage 3 to Stage 2	-	-	-	-
Transferred within the period	28,313	34,932	(27,256)	35,989
Collections	(23,649)	(19,738)	(15,529)	(58,916)
Write-offs	-	-	-	-
Exchange differences	1,597	6,702	-	8,299
Total Expected Loss Reserves 31 December 2019	55,551	145,818	42,111	243,480

9. Explanations on taxes payable:

a) Information on tax provision:

As of 31 December 2020, the Bank's corporate tax liability is TL 158,727 (31 December 2019: TL 29,289). As of 31 December 2020, the Bank's debt on total taxes and premiums is TL 321,406 (31 December 2019: TL 213,516).

b) Information on current tax liability:

	Current Period	Prior Period
Corporate Tax Payable	158,727	29,289
Taxation on Securities	45,038	70,139
Property Tax	1,223	2,569
Banking Insurance Transaction Tax (BITT)	50,699	59,307
Foreign Exchange Transaction Tax	4,556	2,430
Value Added Tax Payable	6,365	5,073
Other (*)	28,268	23,408
Total	294,876	192,215

(*) Others include income taxes deducted from wages amounting to TL 24,127 (31 December 2019: TL 19,419) and stamp taxes payable amounting to TL 1,761 (31 December 2019: TL 1,518).

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II. Explanations and Disclosures Related to the Liabilities (continued)

9. Explanations on taxes payable (continued):

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	11,386	9,114
Social Security Premiums-Employer	12,575	10,133
Bank Social Aid Pension Fund Premium-Employee	-	-
Bank Social Aid Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	966	775
Unemployment Insurance-Employer	1,603	1,279
Other	-	-
Total	26,530	21,301

d) Explanations on deferred tax liabilities, if any: the Bank does not have any deferred tax liabilities as of 31 December 2020 (31 December 2019: None).

10. Information on fixed assets payables related to activities held and discontinued for sale: None (31 December 2019: None).

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The Bank was issued Subordinated debt instrument on 5 November 2018, which has two Call Dates; falling on the fifth anniversary notes and the Interest Payment Date falling thereafter amounting USD210 million with the final maturity of 10 years. The interest rate of the issuance is 10.40% per annum and will be continued at the end of the 5th year with an annual interest rate of 6 months Libor + 7.32% after the first early redemption date. The “T2 capital” was provided by BNP Paribas Fortis SA / NV.

The Bank, aligned its Board of Directors’ decision dated 8 May 2012, had issued a debt instrument as T2 Capital Subordinated debt instrument with a value of USD 65 million on 14 May 2012 and the debt instrument was redeemed on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency (BRSA). On 14 May 2019, the Bank issued a subordinated debt securities with amount of 60 million EURO with the final maturity of 10 years, with no call till the 5th anniversary of the notes. The Notes have two Call Dates, falling on the fifth anniversary notes and the Interest Payment Date falling thereafter. The interest rate of the issuance is six months Euribor + 7.10% annually. The “T2 capital” was provided by BNP Paribas Fortis SA / NV.

On 20 July, 2012, the Bank had issued a debt instrument of EUR 100 million as T2 capital and the debt instrument was redeemed on 22 July 2019 after the decision of the relevant Board of Directors and the approval of the BRSA. On 22 July 2019, the Bank issued a subordinated debt securities with amount of 100 million EURO, with the final maturity of 10 years, with no call till 5th anniversary of the notes. The Notes have two Call Dates, falling on the fifth anniversary notes and the Interest Payment Date falling thereafter. The interest rate of the issuance is six months Euribor + 7.10% annually. The “T2 capital” was provided by BNP Paribas Fortis SA / NV.

The Bank issued subordinated debt instrument, which has early redemption right in 27 June 2023, with the final maturity of 10 years in the amount of EUR125 million in 27 June 2018. The interest rate of the issuance is 6 month Euribor + 5.10% per annum. The “T2 capital” was provided by BNP Paribas Fortis S.A. / N.V.

The above mentioned four subordinated loans are utilized in-line with the “loan capital” definition of BRSA and will positively affect the capital adequacy ratio of the Bank as well as utilizing long term funding.

