

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT, ORIGINALLY ISSUED IN TURKISH, SEE NOTE I OF
SECTION THREE

PASHA YATIRIM BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
AUDIT REPORT AT 31 DECEMBER 2020**



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Convenience translation of the auditor's report originally issued in Turkish, See Note I of Section three)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Pasha Yatırım Bankası A.Ş.

Report on the Unconsolidated Financial Statements

Opinion

We have audited the accompanying unconsolidated financial statements of Pasha Yatırım Bankası A.Ş. (the Bank"), which comprise the statement of unconsolidated statement of financial position as at 31 December 2020, unconsolidated statement of profit and loss and unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of Pasha Yatırım Bankası A.Ş. as at December 31,2020 and financial performance and unconsolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued 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 of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the matter is addressed in our audit
<p><i>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</i></p>	
<p>We considered expected credit loss calculations of financial assets outlined in TFRS 9 as a key audit matter due to the transition to TFRS 9 as a key audit matter due to:</p> <ul style="list-style-type: none"> - Balance sheet and off balance sheet items that are subject to expected credit loss calculation is material for the financial statements - Complex accounting requirements of TFRS 9 - The model that is established by the Bank management to calculate the expected credit losses has the compliance risk whether it is established based on the requirements of TFRS 9 and other practices - TFRS 9, have complex and intensive control environment - The new, significant and complex judgments and estimations needed for the calculation of expected credit losses and - The complex disclosure requirements of TFRS. 	<p>Our audit procedures include among others include:</p> <ul style="list-style-type: none"> - Evaluating the appropriateness of management’s selection of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice. - Identifying and testing relevant controls by involving Process audit specialists. - Evaluating the reasonableness of management’s key judgements and estimates made in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of management’s selection of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice - Involving financial risk management specialists to challenge significant assumptions judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates and significant estimates and judgements. - Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss. - Evaluating the appropriateness and testing the mathematical accuracy of Expected credit loss models applied. - Evaluating the impact of Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses calculation together with forward-looking estimates and significant assumptions - Evaluating the judgments and estimates used for the individually assessed financial assets. - Evaluating the reasonableness of and tested the post-model adjustments. - Auditing of TFRS 9 disclosures

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

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

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 BRSA Independent Audit Regulation and ISAs 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 BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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


Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2020 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Emre Çelik.

Additional paragraph for convenience translation to English

As explained in detail in Note I of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.



Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Emre Çelik, SMMM
Partner

1 February, 2021
İstanbul, Turkey



**THE YEAR-END UNCONSOLIDATED FINANCIAL REPORT OF
PASHA YATIRIM BANKASI A.Ş. AS OF 31 DECEMBER 2020**

Address of the Bank's Headquarters

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PASHA Plaza No:2/7 34415 Kağıthane, İstanbul

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The unconsolidated year-end financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

1. General Information About The Bank
2. Unconsolidated Financial Statements of The Bank
3. Explanations on Accounting Policies
4. Information Related to Unconsolidated Financial Position and Risk Management
5. Explanations and Notes Related to Unconsolidated Financial Statements
6. Other Explanations and Notes
7. Independent Auditor's Report

The accompanying unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, **in thousands of Turkish Lira ("TL")**, have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited and presented hereafter.

Jalal GASIMOV

Chairperson of

Board of Directors

Ebru Ogan KNOTTNERUS

Chairperson of

Audit Committee

Kamala NURIYEVA

Member of

Audit Committee

H. Cenk EYNEHAN

General Manager

Benan Bilge KÖKSAL

Deputy General Manager

Yeşim ÇAĞLAR

Financial Planning, Control and
Strategy Department Director

Contact information of the personnel in charge of the addressing of questions about this financial report:

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PASHA YATIRIM BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION ONE

GENERAL INFORMATION

I. Bank’s foundation date, start-up statute, history about the changes in this mentioned statute

Bank’s commercial title	PASHA Yatırım Bankası A.Ş.
Reporting Period	1 January - 31 December 2020
Address of the Bank’s Headquarters	Eski Büyükdere Caddesi Hümeyra Sokak No:2 PASHA Plaza, Kat:5 34415 Kağıthane, İstanbul
Telephone	(0 212) 705 89 00
Fax	(0 212) 345 07 12
Website	www.pashabank.com.tr
E-mail	info@pashabank.com.tr

PASHA Yatırım Bankası A.Ş. (“Bank”, “PASHA Bank”) has been permitted by the decree no. 87/11898 dated 17 June 1987 by the Council of Ministers pursuant to the repealed Banking Law No. 3182 and the Bank, as a subsidiary of Bahrain based TAIB Bank B.S.C.(c) has been established under the trade name of Yatırım Bank A.Ş. headquartered in İstanbul on the date of 25 December 1987. The trade name of the Bank have been changed to TAIB YatırımBank A.Ş. in effect from 29 May 1997.

In the year 2013, Aksoy Holding A.Ş. acquired the majority shares of the Bank, which until then had been held by TAIB Bank B.S.C.(c), and became the controlling shareholder. Acquisition of the Bank’s share capital for as much as TL 28,795 from Aksoy Holding A.Ş. by the PASHA Bank OJSC, the Baku based financial organization, and thus directly obtaining 79.92% of its shares upon at the same time increasing the paid-up capital from TL 80,000 to TL 255,000, by injecting TL 175,000 cash and; acquisition of the 47.95% of the shares indirectly by PASHA Holding LLC, had been approved by the resolution of the Banking Regulation and Supervision Board, dated 26 December 2014 and numbered 6137. This share transfer had been recorded in the Bank’s share ledger, as of the date of 27 January 2015.

The amendment of the Bank’s Articles of Association, including at the same time the change of its business name to PASHA Yatırım Bankası A.Ş. and its brand name to PASHA Bank, had been decided by the Extraordinary General Assembly on the date of 27 January 2015 and had taken effect upon having been published in the 8773rd issue of the Trade Registry Gazette of Turkey, dated 6 March 2015.

Upon transfer of the total TL 51,000 shares of Aksoy Holding A.Ş. to PASHA Bank OJSC, the ratio of PASHA Bank OJSC’s shares in the Bank had reached 99.92%, and the ratio of the indirect shareholding of PASHA Holding LLC had reached to 59.95%, as permitted by the resolution of the Banking Regulation and Supervision Board, dated 24 December 2015 and numbered 110. This share transfer had been recorded in the share ledger, as per the resolution of the Board of Directors, dated 24 January 2015 and numbered 110.

Increasing of the Bank’s paid-up capital to TL 500,000, by PASHA Holding LLC – which indirectly owned 59.95% of the total share capital – by injecting TL 245,000 cash, and thus directly acquiring 49% of the shares as permitted by the resolution of the Banking Regulation and Supervision Board, dated 4 May 2018 and numbered 7803, had been approved and; as the result of this capital increase, the total direct and indirect shareholding of PASHA Holding LLC in the Bank had increased to 79.57%.

The Bank’s Articles of Association had been amended by the resolution of the Extraordinary General Assembly, dated 18 May 2018 and registered by the Trade Registry Directorate of İstanbul on the date of 6 June 2018 and had been announced in the 9598th issue of the Trade Registry Gazette of Turkey, dated 12 June 2018.

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PASHA YATIRIM BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION (continued)

II. Explanation about 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

There were no changes in the Bank's share capital, Articles of Association and ownership structure during the period and the shareholding structure of the Bank as of 31 December 2020, is stated below:

Name Surname/Commercial Title	Capital	%
PASHA Bank OJSC	254,795	50.96%
PASHA Holding LLC	245,000	49.00%
Other	205	0.04%
Total	500,000	100.00%

Paid-in-capital of the Bank is divided into 500,000,000 registered shares of TL 1.00 (full) par value. Each share has one voting right. The Bank has no preferred shares.

As of 31 December 2020, PASHA Holding LLC, is the qualified shareholder of PASHA Bank OJSC with a rate of 56.82%, followed by Ador LLC and Mr. Arif Pashayev with rates of 28.18% and 15.00% respectively.

Bless LLC and Reveri LLC are the qualified shareholders in PASHA Holding LLC with the equal rates of 37.50% followed by Mr. Arif Pashayev and Mr. Mir Jamal Pashayev with rates of 15.00% and 10.00% respectively.

III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess

The members of the Board of Directors, whose terms of office had expired, have been re-elected as members of the Board of Directors for a term of three years, by the resolution of the Ordinary General Assembly Meeting of the Bank, held on the date of March 30, 2020. Ms. Meriç Uluşahin who was re-elected for another three-year term with the resolution of the General Assembly dated March 30, 2020 has resigned from her position as the Independent Board Member effective August 12, 2020.

Title	Name	Education	Share %
Chairman of the Board of Directors ⁽¹⁾	Jalal Gasimov	Postgraduate	-
Deputy Chairman of the Board of Directors ⁽¹⁾	Farid Mammadov	Postgraduate	-
Board Member	Shahin Mammadov	PhD	-
Board Member	Javid Guliyev	Postgraduate	-
Board Member / Audit Committee Member	Kamala Nuriyeva	Postgraduate	-
Independent Board Member / Audit Committee Chairperson	Ebru Oğan Knottnerus	Graduate	-
Independent Board Member	Nuri Tuncalı	Graduate	-
Board Member and CEO	Hikmet Cenk Eynehan	Postgraduate	-
Deputy CEO (Acting CEO)	Ayşe Hale Yıldırım	Postgraduate	-
Deputy CEO	Uğur Koç	Graduate	-
Deputy CEO	Benan Bilge Köksal	Graduate	-

⁽¹⁾ Upon allocation of duties among the members of the Board of Directors, as per Article 13 of the Articles of Association of the Bank, and by the Board resolution dated March 30, 2020 and numbered 30, it has been decided to have Jalal Gasimov continue to serve as the Chairman of the Board of Directors, and Farid Mammadov as the Deputy Chairman of the Board of Directors.

The Chairman and the Members of the Board of Directors, as well as the CEO and Deputy CEOs do not possess shares of the Bank directly or indirectly.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

GENERAL INFORMATION *(continued)*

IV. Explanation on shareholders having control shares

Explanation on shareholders having control shares of the Bank as of 31 December 2020, is stated below;

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
Leyla Aliyeva	182,065	36.413%	182,065	-
Arzu Aliyeva	182,065	36.413%	182,065	-
Arif Pashayev	96,688	19.338%	96,688	-

V. Information on the Bank's service type and field of operations

The Bank operates as an investment bank and as of 31 December 2020 the Bank has 56 employees (31 December 2019 - 56).

The Bank has been operating through its Head Office in Istanbul only as of 31 December 2020 and has no branches.

VI. Existing or potential, actual or legal obstacles on immediate equity transfer between the Bank and its subsidiaries or repayment of the debt

None.

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UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	ASSETS	Note	Current Period 31/12/2020			Prior Period 31/12/2019		
			LC	FC	Total	LC	FC	Total
I.	FINANCIAL ASSETS (Net)		64,098	273,939	338,037	168,154	162,324	330,478
1.1	Cash and cash equivalents		31,283	268,006	299,289	151,330	162,192	313,522
1.1.1	Cash and balances at Central Bank	(5.1.1)	6,083	149,017	155,100	3,692	123,039	126,731
1.1.2	Banks	(5.1.3)	2,522	118,989	121,511	757	39,153	39,910
1.1.3	Receivables from money markets		23,011	-	23,011	147,045	-	147,045
1.1.4	Allowance for expected credit losses (-)		(333)	-	(333)	(164)	-	(164)
1.2	Financial assets at fair value through profit or loss	(5.1.2)	1,472	5,933	7,405	-	-	-
1.2.1	Public debt securities		-	-	-	-	-	-
1.2.2	Equity instruments		-	5,933	5,933	-	-	-
1.2.3	Other financial assets		1,472	-	1,472	-	-	-
1.3	Financial assets at fair value through other comprehensive income	(5.1.4)	30,850	-	30,850	16,824	-	16,824
1.3.1	Public debt securities		14,039	-	14,039	4,620	-	4,620
1.3.2	Equity instruments		7,659	-	7,659	7,659	-	7,659
1.3.3	Other financial assets		9,152	-	9,152	4,545	-	4,545
1.4	Derivative financial assets		493	-	493	-	132	132
1.4.1	Derivative financial assets at fair value through profit or loss	(5.1.2)	493	-	493	-	132	132
1.4.2	Derivative financial assets at fair value through other comprehensive income	(5.1.11)	-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		419,389	1,146,377	1,565,766	218,930	905,439	1,124,369
2.1	Loans	(5.1.5)	404,170	980,596	1,384,766	257,246	803,289	1,060,535
2.2	Receivables from leasing transactions	(5.1.10)	57,377	50,792	108,169	6,920	25,594	32,514
2.3	Factoring receivables		-	-	-	-	-	-
2.4	Financial assets measured at amortised cost	(5.1.6)	-	116,776	116,776	-	79,975	79,975
2.4.1	Public debt securities		-	45,092	45,092	-	29,918	29,918
2.4.2	Other financial assets		-	71,684	71,684	-	50,057	50,057
2.5	Allowance for expected credit losses (-)	(5.1.5)	(42,158)	(1,787)	(43,945)	(45,236)	(3,419)	(48,655)
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)	(5.1.16)	-	-	-	-	-	-
3.1	Held for sale		-	-	-	-	-	-
3.2	Held from discontinued operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
4.1	Investments in associates (Net)	(5.1.7)	-	-	-	-	-	-
4.1.1	Associates accounted by using equity method		-	-	-	-	-	-
4.1.2	Non-consolidated associates		-	-	-	-	-	-
4.2	Investments in subsidiaries (Net)	(5.1.8)	-	-	-	-	-	-
4.2.1	Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		-	-	-	-	-	-
4.3	Jointly Controlled Partnerships (Joint Ventures) (Net)	(5.1.9)	-	-	-	-	-	-
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	(5.1.12)	88,878	-	88,878	90,238	-	90,238
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)	(5.1.13)	6,849	-	6,849	6,077	-	6,077
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		6,849	-	6,849	6,077	-	6,077
VII.	INVESTMENT PROPERTIES (Net)	(5.1.14)	144,862	-	144,862	145,599	-	145,599
VIII.	CURRENT TAX ASSETS		632	-	632	993	-	993
IX.	DEFERRED TAX ASSETS	(5.1.15)	13,746	-	13,746	15,628	-	15,628
X.	OTHER ASSETS (Net)	(5.1.17)	20,639	-	20,639	12,121	-	12,121
	TOTAL ASSETS		759,093	1,420,316	2,179,409	657,740	1,067,763	1,725,503

The accompanying notes are an integral part of these financial statements

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I OF SECTION THREE**

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	EQUITY AND LIABILITIES	Note	Current Period 31/12/2020			Prior Period 31/12/2019		
			LC	FC	Total	LC	FC	Total
I.	DEPOSITS	(5.2.1)	-	-	-	-	-	-
II.	LOANS RECEIVED	(5.2.3)	92,529	710,695	803,224	69,198	597,457	666,655
III.	MONEY MARKET FUNDS	(5.2.4)	48,168	5,095	53,263	6,192	-	6,192
IV.	MARKETABLE SECURITIES ISSUED (Net)	(5.2.5)	-	647,016	647,016	7,815	468,149	475,964
4.1	Bills		-	-	-	7,815	-	7,815
4.2	Asset backed securities		-	-	-	-	-	-
4.3	Bonds		-	647,016	647,016	-	468,149	468,149
V.	FUNDS		3,019	21,493	24,512	10,103	4,868	14,971
5.1	Borrower funds		3,019	21,493	24,512	10,103	4,868	14,971
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		118	1,312	1,430	-	-	-
7.1	Derivative financial liabilities at fair value through profit or loss	(5.2.2)	118	1,312	1,430	-	-	-
7.2	Derivative financial liabilities at fair value through other comprehensive income	(5.2.8)	-	-	-	-	-	-
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (Net)	(5.2.7)	178	-	178	147	-	147
X.	PROVISIONS	(5.2.9)	17,597	-	17,597	10,388	-	10,388
10.1	Provision for restructuring		-	-	-	-	-	-
10.2	Reserves for employee benefits		808	-	808	551	-	551
10.3	Insurance technical reserves (Net)		-	-	-	-	-	-
10.4	Other provisions		16,789	-	16,789	9,837	-	9,837
XI.	CURRENT TAX LIABILITIES	(5.2.10)	3,819	-	3,819	1,960	-	1,960
XII.	DEFERRED TAX LIABILITIES	(5.2.11)	-	-	-	-	-	-
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.2.12)	-	-	-	-	-	-
13.1	Held for sale		-	-	-	-	-	-
13.2	Related to discontinued operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT	(5.2.13)	-	-	-	-	-	-
14.1	Loans		-	-	-	-	-	-
14.2	Other debt instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES	(5.2.6)	35,549	30,151	65,700	15,773	1,842	17,615
XVI.	SHAREHOLDERS' EQUITY	(5.2.14)	562,670	-	562,670	531,611	-	531,611
16.1	Paid-in capital		500,000	-	500,000	500,000	-	500,000
16.2	Capital reserves		-	-	-	-	-	-
16.2.1	Equity share premiums		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Other capital reserves		-	-	-	-	-	-
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		-	-	-	-	-	-
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(96)	-	(96)	221	-	221
16.5	Profit reserves		31,390	-	31,390	5,656	-	5,656
16.5.1	Legal reserves		1,402	-	1,402	296	-	296
16.5.2	Statutory reserves		295	-	295	295	-	295
16.5.3	Extraordinary reserves		29,693	-	29,693	5,065	-	5,065
16.5.4	Other profit reserves		-	-	-	-	-	-
16.6	Profit or loss		31,376	-	31,376	25,734	-	25,734
16.6.1	Prior years' profits or losses		-	-	-	43	-	43
16.6.2	Current period net profit or loss		31,376	-	31,376	25,691	-	25,691
	TOTAL EQUITY AND LIABILITIES		763,647	1,415,762	2,179,409	653,187	1,072,316	1,725,503

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

II. OFF-BALANCE SHEET

	Note	Current Period 31/12/2020			Prior Period 31/12/2019		
		LC	FC	Total	LC	FC	Total
OFF BALANCE SHEET COMMITMENTS							
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		205,515	339,715	545,230	213,337	166,662	379,999
I. GUARANTEES AND WARRANTIES	(5.3.1)	165,346	167,280	332,626	201,464	154,925	356,389
1.1. Letters of Guarantee		165,346	126,473	291,819	201,464	130,567	332,031
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		165,346	126,473	291,819	201,464	130,567	332,031
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	-	-	-	598	598
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	-	-	-	598	598
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		-	40,807	40,807	-	23,760	23,760
1.9. Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(5.3.1)	7,718	14,715	22,433	17	-	17
2.1. Irrevocable Commitments		7,718	14,715	22,433	17	-	17
2.1.1. Asset Purchase and Sales Commitments		2,246	2,226	4,472	-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Commitments for Loan Limits		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		-	-	-	-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-	17	-	17
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		5,472	12,489	17,961	-	-	-
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)	32,451	157,720	190,171	11,856	11,737	23,593
3.1. Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2. Trading Derivative Financial Instruments		32,451	157,720	190,171	11,856	11,737	23,593
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-	11,856	11,737	23,593
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-	-	11,737	11,737
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-	11,856	-	11,856
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		32,451	157,720	190,171	-	-	-
3.2.2.1. Foreign Currency Swap-Buy		9,661	84,789	94,450	-	-	-
3.2.2.2. Foreign Currency Swap-Sell		22,790	72,931	95,721	-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1. Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2. Foreign Currency Options-Sell		-	-	-	-	-	-
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		-	-	-	-	-	-
3.2.4.1. Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Foreign Currency Futures-Sell		-	-	-	-	-	-
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		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		2,318,912	2,096,503	4,415,415	843,459	1,263,974	2,107,433
IV. ITEMS HELD IN CUSTODY		5,119	-	5,119	7,288	-	7,288
4.1. Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		3,604	-	3,604	-	-	-
4.3. Cheques Received for Collection		1,515	-	1,515	6,152	-	6,152
4.4. Commercial Notes Received for Collection		-	-	-	1,136	-	1,136
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		2,301,249	2,035,361	4,336,610	824,265	1,144,866	1,969,131
5.1. Marketable Securities		199,268	230,426	429,694	57,278	89,100	146,378
5.2. Guarantee Notes		291,072	102,621	393,693	175,064	68,546	243,610
5.3. Commodity		322,999	189,537	512,536	63,552	-	63,552
5.4. Warranty		-	-	-	-	-	-
5.5. Immovable		865,051	484,208	1,349,259	332,242	-	332,242
5.6. Other Pledged Items		622,859	1,028,569	1,651,428	196,129	987,220	1,183,349
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		12,544	61,142	73,686	11,906	119,108	131,014
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		2,524,427	2,436,218	4,960,645	1,056,796	1,430,636	2,487,432

