

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.

Unconsolidated Financial Statements

As of and For the Year Ended

31 December 2020

With Independent Auditor's Report Thereon

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

INDEPENDENT AUDITOR’S REPORT

To the shareholders of Türkiye Kalkınma ve Yatırım Bankası A.Ş.

A) Audit of Unconsolidated Financial Statements

Opinion

We have audited the unconsolidated financial statements of Türkiye Kalkınma ve Yatırım Bankası A.Ş. (“the Bank”) which comprise the unconsolidated balance sheet as at 31 December 2020 and the unconsolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders’ equity, cash flows for the year then ended, and unconsolidated notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation which includes the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Impairment of loans measured at amortised cost

Refer to Section III, Note IX to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment of loans measured at amortised cost.

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2020, loans amount comprise 73% of Bank's total assets.</p> <p>The Bank recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 which became effective on 1 January 2018 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>As of 1 January 2019, due to the new adoption of the Standard, in determining the impairment of financial assets the Bank started to apply "expected credit loss model" instead of the "incurred loss model". The new model contains significant assumptions and estimates.</p> <p>The significant assumptions and estimates of the Bank's management are as follows:</p> <ul style="list-style-type: none"> • determination of significant increase in credit risk since initial recognition of loans in financial statements. • incorporating the forward looking macroeconomic information in calculation of credit risk • design and implementation of expected credit loss model. <p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the first recognition date and the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Bank estimates expected credit losses on a collective basis. collective provisions consider the estimated future expectations and the past and current data sets.</p> <p>Impairment on loans measured at amortised cost is determined as a key audit matter, due to the significance of the estimates, assumptions including the impact of COVID-19 pandemic, the level of judgements and its complex structure as explained above.</p>	<p>Our procedures for auditing the impairment of loans measured at amortised cost include below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard. • We evaluated the model and methodology and the evaluation of the calculations carried out with the control testing and detail analysis by the involvement of specialist. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. in this context, the current status of the loan customer has been evaluated by including the impact of COVID 19 on prospective information and macroeconomic variables. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models including the effects of COVID-19, that are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments, including the effects of COVID-19, which are used in determining the significant increase in credit risk. • We evaluated the adequacy of the disclosures in the unconsolidated financial statements related to impairment provisions .

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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Other Legal and Regulatory Requirements

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Erdal Tıkmak
Partner, SMMM

11 February 2021
Istanbul, Turkey

**THE UNCONSOLIDATED FINANCIAL REPORT OF
TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş. AS OF 31 DECEMBER 2020**

The Headquarters Address	Saray Mahallesi Dr.Adnan Büyükdeniz Cad. No:10 Ümraniye / İSTANBUL
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The unconsolidated financial report for the year ended prepared in accordance with the “Communiqué on Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, consists of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE CORRESPONDING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR’S REPORT

The accompanying unconsolidated financial statements and notes to these financial statements for the year ended which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures Regarding Banks’ Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently audited.

Raci KAYA
Chairman of the Board

İbrahim H. ÖZTOP
CEO and Board Member

Dr. Turgay GEÇER
Chairman of Audit
Committee

Erdal ERDEM
Chairman of Audit
Committee

Abdullah BAYAZIT
Member of Audit
Committee

Satı BALCI
Executive Vice President
Responsible for Financial Reporting

Aydın TOSUN
Head of
Financial Affairs

Information on the authorized personnel to whom questions related to this financial report may be directed:

Name Surname/Title	: Atila ALPTEKİN / Finance Manager
Tel No	: 0 216 636 88 87

SECTION ONE

General Information

I.	Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles	1
II.	Capital Structure of the Bank, Shareholders that Retain Direct or Indirect Control and Management of the Bank Solely or Together, Changes About These Issues During the Year and Disclosures About the Group	1
III.	Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents And Their Shares Attributable to the Bank, if any	2
IV.	Information About Persons and Institutions that Have Qualified Shares Attributable to the Bank	3
V.	Summary of Functions and Lines of Activities of the Bank	3
VI.	Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and Entities Subject to Full or Proportional Consolidation or Deducted From Equity or Not Subject to Any of These Three Methods	3
VII.	Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts between the Bank and Its Subsidiaries	3

SECTION TWO

Unconsolidated Financial Statements

I.	Balance Sheet	5-6
II.	Statement of Off-Balance Sheet Accounts	7
III.	Statement of Profit or Loss	8
IV.	Statement of Profit or Loss and Other Comprehensive Income	9
V.	Statement of Changes in Shareholders' Equity	10
VI.	Statement of Cash Flows	11
VII.	Statement of Profit Distribution	12