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II. Explanations and Disclosures Related to the Liabilities (continued)

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any(continued):

Information on subordinated loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowing Tools to be Included in Additional Capital				
Calculation	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Debt Instruments to be Included in the Contribution				
Capital Calculation	-	4,194,951	-	3,190,503
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	4,194,951	-	3,190,503
Total	-	4,194,951	-	3,190,503

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	4,194,951	-	3,190,503
Branches and Head Office Abroad	-	-	-	-
Total	-	4,194,951	-	3,190,503

12. Information on Shareholders’ Equity:

a) Presentation of Paid-in Capital:

	Current Period	Prior Period
Common Stock	2,204,390	2,204,390
Preferred Stock	-	-

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank if so amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

c) Information on share capital increases, their sources and other information on increased capital shares in current period: None.

d) Information on share capital increases from revaluation funds: None.

e) Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank’s equity due to the uncertainty of these indicators:

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these test prevents the risks of effect. The profitability of the Bank is followed up and estimated by the Bank’s Planning and Performance Management in short and long term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

g) Information on preferred shares: None.

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II. Explanations and Disclosures Related to the Liabilities (continued)

12. Information on Shareholders’ Equity: (continued)

h) Information on marketable securities valuation differences:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference	(149,256)	61,169	(3,474)	20,895
Foreign Exchange Difference	-	-	-	-
Total	(149,256)	61,169	(3,474)	20,895

13. Information on minority interests: None (31 December 2019: None).

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III. Explanations and Disclosures Related to the Off-Balance Sheet Items

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	8,978,512	8,506,931
Loan Granting Commitments	5,736,570	5,234,372
Asset Purchase and Sale Commitments	3,031,018	3,684,822
Payment Commitments for Cheques	1,741,408	1,769,641
Time Deposit Purchase and Sale Commitments	94,524	759,924
Tax and Fund Liabilities from Export Commitments	47,494	71,566
Commitments for Promotions Related with Credit Cards and Banking Activities	5,767	4,975
Other Irrevocable Commitments	385,645	249,768
Total	20,020,938	20,281,999

b) Possible losses and commitments related to off-balance sheet items:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

	Current Period	Prior Period
Letters of credit	5,025,525	2,623,851
Bank acceptances	16,573	12,915
Other commitments	3,976,672	5,031,959
Other contingencies	1,043,082	1,153,720
Total	10,061,852	8,822,445

b.2) Guarantees, surety ships, and similar transactions:

	Current Period	Prior Period
Final letters of guarantee	9,864,566	9,855,883
Advance letters of guarantee	2,244,080	1,481,220
Letters of guarantee given to the customs	481,964	429,999
Temporary letters of guarantee	332,396	286,101
Other letters of guarantee	1,261,166	1,499,838
Total	14,184,172	13,553,041

c) c.1) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1,262,302	1,499,838
With Maturity of One Year or Less Than One Year	94,973	130,687
With Maturity of More Than One Year	1,167,329	1,369,151
Other Non-Cash Loans	22,983,722	20,875,648
Total	24,246,024	22,375,486

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III. Explanations and Disclosures Related to the Off-Balance Sheet Items (continued)

1. Information on off-balance sheet liabilities: (continued)

c.2) Information on sectoral risk breakdown of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	20,404	0.27	22,980	0.14	33,515	0.37	30,972	0.23
Farming and raising livestock	18,338	0.25	22,980	0.14	20,044	0.22	30,972	0.23
Forestry, Wood and Paper	-	-	-	-	-	-	-	-
Fishery	2,066	0.03	-	-	13,471	0.15	-	-
Manufacturing	2,294,148	30.66	5,969,293	35.61	2,361,726	25.87	6,761,713	51.05
Mining and Quarry	106,832	1.43	295,929	1.77	123,105	1.35	672,430	5.08
Production	2,109,458	28.20	5,560,042	33.17	2,159,522	23.65	5,914,253	44.65
Electricity, Gas and Water	77,858	1.04	113,322	0.68	79,099	0.87	175,030	1.32
Construction	1,322,830	17.68	3,711,776	22.14	1,548,096	16.96	2,273,895	17.17
Services	3,605,121	48.19	5,095,080	30.39	5,132,770	56.22	4,116,286	31.08
Wholesale and Retail Trade	1,585,385	21.19	2,108,405	12.58	1,257,201	13.77	1,112,311	8.40
Hotel, Tourism, Food and Beverage Services	121,734	1.63	105,933	0.63	133,984	1.47	71,748	0.54
Transportation and Communication	416,936	5.57	511,955	3.05	450,731	4.94	446,030	3.37
Financial Institutions	463,495	6.20	713,275	4.25	979,561	10.73	1,495,269	11.29
Real Estate and Renting	929,698	12.43	1,410,419	8.41	2,197,820	24.07	953,721	7.20
Self-employment Services	73,121	0.98	243,457	1.45	96,719	1.06	35,562	0.27
Education Services	5,517	0.07	336	-	6,349	0.07	178	-
Health and Social Services	9,235	0.12	1,300	0.01	10,405	0.11	1,467	0.01
Other	238,923	3.19	1,965,469	11.72	54,412	0.60	62,101	0.47
Total	7,481,426	100.00	16,764,598	100.00	9,130,519	100.00	13,244,967	100.00