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UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

III. STATEMENT OF PROFIT OR LOSS

	INCOME STATEMENT	Note	Current Period 31/12/2020	Prior Period 31/12/2019
I.	INTEREST INCOME	(5.4.1)	129,745	140,925
1.1	Interest on Loans		107,605	109,172
1.2	Interest Received From Reserve Deposits		149	1,566
1.3	Interest Received From Banks		871	3,568
1.4	Interest Received From Money Market Transactions		3,401	16,422
1.5	Interest Received From Marketable Securities Portfolio		11,027	8,171
1.5.1	Financial assets at fair value through profit or loss		-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		2,318	1,766
1.5.3	Financial Assets Measured at Amortised Cost		8,709	6,405
1.6	Finance Lease Income		6,692	1,860
1.7	Other Interest Income		-	166
II.	INTEREST EXPENSES (-)	(5.4.2)	(53,853)	(43,865)
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		(28,006)	(21,253)
2.3	Interest on Money Market Transactions		(1,813)	(265)
2.4	Interest on Securities Issued		(22,706)	(20,560)
2.5	Finance Lease Expense		(24)	(21)
2.6	Other Interest Expenses	(5.4.12)	(1,304)	(1,766)
III.	NET INTEREST INCOME/EXPENSE (I - II)		75,892	97,060
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		4,186	4,017
4.1	Fees and Commissions Received		5,923	5,386
4.1.1	Non-cash loans		3,585	3,796
4.1.2	Other	(5.4.12)	2,338	1,590
4.2	Fees and Commissions Paid (-)		(1,737)	(1,369)
4.2.1	Non-Cash Loans		(464)	(477)
4.2.2	Other	(5.4.12)	(1,273)	(892)
V.	DIVIDEND INCOME	(5.4.3)	-	-
VI.	TRADING PROFIT/LOSS (Net)	(5.4.4)	5,476	(3,284)
6.1	Profit/Losses From Capital Market Transactions		-	128
6.2	Profit/Losses From Derivative Financial Transactions		5,207	(5,281)
6.3	Foreign Exchange Profit/Losses		269	1,869
VII.	OTHER OPERATING INCOME	(5.4.5)	9,065	5,757
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		94,619	103,550
IX.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(5.4.6)	(4,520)	(38,990)
X.	OTHER PROVISION EXPENSES (-)	(5.4.6)	(28)	-
XI.	PERSONNEL EXPENSES (-)		(24,265)	(16,063)
XII.	OTHER OPERATING EXPENSES (-)	(5.4.7)	(23,718)	(15,528)
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		42,088	32,969
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)	(5.4.8)	42,088	32,969
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.4.9)	(10,712)	(7,278)
18.1	Current Tax Provision		(8,744)	(10,808)
18.2	Expense Effect Of Deferred Tax (+)		641	4,158
18.3	Income Effect Of Deferred Tax (-)		(2,609)	(628)
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	(5.4.10)	31,376	25,691
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income From Assets Held For Sale		-	-
20.2	Profit From Sale Of Associates, Subsidiaries And Joint Ventures		-	-
20.3	Other Income From Discontinued Operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses On Assets Held For Sale		-	-
21.2	Losses From Sale Of Associates, Subsidiaries And Joint Ventures		-	-
21.3	Other Expenses From Discontinued Operations		-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)	(5.4.8)	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.4.9)	-	-
23.1	Current Tax Provision		-	-
23.2	Expense Effect Of Deferred Tax (+)		-	-
23.3	Income Effect Of Deferred Tax (-)		-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)	(5.4.10)	-	-
XXV.	NET PROFIT/LOSSES (XIX+XXIV)	(5.4.11)	31,376	25,691
	Profit/Loss Per Share		0.0628	0.0514

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UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Current Period 31/12/2020	Prior Period 31/12/2019
I.	PROFIT (LOSS)	31,376	25,691
II.	OTHER COMPREHENSIVE INCOME	(317)	262
2.1	Other comprehensive income that will not be reclassified to profit or loss	-	-
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	-	-
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	-	-
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	-	-
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(317)	262
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	(403)	335
2.2.3	Income (Loss) Related with Cash Flow Hedges	-	-
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 to Other Profit or Loss	-	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	86	(73)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	31,059	25,953

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UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2020**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders' Equity
						1	2	3	4	5	6				
Prior Period 01/01/2019 – 31/12/2019															
I.	Balance at the beginning of the period	500,000	-	-	-	-	-	-	-	(41)	-	5,656	3,606	(3,563)	505,658
II.	Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (I+II)	500,000	-	-	-	-	-	-	-	(41)	-	5,656	3,606	(3,563)	505,658
IV.	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	262	-	-	-	25,691	25,953
V.	Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit distribution	-	-	-	-	-	-	-	-	-	-	(3,563)	3,563	-	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	(3,563)	3,563	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+.....+X+XI)	500,000	-	-	-	-	-	-	-	221	-	5,656	43	25,691	531,611
Current Period 01/01/2020 – 31/12/2020															
I.	Balance at the beginning of the period	500,000	-	-	-	-	-	-	-	221	-	5,656	43	25,691	531,611
II.	Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (I+II)	500,000	-	-	-	-	-	-	-	221	-	5,656	43	25,691	531,611
IV.	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	(317)	-	-	-	31,376	31,059
V.	Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit distribution	-	-	-	-	-	-	-	-	-	-	25,734	(43)	(25,691)	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	25,734	(43)	(25,691)	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+.....+X+XI)	500,000	-	-	-	-	-	-	-	(96)	-	31,390	-	31,376	562,670

1) Accumulated revaluation increase/decrease of fixed assets

2) Accumulated remeasurement gain/loss of defined benefit pension plan

3) Other (Shares of investments valued by equity method in other comprehensive income not classified through profit or loss and other accumulated amounts of other comprehensive income items not reclassified through other profit or loss)

4) Foreign currency translation reserve

5) Accumulated revaluation and/or remeasurement gain/loss of the financial assets at fair value through other comprehensive income

6) Other (Cash flow hedge gain/loss, shares of investments valued by equity method in other comprehensive income classified through profit or loss and other accumulated amounts of other comprehensive income items reclassified through other profit or loss)

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VI. STATEMENT OF CASH FLOW

	Note	Current Period 31/12/2020	Prior Period 31/12/2019
A.			
CASH FLOWS FROM BANKING OPERATIONS			
1.1		37,669	66,860
Operating Profit Before Changes in Operating Assets and Liabilities			
1.1.1		122,510	147,431
1.1.2		(59,193)	(43,315)
1.1.3		-	-
1.1.4		3,602	3,827
1.1.5		10,964	847
1.1.6		3,354	694
1.1.7		(19,094)	(15,680)
1.1.8		(7,206)	(14,154)
1.1.9	(5.6.2)	(17,268)	(12,790)
1.2		(118,016)	(55,899)
Changes in Operating Assets and Liabilities			
1.2.1		(6,575)	2,787
1.2.2		12,094	(35,674)
1.2.3		(169,626)	(168,055)
1.2.4	(5.6.2)	953	(626)
1.2.5		-	-
1.2.6		-	-
1.2.7		-	-
1.2.8		(49,708)	143,900
1.2.9		-	-
1.2.10	(5.6.2)	94,846	1,769
I.		(80,347)	10,961
Net Cash Provided from Banking Operations			
B.			
CASH FLOWS FROM INVESTING ACTIVITIES			
II.		(32,003)	(40,877)
Net Cash Provided from / (Paid For) Investing Activities			
2.1		-	-
2.2		-	-
2.3		(3,413)	(23,430)
2.4		-	-
2.5		(26,531)	(21,936)
2.6		12,163	13,628
2.7		(49,278)	(21,121)
2.8		35,056	11,982
2.9		-	-
C.			
CASH FLOWS FROM FINANCING ACTIVITIES			
III.		48,274	109,805
Net Cash Provided from Financing Activities			
3.1		188,568	346,661
3.2		(140,195)	(236,731)
3.3		-	-
3.4		-	-
3.5		(99)	(125)
3.6		-	-
IV.	(5.6.2)	36,806	9,755
Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents			
V.		(27,270)	89,644
Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)			
VI.	(5.6.1)	190,631	100,987
Cash and Cash Equivalents at the Beginning of the Period			
VII.	(5.6.1)	163,361	190,631
Cash and Cash Equivalents at the End of the Period (V+VI)			

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VII. PROFIT DISTRIBUTION STATEMENT

		Current Period 31/12/2020 ¹	Prior Period 31/12/2019
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	CURRENT YEAR INCOME	42,088	32,969
1.2	TAXES AND DUTIES PAYABLE (-)	(10,712)	(7,278)
1.2.1	Corporate Tax (Income tax)	(8,744)	(10,808)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties ²	(1,968)	3,530
A.	NET INCOME FOR THE YEAR (1.1-1.2)	31,376	25,691
1.3	PRIOR YEAR LOSSES (-)	-	(3,563)
1.4	FIRST LEGAL RESERVES (-)	-	(1,106)
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	31,376	21,022
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and (Loss) Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
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	-	21,022
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES	-	-
2.1	APPROPRIATED 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 privileged shares	-	-
2.3.3	To owners of preferred shares	-	-
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	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE	-	-
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

¹⁾ As of financial statements preparation date, Bank's General Shareholders Meeting have not yet been made, hence no decision has been taken on profit distribution.

²⁾ Deferred tax income/expense shown in other taxes and duties not subject to profit appropriation.

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications 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 accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”). 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 Act, 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.

Accounting policies and valuation principles used in the preparation of the financial statements:

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, are consistent with the accounting policies applied in prior period. Aforementioned accounting policies and valuation principles are explained in below.

Judgements and estimates used in the preparation of the financial statements:

The COVID-19 epidemic, which has recently emerged in China, has spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 around the world, various measures have been taken in our country as well as in the world in order to prevent the transmission of the virus and it is still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

While preparing the financial statements as of 31 December 2020, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected loan losses are explained in the statements on impairment of financial assets.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Explanation for convenience translation into English:

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

The general strategy of the Bank of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is shareholders’ equity – internal funding, in addition external funding including funding from repo transactions and borrowing from domestic and foreign financial institutions is utilised. Funds obtained from internal and external sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities being held at minimum levels and the exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Bank’s foreign currency bid rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”.

III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank does not have any embedded derivative instruments.

Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets/Liabilities Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets/Liabilities Designated at Fair Value through Other Comprehensive Income”.

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

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments designated at fair value through profit or loss are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized in the income statement by using the “effective interest rate method”. The Bank calculate interest income accrual for the non-performing loans that are not fully provisioned in the period they occur.

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Income from asset purchases to a third party or by natural or legal persons contracts are recognized in the period they occur.

VI. EXPLANATIONS ON FINANCIAL ASSETS

The Bank categorizes its financial assets as “Financial Assets at Fair Value Through Profit/Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” or “Financial Assets Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to the principles defined in section three of “TFRS 9 Financial Instruments” standard, issued for classification and measurement of the financial instruments, published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

Financial assets at fair value through profit or loss

“Financial Assets at Fair Value Through Profit/Loss” are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Financial Assets at Fair Value Through Other Comprehensive Income

"Financial Assets at Fair Value Through Other Comprehensive Income" are financial assets which are managed with business model that aims to hold to collect contractual cash flows and aims to hold to sell; and if the contractual terms of the financial assets lead to cash flows representing solely payments of principal and interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost which reflects the fair value of the financial asset. After initial recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can make an irrevocable choice as to record the changes of the fair value of investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is recognized in the financial statements as profit or loss.

Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate (internal rate of return) method. Interest income obtained from financial assets measured at amortized cost is accounted in the income statement.

Loans

Loans are financial assets that have fixed or determinable payment terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and subsequently measured at amortized cost using the effective interest rate (internal rate of return) method. Bank's loans are fully recorded under the "Measured at Amortized Cost" account.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON EXPECTED CREDIT LOSS

The Bank allocates allowance for expected loss on financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.

As of 1 January 2018, the Bank started to recognize provisions for impairment in accordance with TFRS 9 requirements according to the “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. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

- **Stage 1:** For the financial assets at initial recognition or for those which do not have a significant increase in credit risk since initial recognition. Allowance 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. Allowance for credit risk is determined on the basis of the instrument’s lifetime expected credit losses.
- **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.

Individual assessment would be applied for stage 2 and stage 3 financial assets when it is necessary by considering various scenarios including discounting cash flows of financial assets.

In the general application of TFRS 9, the probability of default (PD) and loss given default (LGD) is determined within the framework of the Bank's models and expected loss provisions are calculated by taking into account the exposure at default (EAD).

Within the scope of TFRS 9, three types of expected loss provisions are defined:

- **12-month expected credit losses:** For the financial assets that do not have a significant increase in credit risk since initial recognition. Impairment for these classes of assets are recorded in Stage 1.
- **Lifetime expected credit losses:** It expresses credit losses that have significant increase in credit risk since initial recognition. These assets are evaluated in Stage 2.
- **Provision for defaulted financial assets:** This classification represents the losses that are subject to default. It is used for assets classified as Stage 3.

The expected loss calculations are used for financial assets at amortized cost and financial assets at fair value through other comprehensive income. In addition, expected loss provision is calculated for financial guarantees, sureties and liabilities that are monitored in off-balance sheet accounts, where the Bank will be exposed to a credit risk.

While the Bank takes into account the interest amount in the calculation of the impairment, Stage 1 and Stage 2 consider the interest for the financial assets as gross value and the interest rate for Stage 3 is based on net value.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Within the framework of the credit rating methodology, the Bank uses LGD ratios to be calculated by using the PDs corresponding to the external / internal ratings and the coefficient of approximation used within the framework of Basel and BRSA applications.

In the calculation of the expected loss provision, for banks and central governments the ratings given by the internationally accepted independent rating institutions are taken as basis. For corporate loans and financial customers other than banks, internal rating model of the Bank are used to evaluate customers. In determining the internal rating grades, the rating scale published by independent credit institutions is taken as a basis, and sub-notches are used to better differentiate customers with low grade bands. In the determination of PD values, independent credit rating agency methodology based on the historical default rates and Bank’s calibration methodology with a forward-looking perspective taking macroeconomic expectations into consideration is used. For customers having a better rating than the Turkey’s rating, a sub-notch below of the country’s rating is applied as a cap. Thus, a prudent approach is applied that doesn’t allow to assign a better rating than country’s one for customers residing in that country.

In the last quarter of 2020, some improvements were made to increase the performance of the Bank's internal rating model. The bank portfolio consists of large companies and financial institutions that are small in number but have a high volume of loan demand. Due to the low number of observations involving bank internal default data, a global rating methodology based on publicly published global methodology documents is used instead of a model based on internal data. The methodology is based on both a financial assessment based on information from the client's balance sheets and a qualitative assessment, including questions such as management strategy and structure. This assessment is the base module, which is the basis of the Bank's rating methodology. Then, subsequent adjustment factors such as the parental support, government support, early warning signals and country ceiling are applied in the form of grade increases/decreases on the base module in a modular structure.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as gross domestic product and Turkish Banking Sector NPL rates. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Different scenarios have been applied on macro-economic models in line with management expectations.

For LGD ratios, conversion rates of the collaterals received for the financial asset are taken into consideration in the framework of certain coefficients considering the general banking practices and the information published by Basel and BRSA. Personal or corporate warranties received for collaterals are not taken into account in LGD ratio calculation.

For EAD to be calculated for the risks that are monitored in the off-balance sheet, the Bank includes to the calculation of the relevant risks within the framework of a credit conversion factor (CCF) application. CCF ratio applied as 100% for cash supply non cash loans and 50% for the rest.

With the respect of criteria that mentioned in above paragraph, the expected credit loss provision (ECL), which is ultimately calculated for a financial asset, is calculated as follows:

$$\text{ECL} = \text{PD} * \text{LGD} * \text{EAD} * (\text{if any CCF})$$

Expected credit loss calculation is calculated over financial assets that has counterparty risk which in scope of IFRS9 and off-balance sheet risks that are present each reporting period.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

The ratings of financial assets subject to PD calculations are reviewed and updated annually (unless there is a significant improvement in the credit risk of the counterparty). In the case of delay over 30 days, which is the main criteria for transition from Stage 1 to Stage 2, the rating of financial asset is revised.

For transitions between stages, certain criteria have been defined by taking into account the relevant regulations/circulars of the BRSA and the notifications issued. In case of following criteria; if the principal or interest/commission collection delays exceed 30 days or the credit rating falls down to two grades relative to the country rating, or restructuring of loan due to debtor has difficulty on payment, the transition criteria from Stage 1 to Stage 2 is applied. The fact that the principal and interest/commission collection delays of 90 days or more is also applied for the transition to Stage 3. In addition, in case the Bank management considers that it is appropriate, the Bank will be able to transition between stages whether not to meet with criteria.

The expected loss provision for the assets in Stage 1 are presented under the “12 Months Expected Credit Losses (Stage 1), expected loss provision for the assets in Stage 2 are presented under the “Significant Increase in Credit Risk” and expected loss provision for financial assets in Stage 3 are followed as “Credit-Impaired (Stage 3)”.

Due to the deterioration in the credit risk between stages, there may be downgrade transitions as well as improvements between stages.

As a mentioned in the important estimates and judgments note used in the preparation of the financial statements, the Bank reflected the possible effects of the COVID-19 outbreak as of December 31, 2020 with the best estimation method for the estimates and judgments used in calculating the expected loan losses. The Bank has revised its macroeconomic expectations and reflected the calculations made as of 31 December 2020 in the light of these data, taking into account the values of default probabilities and the loss of default. In this context, the Bank has measured the impact of the change in gross domestic product on frozen receivables within different scenarios and reflected the increase coefficient, which is considered to reflect the current situation in the NPL ratio, to loan parameters, by reflecting on the loan parameters. This approach, which is preferred in reserve calculations for 2020, will be revised by taking into consideration the impact of the epidemic, loan portfolio and future expectations in the following reporting periods.

Classification of Loans and Provisions for reserves to be set aside from 17 March 2020 mainly due to the COVID-19 outbreak due to the decisions of BRSA numbered 8948 dated March 17, 2020 and numbered 8970 dated March 27, 2020. Within the scope of Articles 4 and 5 of the Regulation on Procedures and Principles regarding provisions to be allocated, the first 30 days delay period envisaged to be applied as 90 days until 31 December 2020 for the loans monitored in the first group and the 90 days delay period for the classification of loans and 180 As of March 17, 2020 Board Decision, 90 days delay period envisaged for the period to be applied is 180 days until June 30, 2021 for the loans monitored in the second group. In this context,

- Temporarily, the practice of the classifying receivables which cannot be collected up to 90 days and 180 days in the first group and second group has been established, respectively.
- For customer who do not want to be delayed in overdue installments, the installment of installments has started within the framework of these deadlines without breaking the existing configuration contracts.
- In the completion of the “Garame” banks protocols, the time to be given to time-consuming operations was extended with a joint agreement.
- Ultimately, it was concluded that the provisions to be set aside for such receivables will continue according to their own risk models used by banks to calculate expected loan losses under TFRS 9.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” and “Financial assets measured at amortised cost ” according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Funds Provided under Repurchase Agreements” in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the effective interest method.

Funds given against securities purchased under agreements (“Reverse repo”) to resell are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the “effective interest method”.

X. EXPLANATIONS ON ASSETS HELD FOR RESALE AND FIXED ASSETS FROM DISCONTINUED OPERATIONS AND LIABILITIES RELATED WITH THESE ASSETS

According to TFRS 5, non-current asset classified as held for sale (or group of assets to be disposed) is measured by the lowest of book value or sales costs discounted fair value. An asset to be held for sale asset (or group of assets to be disposed) it is necessary that, the related asset has to be commonly seen on the sales of these kind of sales assets, it could be easily immediately sold in the frame of usual conditions and it has to have high sales probability. For the high sales probability, there has to be a plan regarding the sales of asset made by the appropriate management level and by the determination of buyers there has to be an active program started regarding to completion of the plan.

A discontinued operation is a part classified as discarded or held for sales by the bank. Results regarding to discontinue operations are presented individually in income statement. The Bank has no discontinued operations.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for value decreases, if any. Intangibles are amortised over their estimated useful lives of three to five years using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit of the assets.

The Bank expects no change with respect to accounting estimates, amortization period, amortization method, or residual value that will have significant impact on the current or the following periods.

As of 31 December 2020 and 31 December 2019, there is no any goodwill amount that need to reflect to the financial statements.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any.

Depreciation is calculated over the cost of property with useful life of 50 years and other fixed assets with useful lives of three to ten years using the straight-line method.

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated “recoverable amount”, it is written down immediately to its “recoverable amount” and the provision for the diminution in value is charged to the income statement.

Property and equipment are not subject to valuation such that fair value is presented in the financial statements. Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the regular repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

There is no pledge, mortgage or commitment on the Bank’s property and equipment.

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less amortisation less any impairment losses.

The Bank’s investment properties are valued by external, independent valuation companies on a periodic basis for disclosure and impairment assessment purposes. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction. In the absence of available current prices in an active market, the valuations are based on estimated cash flows expected to be received. Investment property held consists of land and building with a useful life of 50 years and accounted with straight-line depreciation.

Gains or losses in the case of disposal of an investment property; is the difference between the net selling price of the asset sold and the carrying amount of the property and is recognized as profit or loss on sale of investment property in the period of disposal.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the “lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset”. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of these assets. If there is any diminution in value of the leased asset, a “Provision for value decrease” is recognised. Liabilities arising from the leasing transactions are included in “Financial Lease Payables” on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement.

The Bank can engage in financial lease transactions as the lessor. The Bank records the gross amount of minimum lease receivables comprising of principal and interest amounts as “financial lease receivables” under lease receivables account. The difference between the aggregate of lease receivables and the cost of the related leased assets, corresponding to interest, is recorded under “unearned income” item. The interest income is recognised in the income statement on an accrual basis.

Effective from 1 January 2019, The Bank adopted TFRS 16 Leases and started to present most leases on-balance sheet except its short term leases and its low value assets.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS

Provisions and contingent liabilities except for the financial instruments within the scope of the TFRS 9 or the provisions recognised in accordance with other standards such as TAS 12 and TAS 19 are accounted in accordance with the “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the “Matching principle”. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employee termination and vacation rights are accounted for in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability.

	31 December 2020	31 December 2019
Discount Rate (%)	3.85	3.80
Inflation Rate (%)	9.00	7.90

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

According to TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communique published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Bank has recognised the actuarial gains and losses that occur in related reporting periods in the “Statement of Income and Expense Items Accounted in Equity” and represented in the Prior Periods’ Income/ (Loss) item in the Shareholders Equity section.

XVII. EXPLANATIONS ON TAXATION

The income tax charge is composed of the sum of current tax and deferred tax.

The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. In Turkey corporation tax ratio is 20%. In accordance with the Provisional Article 10 added to the Corporate Tax Act, 20% corporate tax will be applied as 22% for corporate earnings for the tax years 2018, 2019 and 2020.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax asset was not allocated over the amount of general provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3. However, in accordance with TFRS 9 articles, beginning from 1 January 2018, deferred tax has started to be measured over expected credit losses constituting temporary differences. Deferred tax is not calculated over free provisions.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset. According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Transfer Pricing

Transfer pricing is regulated through article 13 of Corporate Tax Law titled “Transfer Pricing through camouflage of earnings”. Detailed information for the practice regarding the subject is found in the “General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing”. According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against “arm’s length principle”, the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

XVIII. EXPLANATIONS ON BORROWINGS

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortised cost” using the effective interest method.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities.

XIX. EXPLANATIONS ON ISSUANCE OF SHARES CERTIFICATES

Transaction costs regarding the issuance of share certificates are accounted under shareholders’ equity after eliminating the tax effects. Dividend payments are determined by the General Assembly of Bank.

The Bank has not issued any share certificates.

No dividend payments were announced after the balance sheet date.

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

Avalized drafts and acceptances shown as liabilities against assets are included in the “Off-balance sheet commitments”.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

XXII. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXIII. EXPLANATIONS ON EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit for the year to the weighted average number of shares outstanding during the period concerned. Earnings per share disclosed in the income statement are calculated by dividing net profit for the year to the weighted average capital outstanding during the period concerned.

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

XXIV. EXPLANATIONS ON RELATED PARTIES

Parties defined in Article 49 of the Banking Law No.5411, Bank’s senior management and Board Members are deemed as related parties.

XXV. EXPLANATIONS ON CASH AND CASH EQUIVALENTS

For the purposes of the preparation of statement of cash flows, “Cash” includes cash, effectives, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXVI. EXPLANATIONS ON SEGMENT REPORTING

Information on operational fields which are determined in accordance with the Bank’s organizational and internal reporting structure and the requirements of “Turkish Financial Reporting Standards on Segment Reporting” (“TFRS 8”) is disclosed in Section Four.

XXVII. RECLASSIFICATIONS

In order to be consistent with the presentation of current period financial statements, there are certain reclassifications.

XXVIII. EXPLANATIONS ON OTHER MATTERS

None.

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SECTION FOUR

**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
RISK MANAGEMENT**

I. INFORMATION ABOUT SHAREHOLDERS’ EQUITY ITEMS

Equity capital amount and capital adequacy standard ratio is calculated in accordance with the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and “Regulation on Equities of Banks”.

The current period equity amount of the Bank is TL 584,574 (31 December 2019 –TL 548,480) while its capital adequacy standard ratio is 26.34% (31 December 2019 – 32.00%) as of 31 December 2020. The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

a. Information on shareholders’ equity

	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Common Equity Tier 1 capital				
Directly issued qualifying common share capital plus related stock surplus	500,000	-	500,000	-
Share premium	-	-	-	-
Legal reserves	31,390	-	5,656	-
Projected gains to shareholders' equity of the accounting standards in Turkey	1,388	-	1,744	-
Profit	31,376	-	25,734	-
Net current period profit	31,376	-	25,691	-
Prior period profit	-	-	43	-
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	-	-	-	-
Common Equity Tier 1 capital before regulatory adjustments	564,154	-	533,134	-
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	-	-	-	-
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	469	-	-	-
Development cost of operating lease	-	-	-	-
Goodwill (net of related tax liability)	-	-	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	6,849	-	6,077	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Cash-flow hedge reserve	-	-	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Securitisation gain on sale	-	-	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
Defined-benefit pension fund net assets	-	-	-	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-	-	-
Reciprocal cross-holdings in common equity	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short 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 short positions (amount above 10% threshold)	-	-	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-	-
Amount exceeding the 15% threshold	-	-	-	-
of which: significant investments in the common stock of financials	-	-	-	-
of which: mortgage servicing rights	-	-	-	-
of which: deferred tax assets arising from temporary differences	-	-	-	-
National specific regulatory adjustments	-	-	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments to Common equity Tier 1	7,318	-	6,077	-
Common Equity Tier 1 capital (CET 1)	556,836	-	527,057	-

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Additional Tier 1 capital: instruments				
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	-	-	-	-
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	-	-	-	-
Additional Tier 1 capital before regulatory adjustments	-	-	-	-
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	-	-	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments	-	-	-	-
The process of transition will continue to reduce from Tier 1 Capital				
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	-	-	-	-
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 Banks' Own Funds (-)	-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions(-)	-	-	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-	-	-
Additional Tier 1 capital (AT1)	-	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	556,836	-	527,057	-
Tier 2 capital: instruments and provisions				
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Provisions	27,738	-	21,423	-
Tier 2 capital before regulatory adjustments	27,738	-	21,423	-
Tier 2 capital: regulatory adjustments				
Investments in own Tier 2 instruments (-)	-	-	-	-
Reciprocal cross-holdings in Tier 2 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments (-)	-	-	-	-
Total regulatory adjustments to Tier 2 capital	-	-	-	-
Tier 2 capital (T2)	27,738	-	21,423	-
Total capital (TC = T1 + T2)	584,574	-	548,480	-
Total risk weighted assets				
Loans extended being non-compliant with articles 50 and 51 of the Law	-	-	-	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition(-)	-	-	-	-
National specific regulatory adjustments	-	-	-	-
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital				
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	-	-	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-	-	-

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
RISK MANAGEMENT (Continued)**

	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Shareholders' Equity				
Total shareholders' equity	584,574	-	548,480	-
Total risk weighted items	2,219,041	-	1,713,856	-
CAPITAL ADEQUACY RATIOS				
Core Capital Adequacy Ratio (%)	25.09	-	30.75	-
Tier 1 Capital Adequacy Ratio (%)	25.09	-	30.75	-
Capital Adequacy Standard Ratio (%)	26.34	-	32.00	-
BUFFERS				
Total additional core capital requirement ratio (a+b+c)	2.505	-	2.505	-
a) Capital conservation buffer requirement (%)	2.500	-	2.500	-
b) Bank specific countercyclical buffer requirement (%)	0.005	-	0.005	-
c) Higher bank buffer requirement ratio (%)	-	-	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	17.09	-	22.75	-
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financials	-	-	-	-
Significant investments in the common stock of financials	-	-	-	-
Mortgage servicing rights (net of related tax liability)	-	-	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-	-
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	34,452	-	34,015	-
Cap on inclusion of provisions in Tier 2 under standardised approach	27,738	-	21,423	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Current cap on common equity T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from common equity T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-
Current cap on additional T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from additional T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-

⁽¹⁾ Amounts for items for subject to the transition process.

As a result of COVID-19 epidemic, the fluctuations in the financial markets are experienced as a result of the press statements made by the BRSA on March 23, 2020. Therefore, in the calculation of the amount subject to loan risk in accordance with Regulation on Measurement and Evaluation of Capital Adequacy; the presence of non-monetary assets, historical valued in accordance with Turkey Accounting Standards, except for items on cost, measured in foreign currency amounts and the related specific provisions when calculating the preparation of the December 31, 2019 financial statements is made possible to use the buying Exchange rate taken as a basis. As of 31 December 2020, the Bank did not use these opportunities in preparing its financial statements and footnotes.

b. Information about instruments that will be included in total capital calculation

None (31 December 2019 - None).

c. Explanations on reconciliation between amounts in the statement of information on equity items

The main difference between the amount of ‘Equity’ given in the statement of equity and the amount of ‘Equity’ in the unconsolidated balance sheet arises expected credit losses. The expected credit losses are considered as contribution capital in the calculation of the ‘Equity’ given in the equity table. In addition, operating lease development costs, intangible assets, and some other accounts determined by the Board are taken into account in calculating the ‘Equity’ amount in calculations as deductions.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
RISK MANAGEMENT (Continued)**

II. EXPLANATIONS ON CREDIT RISK

- a.** The Bank takes into account the Banking Law as far as the limits applied to a single obligor or a risk group is concerned. Limits are determined to avoid sectoral concentration, and the compliance to these limits are monitored on transaction basis.

Regarding daily credit and security transactions, compliance to limits and concentrations are monitored and reported by the risk management unit. Besides, the compliance of credits to their limits are followed by operations, marketing and internal control units.

Credits and other receivables are re-evaluated at least once a year by the credit allocation unit. Ratings are calculated by using models specifically developed for this purpose.

Including the necessary documents, credit allocation activities are also subject to controls by the internal control unit, which is independent from business units.

- b.** According to TFRS 9 Financial Instruments Standard and Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions, loans are classified as overdue loans that are not having performing loan specifications. The accounting and provisioning policies have been disclosed in section 3.
- c.** Bank does not carry any forward or option positions or similar positions based on other agreements on the organized markets.
- d.** The Bank, as an active participant in the national and international banking market, compared to the financial activities of other financial institutions, is not exposed to high volumes of credit risk, which may necessitate mitigation through futures or options. As credit risk increases, usage of such derivative instruments may be relevant.
- e.** The Bank does not have any non-cash loans that were transformed into cash. If such loans exist, they are going to be applied the same risk weight as the cash loans.
- f.** The restructured and the rescheduled loans have been disclosed in Section 5.

The discrimination of credit risk is performed through rating systems. No risk discrimination is made via maturity.

- g.** The Bank does not have any credit transaction abroad.
- h.** The Bank, as an active participant in the national and international banking market, compared to the financial activities of other financial institutions, is not exposed to high volumes of credit risk.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
RISK MANAGEMENT (Continued)**

- i. The share of the greatest 100 and 200 cash loan customers within the total cash loans portfolio is 100% and 100%, respectively (31 December 2019: 100% and 100%).

The share of the greatest 100 and 200 non-cash loan customers within the total non-cash loans portfolio is 100% and 100%, respectively (31 December 2019: 100% and 100%).

The share of the greatest 100 and 200 cash and non-cash loan customers within the total cash and non-cash loans portfolio in the on and off balance sheets is 100% and 100%, respectively (31 December 2019: 100% and 100%).

- j. The expected credit losses for the credit risk is TL 34,452 (31 December 2019 - TL 34,015).
- k. The total amount of risk the Bank is exposed to, without taking into account the mitigation effects, and average of the risks grouped based on different risk classes and types are shown in the table below:

	31 December 2020		31 December 2019	
	Current Period Risk Amount ¹	Average Risk Amount ²	Prior Period Risk Amount ¹	Average Risk Amount ²
Risk Classifications				
Conditional and unconditional receivables from central governments or central banks	214,848	187,511	162,261	127,578
Conditional and unconditional receivables from regional management or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units or non-commercial ventures	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international Organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage corporation	186,365	218,876	359,931	297,004
Conditional and unconditional corporate receivables	1,537,365	1,452,193	1,181,437	1,088,949
Conditional and unconditional retail receivables	22,816	11,310	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	108,169	64,714	32,514	13,749
Non-performing receivables	16,246	16,158	1,351	1,019
Receivables defined in high risk category by BRSA	-	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables and short-term corporate receivables from banks and brokerage corporations	127,549	165,356	42,350	86,280
Investments in nature of collective investment funds	25,366	15,750	-	-
Equity security investments	7,659	2,553	-	-
Other receivables	268,139	267,840	263,586	257,993
Total	2,514,522	2,402,261	2,043,430	1,872,572

¹⁾ The figures represent total risk amounts before Credit Risk Mitigation and after credit conversion factor.

²⁾ Average risk amounts are calculated as arithmetical average of monthly amounts of relevant year.

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INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

11. Profile of significant exposures in significant regions

Current Period	Risk Classifications ¹																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	214,848	-	-	-	-	163,990	1,147,489	22,816	108,169	16,246	-	-	-	98,348	6,944	7,659	268,139	2,054,648
European Union Countries	-	-	-	-	-	-	111,902	-	-	-	-	-	-	20,656	18,422	-	-	150,980
OECD Countries ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	6,412	-	-	-	6,412
Other Countries	-	-	-	-	-	22,375	277,974	-	-	-	-	-	-	2,133	-	-	-	302,482
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ³	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	214,848	-	-	-	-	186,365	1,537,365	22,816	108,169	16,246	-	-	-	127,549	25,366	7,659	268,139	2,514,522

1) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks”. Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

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

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

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INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

Prior Period	Risk Classifications ¹																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	162,261	-	-	-	-	329,213	885,670	-	32,514	1,351	-	-	-	40,127	-	-	263,586	1,714,722
European Union Countries	-	-	-	-	-	-	89,762	-	-	-	-	-	-	481	-	-	-	90,243
OECD Countries ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	824	-	-	-	824
Other Countries	-	-	-	-	-	30,718	206,005	-	-	-	-	-	-	918	-	-	-	237,641
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ³	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	162,261	-	-	-	-	359,931	1,181,437	-	32,514	1,351	-	-	-	42,350	-	-	263,586	2,043,430

1) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks”. Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
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- 15) Investments in nature of Collective Investment funds
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2) Includes OECD countries other than EU countries, USA and Canada.

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

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INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

12. Risk profile by sectors or counterparties

Current Period	Risk Classifications ¹																	LC	FC	Total			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17						
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	466,188	1,485	-	95	-	-	-	-	-	-	-	-	-	-	98,151	369,617	467,768
Mining and Quarrying	-	-	-	-	-	-	29,753	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,753	29,753
Production	-	-	-	-	-	-	172,876	1,485	-	95	-	-	-	-	-	-	-	-	-	-	44,523	129,933	174,456
Electricity, Gas and Water	-	-	-	-	-	-	263,559	-	-	-	-	-	-	-	-	-	-	-	-	-	53,628	209,931	263,559
Construction	-	-	-	-	-	-	375,961	-	17,190	-	-	-	-	-	-	-	-	-	-	-	59,557	333,594	393,151
Services	214,848	-	-	-	-	186,365	695,207	3,271	90,979	16,151	-	-	-	127,549	25,366	7,659	-	-	-	509,280	858,115	1,367,395	
Wholesale and Retail Trade	-	-	-	-	-	-	71,822	2,858	38,073	-	-	-	-	-	-	-	-	-	-	-	47,980	64,773	112,753
Accommodation and Dining	-	-	-	-	-	-	-	42	-	-	-	-	-	-	-	-	-	-	-	-	42	-	42
Transportation and Telecom	-	-	-	-	-	-	118,748	371	-	16,151	-	-	-	-	-	-	-	-	-	-	32,065	103,205	135,270
Financial Institutions	214,848	-	-	-	-	186,365	369,075	-	25,063	-	-	-	-	127,549	25,366	7,659	-	-	-	427,347	528,578	955,925	
Real Estate and Rental Services	-	-	-	-	-	-	126,574	-	27,843	-	-	-	-	-	-	-	-	-	-	-	1,846	152,571	154,417
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	8,988	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,988	8,988
Others	-	-	-	-	-	-	9	18,060	-	-	-	-	-	-	-	-	-	-	-	-	268,139	259,188	286,208
Total	214,848	-	-	-	-	186,365	1,537,365	22,816	108,169	16,246	-	-	-	127,549	25,366	7,659	-	-	-	268,139	926,176	1,588,346	2,514,522

1) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks”. Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
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INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

Prior Period	Risk Classifications ¹																	LC	FC	Total					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17								
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	269,555	-	-	-	-	-	-	-	-	-	-	-	-	-	19,070	250,485	269,555	-	-
Mining and Quarrying	-	-	-	-	-	-	32,674	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,674	32,674	-	-
Production	-	-	-	-	-	-	138,668	-	-	-	-	-	-	-	-	-	-	-	-	-	18,650	120,018	138,668	-	-
Electricity, Gas and Water	-	-	-	-	-	-	98,213	-	-	-	-	-	-	-	-	-	-	-	-	-	420	97,793	98,213	-	-
Construction	-	-	-	-	-	-	309,597	-	1,841	-	-	-	-	-	-	-	-	-	-	-	82,646	228,792	311,438	-	-
Services	162,261	-	-	-	-	359,931	602,276	-	30,673	1,351	-	-	-	42,350	-	-	-	-	-	-	495,829	703,013	1,198,842	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	58,173	-	25,594	763	-	-	-	-	-	-	-	-	-	-	21,525	63,005	84,530	-	-
Accommodation and Dining	-	-	-	-	-	-	42	-	-	-	-	-	-	-	-	-	-	-	-	-	42	-	42	-	-
Transportation and Telecom	-	-	-	-	-	-	110,940	-	-	588	-	-	-	-	-	-	-	-	-	-	30,090	81,438	111,528	-	-
Financial Institutions	162,261	-	-	-	-	359,931	274,957	-	5,079	-	-	-	-	42,350	-	-	-	-	-	-	430,588	413,990	844,578	-	-
Real Estate and Rental Services	-	-	-	-	-	-	158,164	-	-	-	-	-	-	-	-	-	-	-	-	-	13,584	144,580	158,164	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	9	-	-	-	-	-	-	-	-	-	-	-	-	-	263,586	263,595	-	263,595	-
Total	162,261	-	-	-	-	359,931	1,181,437	-	32,514	1,351	-	-	-	42,350	-	-	-	-	-	-	263,586	861,140	1,182,290	2,043,430	-

1) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks”. Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

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m. Analysis of maturity bearing exposures according to remaining maturities

Risk Classifications (Current Period)	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year ²
Conditional and unconditional receivables from Central Governments or Central Banks	155,086	1,651	4,229	9,535	44,347
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	31,187	7,110	18,206	26,886	102,976
Conditional and unconditional corporate receivables	320,944	179,950	239,005	323,871	473,595
Conditional and unconditional retail receivables	240	852	2,763	729	18,232
Conditional and unconditional collateralized by real estate mortgages receivables	6,502	11,109	12,440	7,201	70,917
Non-performing receivables	1,593	322	14,331	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	127,549	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	25,366
Equity security investments	7,659	-	-	-	-
Other receivables	18,862	-	-	-	249,277
Total¹	669,622	200,994	290,974	368,222	984,710

1) Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

2) Includes also undistributed amounts.