c.3) Information on Stage I and Stage II non-cash loans:

Current Period

Non-cash loans	Stage I		Stage II	
	TL	FC	TL	FC
Letters of guarantee	5,499,529	7,423,249	552,798	708,596
Bank acceptances	-	16,573	-	-
Letters of credit	-	4,893,122	-	132,403
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	1,393,047	3,439,901	36,052	150,754
Total	6,892,576	15,772,845	588,850	991,753

Prior Period

Non-cash loans	Stage I		Stage II	
	TL	FC	TL	FC
Letters of guarantee	5,763,889	6,558,086	717,216	513,850
Bank acceptances	-	12,695	-	220
Letters of credit	260	2,479,195	-	144,396
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	2,600,335	3,358,168	48,819	178,357
Total	8,364,484	12,408,144	766,035	836,823

The Bank provided a reserve for TL 263,951 (31 December 2019: TL 286,647) of non-cash loans not indemnified which equals to net amounting to TL 87,824 (31 December 2019: TL 42,111)

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III. Explanations and Disclosures Related to the Off-Balance Sheet Items (continued)**2. Information related to derivative financial instruments:**

	Derivative transactions according to purposes			
	Trading		Hedging	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign currency related derivative transactions (I):	80,856,033	78,045,061	-	-
Forward transactions	16,798,167	10,742,282	-	-
Swap transactions	58,803,224	58,730,372	-	-
Futures transactions	1,133,911	71,526	-	-
Option transactions	4,120,731	8,500,881	-	-
Interest related derivative transactions (II):	19,509,018	8,401,316	-	-
Forward rate transactions	-	-	-	-
Interest rate swap transactions	19,509,018	8,401,316	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Marketable securities call-put options (III)	-	-	-	-
Other trading derivative transactions (IV)	2,960,427	43,150	-	-
A.Total trading derivative transactions (I+II+III+IV)	103,325,478	86,489,527	-	-
Types of hedging transactions				
Fair value hedges	-	-	6,250,067	1,740,184
Cash flow hedges	-	-	17,757,374	24,213,951
Net investment hedges	-	-	-	-
B. Total hedging related derivatives	-	-	24,007,441	25,954,135
Total Derivative Transactions (A+B)	103,325,478	86,489,527	24,007,441	25,954,135

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the Bank's financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value.

i) Derivative instruments for fair value hedging purposes:

In 2020, the Bank applied fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loans and marketable securities. As of 31 December 2020, the nominal value of the derivative instruments for risk management purposes is TL 6,250,067 and the net fair value is TL 363,278.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Cross Currency Swaps	6,250,067	447,376	84,098	1,740,184	21,136	-
Interest Rate Swaps	-	-	-	-	-	-
Total	6,250,067	447,376	84,098	1,740,184	21,136	-

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III. Explanations and Disclosures Related to the Off-Balance Sheet Items (continued)

2. Information related to derivative financial instruments: (continued)

ii) Derivative instruments for cash flow hedge purposes:

The Bank has applied cash flow hedge accounting by matching its swap portfolio with total notional amounting to TL 17,757,374 (31 December 2019: TL 24,213,951) and 1-90 days of maturity deposit portfolio together with selected borrowing portfolio. Effective portion of TL 283,380 (31 December 2019: TL 1,112,750 credit) credit accounted for under equity is presented after deducting its deferred tax effect of TL 56,676 (31 December 2019: TL 226,000 debit) debit in the financial statements. In 2020, ineffective portion of TL 18,266 (31 December 2019: TL 20,286) income is accounted for under income statement.