Risk Classifications (Prior Period)	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year ²
Conditional and unconditional receivables from Central Governments or Central Banks	126,731	1,116	29,917	-	4,497
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	156,033	50,921	44,538	22,814	85,625
Conditional and unconditional corporate receivables	148,377	92,488	222,826	258,368	459,378
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	824	1,509	751	8,478	20,952
Non-performing receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	42,350	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-
Equity security investments	-	-	-	-	-
Other receivables	9,398	-	-	-	254,188
Total¹	483,713	146,034	298,032	289,660	824,640

1) Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

2) Includes also undistributed amounts.

n. The Bank has no particular agreement with a credit rating agency.

o. There is no credit rating for issuer or issue for the items not included in trading accounts where there is no credit ratings.

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p. Risk amounts according to risk weights⁰

Risk Weights (Current Period)	0%	20%	50%	100%	150%	1250%	Others	Deductions from Equity
Amounts before Credit Risk								
Mitigation	183,517	174,834	222,128	1,886,122	16,151	-	31,770	-
Amounts after Credit Risk								
Mitigation	206,299	193,835	222,128	1,863,109	16,151	-	13,000	-

Risk Weights (Prior Period)	0%	20%	50%	100%	150%	1250%	Others	Deductions from Equity
Amounts before Credit Risk								
Mitigation	295,017	45,083	254,988	1,448,217	125	-	-	-
Amounts after Credit Risk								
Mitigation	295,017	45,083	254,988	1,448,217	125	-	-	-

r. Miscellaneous Information by major sectors and type of counterparties

In accordance with TFRS 9;

Impaired loans; By the end of the reporting period, not more than 90 days overdue or impaired due to credibility. For such loans, "Specific Provisions" are calculated within the scope of TFRS 9 Financial Assets.

Overdue Loans; By the end of the reporting period up to 90 days due but not impaired loans. For such loans, "Stage 1 and Stage 2" expected credit losses are calculated within the scope of Provision Regulation.

	Current Period			Prior Period		
	Loans ¹		Provisions	Loans ¹		Provisions
	Impaired Loans (TFRS 9)			Impaired Loans (TFRS 9)		
	Significant increase in credit risk (Stage 2)	Non- Performing Loans (Stage 3)	Expected Credit Losses (TFRS 9) ²	Significant increase in credit risk (Stage 2)	Non- Performing Loans (Stage 3)	Expected Credit Losses (TFRS 9) ²
Agriculture	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishery	-	-	-	-	-	-
Manufacturing	47,137	3,292	4,484	33,228	3,292	10,719
Mining and Quarrying	29,753	-	1,009	32,674	-	7,416
Production	17,384	3,292	3,475	554	3,292	3,303
Electricity, Gas and Water	-	-	-	-	-	-
Construction	11,804	13,855	19,940	10,845	13,832	18,714
Services	60,250	18,930	9,846	51,845	18,330	10,931
Wholesale and Retail Trade	-	-	-	1,440	-	-
Accommodation and Dining	-	-	-	-	-	-
Transportation and Telecom	60,239	18,930	9,846	49,545	18,330	10,931
Financial Institutions	-	-	-	-	-	-
Real Estate and Rental Services	11	-	-	860	-	-
Professional Services	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	119,191	36,077	34,270	95,918	35,454	40,364

1) Cash Loans

2) Expected Credit Losses for cash loans

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s. Movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific provisions (Stage 3)	22,279	-	(2,448)	-	19,831
General provisions (Stage 1&2)	34,015	4,520	(4,083)	-	34,452

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific provisions (Stage 3)	6,033	19,630	(3,370)	(14)	22,279
General provisions (Stage 1&2)	16,485	19,360	(1,830)	-	34,015

t. Risk involved in counter-cyclical capital buffer calculation

The breakdown of private sector receivables by geographic area which considered in the calculation of counter-cyclical capital buffer in accordance with ‘Capital Conservation and Countercyclical Capital buffers’ published in official gazette dated 5 November 2013 and numbered 28812 and the sub-regulations are provided in the table below:

Current Period	Banking book for private sector lending	RWAs of trading book	Total
Turkey	1,649,842	-	1,649,842
Montenegro	277,974	-	277,974
Ireland	111,902	-	111,902
Azerbaijan	23,377	-	23,377
Others	40,514	-	40,514
Total	2,103,609	-	2,103,609

Prior Period	Banking book for private sector lending	RWAs of trading book	Total
Turkey	1,260,967	-	1,260,967
Montenegro	202,650	-	202,650
Ireland	89,762	-	89,762
Azerbaijan	34,240	-	34,240
Others	1,396	-	1,396
Total	1,589,015	-	1,589,015

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III. EXPLANATIONS ON CURRENCY RISK

The Bank's foreign currency position is managed within the limits set by legislation and the Bank. The basic principle in foreign currency risk management is not to be exposed to currency risk. Accordingly, the exchange-trading risk positions are not allocated to the limit, banking accounts as of the currency by creating a matched asset-liability structure is aimed to provide natural protection. The Bank uses derivative financial instruments such as forward foreign exchange contracts and currency swaps for hedging purposes in foreign currency denominated transactions.

Bank's methodology of digitising the foreign currency position includes the use of standard method when calculating the capital adequacy ratio and application of internal stress tests/ sensitivity analysis.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five business days prior to that date:

(Full TL)	USD	EUR
Foreign exchange rates as of 31 December 2020	7.4194	9.1164
1. Bid rate	7.3405	9.0079
2. Bid rate	7.4063	9.0697
3. Bid rate	7.4738	9.1370
4. Bid rate	7.5517	9.2037
5. Bid rate	7.6190	9.2948
Arithmetic average – 31 days	7.7138	9.3887
Foreign exchange rates as of 31 December 2019	5.9400	6.6621

Foreign Exchange Sensitivity Analysis

The effects (excluding tax effects) of 10% change of TL against the foreign currencies below on the equity and profit or loss are presented below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Change in Currency Rate		Effect on Profit and Loss		Effect on Equity	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
USD	10% decrease	(2,556)	(2,547)	(2,556)	(2,547)
USD	10% increase	2,556	2,547	2,556	2,547
EUR	10% decrease	(854)	(11)	(854)	(11)
EUR	10% increase	854	11	854	11

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Current Period	EURO	USD	Other FC	Total
Assets				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	35	148,982	-	149,017
Due from Banks	5,591	113,319	79	118,989
Financial Assets at Fair Value Through Profit or Loss	5,933	-	-	5,933
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans ⁽¹⁾	470,625	577,652	-	1,048,277
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets at fair value through profit or loss	-	116,776	-	116,776
Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	-	-	-	-
Total Assets	482,184	956,729	79	1,438,992
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	5,095	-	5,095
Funds Borrowed From Other Financial Institutions	355,809	354,886	-	710,695
Marketable Securities Issued	29,237	617,779	-	647,016
Miscellaneous Payables ⁽³⁾	14,753	15,397	-	30,150
Derivative Financial Liabilities ⁽⁴⁾	-	-	-	-
Other Liabilities ⁽²⁾	917	20,577	-	21,494
Total Liabilities	400,716	1,013,734	-	1,414,450
Net On-balance Sheet Position	81,468	(57,005)	79	24,542
Net Off-balance Sheet Position	(72,931)	82,563	-	9,632
Derivative Financial Assets	-	84,789	-	84,789
Derivative Financial Liabilities	72,931	2,226	-	75,157
Non-Cash Loans	75,466	91,814	-	167,280
Prior Period				
Total Assets	343,722	742,436	34	1,086,192
Total Liabilities	343,609	728,704	3	1,072,316
Net On-balance Sheet Position	113	13,732	31	13,876
Net Off-balance Sheet Position	-	11,737	-	11,737
Derivative Financial Assets	-	11,737	-	11,737
Derivative Financial Liabilities	-	-	-	-
Non-Cash Loans	66,341	88,584	-	154,925

(1) Foreign currency indexed loans amounting to TL 18,626 (31 December 2019 – TL 18,561), receivables from leasing transaction amounting to TL 50,792 (31 December 2019 – 25,594 TL and foreign currency expected credit losses amounting to TL 1,787 (31 December 2019 – 3,419 TL) are included.

(2) Borrowers’ funds amounting to TL 21,493 (31 December 2019 – TL 4,868) are included.

(3) Presented in other liabilities at financial statements.

(4) Excludes derivative financial liabilities amounting to TL 1,312 (31 December 2019 – TL 132 of financial assets).

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IV. EXPLANATIONS ON INTEREST RATE RISK

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Bank’s interest rate sensitive assets and liabilities.

The interest rate sensitivity of Assets, Liabilities and Off-balance sheet items is carefully followed up by the treasury department of the Bank. Assets and liabilities which are sensitive to interest are managed in such a way that minimizes the interest risk.

The interest rate risk of the banking items is measured legally in accordance with the “Regulation on Measurement and Assessment of Standard Shock Method on the interest rate risk arising from banking accounts”, and this legal limit is monitored and reported monthly, based on this measurement.

a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates

31 December 2020	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non- Interest Bearing⁽¹⁾	Total
Assets							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the CB of Turkey	133,831	-	-	-	-	21,091	154,922
Due from Banks	104,635	-	-	-	-	16,721	121,356
Financial Assets at Fair Value Through Profit/Loss ⁽⁷⁾	493	-	-	-	-	7,405	7,898
Money Market Placements	23,011	-	-	-	-	-	23,011
Financial assets at fair value through other comprehensive income	2,575	275	20,341	-	-	7,659	30,850
Loans ⁽²⁾	405,573	297,427	443,776	334,140	12,019	(42,190)	1,450,745
Financial assets measured at amortised cost	544	1,226	455	114,551	-	(1,755)	115,021
Other Assets	-	-	-	-	-	275,606	275,606
Total Assets	670,662	298,928	464,572	448,691	12,019	284,537	2,179,409
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	49,634	1,064	2,565	-	-	-	53,263
Miscellaneous Payables ⁽⁵⁾	1,367	9,318	-	-	-	34,119	44,804
Marketable Securities Issued	1,412	621	185,485	459,498	-	-	647,016
Funds Borrowed From Other Financial Institutions	187,932	148,684	85,967	380,521	-	120	803,224
Other Liabilities ^{(3),(4)}	1,362	1,070	-	-	-	628,670	631,102
Total Liabilities	241,707	160,757	274,017	840,019	-	662,909	2,179,409
Balance Sheet Long Position	428,955	138,171	190,555	-	12,019	-	769,700
Balance Sheet Short Position	-	-	-	(391,328)	-	(378,372)	(769,700)
Off-balance Sheet Long Position ⁽⁶⁾	38,899	57,797	-	-	-	-	96,696
Off-balance Sheet Short Position ⁽⁶⁾	(38,691)	(59,256)	-	-	-	-	(97,947)
Total Position	429,163	136,712	190,555	(391,328)	12,019	(378,372)	(1,251)

(1) Allowances for the expected credit losses are included in the non-interest bearing column.

(2) Finance lease receivables are included.

(3) Shareholders’ equity is presented under other liabilities in the non-interest bearing column.

(4) Borrowers’ funds is presented in the other liabilities.

(5) Presented in other liabilities at financial statements.

(6) Includes asset purchase and sale commitments

(7) Includes derivatives financial assets

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31 December 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non- Interest Bearing ⁽¹⁾	Total
Assets							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the CB of Turkey	123,007	-	-	-	-	3,614	126,621
Due from Banks	38,050	-	-	-	-	1,806	39,856
Financial Assets at Fair Value Through Profit/Loss ⁽⁷⁾	-	132	-	-	-	-	132
Money Market Placements	147,045	-	-	-	-	-	147,045
Financial assets at fair value through other comprehensive income	2,506	2,039	123	4,497	-	7,659	16,824
Loans ⁽²⁾	173,897	205,992	454,803	252,653	5,704	(47,989)	1,045,060
Financial assets measured at amortised cost	529	589	30,262	48,595	-	(666)	79,309
Other Assets	-	-	-	-	-	270,656	270,656
Total Assets	485,034	208,752	485,188	305,745	5,704	235,080	1,725,503
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	6,192	-	-	-	-	-	6,192
Miscellaneous Payables	-	-	1,821	-	-	2,132	3,953
Marketable Securities Issued	1,107	8,038	-	466,819	-	-	475,964
Funds Borrowed From Other Financial Institutions	374,010	128,633	163,999	-	-	13	666,655
Other Liabilities ^{(3),(4)}	10,592	13	52	76	-	562,006	572,739
Total Liabilities	391,901	136,684	165,872	466,895	-	564,151	1,725,503
Balance Sheet Long Position	93,133	72,068	319,316	-	5,704	-	490,221
Balance Sheet Short Position	-	-	-	(161,150)	-	(329,071)	(490,221)
Off-balance Sheet Long Position ⁽⁶⁾	-	11,737	-	-	-	-	11,737
Off-balance Sheet Short Position ⁽⁶⁾	-	(11,856)	-	-	-	-	(11,856)
Total Position	93,133	71,949	319,316	(161,150)	5,704	(329,071)	(119)

⁽¹⁾ Allowances for the expected credit losses are included in the non-interest bearing column.

⁽²⁾ Finance lease receivables are included.

⁽³⁾ Shareholders' equity is presented under other liabilities in the non-interest bearing column.

⁽⁴⁾ Borrowers' funds is presented in the other liabilities.

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

⁽⁷⁾ Includes derivatives financial assets

b. Average interest rates for monetary financial instruments

31 December 2020	EUR %	USD %	JPY %	TRY %
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	-	-	9.56
Due From Banks	0.01	0.49	-	11.44
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	11.18
Financial assets at fair value through other comprehensive income	-	-	-	13.10
Loans	4.50	5.76	-	14.55
Financial assets measured at amortised cost	-	8.01	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	0.89	2.31	-	10.30
Miscellaneous Payables ⁽¹⁾	-	0.95	-	9.87
Marketable Securities Issued	1.75	3.60	-	11.02
Funds Borrowed From Other Financial Institutions	1.15	4.03	-	10.63

⁽¹⁾ Includes borrowers' funds.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
RISK MANAGEMENT (Continued)**

	EUR %	USD %	JPY %	TRY %
31 December 2019				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	0.59	-	6.57
Due From Banks	0.01	1.67	-	14.47
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	12.95
Financial assets at fair value through other comprehensive income	-	-	-	16.79
Loans	4.69	6.63	-	18.05
Financial assets measured at amortised cost	-	8.05	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	0.50	1.65	-	10.80
Miscellaneous Payables ⁽¹⁾	-	1.93	-	11.69
Marketable Securities Issued	1.34	3.58	-	12.96
Funds Borrowed From Other Financial Institutions	1.14	3.76	-	11.94

⁽¹⁾ Includes borrowers' funds.

- c. **Economic value differences resulted from interest rate instabilities calculated according to regulation on measurement and evaluation of interest rate risk resulted from banking book as per standard shock method**

Current Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TRY	(+) 500 basis point	(9,718)	(% 1.66)
TRY	(-) 400 basis point	8,751	% 1.50
USD	(+) 200 basis point	21,398	% 3.66
USD	(-) 200 basis point	(5,869)	(% 1.00)
EUR	(+) 200 basis point	(2,875)	(% 0.49)
EUR	(-) 200 basis point	-	-
TOTAL (for negative shocks)		2,882	%0.50
TOTAL (for positive shocks)		8,805	%1.51

Prior Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TRY	(+) 500 basis point	(7,007)	(1.28%)
TRY	(-) 400 basis point	6,247	1.14%
USD	(+) 200 basis point	12,934	2.36%
USD	(-) 200 basis point	(13,873)	(2.53%)
EUR	(+) 200 basis point	(7,704)	(1.40%)
EUR	(-) 200 basis point	-	-
TOTAL (for negative shocks)		(7,626)	(1.39%)
TOTAL (for positive shocks)		(1,777)	(0.32%)

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V. EXPLANATIONS ON EQUITY POSITION RISK

The Bank does not hold equity position as of 31 December 2020. (31 December 2019 - None).

VI. EXPLANATIONS ON LIQUIDITY RISK and LIQUIDITY COVERAGE RATIO

a. Information on risk capacity, responsibilities and structure of liquidity risk management, reporting of liquidity risk at bank, liquidity risk management including how liquidity risk strategy, policy and implementations communicates with board of directors and business units

Liquidity risk is the risk occurring as a result of non-availability of sufficient cash on hand or cash inflow to meet cash outflows in a timely manner completely as a result of imbalance in cash flows. Treasury department manages the liquidity of the Bank daily and informs ALCO about the liquidity position of the Bank weekly. Planning the weekly, monthly and annual liquidity management, taking the necessary measures and informing the top managements is the responsibility of Treasury Department.

The Bank forms its assets and liabilities in balance not to create a negative gap on cumulative basis in maturity segments.

In accordance with the “Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks” entered into force after published on Official Gazette dated November 1, 2006 and numbered 26333 by BRSA, starting from June 1, 2007, weekly simple average of total liquidity adequacy rates related to primary maturity segment and total liquidity adequacy rate related to secondary maturity segment cannot be less than 100% while weekly simple average of foreign currency liquidity ratio related to primary maturity segment and foreign currency adequacy rate related to secondary maturity segment cannot be less than 80%.

The Financial Planning, Control and Strategy Department is responsible for calculating the first maturity and second maturity liquidity ratios and reporting to the legal authorities.

The stress tests to be applied on the liquidity position and the liquidity coverage ratio are calculated by the Risk Management Unit.

Risk Management Department monitors related unit’s activities and reports to the Senior Management monthly.

b. Information on centralization grade of liquidity management and funding strategy and its functionality among Bank and its affiliates

There is no structured liquidity management requiring centralization between bank and its affiliates.

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c. Information on funding strategy of the Bank including policies related to diversity of funding sources and periods

The main funding sources of the Bank are provided by domestic and foreign banks, repo transactions, money market transactions and issued marketable securities and diversification of aforementioned sources are made in order to minimize liquidity risk. Financial Institutions Department carries out studies which are required to relate supplying of long term foreign source.

d. Information on liquidity management based on currencies forming at least 5% of total liabilities of the Bank

Almost all the liabilities of the Bank consists of TL, USD and EUR and equities mainly forming the TL sources.

TL liquidity of the Bank is managed through funds provided from domestic and foreign banks via repo transactions made in BIST using high quality (premium) securities.

TL and foreign currency cash flow of the Bank in scope of Balance sheet management is monitored separately. Risk Management Unit reports to ALCO weekly and Board of Directors on a monthly basis.

e. Information on liquidity risk reduction techniques

Liquidity limits are determined in order to keep the risk regarding liquidity risk in defined limits and to monitor liquidity position. The aforementioned limits have been determined in accordance with “Regulation on Measurement and Evaluation of Bank’s Liquidity Adequacy” in Risk Appetite Statements and approved by Board of Directors.

f. Disclosure regarding use of stress test

Liquidity stress test regarding adverse effects in the Bank’s liquidity due to fluctuations in capital markets is applied by Risk Management Department and reported to Risk Management Committee.

In the stress scenarios created, the problems to be experienced on the funding side and the inability to collect the receivables expected to be collected are analyzed. In the liquidity planning process of the bank, an assessment of the situation is made by evaluating the cumulative maturity mismatches according to the maturities under different severity scenarios.

g. Information related to emergency and unexpected situation plan for liquidity

“Emergency and unexpected situation plan for Liquidity” is approved by the Board of Directors and established in order to manage possible liquidity crisis and required actions for losses which can occur in extraordinary conditions are determined with preventing mechanisms and liquidity squeeze scenarios. The scope of the aforementioned plan is to pre-determine applicable scenarios, measurement of liquidity risk and the actions which shall be taken towards those risks.

Regarding the sectors affected by COVID-19, the analysis published by foreign rating agencies and shared with the public were used. The sectors that are expected to be affected the most are ranked from high risk to low risk, and all customers in our Bank were separated by risk groups, evaluated in monitoring activities, stress test analyzes, sectoral concentration analyzes and these evaluations will continue in the coming periods.

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h. Liquidity Coverage Ratio

The liquidity coverage ratio is calculated by proportioning the high quality liquid assets owned by the bank to net cash outflow in a one month maturity. Significant balance sheet items that determine the ratio can be listed as required reserves at the CBRT, securities that not subject to repo/collateral, foreign funds and receivables from banks. As of the balance sheet period, 30% of the high quality liquid assets of LCR subject bank accounts with the Central Bank, and 68% of the issued securities is composed by the Treasury of Republic of Turkey. The main funding sources of the Bank are loans received, debts due to money markets and securities issued. As of the balance sheet date, 50% of the Bank’s funds consist of loans received and 40% consists of securities issued. There may be fluctuations in the liquidity coverage ratio in the weeks when the share of funds originated from banks within fund sources increases or when medium/long term foreign funds, which are renewed when due, enter the one-month maturity.

Referring to the BRSA’s decision dated 12 December 2016 numbered 7123; it is announced that development and investment banks’ consolidated and unconsolidated liquidity coverage ratio will be applied as 0% unless otherwise stated according to paragraph 5 of article 4 of Regulations about Banks’ Liquidity Coverage Ratio Measurement.

Current Period 31 December 2020 ⁽²⁾	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			251,262	213,615
Cash Outflows				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	368,060	272,019	368,060	272,019
6 Operational assets	-	-	-	-
7 Non-operating assets	-	-	-	-
8 Other Junior debt	368,060	272,019	368,060	272,019
9 Secured Debts				
10 Other Cash Outflows	186,244	118,673	87,191	55,381
11 Derivative liabilities and margin liabilities	39	-	39	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	186,205	118,673	87,152	55,381
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	300	273	300	273
16 TOTAL CASH OUTFLOWS			455,551	327,673
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	389,450	197,649	267,412	170,998
19 Other cash inflows	394	2,486	394	2,486
20 TOTAL CASH INFLOWS	389,844	200,135	267,806	173,484
21 TOTAL HLA STOCK			251,262	213,615
22 TOTAL NET CASH OUTFLOWS ⁽¹⁾			187,745	154,189
23 LIQUIDITY COVERAGE RATION (%)			133.83%	138.54%

⁽¹⁾ The part of total cash inflows which exceeds 75% of total cash outflows is not being taken into account during the calculation of related amounts.

⁽²⁾ Simple arithmetic mean of weekly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the table above.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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Prior Period 31 December 2019 ⁽²⁾	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			189,895	144,589
Cash Outflows				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	203,997	134,536	203,997	134,536
6 Operational assets	-	-	-	-
7 Non –operating assets	-	-	-	-
8 Other Junior debt	203,997	134,536	203,997	134,536
9 Secured Debts				
10 Other Cash Outflows	111,378	36,569	56,984	21,381
11 Derivative liabilities and margin liabilities	-	-	-	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	111,378	36,569	56,984	21,381
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	219	201	219	201
16 TOTAL CASH OUTFLOWS			261,200	156,118
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	138,518	78,892	91,487	60,699
19 Other cash inflows	-	-	-	-
20 TOTAL CASH INFLOWS	138,518	78,892	91,487	60,699
21 TOTAL HLA STOCK			189,895	144,589
22 TOTAL NET CASH OUTFLOWS ⁽¹⁾			169,713	95,419
23 LIQUIDITY COVERAGE RATION (%)			111.89%	151.53%

⁽¹⁾ The part of total cash inflows which exceeds 75% of total cash outflows is not being taken into account during the calculation of related amounts.

⁽²⁾ Simple arithmetic mean of weekly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the table above.

The maximum and minimum liquidity coverage ratio for the last three months of 2020 and 2019 are presented below.

31 December 2020	Maximum	Week	Minimum	Week	Average
LC	265.78	02.10.2020	93.65	30.10.2020	138.54
LC+FC	231.99	02.10.2020	100.07	30.10.2020	134.52
31 December 2019	Maximum	Week	Minimum	Week	Average
LC	511.34	15.11.2019	66.50	27.12.2019	151.53
LC+FC	230.87	15.11.2019	61.00	27.12.2019	111.89

The liquidity ratios regarding first and second maturity tranches are presented below:

31 December 2020	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC+LC	FC	FC+LC
Average (%)	348	277	149	156
Maximum (%)	978	418	209	223
Minimum (%)	162	140	93	109
31 December 2019	YP	YP+TP	YP	YP+TP
Average (%)	517	476	274	271
Maximum (%)	1,895	1,767	860	663
Minimum (%)	100	192	87	126

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i. Breakdown of assets and liabilities according to their outstanding maturities

31 December 2020	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified¹	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	21,269	133,831	-	-	-	-	(178)	154,922
Due From Banks	16,876	104,635	-	-	-	-	(155)	121,356
Financial Assets at Fair Value Through Profit/Loss ⁽⁷⁾	-	493	-	-	-	7,405	-	7,898
Interbank Money Market Placements	-	23,011	-	-	-	-	-	23,011
Financial assets at fair value through other comprehensive income	7,659	76	275	20,341	-	2,499	-	30,850
Loans ⁽²⁾	-	353,688	160,378	486,835	430,039	61,995	(42,190)	1,450,745
Financial assets measured at amortized cost	-	544	1,226	455	114,551	-	(1,755)	115,021
Other Assets	-	18,848	632	-	-	-	256,126	275,606
Total Assets	45,804	635,126	162,511	507,631	544,590	71,899	211,848	2,179,409
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	120	187,932	148,684	85,967	380,521	-	-	803,224
Funds Borrowed From Money Markets	-	49,634	1,064	2,565	-	-	-	53,263
Marketable Securities Issued	-	1,412	621	185,485	459,498	-	-	647,016
Miscellaneous Payables ⁽⁵⁾	33,989	1,497	9,318	-	-	-	-	44,804
Other Liabilities ^{(3),(4)}	23,510	22,556	10,658	51	111	-	574,216	631,102
Total Liabilities	57,619	263,031	170,345	274,068	840,130	-	574,216	2,179,409
Liquidity Gap	(11,815)	372,095	(7,834)	233,563	(295,540)	71,899	(362,368)	-
Net Off-Balance Sheet Liquidity Gap	-	208	(1,459)	-	-	-	-	(1,251)
Financial Derivative Assets ⁽⁶⁾	-	38,899	57,797	-	-	-	-	96,696
Financial Derivative Liabilities ⁽⁶⁾	-	(38,691)	(59,256)	-	-	-	-	(97,947)
Non-cash Loans	-	375	39,466	153,829	35,007	-	103,949	332,626

⁽¹⁾ Allowances for the expected credit losses are included in the non-interest bearing column.

⁽²⁾ Finance lease receivables are included.

⁽³⁾ Borrowers' funds is presented in the other liabilities.

⁽⁴⁾ Shareholders' equity is presented under other liabilities in the unclassified column.

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

⁽⁷⁾ Includes derivative financial assets

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31 December 2019	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified¹	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	3,724	123,007	-	-	-	-	(110)	126,621
Due From Banks	1,860	38,050	-	-	-	-	(54)	39,856
Financial Assets at Fair Value Through Profit/Loss ⁽⁷⁾	-	-	132	-	-	-	-	132
Interbank Money Market Placements	-	147,045	-	-	-	-	-	147,045
Financial assets at fair value through other comprehensive income	7,659	15	2,039	123	4,497	2,491	-	16,824
Loans ⁽²⁾	-	151,149	102,244	419,187	377,640	42,829	(47,989)	1,045,060
Financial assets measured at amortized cost	-	529	589	30,262	48,595	-	(666)	79,309
Other Assets	-	9,398	993	-	-	-	260,265	270,656
Total Assets	13,243	469,193	105,997	449,572	430,732	45,320	211,446	1,725,503
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	13	374,010	128,633	163,999	-	-	-	666,655
Funds Borrowed From Money Markets	-	6,192	-	-	-	-	-	6,192
Marketable Securities Issued	-	1,107	8,038	-	466,819	-	-	475,964
Miscellaneous Payables ⁽⁵⁾	-	2,132	-	1,821	-	-	-	3,953
Other Liabilities ^{(3),(4)}	4,385	23,684	3,211	52	76	-	541,331	572,739
Total Liabilities	4,398	407,125	139,882	165,872	466,895	-	541,331	1,725,503
Liquidity Gap	8,845	62,068	(33,885)	283,700	(36,163)	45,320	(329,885)	-
Net Off-Balance Sheet Liquidity Gap	-	-	(119)	-	-	-	-	(119)
Financial Derivative Assets ⁽⁶⁾	-	-	11,737	-	-	-	-	11,737
Financial Derivative Liabilities ⁽⁶⁾	-	-	(11,856)	-	-	-	-	(11,856)
Non-cash Loans	-	-	42,084	140,049	57,036	-	117,220	356,389

⁽¹⁾ Allowances for the expected credit losses are included in the non-interest bearing column.

⁽²⁾ Finance lease receivables are included.

⁽³⁾ Borrowers' funds is presented in the other liabilities.

⁽⁴⁾ Shareholders' equity is presented under other liabilities in the unclassified column.

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

⁽⁷⁾ Includes derivative financial assets

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j. Breakdown of contractual cash outflows of financial liabilities according to their remaining maturities

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-
Funds borrowed from other financial inst.	188,700	150,257	99,427	399,789	-	838,173
Funds from interbank money market	49,841	1,096	2,695	-	-	53,632
Financial leasing payables	8	15	70	129	-	222
Marketable securities issued	1,824	3,771	200,901	472,993	-	679,489
Current accounts of customers	24,513	-	-	-	-	24,513
Miscellaneous Payables	35,491	9,442	-	-	-	44,933
Total	300,377	164,581	303,093	872,911	-	1,640,962

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-
Funds borrowed from other financial inst.	374,413	129,382	166,262	-	-	670,057
Funds from interbank money market	6,194	-	-	-	-	6,194
Financial leasing payables	7	16	64	106	-	193
Marketable securities issued	1,460	10,524	12,252	491,919	-	516,155
Current accounts of customers	14,972	-	-	-	-	14,972
Total	397,046	139,922	178,578	492,025	-	1,207,571

k. Breakdown of derivative instruments according to their remaining contractual maturities

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Forward Transactions-Buy	2,246	-	-	-	-	2,246
Forward Transactions-Sell	2,226	-	-	-	-	2,226
Swap Transactions-Buy	36,653	57,797	-	-	-	94,450
Swap Transactions-Sell	36,465	59,256	-	-	-	95,721
Futures Transactions-Buy	-	-	-	-	-	-
Futures Transactions-Sell	-	-	-	-	-	-
Options-Buy	-	-	-	-	-	-
Options-Sell	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	77,590	117,053	-	-	-	194,643

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Forward Transactions-Buy	-	11,737	-	-	-	11,737
Forward Transactions-Sell	-	11,856	-	-	-	11,856
Swap Transactions-Buy	-	-	-	-	-	-
Swap Transactions-Sell	-	-	-	-	-	-
Futures Transactions-Buy	-	-	-	-	-	-
Futures Transactions-Sell	-	-	-	-	-	-
Options-Buy	-	-	-	-	-	-
Options-Sell	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	-	23,593	-	-	-	23,593

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VII. EXPLANATIONS ON LEVERAGE RATIO

Unconsolidated leverage ratio was realized as 21.1% (31 December 2019 - 26.5%). The increase occurred in the on-balance sheet assets and off-balance sheet transactions led to a change in leverage compared to the previous period. Regulation has been linked to the provision of the minimum leverage ratio of 3%.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
Asset On The Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	2,220,580	1,644,939
(Assets deducted from core capital)	(5,665)	(2,819)
Total risk amount for assets on the balance sheet	2,214,915	1,642,120
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	174	47
Potential credit risk amount of derivative financial instruments and loan derivatives	745	341
Total risk amount of derivative financial instruments and loan derivatives	919	388
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	10,410	13,148
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	10,410	13,148
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	413,523	331,057
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	413,523	331,057
Capital and Total Risk		
Core capital	556,771	526,367
Total risk amount	2,639,767	1,986,713
Leverage Ratio		
Leverage ratio	21.1%	26.5%

⁽¹⁾ Arithmetic average of last three months including reporting period.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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VIII. EXPLANATIONS ON THE RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” that have been published in official gazette no 29511 on 23 October 2015. Since Internal Rating-Based (IRB) approach is not applied, tables that have to be prepared within the scope of IRB, are not presented.

a. Bank’s risk management approach

Effective risk management constitutes one of the most important competitive strength of the Bank. Risk management system is assessed as a critical process which includes all units starting from the Board of Directors level.

General strategies regarding Bank’s risk management are given below:

- Effective risk management within the Bank’s risk profile based on materiality; implementing a centralized risk framework that includes all major risk areas.
- Managing existing and potential risks from the beginning through forward looking risk strategies, policies and procedures, models and parameters,
- Applying a risk-focused management approach in the strategic decision process,
- Complying with all national risk management requirements, where the Bank operates.

The Bank’s Board of Directors has the ultimate responsibility for setting-up and monitoring the efficiency of such a risk management system. The Board of Directors manages the risks through Risk Management Committee (RMC). RMC is responsible for the development of risk policies, measurement of risks and determination of methods to manage them, setting up of appropriate risk limits and their monitoring. All the risk policies of RMC are written and integrated with the Bank’s long term strategy.

The Board of Directors fulfils its monitoring responsibility through the Auditing Committee, the Executive Risk Committee, the Credit Committee and other related intermediary committees and by means of regular risk, control and audit reporting system.

The Board of Directors regularly reviews and approves Bank’s main risk approach, risk principles and policies which are initially discussed and decided by the Risk Management Committee. The Board of Directors also determines Bank’s risk appetite by risk limits taking market conditions and Bank’s risk taking capacity into consideration. Risk limits are made up of regulatory and internal limits on the basis of risk types.

Bank’s Senior Management is responsible to the Bank’s Board of Directors that daily activities are executed within the risk management procedures and risk limits determined by the Board of Directors and that risk management system operates in effective and efficient manner.

The Internal Audit, the Internal Control and Compliance Presidency and The Risk Management Departments which directly report to the Board of Directors operate in coordination with the business units of the Bank. In this scope, it is also Senior Management’s responsibility to take necessary measures in order to resolve identified weaknesses, deficiencies and errors stated in the reports of internal and external audits, internal control and risk management.

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Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to analyse the potential risks that the Bank may be exposed in extreme cases, various scenario analyses are performed and contingency plans are prepared. The Bank's internal capital adequacy assessment process ("ICAAP") has been established and the ICAAP has been performed parallel to the annual budget process on an annual basis. Moreover, various risk mitigation techniques are utilized to limit and provide protection against risks the Bank is exposed to. The effectiveness and efficiency of the risk mitigation techniques are regularly monitored.

b. General view to risk weighted amounts

	Risk weighted amounts		Minimum capital requirements
	Current Period	Prior Period	Current Period
	31 December 2020	31 December 2019	31 December 2020
Credit risk (excluding counterparty credit risk) (CCR)	2,009,956	1,576,612	160,796
Of which standardised approach (SA)	2,009,956	1,576,612	160,796
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	5,575	8,302	446
Of which standardised approach for counterparty credit risk (SA-CCR)	5,575	8,302	446
Of which internal model method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	25,366	-	2,029
Equity investments in funds – fallback approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
Of which IRB ratings-based approach (RBA)	-	-	-
Of which IRB Supervisory Formula Approach (SFA)	-	-	-
Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	37,100	26,276	2,968
Of which standardised approach (SA)	37,100	26,276	2,968
Of which internal model approaches (IMM)	-	-	-
Operational risk	141,044	102,666	11,284
Of which Basic Indicator Approach	141,044	102,666	11,284
Of which Standardised Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	2,219,041	1,713,856	177,523

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**c. INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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c. Linkages between financial statements and regulatory exposures

c.1) Differences and mapping between regulatory consolidation and financial statement

Current Period	Carrying values as reported in published financial statements ¹	Carrying values of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to market risk ²	
Assets						
Cash and cash equivalents	299,289	276,611	23,011	-	-	-
Financial assets at fair value through profit or loss	7,405	7,405	-	-	-	-
Financial assets at fair value through other comprehensive income	30,850	30,850	4,133	-	-	-
Derivative financial assets	493	-	493	-	493	-
Loans (Net)	1,343,457	1,384,766	-	-	-	-
Receivables from leasing transactions (Net)	107,288	108,169	-	-	-	-
Factoring receivables (Net)	-	-	-	-	-	-
Financial assets measured at amortised cost (Net)	115,021	116,776	27,016	-	-	-
Non-currents assets or disposal groups held for sale and from discontinued operations (Net)	-	-	-	-	-	-
Investments in associates (Net)	-	-	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-	-
Tangible assets (Net)	88,878	88,878	-	-	-	-
Intangible assets and goodwill (Net)	6,849	-	-	-	-	6,849
Investment properties (Net)	144,862	144,862	-	-	-	-
Current tax assets	632	632	-	-	-	-
Deferred tax assets	13,746	13,746	-	-	-	-
Other assets (Net)	20,639	20,639	-	-	-	-
Total assets	2,179,409	2,193,334	54,653	-	493	6,849
Liabilities						
Deposits	-	-	-	-	-	-
Loans received	803,224	-	-	-	-	803,224
Money market funds	53,263	-	22,782	-	-	30,481
Marketable securities issued (Net)	647,016	-	-	-	-	647,016
Funds	24,512	-	-	-	-	24,512
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Derivative financial liabilities	1,430	-	1,430	-	1,430	-
Factoring payables	-	-	-	-	-	-
Lease payables (Net)	178	-	-	-	-	178
PROVISIONS	17,597	-	-	-	-	17,597
Current tax liabilities	3,819	-	-	-	-	3,819
Deferred tax liabilities	-	-	-	-	-	-
Liabilities related to non-current assets held for sale and discontinued operations (Net)	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	65,700	-	-	-	-	65,700
Shareholders' equity	562,670	-	-	-	-	562,670
Total liabilities	2,179,409	-	24,212	-	1,430	2,155,197

1) Unconsolidated financial statements of Bank are stated.

2) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are represented in “Subject to market risk framework” column.

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Prior Period	Carrying values as reported in published financial statements ¹	Carrying values of items in accordance with TAS				Not subject to capital requirements or subject to deduction from capital
		Subject to credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to market risk ²	
Assets						
Cash and cash equivalents	313,522	313,686	147,045	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	16,824	9,165	-	-	-	7,659
Derivative financial assets	132	-	132	-	132	-
Loans (Net)	1,012,695	1,060,535	-	-	-	-
Receivables from leasing transactions (Net)	32,365	32,514	-	-	-	-
Factoring receivables (Net)	-	-	-	-	-	-
Financial assets measured at amortised cost (Net)	79,309	71,865	8,110	-	-	-
Non-currents assets or disposal groups held for sale and from discontinued operations (Net)	-	-	-	-	-	-
Investments in associates (Net)	-	-	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-	-
Tangible assets (Net)	90,238	90,238	-	-	-	-
Intangible assets and goodwill (Net)	6,077	-	-	-	-	6,077
Investment properties (Net)	145,599	145,599	-	-	-	-
Current tax assets	993	993	-	-	-	-
Deferred tax assets	15,628	15,628	-	-	-	-
Other assets (Net)	12,121	12,121	-	-	-	-
Total assets	1,725,503	1,752,344	155,287	-	132	13,736
Liabilities						
Deposits	-	-	-	-	-	-
Loans received	666,655	-	-	-	-	666,655
Money market funds	6,192	-	6,192	-	-	-
Marketable securities issued (Net)	475,964	-	-	-	-	475,964
Funds	14,971	-	-	-	-	14,971
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-
Factoring payables	-	-	-	-	-	-
Lease payables (Net)	147	-	-	-	-	147
PROVISIONS	10,388	-	-	-	-	10,388
Current tax liabilities	1,960	-	-	-	-	1,960
Deferred tax liabilities	-	-	-	-	-	-
Liabilities related to non-current assets held for sale and discontinued operations (Net)	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	17,615	-	-	-	-	17,615
Shareholders' equity	531,611	-	-	-	-	531,611
Total liabilities	1,725,503	-	6,192	-	-	1,719,311

1) Unconsolidated financial statements of Bank are stated.

2) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” are represented in “Subject to market risk framework” column.

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c.2) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Current Period	Total	Subject to credit risk	Subject to securitization	Subject to counterparty credit risk	Subject to market risk ¹
1	Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	2,248,480	2,193,334	-	54,653	493
2	Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	22,782	-	-	22,782	-
3	Total net amount under regulatory scope of consolidation	2,225,698	2,193,334	-	31,871	493
4	Off-balance sheet amounts	355,059	285,296	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences due to BRSA’s applications		-	-	-	-
9	Differences due to risk reduction		-	-	-	-
	Risk amounts		2,478,630	-	31,871	493

1) The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks”, are represented in “Subject to market risk framework” column are presented.

	Prior Period	Total	Subject to credit risk	Subject to securitization	Subject to counterparty credit risk	Subject to market risk ¹
1	Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	1,907,763	1,752,344	-	155,287	132
2	Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	6,192	-	-	6,192	-
3	Total net amount under regulatory scope of consolidation	1,901,571	1,752,344	-	149,095	132
4	Off-balance sheet amounts	356,406	282,592	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences due to BRSA’s applications		-	-	-	-
9	Differences due to risk reduction		-	-	-	-
	Risk amounts		2,034,936	-	149,095	132

1) The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks”, are represented in “Subject to market risk framework” column are presented.

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c.3) Explanations of differences between amounts in accordance with TAS and regulatory exposure amounts

i) Differences between amounts presented in financial statements in accordance with TAS and amounts accounted in accordance with regulatory consolidation

None.

ii) Differences between amounts in accordance with TAS and regulatory exposure amounts

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of “Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio”.

iii) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically. The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

d. Explanations on Credit Risk

Credit risk management includes the definition of credit risks, their measurement and management.

Risk limits are defined by Board of Directors in such a manner that covers all possible important risk components, in accordance with the Bank’s operations and the size and complexity of products and services. Care is taken to ensure that the risk limits are in line with market expectations and reflect the Bank’s risk appetite and Bank’s strategies. The credit policies are established in consistence with risk limits.

When determining Bank’s credit risk profile, diversification methods are applied in order to prevent concentrations. The choice of customers are done in accordance with policies and risk limits. Besides, the capability of the customer to pay via its cash flows generated from its own activities are taken into consideration.

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Risk rating models are utilised to discriminate borrowers in terms of their credibilities.

In the credit risk management process, Risk Management Unit conducts the activities of measurement of credit risk through models, monitoring and reporting. In addition to the risk limits regarding credit risk, several concentrations are analyzed in the credit portfolio.

The outputs of the risk rating models are an important part of credit allocation process as well as a tool to measure the probability of default of the customers and the portfolio.

The Bank utilises an effective risk management policy that truly classifies risks and customers in order to achieve its targets. Appropriate decision systems are in place for the correct evaluation of risks and the limit structure of the customers are determined.

To measure the credibility of the customers, analysis and intelligence studies are performed. The information from past, current and future financial and non-financial data are examined.

For a consistent evaluation, quantification and monitoring of risks; in order to make correct decisions during the processes of credit request by the customer, credit approval, collateralization, restructuring, monitoring and closing, all information and documents regarding the customer are collected in a shared database. Credit proposals are finalized by the evaluation of General Manager, Credit Committee or Board of Directors, depending on the limits. Credit risks are measured, monitored and reported by the Risk Management Unit.

d.1) CR1 – Credit quality of assets

	Current Period	Gross Carrying Amounts reported in Financial Statements in accordance with TAS		Allowances / amortization and impairment	Net Value
		Defaulted exposures	Non-defaulted exposures		
1	Loans and lease receivables	36,077	1,456,858	(42,190)	1,450,745
2	Debt securities	-	155,031	(2,221)	152,810
3	Off-balance sheet exposures	-	355,059	(9,539)	345,520
	Total	36,077	1,966,948	(53,950)	1,949,075

	Prior Period	Gross Carrying Amounts reported in Financial Statements in accordance with TAS		Allowances / amortization and impairment	Net Value
		Defaulted exposures	Non-defaulted exposures		
1	Loans and lease receivables	35,454	1,057,595	(47,989)	1,045,060
2	Debt securities	-	96,799	(666)	96,133
3	Off-balance sheet exposures	-	356,406	(7,387)	349,019
	Total	35,454	1,510,800	(56,042)	1,490,212

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d.2) CR2 – Changes in stock of defaulted loans and debt securities

	Current period	Prior Period
1 Beginning Balance	35,454	2,663
2 Additions	53	33,485
3 Receivables that are not re-default	-	-
4 Write-offs	-	-
5 Other changes ¹	570	(694)
Ending Balance(1+2-3-4±5)	36,077	35,454

¹⁾ Includes collection from the non-performing loans.

d.3) CRB – Additional explanations on credit quality of assets

Bank details calculate expected loss provisions within the scope of TFRS’9, as explained in the account policies and disclosures related to impairment of Financial assets and expected credit loss calculation. The Bank evaluates whether there is a significant increase in the credit risk of the Financial instrument within the scope of impairment since it was first included in the Financial statements. In making this assessment, it uses the change the expected default risk of the Financial instrument.

Loans that have overdue above 90-day in delay in the relevant month are included in the follow-up accounts and are subject to specific provisions.

Refinancing or restructuring; One or more loans extended by the Bank due to financial difficulties that the customer or group is expected to be present for future, is subject to a new loan that will cover the principal or interest payment completely or partially, or the conditions in existing loans are changed to ensure that the debt can be paid.

The breakdown of assets by geographic, sector and time to maturity is provided on Section Four, Note II.

Non-Performing loans and specific provision by geographic breakdown

	Current Period			Prior Period		
	NPL	Specific Provision	Write-offs	NPL	Specific Provision	Write-offs
Domestic	36,077	19,831	-	35,454	22,279	-
European countries	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-
OECD countries	-	-	-	-	-	-
Off-shore banking regions	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	36,077	19,831	-	35,454	22,279	-

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Non-Performing loans and specific provision by sectoral breakdown

	Current Period			Prior Period		
	NPL	Specific Provision	Write-offs	NPL	Specific Provision	Write-offs
Agriculture	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishery	-	-	-	-	-	-
Manufacturing	3,292	3,197	-	3,292	3,279	-
Mining and Quarrying	-	-	-	-	-	-
Production	3,292	3,197	-	3,292	3,279	-
Electricity, Gas and Water	-	-	-	-	-	-
Construction	13,855	13,855	-	13,832	13,461	-
Services	18,930	2,779	-	18,330	5,539	-
Wholesale and Retail Trade	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-
Transportation and Telecom	18,930	2,779	-	18,330	5,539	-
Financial Institutions	-	-	-	-	-	-
Real Estate and Rental Services	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	36,077	19,831	-	35,454	22,279	-

Aging analysis of performing loans with overdue and non-performing loans

	Current Period	Prior Period
Up to 3 Months	538	1,351
3-12 Months	-	30,011
1-3 Years	36,077	5,443
3-5 Years	-	-
Over 5 Year	-	-
Total	36,615	36,805

Information on loans that have been restructured or rescheduled

	Current Period	Prior Period
Standard Loans that have been restructured or rescheduled	-	-
Loans Under Close Monitoring that have been restructured or rescheduled	83,244	43,519
Non-performing loans that have been restructured or rescheduled	30,581	32,162
Total	113,825	75,681

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RISK MANAGEMENT (Continued)**

d.4) CR3 – Explanations on Credit risk mitigation techniques

In order to ensure timely and complete fulfilment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The Bank discounts the collaterals by using some fixed ratios and calculates the expected cash equivalent of the collaterals in case they are transformed into cash. The difference between the credit and the cash equivalent of the collateral is defined as the net risk. In calculation of the net risk, the coefficients in the facility rating model are taken into account.

	Current Period	Exposures unsecured: carrying amount (According to TAS)	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
1	Loans and lease receivables	1,342,576	108,169	61,085	13,351	9,194	-	-
2	Debt securities	152,810	-	-	-	-	-	-
3	Total	1,495,386	108,169	61,085	13,351	9,194	-	-
4	Defaulted items	36,077	-	-	-	-	-	-

	Prior Period	Exposures unsecured: carrying amount (According to TAS)	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
1	Loans and lease receivables	1,045,060	-	-	-	-	-	-
2	Debt securities	96,133	-	-	-	-	-	-
3	Total	1,141,193	-	-	-	-	-	-
4	Defaulted items	35,454	-	-	-	-	-	-

d.5) Qualitative explanations using the rating grades to calculate the banks' credit risk by standard approach

In determining the risk weights regarding risk classes defined in Article 6 of “Regulation on Measurement and Assessment of Capital Adequacy of Banks”, country risk classification published by OECD (Organisation for Economic Cooperation and Development) is taken into account. According to capital adequacy regulations, the risk classification and risk weights of receivables from banks and intermediary institutions and receivables from corporates are determined in accordance with the regulations.

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CR4: Standardised approach – Credit risk exposure and credit risk mitigation effects

	Current Period	Exposures before credit risk mitigation and credit conversion factors		Exposures after credit risk mitigation and credit conversion factors		Risk weighted assets (RWA) amounts and RWA density	
		On balance sheet amount	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA ¹	RWA Density
	Risk Classifications						
1	Receivables from Central Governments or Central Banks	214,848	-	214,848	-	49,694	23.13%
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	0.00%
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	0.00%
4	Receivables from Multilateral Development Banks	-	-	-	-	-	0.00%
5	Receivables from International Organizations	-	-	-	-	-	0.00%
6	Receivables from Banks and Brokerage Corporation	96,825	96,265	123,971	62,394	122,451	65.70%
7	Corporate receivables	1,328,359	235,536	1,337,309	200,056	1,351,717	87.92%
8	Retail receivables	4,343	825	22,403	413	3,511	15.39%
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00%
10	Collateralized by trading mortgages receivables	108,169	-	108,169	-	77,627	71.76%
11	Non-performing receivables	36,077	-	16,246	-	24,274	149.42%
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	0.00%
13	Securities collateralized by mortgages	-	-	-	-	-	0.00%
14	Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	121,510	4,472	123,077	4,472	118,644	93.02%
15	Investments in nature of Collective Investment funds	7,405	17,961	7,405	17,961	25,366	100.00%
16	Other receivables	268,139	-	268,139	-	254,379	94.87%
17	Equity security investments	7,659	-	7,659	-	7,659	100.00%
	Total	2,193,334	355,059	2,229,226	285,296	2,035,322	80.94%

	Prior Period	Exposures before credit risk mitigation and credit conversion factors		Exposures after credit risk mitigation and credit conversion factors		Risk weighted assets (RWA) amounts and RWA density	
		On balance sheet amount	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA ¹	RWA Density
	Risk Classifications						
1	Receivables from Central Governments or Central Banks	162,261	-	162,261	-	29,917	18.44%
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	0.00%
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	0.00%
4	Receivables from Multilateral Development Banks	-	-	-	-	-	0.00%
5	Receivables from International Organizations	-	-	-	-	-	0.00%
6	Receivables from Banks and Brokerage Corporation	271,625	123,665	271,625	80,196	174,017	49.46%
7	Corporate receivables	979,058	232,724	979,058	202,379	1,066,789	90.30%
8	Retail receivables	-	-	-	-	-	0.00%
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00%
10	Collateralized by trading mortgages receivables	32,514	-	32,514	-	16,257	50.00%
11	Non-performing receivables	1,351	-	1,351	-	1,351	100.00%
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	0.00%
13	Securities collateralized by mortgages	-	-	-	-	-	0.00%
14	Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	41,949	17	41,949	17	40,323	96.08%
15	Investments in nature of Collective Investment funds	-	-	-	-	-	0.00%
16	Other receivables	263,586	-	263,586	-	247,958	94.07%
17	Equity security investments	-	-	-	-	-	0.00%
	Total	1,752,344	356,406	1,752,344	282,592	1,576,612	77.48%

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CR5 – Standardised approach – exposures by risk classes and risk weights

	Current Period	0%	10%	20%	50%	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	Receivables from Central Governments or Central Banks	169,756	-	-	-	-	45,092	-	-	-	214,848
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-	-
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-	-
4	Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from Banks and Brokerage Corporation	-	-	16,699	42,659	-	127,007	-	-	-	186,365
7	Corporate receivables	-	-	155,615	104,512	-	1,268,283	-	-	8,955	1,537,365
8	Retail receivables	-	-	-	-	4,755	-	-	-	18,061	22,816
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-	-
10	Collateralized by trading mortgages receivables	-	-	-	61,085	-	47,084	-	-	-	108,169
11	Non-performing receivables	-	-	-	95	-	-	16,151	-	-	16,246
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables and corporate receivables from Banks and Brokerage Corp.	-	-	2,520	13,777	-	111,252	-	-	-	127,549
15	Investments in nature of Collective Investment funds	-	-	-	-	-	25,366	-	-	-	25,366
16	Equity security investments	-	-	-	-	-	7,659	-	-	-	7,659
17	Other receivables	13,760	-	-	-	-	254,379	-	-	-	268,139
	Total	183,516	-	174,834	222,128	4,755	1,886,122	16,151	-	27,016	2,514,522

	Prior Period	0%	10%	20%	50%	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	Receivables from Central Governments or Central Banks	132,344	-	-	-	-	29,917	-	-	-	162,261
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-	-
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-	-
4	Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from Banks and Brokerage Corporation	147,045	-	-	61,517	-	143,259	-	-	-	351,821
7	Corporate receivables	-	-	44,953	157,370	-	979,114	-	-	-	1,181,437
8	Retail receivables	-	-	-	-	-	-	-	-	-	-
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-	-
10	Collateralized by trading mortgages receivables	-	-	-	32,514	-	-	-	-	-	32,514
11	Non-performing receivables	-	-	-	-	-	1,351	-	-	-	1,351
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables and corporate receivables from Banks and Brokerage Corp.	-	-	130	3,203	-	38,508	125	-	-	41,966
15	Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-	-
16	Equity security investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	15,628	-	-	-	-	247,958	-	-	-	263,586
	Total	295,017	-	45,083	254,604	-	1,440,107	125	-	-	2,034,936

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e. Issues related to counterparty credit risk (CCR)

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies. The products are grouped as foreign exchange transactions (forward, futures, swap), interest swap transactions (interest swap, cross currency swap and futures and repo transactions).

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and / or the counterparty.

For counterparties except banks, the counterparty credit risk limits are determined based on credit allocation policies. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewed and necessary changes are made.

The related approvals identified for loan allocation process are applied for corporate and individual customers, excluding banks. In case of deterioration in market conditions and/or in the credit quality of the borrower company/group, the related company/group limits are reviewed and necessary actions are taken. For the loan allocation process approvals of Board of Directors or the relevant committee approvals authorized by the Board of Directors are applied. In case of significant changes in market conditions and/or structure or financials of the related company/group, the related company/group limits are reviewed and necessary actions are taken. Collateralization principles and procedures are applied for counterparties other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated / determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

e.1) CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach

	Current Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	493	974		1.40	1,567	735
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					54,160	4,791
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
	Total						5,526

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	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	142	117		1.40	384	130
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					155,155	8,110
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
	Total						8,240

e.2) CCR2 – Credit valuation adjustment (CVA) capital charge

	Current Period		Prior Period	
	Risk amount (after credit risk mitigation techniques)	Risk weighted amounts	Risk amount (after credit risk mitigation techniques)	Risk weighted amounts
	Total portfolios subject to the Advanced CVA capital charge	-	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)			-
2	(ii) Stressed VaR component (including the 3×multiplier)			-
3	All portfolios subject to the Standardised CVA capital charge	1,567	49	384
	Total subject to the CVA capital charge	1,567	49	384

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e.3) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights:

Current Period Risk Classifications	Risk Weights								Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from Central Governments or Central Banks	-	-	-	-	-	-	-	-	-
Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-
Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Receivables from International Organizations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Brokerage Corporation	-	-	4,134	-	-	23,011	-	-	27,145
Corporate receivables	-	-	-	-	-	-	-	8,955	8,955
Retail receivables	-	-	-	-	18,060	-	-	-	18,060
Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	1,567	-	-	-	-	1,567
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	4,134	1,567	18,060	23,011	-	8,955	55,727

Prior Period Risk Classifications	Risk WeightsRisk Ağırhkları								Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from Central Governments or Central Banks	-	-	-	-	-	-	-	-	-
Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-
Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Receivables from International Organizations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Brokerage Corporation	147,045	-	-	-	-	8,110	-	-	155,155
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	384	-	-	-	-	384
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	147,045	-	-	384	-	8,110	-	-	155,539

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e.4) CCR5 – Composition of collateral for CCR exposure

Current Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash- local currency	-	-	-	-	-	-
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill – local	-	-	-	-	23,011	4,133
Government bond/bill – other	-	-	-	-	-	-
Public institutions bond/bill	-	-	-	-	-	5,591
Corporate bond/bill	-	-	-	-	-	21,425
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	23,011	31,149

Prior Period	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash- local currency	-	-	-	-	-	-
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill – local	-	-	-	-	147,045	-
Government bond/bill – other	-	-	-	-	-	-
Public institutions bond/bill	-	-	-	-	-	10,848
Corporate bond/bill	-	-	-	-	-	-
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	147,045	10,848

e.5) CCR6 – Credit derivatives

The Bank does not have credit derivatives.

e.6) CCR8 – Exposures to central counterparties

	Current Period		Prior Period	
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		540		148
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	27,016	540	7,423	148
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	27,016	540	7,423	148
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-
Exposures to non-QCCPs (total)				
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

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f. Issues to be announced to public related to securitisation positions

The Bank does not have transactions related with securitizations, the related table has not been prepared.

g. Explanations on market risk

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary. Market risk is calculated by the "standard method". For legal reporting, standard method is utilised.

The following table indicates the details of the market risk calculation, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

		Current Period RWA	Prior Period RWA
	Outright products		
1	Interest rate risk (general and specific)	2,925	588
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	34,175	25,688
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
	Total	37,100	26,276

h. Explanations on operational risk

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué is used in the operational risk calculation of the Bank and calculated on a yearly basis.

Current Period	2 Prior Period Amount	Period Amount	Current Period Amount	Total/ Positive GI year number	Ratio (%)	Total
Gross Revenue	45,588	82,185	97,898	75,223.67	15	11,283.55
Amount Subject to Operational Risk (Total*12,5)						141,044

Current Period	2 Prior Period Amount	Period Amount	Current Period Amount	Total/ Positive GI year number	Ratio (%)	Total
Gross Revenue	36,494	45,588	82,185	54,755.6	15	8,213.3
Amount Subject to Operational Risk (Total*12,5)						102,666

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RISK MANAGEMENT (Continued)**

**IX. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT
THEIR FAIR VALUES**

Fair value calculations of financial assets and liabilities

The fair values of financial assets amortised at cost are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The fair value of marketable securities issued is calculated according to quoted market prices and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial Assets	1,948,081	1,503,666	1,947,198	1,509,656
Interbank money market placements	23,011	147,045	23,011	147,045
Banks	121,511	39,910	121,511	39,910
Cash and balances at Central Bank	155,100	126,731	155,100	126,731
Derivative Financial assets	493	132	493	132
Financial assets at fair value through profit or loss	7,405	-	7,405	-
Financial assets at fair value through other comprehensive income	30,850	16,824	30,850	16,824
Financial assets measured at amortised cost	116,776	79,975	123,407	84,475
Loans	1,492,935	1,093,049	1,485,421	1,094,539
Financial Liabilities	1,574,249	1,167,735	1,565,880	1,172,903
Banks' deposits	-	-	-	-
Other deposits	-	-	-	-
Funds borrowed from other fin. Institutions	803,224	666,655	798,463	666,402
Securities issued	647,016	475,964	643,397	481,385
Miscellaneous Payables	44,804	3,953	44,804	3,953
Payables to money market	53,263	6,192	53,274	6,192
Derivative financial liabilities	1,430	-	1,430	-
Borrowers' Funds	24,512	14,971	24,512	14,971

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Fair value hierarchy:

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows:

- a) Identical assets and quoted market prices (non-adjusted) (1st level);
- b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level);
- c) Data not based on observable market data regarding assets or liabilities (3rd level).