	Current Period			Prior Period		
	Nominal	Fair Value		Nominal	Fair Value	
		Asset	Liability		Asset	Liability
Cross Currency Swaps	4,852,334	615,008	471,891	7,611,850	218,639	875,965
Interest Rate Swaps	12,905,040	35,134	526,847	16,602,101	1,732	1,049,009
Total	17,757,374	650,142	998,738	24,213,951	220,371	1,924,974

3. Credit derivatives and risk exposures on credit derivatives: None.

4. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venture: None.

a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.

a.3) The Bank's contingent liabilities resulting from liabilities of other ventures in entities under common control (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2020, there are no contingent assets that need to be explained (31 December 2019: None).

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes. The Bank has provided provision amounting to TL 91,772 for various lawsuits filed by various individuals and institutions with high probability of occurrence and cash outflow. This amount is presented under “Other Provisions” in the financial statements.

5. Custodian and intermediary services:

The Bank provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of contingencies and commitments.

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III. Explanations and Disclosures Related to the Off-Balance Sheet Items (continued)

6. The information on the Bank’s rating by the international rating introductions (*):

TEB maintained its position as one of the most highly rated banks in Turkey. As of 31 December 2020, TEB’s ratings were as follows:

Moody’s Investor Services:

Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b1
Long Term FC Deposits	B2
Short Term FC Deposits	NP
Long Term TL Deposits	B1
Short Term TL Deposits	NP
Outlook	Negative

Fitch Ratings:

<i>Foreign Currency</i>	
Long-term	B+
Short-term	B
Outlook	Negative
<i>Turkish Lira</i>	
Long-term	BB-
Short-term	B
Outlook	Negative
National	AA (tur)
Outlook	Stable
Financial Strength	b+

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

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IV. Explanations and Disclosures Related to the Statement of Income

1. Explanations on Interest Income

a) Information on interest income on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest income on loans (*)				
Short term loans	3,370,179	221,584	4,612,075	356,415
Medium and long term loans	4,697,498	242,614	5,137,129	269,578
Interest on loans under follow-up	142,039	-	229,865	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	8,209,716	464,198	9,979,069	625,993

(*) Includes fees and commissions obtained from cash loans amounting to TL 153,388 (31 December 2019: TL 225,870).

b) Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	22,728
Domestic banks	154,030	475	142,459	2,975
Foreign banks	3,470	7,890	15,024	51,081
Branches and head office abroad	-	-	-	-
Total	157,500	8,365	157,483	76,784

c) Information on interest income on marketable securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	135,137	43,247	159,911	27,970
Financial Assets at Fair Value Through Other Comprehensive Income	708,300	91,874	282,760	48,203
Financial Assets Measured at Amortized Cost	1,078,923	90,253	571,203	41,639
Total	1,922,360	225,374	1,013,874	117,812

d) Interest Income on Subsidiaries and Associates:

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	18,548	17,214

2. Explanations on Interest Expense

a) Information on interest expense on funds borrowed (*):

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
The Central Bank of Turkey	-	-	-	-
Domestic banks	30,758	4,130	43,880	16,087
Foreign banks	-	455,609	-	457,616
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	30,758	459,739	43,880	473,703

(*) Includes fees and commission expenses of cash loans amounting to TL 10,870 (31 December 2019: TL 23,055).

b) Information on interest expense on associates and subsidiaries:

	Current Period	Prior Period
Interest expenses to associates and subsidiaries	1,838	2,103

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

2. Explanations on Interest Expense (continued)

c) Information on interest expenses on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest expense on securities issued	454,149	-	514,885	-
Total	454,149	-	514,885	-

d) Distribution of interest expenses on deposits based on maturity of deposits:

Current Period Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank Deposits	-	178,541	-	-	-	-	-	178,541
Saving Deposits	-	1,219,565	862,589	14,228	4,701	14,788	-	2,115,871
Public Sector Deposits	-	2,002	17,514	768	-	-	-	20,284
Commercial Deposits	-	458,972	599,679	20,442	210	4,987	-	1,084,290
Other Deposits	-	11,147	141,728	4,119	7	36	-	157,037
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	1,870,227	1,621,510	39,557	4,918	19,811	-	3,556,023
FC								
Foreign Currency Deposits	9	19,810	103,064	1,179	510	987	-	125,559
Bank Deposits	-	285	-	-	-	5	-	290
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	238	2,432	470	2,249	1,569	-	6,958
Total	9	20,333	105,496	1,649	2,759	2,561	-	132,807
Grand Total	9	1,890,560	1,727,006	41,206	7,677	22,372	-	3,688,830
Prior Period								
Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank Deposits	-	39,449	-	-	-	-	-	39,449
Saving Deposits	9	1,595,995	1,948,510	137,972	45,953	35,407	-	3,763,846
Public Sector Deposits	-	4,463	6,465	2,174	-	-	-	13,102
Commercial Deposits	235	465,464	530,438	54,558	31,676	46,726	-	1,129,097
Other Deposits	-	7,238	158,706	14,990	73,986	4,870	-	259,790
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	244	2,112,609	2,644,119	209,694	151,615	87,003	-	5,205,284
FC								
Foreign Currency Deposits	-	95,599	304,254	5,303	4,492	3,929	-	413,577
Bank Deposits	-	8,327	-	-	-	-	-	8,327
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	1	682	12,328	1,108	3,037	1,128	-	18,284
Total	1	104,608	316,582	6,411	7,529	5,057	-	440,188
Grand Total	245	2,217,217	2,960,701	216,105	159,144	92,060	-	5,645,472

3. Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	3,557	1,326
Other	27,777	17,244
Total	31,334	18,570

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

4. Information on trading gain / loss:

	Current Period	Prior Period
Gains	61,961,748	34,028,533
Gains on capital market operations	295,308	449,304
Gains on derivative financial instruments ⁽¹⁾	15,988,223	14,068,159
Foreign exchange gains	45,678,217	19,511,070
Losses (-)	63,701,409	35,039,066
Losses on capital market operations	347,599	323,930
Losses on derivative financial instruments ⁽¹⁾	17,047,618	14,979,328
Foreign exchange losses	46,306,192	19,735,808

⁽¹⁾ Includes exchange rate fluctuations of hedging transactions net profit of TL 801,149 (31 December 2019: TL 142,065 profit), derivative financial instruments exchange rate changes in profit / loss accounts amounting to TL 235,299 (31 December 2019: TL 343,138) net exchange income

5. Information on other operating income:

Other operating income of the Bank mainly consists of all transaction costs collected from clients and disposal of assets.

6. Provision expenses of banks for loans and other receivables:

a) Allowance for Expected Credit Losses and Other Provisions:

	Current Period	Prior Period
Expected Credit Losses	752,187	1,404,740
12-Month Expected Credit Losses (Stage 1)	(15,056)	40,818
Significant Increase in Credit Risk (Stage 2)	346,150	64,476
Credit-Impaired (Stage 3)	421,093	1,299,446
Impairment Provisions for Securities	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment Provision Related to Investments in Associates, Subsidiaries and Joint Ventures	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	(22,683)	89,173
Total	729,504	1,493,913

⁽¹⁾ Includes provision reversals amounting to TL 53,259 (31 December 2019: TL 19,708).

7. Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits ⁽¹⁾	30,148	18,405
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	943	-
Depreciation expenses of fixed assets	242,619	224,729
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	75,775	70,560
Impairment for investments accounted with equity method	-	-
Impairment expenses of assets to be disposed	(5,269)	4,467
Depreciation expenses of assets to be disposed	-	-
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	1,107,432	1,060,140
Leasing Expenses on TFRS 16 Exceptions	32,784	52,448
Maintenance expenses	34,248	36,318
Advertisement expenses	58,856	67,796
Other expenses	981,544	903,578
Loss on sales of assets	6,581	10,778
Other ⁽²⁾	438,777	355,561
Total	1,897,006	1,744,640

⁽¹⁾ The provision for employment termination benefits is included in the personnel expenses item in the financial statements.

⁽²⁾ Includes other premiums and expenses paid to the Savings Deposit Insurance Fund amounting to TL 191,325 (31 December 2019: TL 142,295) and other taxes and fees paid in the amount of TL 179,916 (31 December 2019: TL 149,358).