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below:

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,472	5,933	-	7,405
Derivative financial assets	-	493	-	493
Financial assets at fair value through other comprehensive income	23,191	7,659	-	30,850
Total Assets	24,663	14,085	-	38,748
Derivative financial liabilities	-	1,430	-	1,430
Total liabilities	-	1,430	-	1,430

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	-	-	-
Derivative financial assets	-	132	-	132
Financial assets at fair value through other comprehensive income	9,165	7,659	-	16,824
Total Assets	9,165	7,791	-	16,956
Derivative financial liabilities	-	-	-	-
Total liabilities	-	-	-	-

There are no transfers between the levels.

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**X. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF
OTHER PERSONS**

The Bank, has been authorized to provide trading brokerage activity, portfolio brokerage activity, best-effort copy public offering brokerage activity and limited custody services. The Bank does not deal with fiduciary transactions.

XI. EXPLANATIONS ON OPERATING SEGMENTS

Current Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	1,448,990	730,419	2,179,409
Total Liabilities	78,725	2,100,684	2,179,409
Net Interest Income/(Loss)	112,993	(37,101)	75,892
Net Fee and Commission Income/(Loss)	3,121	1,065	4,186
Trading Gain/(Loss)	146	5,330	5,476
Other Operating Segments Gain/(Loss)	6,531	2,534	9,065
Provisions for Loan Losses and Other Receivables(-)	(2,884)	(1,664)	(4,548)
Other Operating Expense (-)	-	(47,983)	(47,983)
Profit Before Tax	119,907	(77,819)	42,088
Tax Provision	(30,518)	19,806	(10,712)
Net Profit	89,389	(58,013)	31,376

Prior Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	1,044,394	681,109	1,725,503
Total Liabilities	35,393	1,690,110	1,725,503
Net Interest Income/(Loss)	109,266	(12,206)	97,060
Net Fee and Commission Income/(Loss)	4,224	(207)	4,017
Trading Gain/(Loss)	-	(3,284)	(3,284)
Other Operating Segments Gain/(Loss)	5,195	562	5,757
Provisions for Loan Losses and Other Receivables(-)	(38,720)	(270)	(38,990)
Other Operating Expense (-)	-	(31,591)	(31,591)
Profit Before Tax	79,965	(46,996)	32,969
Tax Provision	(17,652)	10,374	(7,278)
Net Profit	62,313	(36,622)	25,691

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SECTION FIVE

**EXPLANATIONS AND NOTES RELATED TO
UNCONSOLIDATED FINANCIAL STATEMENTS**

I. EXPLANATIONS AND NOTES Related to Assets

1. Information related to cash and the account of The Central Bank of the Republic of Turkey (the “CBRT”):

a. Information on cash and the account of the CBRT

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Cash/Foreign currency	10	4	10	4
CBRT	6,073	149,013	3,682	123,035
Other	-	-	-	-
Total	6,083	149,017	3,692	123,039

b. Information on the account of the CBRT

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Demand Unrestricted Amount ⁽¹⁾	6,073	15,182	3,682	28
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount ⁽²⁾	-	133,831	-	123,007
Total	6,073	149,013	3,682	123,035

⁽¹⁾ Local currency reserve requirements is presented demand unrestricted amount accordingly BRSA letter dated 3 January 2018.

⁽²⁾ The blocked reserve requirement at Central Bank.

According to CBRT’s “Required Reserves Announcement” numbered 2013/15, the Bank has to provide reserve requirement amounts in CBRT for Turkish currency and foreign currency denominated liabilities. The reserve requirements may be kept as Turkish Lira, USD, Euro and standard gold.

The reserve rates for TL liabilities vary between 1% and 6% according to their maturities as of 31 December 2020 (31 December 2019 - between 1% and 7%). The reserve rates for foreign currency liabilities vary between 7% and 21% according to their maturities as of 31 December 2020 (31 December 2019 - between 5% and 21%).

2. Information on financial assets at fair value through profit or loss

- a.** As of 31 December 2020, the Bank has no financial assets at fair value through profit or loss subject to repo transactions and given as collateral/blocked (31 December 2019 - None).

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b. Financial assets at fair value through profit or loss

	31 December 2020	31 December 2019
Debt Securities	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Share Certificates / Investment Funds	7,433	-
Quoted on Stock Exchange	-	-
Not Quoted	7,433	-
Impairment Provision (-)	(28)	-
Total	7,405	-

c. Positive differences related to derivative financial assets

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Forward transactions	16	-	-	132
Swap transactions	477	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	493	-	-	132

3. Information on banks

a. Information on banks

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Banks	2,522	118,989	757	39,153
Domestic	2,522	89,788	131	37,557
Foreign	-	29,201	626	1,596
Branches and offices abroad	-	-	-	-
Total	2,522	118,989	757	39,153

b. Information on foreign banks accounts

	Unrestricted Amount		Restricted Amount	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
European Union Countries	20,656	481	-	-
USA, Canada	6,412	824	-	-
OECD Countries ¹	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	2,133	917	-	-
Total	29,201	2,222	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

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

a. Information financial assets subject to repurchase agreements and given as collateral/blocked

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Collateral / Blocked	6,731	-	7,126	-
Repurchase transaction	4,133	-	-	-
Total	10,864	-	7,126	-

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

	31 December 2020	31 December 2019
Debt Securities	23,191	9,165
Quoted on Stock Exchange	23,191	9,165
Not Quoted	-	-
Share Certificates	7,659	7,659
Quoted on Stock Exchange	-	-
Not Quoted	7,659	7,659
Impairment Provision (-)	-	-
Total	30,850	16,824

5. Information on loans

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

	31 December 2020		31 December 2019	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	44,749	-	26,610
Legal Entities	-	44,749	-	26,610
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
Total⁽¹⁾	-	44,749	-	26,610

⁽¹⁾ The bank has no cash loan was provided with a counter-guarantee of Parent Bank (31 December 2019 - TL 595).

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b. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled

31 December 2020	Standard Loans	Loans Under Close Monitoring		
		Not under the scope of restructuring	Restructured Loans	
			Modifications on agreement conditions	Refinancing
Cash Loans ⁽¹⁾				
Non-specialized Loans	1,229,498	35,947	83,244	-
Loans given to enterprises	328,630	35,947	11,804	-
Export Loans	15,163	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	280,369	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	605,336	-	71,440	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	1,229,498	35,947	83,244	-

⁽¹⁾ TL 36,077 non-performing loans are not included.

31 December 2019	Standard Loans	Loans Under Close Monitoring		
		Not under the scope of restructuring	Restructured Loans	
			Modifications on agreement conditions	Refinancing
Cash Loans ⁽¹⁾				
Non-specialized Loans	929,163	52,399	43,519	-
Loans given to enterprises	235,447	18,383	10,845	-
Export Loans	29,932	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	175,647	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	488,137	34,016	32,674	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	929,163	52,399	43,519	-

⁽¹⁾ TL 35,454 non-performing loans are not included.

Expected Credit Loss	31 December 2020		31 December 2019	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	7,039	-	7,476	-
Significant Increase in Credit Risk	-	14,439	-	18,085
Total	7,039	14,439	7,476	18,085

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Number of modifications made to extend payment plan	31 December 2020		31 December 2019	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
Extended by 1 or 2 times	-	83,244	-	43,519
Extended by 3,4 or 5 times	-	-	-	-
Extended by more than 5 times	-	-	-	-
Total	-	83,244	-	43,519

Extended period of time	31 December 2020		31 December 2019	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
0 - 6 Months	-	-	-	-
6 - 12 Months	-	-	-	32,674
1 - 2 Years	-	29,753	-	-
2 - 5 Years	-	53,491	-	10,845
5 Years and over	-	-	-	-
Total	-	83,244	-	43,519

c. Breakdown of loans according to their maturities

31 December 2020	Standard Loans	Loans Under Close Monitoring	
		Not under the scope of restructuring	Restructured Loans
Short-Term Loans	430,558	17,893	-
Medium and Long-Term Loans	798,940	18,054	83,244
Total	1,229,498	35,947	83,244

31 December 2019	Standard Loans	Loans Under Close Monitoring	
		Not under the scope of restructuring	Restructured Loans
Short-Term Loans	384,388	1,110	-
Medium and Long-Term Loans	544,775	51,289	43,519
Total	929,163	52,399	43,519

d. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

None (31 December 2019 - None).

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e. Information on commercial instalment loans and corporate credit cards

31 December 2020	Short Term	Medium- Long Term	Total
Commercial installment loans-LC	-	7,243	7,243
Business residential loans	-	-	-
Automobile loans	-	7,243	7,243
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans- Indexed to FC	-	18,676	18,676
Business residential loans	-	-	-
Automobile loans	-	353	353
Consumer loans	-	18,323	18,323
Other	-	-	-
Commercial installment loans - FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-LC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Overdraft accounts-LC (Commercial customer)	-	-	-
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	-	25,919	25,919

31 December 2019	Short Term	Medium- Long Term	Total
Commercial installment loans-LC	-	5,718	5,718
Business residential loans	-	-	-
Automobile loans	-	4,300	4,300
Consumer loans	-	1,418	1,418
Other	-	-	-
Commercial installment loans- Indexed to FC	-	18,561	18,561
Business residential loans	-	-	-
Automobile loans	-	2,657	2,657
Consumer loans	-	15,904	15,904
Other	-	-	-
Commercial installment loans - FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-LC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Overdraft accounts-LC (Commercial customer)	-	-	-
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	-	24,279	24,279

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f. Loans according to types of borrowers

	31 December 2020	31 December 2019
Public	-	-
Private	1,384,766	1,060,535
Total	1,384,766	1,060,535

g. Distribution of domestic and foreign loans

	31 December 2020	31 December 2019
Domestic Loans	994,890	764,172
Foreign Loans	389,876	296,363
Total	1,384,766	1,060,535

h. Loans granted to investments in associates and subsidiaries

None (31 December 2019 - None).

i. Specific provisions accounted for loans

	31 December 2020	31 December 2019
Loans with limited collectability	-	-
Loans with doubtful collectability	-	16,836
Uncollectible loans	19,831	5,443
Total	19,831	22,279

j. Information on non-performing loans

i. Information on non-performing loans restructured or rescheduled and other receivables

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period			
Gross amounts before specific reserves	-	-	30,581
Loans under restructuring	-	-	30,581
Prior period			
Gross amounts before specific reserves	-	26,719	5,443
Loans under restructuring	-	26,719	5,443

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ii. Information on the movement of total non-performing loans

31 December 2020	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Prior period end balance	-	30,011	5,443
Additions (+)	-	3,924	53
Transfers from other categories of loans under follow-up (+)	-	-	30,601
Transfers to other categories of loans under follow-up (-)	-	(30,601)	-
Collections (-)	-	(3,334)	(20)
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	-	-	36,077
Provision (-)	-	-	(19,831)
Net Balance on balance sheet	-	-	16,246

31 December 2019	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Prior period end balance	2,663	-	-
Additions (+)	29,795	3,690	-
Transfers from other categories of loans under follow-up (+)	-	31,764	5,443
Transfers to other categories of loans under follow-up (-)	(31,764)	(5,443)	-
Collections (-)	(694)	-	-
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	-	30,011	5,443
Provision (-)	-	(16,836)	(5,443)
Net Balance on balance sheet	-	13,175	-

iii. Information on non-performing loans granted as foreign currency loans

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Current period			
Period end balance	-	-	12,175
Provision (-)	-	-	(1,787)
Net balance on balance sheet	-	-	10,388
Prior period			
Period end balance	-	11,316	-
Provision (-)	-	(3,419)	-
Net balance on balance sheet	-	7,897	-

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iv. Information on non-performing loans based on types of borrowers

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period (Net)	-	-	16,246
Loans granted to real persons and legal entities (Gross)	-	-	36,077
Provision (-)	-	-	(19,831)
Loans granted to real persons and legal entities (Net)	-	-	16,246
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-
Prior Period (Net)	-	13,175	-
Loans granted to real persons and legal entities (Gross)	-	30,011	5,443
Provision (-)	-	(16,836)	(5,443)
Loans granted to real persons and legal entities (Net)	-	13,175	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-

v. Information on interest accruals, discounts, valuation differences and their provisions calculated for non-performing loans in accordance with TFRS 9

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period (Net)	-	-	82
Interest accruals and discounts and valuation differences	-	-	1,519
Provision (-)	-	-	(1,437)
Prior Period (Net)	-	92	-
Interest accruals and discounts and valuation differences	-	1,498	-
Provision (-)	-	(1,406)	-

vi. Information on the collection policy of non-performing loans and other receivables and information on the write-off policy of the Bank

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals. Credits that have become losses in nature, are attached to the certificate of insolvency or insufficient collateral document, and written off from the Bank's assets. However, if the Bank's receivable is an insignificant amount compared to the costs and expenses to be incurred for the preparation of said documents, writing off of assets may be performed if the Board of Directors decides so.

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6. Information on financial assets measured at amortized cost

a. Information financial assets subject to repurchase agreements and given as collateral/blocked

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Collateral / Blocked	-	22,323	-	2,987
Repurchase transaction	-	27,016	-	8,110
Total	-	49,339	-	11,097

b. Information on government debt securities measured at amortized cost

	31 December 2020	31 December 2019
Government bonds	45,092	29,918
Treasury bills	-	-
Other public sector debt securities	-	-
Total	45,092	29,918

c. Information on financial assets measured at amortized cost

	31 December 2020	31 December 2019
Debt Securities	116,776	79,975
Quoted in a stock exchange	116,776	79,975
Not quoted	-	-
Impairment provisions (-) ⁽¹⁾	-	-
Total	116,776	79,975

⁽¹⁾ TL 1,755 (31 December 2019 – TL 666) expected credit losses included at line for expected credit losses on financial statements.

d. The movement of financial assets measured at amortized cost during the year

	31 December 2020	31 December 2019
Beginning balance	79,975	60,694
Foreign currency differences on monetary assets	22,356	9,428
Purchases during year ⁽¹⁾	49,501	21,835
Disposals through sales and redemptions	(35,056)	(11,982)
Impairment provisions (-)	-	-
Total	116,776	79,975

⁽¹⁾ Includes TL 223 (31 December 2019 – TL 714) of accrual differences between the periods

7. Information on investments in associates (Net)

a. Information on unconsolidated investments in associates

None (31 December 2019 - None).

b. Information on consolidated investments in associates

None (31 December 2019 - None).

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8. Information on subsidiaries (Net)

None (31 December 2019 - None).

9. Information on joint ventures

None (31 December 2019 - None).

10. Information on lease receivables (Net)

a. Information on lease receivables

	31 December 2020	31 December 2019
Financial lease receivables, Gross	137,125	35,142
Unearned income	(28,956)	(2,628)
Financial lease receivables, Net	108,169	32,514

b. Remaining maturities of financial lease investments

	31 December 2020		31 December 2019	
	Gross	Net	Gross	Net
Up to 1 Year	46,695	37,252	13,692	11,562
1 – 4 Years	72,626	54,069	21,450	20,952
Over 4 Years	17,804	16,848	-	-
Total	137,125	108,169	35,142	32,514

11. Information on hedging derivative financial assets

None (31 December 2019 - None).

12. Information on property and equipment

	Immovable / Land	Vehicles	Right of use assets	Other Tangible Fixed Assets	Total
Prior Period					
Cost	97,768	1,628	238	7,623	107,257
Accumulated Depreciation(-)	(14,921)	(213)	(97)	(1,788)	(17,019)
Net Book Value 31 December 2019	82,847	1,415	141	5,835	90,238
Current Period					
Net Book Value : 31 December 2019	82,847	1,415	141	5,835	90,238
Additions	-	-	107	753	860
Transfers	-	-	-	-	-
Disposals(-), cost	-	-	-	(16)	(16)
Disposals(+), accumulated depreciation	-	-	-	1	1
Depreciation (-)	(575)	(310)	(87)	(1,233)	(2,205)
Impairment	-	-	-	-	-
Net Book Value: 31 December 2020	82,272	1,105	161	5,340	88,878
Cost at Period End	97,768	1,628	345	8,360	108,101
Accumulated Depreciation at Period End (-)	(15,496)	(523)	(184)	(3,020)	(19,223)
Net Book Value: 31 December 2020	82,272	1,105	161	5,340	88,878

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	Immovable / Land	Vehicles	Other Tangible Fixed Assets	Total
Prior Period				
Cost	-	625	2,772	3,397
Accumulated Depreciation(-)	-	(21)	(1,001)	(1,022)
Net Book Value 31 December 2018	-	604	1,771	2,375
Current Period				
Net Book Value : 31 December 2018	-	604	1,771	2,375
Additions	11,289	1,003	5,089	17,381
Transfers ⁽¹⁾	72,190	-	-	72,190
Disposals(-), cost	-	-	-	-
Disposals(+), accumulated depreciation	-	-	-	-
Depreciation (-)	(632)	(192)	(884)	(1,708)
Impairment	-	-	-	-
Net Book Value: 31 December 2019	82,847	1,415	5,976	90,238
Cost at Period End	97,768	1,628	7,861	107,257
Accumulated Depreciation at Period End (-)	(14,921)	(213)	(1,885)	(17,019)
Net Book Value: 31 December 2019	82,847	1,415	5,976	90,238

⁽¹⁾ As of 31 December 2019, the Bank reclassified net TL 72,190 to its own used buildings and land from investment properties.

13. Information on intangible assets

	31 December 2020	31 December 2019
Net Book Value at the beginning of the Period	6,077	1,274
Additions	2,660	5,707
Disposals(-), net	-	-
Depreciation (-)	(1,888)	(904)
Closing Net Book Value	6,849	6,077

14. Information on investment property:

The Bank has purchased a real estate classified as investment property as of balance sheet date with the deed transfer process has completed as of 18 June 2018. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value in accordance with TAS 40 “Investment Property”.

	31 December 2020	31 December 2019
Beginning balance, Net	145,599	218,333
Additions (+)	-	580
Disposals (-), net	-	-
Impairment (-)	-	-
Depreciation (-)	(737)	(1,124)
Transfers ⁽¹⁾	-	(72,190)
Transfer of the cost to buildings and land	-	(86,479)
Transfer of the accumulated depreciation to buildings	-	136
Transfer of the impairment to buildings and land	-	14,153
Current period end balance, Net⁽²⁾	144,862	145,599

⁽¹⁾ As of 31 December 2019, the Bank reclassified net TL 72,190 to its own used buildings and land from investment properties.

⁽²⁾ As of December 2020, the fair value of investment property is TL 153 million.

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15. Information on tax asset

The Bank calculates deferred tax asset or liability on the differences between the applied accounting policies and valuation bases and tax legislation that comes from timing differences and reflects the amount on the financial statements.

As of 31 December 2020, the Bank calculated deferred tax asset amounting TL 13,476 and reflected this amount to the financial statements (31 December 2019 – 15,628 TL deferred tax asset).

In the situation that the difference between the book value and value subject to tax of the assets that are subject to deferred tax is related to equity accounts, deferred tax asset or liability is netted with the relevant accounts in this group.

	31 December 2020		31 December 2019	
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Provision for employee benefits	808	162	551	121
Expected credit losses	33,986	6,797	33,927	7,464
Other provisions	4,461	980	2,637	580
Tangible and intangible assets	26,403	5,281	31,321	6,891
Derivatives	1,430	286	-	-
Other	2,547	509	2,804	617
Deferred Tax Asset	69,635	14,015	71,240	15,673
Derivatives	(493)	(99)	(132)	(29)
Other	(852)	(170)	(73)	(16)
Deferred Tax Liability	(1,345)	(269)	(205)	(45)
Deferred Tax Asset/ (Liability), net	68,290	13,746	71,035	15,628

16. Information on assets held for resale and discontinued operations

None (31 December 2019 - None).

17. Information on other assets

As of 31 December 2020, other assets amount to TL 20,639 (31 December 2019- TL 12,121) and do not exceed 10% of total balance sheet except off balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. Information on deposits

The Bank has no deposits due to its nature as an investment bank.

2. Negative differences related to derivative financial liabilities

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Forward transactions	-	-	-	-
Swap transactions	118	1,312	-	-
Futures transactions	-	-	-	-
Options transactions	-	-	-	-
Other	-	-	-	-
Total	118	1,312	-	-

3. Information on borrowings

a. Information on banks and other financial institutions

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Borrowings from the CBRT	-	-	-	-
From domestic banks and institutions	40,304	50,155	8	113,269
From foreign banks, institutions and funds	52,225	660,540	69,190	484,188
Total	92,529	710,695	69,198	597,457

b. Information on maturity structure of borrowings

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Short-term	92,529	282,362	69,198	188,249
Medium and long-term	-	428,333	-	409,208
Total	92,529	710,695	69,198	597,457

c. Additional explanation related to the concentrations of the Bank’s major liabilities on the basis of concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed

The Bank funds its foreign currency assets mainly with medium and long term funds borrowed and debt securities issued. The Bank funds its local currency assets mainly with its capital, funds borrowed and debt securities issued. The Bank aims to have consistency on interest and maturities among assets and funding.

4. Money Market Funds

As of 31 December 2020, the Bank have money market borrowings amounting to TL 22,782 (31 December 2019 – 6,192 TL) through repo transaction and TL 30,481 (31 December 2019 – None) through Takasbank .

5. Securities Issued

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Nominal	-	644,983	7,900	466,819
Cost	-	644,983	7,748	466,819
Book Value	-	647,016	7,815	468,149

The Bank netted TL 912 (31 December 2019 – TL 17,766) nominal amount of debt securities that bought backed on its financial statements.

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6. Information on other liabilities

As of 31 December 2020, other liabilities amount to TL 65,700 (31 December 2019 - TL 17,615) and do not exceed 10% of total balance sheet.

7. Information on financial lease agreements

	31 December 2020		31 December 2019	
	Gross	Net	Gross	Net
Up to 1 Year	93	67	88	71
1 – 4 Years	129	111	97	68
Over 4 Years	-	-	8	8
Total	222	178	193	147

8. Information on hedging derivative financial liabilities

None (31 December 2019 - None).

9. Information on provisions

a. Information on provisions related with foreign currency difference of foreign indexed loans

None (31 December 2019 - None).

b. Information on specific provisions for non-cash loans that are non-funded and non-transformed into cash

As of 31 December 2020, the Bank has no specific provision (31 December 2019 – None) and TL 9,539 (31 December 2019 – TL 7,387) provision for expected credit loss to the financial statements.

Expected Credit Loss for Non-Cash Loans	31 December 2020	31 December 2019
12 Months Expected Credit Loss	1,744	1,591
Significant Increase in Credit Risk	7,795	5,796
Total	9,539	7,387

c. Information on other provisions

i. Information on provisions for possible risks

None (31 December 2019 - None).

ii. Other provisions are explained if they exceed 10% of the total provision balance

Other provisions amount of TL 7,250 (31 December 2019 - TL 2,450) is comprising of provisions for bonuses and ongoing lawsuits.

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iii. Obligations related to employee rights

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees.

The movement of employee termination benefits is shown below

	31 December 2020	31 December 2019
Balance at the Beginning of the Period	152	219
Provisions Recognised During the Period	74	(67)
Balance at the end of the period	226	152

In addition, as of 31 December 2020, the Bank have unused vacation provision of TL 582 (31 December 2019 - TL 399).

10. Information on taxes payable:

a. Information on current year tax liability

i. Information on tax provision

The Bank recognized TL 2,377 as current tax liability as of 31 December 2020 (31 December 2019 - TL 798).

ii. Information on taxes payable

	31 December 2020	31 December 2019
Corporate Tax Payable	2,377	798
Taxation on Marketable Securities	10	14
Property Tax	-	-
Banking Insurance Transaction Tax	682	484
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	78	72
Other	388	349
Total	3,535	1,717

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iii. Information on premium payables

	31 December 2020	31 December 2019
Social Security Premiums – Employee	122	104
Social Security Premiums – Employer	136	117
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	9	7
Unemployment Insurance – Employer	17	15
Other	-	-
Total	284	243

11. Information on deferred tax liability

Explanations on the taxation of the Bank are presented in Section Five in related explanations and notes.

12. Information on liabilities for assets held for sale and assets of discontinued operations

None (31 December 2019 - None).

13. Information on the quantity, maturity date, interest rate and supplier firm of the subordinated loans given to the bank and transactional option if there are any marketable securities

None (31 December 2019 - None).

14. Information on shareholders’ equity

a. Presentation of paid-in capital

	31 December 2020	31 December 2019
Common Stock	500,000	500,000
Preferred Stock	-	-

b. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling

The Bank does not apply the registered share capital system.

c. Information on share capital increases and their sources; other relevant information on increased share capital in current period

None.

d. Explanation on the transfers from capital reserve to paid-in capital in the current period

None.

e. Information on capital commitments, the general purpose and the estimated sources for these commitments until the end of the fiscal year and the subsequent periods

None (31 December 2019 - None).

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f. Information on the Bank’s income, profitability, prior period indicators on liquidity and uncertainty on these indicators and their potential effects on the Bank’s capital

The Bank considers there is no uncertainty regarding the prior period income, profitability and liquidity indicators, therefore the Bank does not foresee an effect on capital.

g. Summary information about privileged shares representing the capital

None (31 December 2019 - None).

h. Information on marketable securities value increase fund

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
From investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-
Revaluation difference	(96)	-	221	-
Foreign exchange difference	-	-	-	-
Total	(96)	-	221	-

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III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet commitments

a. The amount and type of irrevocable commitments

	31 December 2020	31 December 2019
Forward asset purchase and sale commitments	4,472	-
Forward deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	-	17
Other irrevocable commitments	17,961	-
Total	22,433	17

b. Type and amount of probable losses and obligations arising from off-balance sheet items

i. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits

As of 31 December 2020, the Bank has letter of guarantee amounted to TL 291,819 (31 December 2019 - TL 332,031), other guarantees amounted to TL 40,807 (31 December 2019 - TL 23,760) and the Bank has no letter of credit (31 December 2019 – TL 598)

ii. Revocable, irrevocable guarantees and other similar commitments and contingencies

As of 31 December 2020, the Bank has other guarantees amounted to TL 40,807 (31 December 2019 - TL 23,760).

c. Total amount of non-cash loans

	31 December 2020	31 December 2019
Non-cash Loans Given against Cash Loans	193,098	208,759
With Original Maturity of 1 Year or Less Than 1 Year	33,387	67,309
With Original Maturity of More Than 1 Year	159,711	141,450
Other Non-cash Loans	139,528	147,630
Total	332,626	356,389

d. Information on the non-cash loans classified in Group I and Group II:

31 December 2020	I. Group		II. Group	
	LC	FC	LC	FC
Non-Cash Loans	127,127	130,183	38,219	37,097
Letters of Guarantee	127,127	89,376	38,219	37,097
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	40,807	-	-

31 December 2019	I. Group		II. Group	
	LC	FC	LC	FC
Non-Cash Loans	184,951	125,225	16,513	29,700
Letters of Guarantee	184,951	100,867	16,513	29,700
Bank Acceptances	-	-	-	-
Letters of Credit	-	598	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	23,760	-	-

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e. Information on sectoral risk concentrations of non-cash loans:

	31 December 2020				31 December 2019			
	LC	(%)	FC	(%)	LC	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	3,566	2.16	7,419	4.44	1,857	0.92	-	-
Mining	-	-	-	-	-	-	-	-
Production	1,817	1.10	7,419	4.44	1,817	0.90	-	-
Electric, Gas and Water	1,749	1.06	-	-	40	0.02	-	-
Construction	-	-	-	-	-	-	-	-
Services	161,763	97.83	159,861	95.56	199,590	99.07	154,925	100.00
Wholesale and Retail Trade	26,866	16.25	37,097	22.18	26,470	13.14	37,737	24.36
Hotel, Food and Beverage Services	83	0.05	-	-	83	0.04	-	-
Transportation and Telecommunication	4,000	2.42	56,072	33.52	4,000	1.99	43,618	28.15
Financial Institutions	130,814	79.11	44,749	26.74	168,719	83.74	60,246	38.89
Real Estate and Leasing Services	-	-	21,943	13.12	318	0.16	13,324	8.60
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	17	0.01	-	-	17	0.01	-	-
Total	165,346	100.00	167,280	100.00	201,464	100.00	154,925	100.00

2. Information on derivative transactions

	31 December 2020	31 December 2019
Trading Derivative Financial Instruments		
Foreign Currency Transactions (I)	190,171	23,593
Forward Foreign Currency Buy/Sell Transactions	-	23,593
Foreign Currency Swap-Buy-Sell Transactions	190,171	-
Futures Transactions	-	-
Options-Buy-Sell Transactions	-	-
Interest Rate Transactions (II)	-	-
Forward interest rate Buy-Sell	-	-
Interest Rate Swap-Buy-Sell	-	-
Interest Rate Options-Buy-Sell	-	-
Interest Rate Futures Buy-Sell	-	-
Other Trading Derivative Financial Instruments (III)	-	-
A. Total Trading Derivative Transactions (I+II+III)	190,171	23,593
Hedging Derivative Financial Instruments		
Transactions for Fair Value Hedge	-	-
Transactions for Cash Flow Hedge	-	-
Transactions for Foreign Net Investment Hedge	-	-
B. Total Hedging Derivative Financial Instruments	-	-
Total Derivatives (A+B)	190,171	23,593

3. Information on credit derivatives and related imposed risks

None (31 December 2019 - None).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

4. Information on Contingent Assets and Liabilities

As of 31 December 2020, the Bank has booked the provision for its ongoing lawsuits amounting TL 50 to the financial statements (31 December 2019 - TL 50). The process regarding the law suits is still ongoing and decisions will be finalized after trial.

5. Information on services in the name of others’ names and accounts

The Bank, has been authorized to provide limited custody services. The investment securities held in custody is recorded on off-balance sheet.

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IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

1. Information on interest income

a. Information on interest income on loans ⁽¹⁾

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Short-term Loans	43,943	9,458	53,127	7,428
Medium/Long-term Loans	8,565	43,709	11,904	34,531
Interest on Loans Under Follow-up	1,145	785	1,984	198
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	53,653	53,952	67,015	42,157

⁽¹⁾ Commission income from cash loans are also included.

b. Information on interest income on banks

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
From the CBRT ⁽¹⁾	149	-	348	1,218
From Domestic Banks	218	567	1,943	1,031
From Foreign Banks	35	51	112	482
Branches and Offices Abroad	-	-	-	-
Total	402	618	2,403	2,731

⁽¹⁾ The interest income from required reserves are also included.

c. Information on interest income on marketable securities

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	2,318	-	1,766	-
Financial assets measured at amortized cost	-	8,709	-	6,405
Total	2,318	8,709	1,766	6,405

d. Information on interest income received from investments in associates and subsidiaries

None (31 December 2019 - None).

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(Continued)**

2. Information on interest expense

a. Information on interest expense⁽¹⁾

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Banks	6,028	18,681	8,489	12,764
The Central Bank of Turkey	-	-	-	-
Domestic Banks	158	166	116	71
Foreign Banks	5,870	18,515	8,373	12,693
Branches and offices abroad	-	-	-	-
Other Institutions	3,297	-	-	-
Total	9,325	18,681	8,489	12,764

⁽¹⁾ Commission expense for borrowings are also included.

b. Information on interest expense given to investments in associates and subsidiaries

None (31 December 2019 - None).

c. Interest expense on issued marketable securities

	31 December 2020		31 December 2019	
	LC	FC	LC	FC
Interest expense on securities issued	1,664	21,042	5,253	15,307

d. Maturity structure of the interest expense on deposits

The Bank has no deposits due to its nature as an investment bank.

3. Information on dividend income

None (31 December 2019 - None).

4. Information on trading income/loss (Net)

	31 December 2020	31 December 2019
Income	589,412	508,705
Profit on trading account securities	-	128
Profit on derivative financial transactions ⁽¹⁾	12,116	33
Foreign exchange gains	577,296	508,544
Loss (-)	(583,936)	(511,989)
Losses on trading account securities	-	-
Losses on derivative financial transactions ⁽¹⁾	(6,909)	(5,314)
Foreign exchange losses	(577,027)	(506,675)
Net Trading Income/Loss	5,476	(3,284)

⁽¹⁾ Due to the short maturity of derivative financial instruments held by the Bank, the major part of gains and loss from derivative financial transactions are resulted from changes in exchange rates.

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5. Information on other operating income

TL 6,531 of reversal of prior year specific and expected credit loss provisions included on other operating income and there is no income regarding extraordinary accounts (31 December 2019 - TL 5,200).

6. Provision expenses related to loans and other receivables

	31 December 2020	31 December 2019
Expected Credit Loss⁽¹⁾	4,520	38,990
12 Month Expected Credit Loss (Stage 1)	2,521	2,065
Significant increase in credit risk (Stage 2)	1,999	17,295
Non-Performing Loans (Stage 3)	-	19,630
Marketable Securities Impairment Provision	28	-
Financial Assets at Fair Value Through Profit or Loss	28	-
Financial Assets At Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	4,548	38,990

⁽¹⁾ Includes expected credit losses for the non-cash loans.

7. Information related to other operating expenses:

	31 December 2020	31 December 2019
Reserve for employee termination benefits ⁽¹⁾	257	53
Bank social aid fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	3,371	2,832
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	2,066	904
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed	-	-
Amortization expenses of investment securities that will be disposed	-	-
Impairment expenses for property and equipment held for sale purpose and terminated operations	-	-
Other operating expenses	8,550	6,949
Leasing expenses related to TFRS 16 exemptions	55	514
Maintenance expenses	1,130	670
Advertisement expenses	590	249
Other expenses	6,775	5,516
Loss on sales of assets	-	-
Other	9,731	4,843
Total	23,975	15,581

⁽¹⁾ Provision expenses for unused vacation provision and employee termination benefits are presented in personnel expenses at profit and loss statement.

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8. Information on income/(loss) before tax from continuing or discontinued operations

Profit before tax consists of net interest income/expense amounting to TL 75,892, net commission fee income amounting to TL 4,186, trading gain amounting to TL 5,476, other operating income amounting to TL 9,065, provision for loan losses and other receivables amounting to TL 4,548 and other operating expenses including personnel expenses amounting to TL 47,983.

9. Information on provision for taxes from continuing or discontinued operations

As of 31 December 2020 the Bank has current tax expense TL 8,744 (31 December 2019 - TL 10,808) and the Bank has deferred tax income amounting to TL 641 and deferred tax expense amounting to TL 2,609 (31 December 2019 - TL 4,158 deferred tax income and TL 3,530 deferred tax expense).

As of 31 December 2020, the Bank doesn't have any discontinued operations.

10. Information on net income/(loss) from continuing or discontinued operations

The Bank doesn't have discontinued operations. The Bank's net profit from continuing operations amounting to TL 31,376 (31 December 2019 - TL 25,691 profit).

11. Information on net income/(loss) for the period

a. If the disclosure of ordinary banking transactions and the composition of income and expense items is necessary to understand the annual performance of Bank, the composition and amount of these items

None (31 December 2019 - None).

b. If an accounting estimate change significantly affects the profit/loss in the current period or has a probability to significantly affect the profit/loss in the subsequent periods, the overall effect is disclosed

There is no significant change in accounting estimates which would affect the current or the subsequent periods.

12. Disclosure of 20% of sub-accounts in the case of other line items exceed 10% of the income statement total

Information related to other income and other expense are presented in footnote numbered 5 and footnote numbered 7 on disclosure and footnotes related to income statement, respectively.

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**V. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CHANGES IN THE
SHAREHOLDERS’ EQUITY**

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

“Unrealized gains and losses” arising from changes in the fair value of securities classified as financial assets at fair value through other comprehensive income are not recognized in current year income statements; they are recognized in the “Marketable securities value increase fund” account under equity, until the financial assets are sold, disposed or impaired.

As of 31 December 2020, The Bank has booked TL 96 loss (31 December 2019 – TL 221 gain) for marketable securities valuation difference related to financial assets at fair value through other comprehensive income.

2. Amounts transferred to legal reserves

According to decisions of General Assembly held on 30 March 2020, TL 25,734 prior year’s income has been transferred to legal reserves.

3. Information on distribution of profit

No dividend distribution has been announced after the balance sheet date.

4. Information on capital increase:

None.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

1. Information on cash and cash equivalents

Components of cash and cash equivalents and the accounting policy applied in their determination

The effect of any change in the accounting policy of current period and the balance sheet recorded amounts of the components that make up cash and cash equivalents (excluding rediscount balances, reserve requirements, placements with maturity longer than 3 months and blocked accounts) are considered as cash and cash equivalents.

a. Cash and cash equivalents at the beginning of the period

	31 December 2020	31 December 2019
Cash	155,100	126,731
Cash and Foreign Currency Cash	14	14
Turkish Central Bank	155,086	126,717
Other	-	-
Cash Equivalents	144,522	186,955
Banks	121,511	39,910
Interbank Money Market Placements	23,011	147,045
Total Cash and Cash Equivalents	299,622	313,686
Blocked amounts on cash and cash equivalents	(2,296)	-
Interest income rediscounts on cash and cash equivalents	(134)	(48)
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(133,831)	(123,007)
Cash Flow Statements Cash and Cash Equivalents	163,361	190,631

2. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents

The “Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to TL 17,268 (31 December 2019 - TL 12,790) mainly consists fees and commissions paid and other operating expenses excluding personnel expenses.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 953 (31 December 2019 - TL 626) consists of mainly changes in prepaid expenses and other assets.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 94,846 (31 December 2019 – TL 1,769) consists of mainly changes in miscellaneous payables, borrower funds, other liabilities and taxes and other duties payable.

The effect of change in foreign exchange rate on cash and cash equivalents is approximately increase of TL 36,806 (31 December 2019 – TL 9,755 increase).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
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VII. EXPLANATIONS AND NOTES RELATED TO THE BANK’S RISK GROUP

1. The volume of transactions relating to the Bank’s risk group, outstanding loan and deposit transactions and profit and loss of the period:

a. Current Period

Bank’s Risk Group	Investments in Associates, subsidiaries, and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Beginning of the Period	-	-	-	26,610	202,650	33,718
End of the Period	-	-	-	44,749	277,974	83
Interest and Commission Income Received	-	-	-	366	11,730	328

Prior Period

Bank’s Risk Group	Investments in Associates, subsidiaries, and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Beginning of the Period	-	-	-	22,983	-	69
End of the Period	-	-	-	26,610	202,650	33,718
Interest and Commission Income Received	-	-	-	237	2,904	4

b. Information on deposits of the Bank’s risk group:

The Bank doesn’t have any deposits since it is an investment bank.

c. Information on forward and option agreements and other similar agreements made with the Bank’s risk group

Bank’s Risk Group	Investments in Associates, subsidiaries, and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets where Fair Value Through Profit or Loss						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	2	22	(75)	(3)
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

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d. Information on key management compensation

As of 31 December 2020, total benefits paid key management amounts to TL 5,951 (31 December 2019 - TL 5,553).

e. Other

As of 31 December 2020, the Bank has TL 916 (31 December 2019 - TL 80) of borrowers' funds from its risk group and TL 1,004 placement to group banks (31 December 2019 - TL 794).

As of 31 December 2020, the Bank has borrowings and money market transaction from its risk group amounting to TL 532 (31 December 2019 - TL 68,526). Additionally, TL 596,145 of the securities issued abroad were purchased by the Bank's risk group (31 December 2019 - TL 430,655).

As of December 31, 2020, the Bank's other income from the risk group includes operating lease income amounting to TL 1,777 (31 December 2019 - TL 26).

**VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE
BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK**

None (31 December 2019 - None).

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BANK

a. Explanations on ratings of the Bank

FITCH	October 2020
National Long Term (tur)	A- Stable

b. Explanations on ratings of the Bank’s compliance score of Corporate Governance Principles

JCR Eurasia Rating has assigned PASHA Bank an overall compliance score of (9.20) with CMB Corporate Governance Principles by revising it upwards along with a (Stable) outlook on 8 June 2020.

II. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

As a result of the change in the partnership structure of PASHA Bank OJSC on January 13, 2021; PASHA Holding LLC owned 56.82%, Ador LLC 28.18%, Arif Pashayev 9.99% and Mir Jamal Pashayev 5.01%. In accordance with the aforementioned amendment, the distribution of shareholders having control shares in the Bank is as follows.

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
Leyla Aliyeva	182,065	36.413%	182,065	-
Arzu Aliyeva	182,065	36.413%	182,065	-
Arif Pashayev	83,931	16.786%	83,931	-
Mir Jamal Pashayev	51,734	10.347%	51,374	-

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

The unconsolidated financial statements for the year ended 31 December 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) and the independent auditor’s report dated 1 February 2021 has been presented preceding the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

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