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

8. Information on profit loss before continuing and discontinued operations before tax:

- a) The portion of the profit before tax amounting to TL 6,146,076 (31 December 2019: TL 5,436,245) consists of net interest income, while TL 1,157,227 (31 December 2019: TL 1,500,669) consists of net fee and commission income; total operating expenses amount to TL 3,448,637 (31 December 2019: TL 3,171,890).
- b) Explanations on discontinued operations profit loss: None.

9. Information on tax provision for continuing and discontinued operations:

- a) As of 31 December 2020, the current tax expense is TL 486,856 (31 December 2019: TL 525,749). Deferred tax income is TL 114,450 (31 December 2019: TL 182,340) and there is no current and deferred tax income/expense from discontinued operations (31 December 2019: None).
- b) Deferred tax income on temporary differences resulted from continued operations is TL 114,450 (31 December 2019: TL 182,340).

c) Tax reconciliation:

	Current Period	Prior Period
Profit before tax	1,549,720	1,413,763
Additions	174,565	164,440
Nonallowable expenses	50,178	96,927
Effect of different tax rate	86,615	33,200
Deductions	37,772	34,313
Dividend income	(31,532)	(18,218)
Other	(31,532)	(18,218)
Taxable Profit/ (Loss)	1,692,753	1,559,985
Corporate tax rate	22%	22%
Tax calculated	372,406	343,197
Prior year tax correction	-	212
Tax charge	372,406	343,409

10. Information on net profit / loss of continuing and discontinued operations:

Net profit of the Bank from the activities carried out as of 31 December 2020 TL 1,177,314 (31 December 2019: TL 1,070,354) as of 31 December 2020 there is no net profit from discontinued operations (31 December 2019: None).

11. The explanations on net income/loss for the period:

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None (31 December 2019: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2019: None).
- c) Profit/ loss attributable to minority interest: None (31 December 2019: None).

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

12. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items:

	Current Period	Prior Period
<u>Other fees and commissions received</u>		
Card Fees and Commissions	798,924	1,313,155
Insurance Commissions	262,964	185,916
Prepayment Commissions	76,263	62,993
General Limit Revision Commissions	49,332	45,680
Transfer Commissions	48,859	39,659
Fund Management Fees	47,613	31,072
Settlement Expense Provision, Eft, Swift, Agency Commissions	44,649	44,630
Periodic Service Commissions	28,225	166,434
Other	144,007	200,204
Total	1,500,836	2,089,743
<u>Other fees and commissions paid</u>		
Credit Cards Commissions and Fees	418,324	701,669
Commission and Fees Paid to Correspondent Banks	38,071	39,026
Settlement Expense Provision, Eft, Swift Commissions	26,989	20,400
Other	113,871	108,273
Total	597,255	869,368

V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

a) The effect of changes in the fair value of financial assets at fair value through profit or loss is recognized in the “Marketable Securities Valuation Differences” account under the equity. The relevant amount is decreased by TL 132,443 in 2020 (31 December 2019: TL 201,250 increased) and change effect to deferred tax is TL 26,935 (31 December 2019: TL 44,275).

b) Increase in cash flow risk hedging items:

The Bank uses interest rate and cross currency swaps for reducing cash flow risk arising from short term deposit and borrowing. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount in 2020 increased by TL 829,370 (31 December 2019: TL 1,463,373 decreased) and the effect of this change to deferred tax is TL 169,324 (31 December 2019: TL 302,891).

c) Explanations on profit distribution:

It has been resolved in the Ordinary General Assembly dated 26 March 2019 of the Bank, TL 1,070,354 that constitutes the 2019 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL 53,518 as Legal Reserves, TL 9,394 as special reserves, TL 0.87 (full TL) as profit distributed to the holders of the founder jouissance certificates.

Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.

VI. Explanations and Disclosures Related to Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL 2,387,824 (31 December 2019: TL 2,411,030) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

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VI. Explanations and Disclosures Related to Statement of Cash Flows (continued)

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency exchange rates on cash and cash equivalents (continued):

The “net increase in other liabilities” item in the “change in assets and liabilities subject to banking activities” amounting to TL 930,722 (31 December 2019: TL 1,278,351 decreased) consists of various liabilities, other foreign sources and changes in money markets. “Net increase in other assets” item amounting to TL 792,80 (31 December 2019: TL 261,210 decreased) consists of changes in blocked reserve requirements, miscellaneous receivables and other assets.

“Other” item amounting to TL 85,089 (31 December 2019: TL 98,323) included in “Net cash flow from investment activities” consists of cash outflows for intangible assets received in the current period.

The effect of the change in foreign exchange rate on cash and cash equivalents includes the foreign exchange rate difference resulting from the conversion of foreign currency cash and cash equivalents to TL at the beginning and end of the period, and as TL 1,432,624 for the year 2020 (31 December 2019: TL 475,011) It has been realized.

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

Beginning of the period	Current Period	Prior Period
Cash	6,936,877	8,834,731
Cash in TL/Foreign Currency	2,441,969	2,006,466
Central Bank – Unrestricted amount	4,229,448	6,721,963
Other	265,460	106,302
Cash equivalents	9,391,646	4,199,335
Banks	8,551,646	3,917,835
Money market placements	840,000	281,500
Total cash and cash equivalents	16,328,523	13,034,066

End of the period	Current Period	Prior Period
Cash	10,125,205	6,936,877
Cash in TL/Foreign Currency	2,331,352	2,441,969
Central Bank – Unrestricted amount	7,605,582	4,229,448
Other	188,271	265,460
Cash equivalents	12,616,597	9,391,646
Banks	6,438,597	8,551,646
Money market placements	6,178,000	840,000
Total cash and cash equivalents	22,741,802	16,328,523

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VII. Explanations and Disclosures Related to Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Balance sheet and income/expense items of previous periods are presented as of 31 December 2019.

a) Current Period:

Related Parties	Subsidiaries, associates and entities under common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at Beginning of Period	277,729	716	15,616	182,856	248,301	101,145
Balance at End of Period	345,966	778	71,698	438,193	741,973	89,477
Interest and Commission Income	18,548	48	7,595	2,125	15,808	629

Direct and indirect shareholders of the Bank balance above includes TL 71,698 and other entities included in the risk group balance above includes TL 76,533 placement in “Banks”.

b) Prior Period:

Related Parties	Subsidiaries, associates and entities under common Control (Joint Vent.)		Direct and indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans						
Balance at Beginning of Period	97,952	971	73,228	260,569	281,838	20,136
Balance at end of Period	277,729	716	15,616	182,856	248,301	101,145
Interest and Commission Income	17,214	40	29,774	2,541	10,850	1,140

Direct and indirect shareholders of the Bank balance above includes TL 14,020 and other entities included in the risk group balance above includes TL 60,244 placement in “Banks”.

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current period	Prior period	Current Period	Prior Period
Deposits						
Balance at Beginning of Period	16,476	57,033	3,313,150	1,497,789	648,747	1,055,942
Balance at End of Period	31,575	16,476	5,596,710	3,313,150	1,281,302	648,747
Interest on Deposits	1,838	2,103	162,488	90,121	39,047	92,318

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit and Loss						
Beginning of Period	-	34,685	30,904,435	28,512,967	109,762	1,210,586
End of Period	-	-	18,396,561	30,904,435	284,453	109,762
Total Profit/loss	-	2,376	(1,106,802)	1,403,566	(23,948)	(14,335)
Hedging Transactions purposes						
Beginning of Period	-	-	17,648,505	17,581,390	-	-
End of Period	-	-	10,139,721	17,648,505	-	-
Total Profit/Loss	-	-	949,648	(1,209,539)	-	-

d) As of 31 December 2020, the total amount of remuneration and benefits provided for the senior management

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of the Bank is TL 53,515 (31 December 2019: TL 44,125).

VIII. Explanations on the Bank’s Domestic Branches, Agencies and Branches Abroad and Off-shore Branches

1. Explanations on the Bank’s domestic branches, agencies and branches abroad and off-shore branches:

	Numbers	Employees			
Domestic branches	451	8,778			
Rep-offices abroad	-	-		Country	
Branches abroad	4	72	Cyprus	Total Assets	Capital
				1,198,195	20,000
Off-shore branches	-	-	-	-	-

2. Explanations on Branch and Agency Openings or Closings of the Bank:

The Bank closed 16 branches in 2020, there are no branches opened during the year.

IX. Explanations and Disclosures Related to Subsequent Events

None.

SECTION SIX

OTHER EXPLANATIONS

I. Other Disclosures Related to the Bank's Activity

None.

SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The unconsolidated financial statements of the Bank were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 5 February 2021 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.