SECTION THREE

Accounting Policies

I.	Explanations on Basis of Presentation	13
II.	Basis of Valuation Used in the Preparation of Financial Statements	13
III.	Explanations on Utilization Strategy of Financial Instruments and Foreign Currency Transactions	14
IV.	Explanations on Subsidiaries and Affiliates	14
V.	Explanations on Futures, Options Contracts and Derivative Instruments	15
VI.	Explanations on Interest Income and Expenses	15
VII.	Explanations on Fees and Commission Income and Expenses	15
VIII.	Explanations on Financial Assets	15-18
IX.	Explanations on Impairment of Financial Assets	18-22
X.	Explanations on Offsetting of Financial Assets and Liabilities	22
XI.	Explanations on Sales and Repurchase Agreements and Lending of Securities	22
XII.	Explanations on Fixed Assets Held for Sale and Discontinued Operations and Related Liabilities	23
XIII.	Explanations on Goodwill and Other Intangible Assets	23
XIV.	Explanations on Tangible Fixed Assets	24
XV.	Explanations on Leasing Transactions	25
XVI.	Explanations on Provisions and Contingent Liabilities	26
XVII.	Explanations on Employee Benefit Liabilities	26
XVIII.	Explanations on Taxation	27-28
XIX.	Additional Explanations on Borrowings	29
XX.	Explanations on Shares Issued	29
XXI.	Explanations on Bill Guarantees and Acceptances	29
XXII.	Explanations on Government Incentives	29
XXIII.	Explanations on Segment Reporting	29-30

SECTION FOUR
Information on Financial Structure and Risk Management

I.	Explanations on Equity	31-46
II.	Explanations on Credit Risk	47-56
III.	Explanations on Currency Risk	57-59
IV.	Explanations on Interest Rate Risk	60-63
V.	Explanations on Equity Securities in Banking Book	64
VI.	Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	64-70
VII.	Explanations on Leverage Ratio	71
VIII.	Explanations on the Presentation of Financial Assets and Liabilities at Fair Values	72-74
IX.	Explanations on the Transactions Made on Behalf of Others and Items Held in Trust	74
X.	Explanations on Risk Management	74-101

SECTION FIVE
Explanations and Notes Related to the Unconsolidated Financial Statements

I.	Explanations and Notes Related to Assets	102-119
II.	Explanations and Notes Related to Liabilities	120-124
III.	Explanations and Notes Related to Off-Balance Sheet Accounts	125-127
IV.	Explanations and Notes Related to Statement of Profit or Loss	128-132
V.	Explanations and Notes Related to Statement of Changes in Shareholders' Equity	132
VI.	Explanations and Notes Related to Cash Flows Statement	133
VII.	Explanations Related to Risk Group of the Bank	134
VIII.	Explanations Related to Domestic, Foreign, Off-shore Branches and Representative Offices Abroad	134

SECTION SIX
Other Explanations

I.	Other Explanations on Operations of the Bank	135
II.	Explanations and Notes Related to Subsequent Events	135

SECTION SEVEN
Independent Auditors' Report

I.	Explanations on Independent Auditors' Report	136
II.	Explanations and Notes Prepared by Independent Auditor	136

SECTION ONE

GENERAL INFORMATION

I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including the Changes of These Articles:

The Bank was established on 27 November 1975 according to the Decree Based on Law numbered 13 as a related institution of the Ministry of Trade and Technology with the legal title of “Devlet Sanayi ve İşçi Yatırım Bankası A.Ş.”. Some adjustments were made on the status of the Bank with the Decree Based on Law numbered 165 dated 14 November 1983.

On 15 July 1988, its legal title was changed to Türkiye Kalkınma Bankası A.Ş. by being associated to the Prime Ministry in the context of the Decree Law numbered 329 and in parallel with the developments in its activities. The Bank had become a development and investment bank that provides financing support to companies in tourism sector as well as trade sector by taking over T.C. Turizm Bankası A.Ş. with all of its assets and liabilities with the decision of Supreme Planning Council dated 20 January 1989 and numbered 89/T-2. Also with the Decree Law numbered 401 dated 12 February 1990, some of the articles related to the Bank status were changed.

With the Law dated 14 October 1999 and numbered 4456, Decree Law numbered 13, 165, 329 and 401 were revoked and the establishment and operating principles of the Bank were rearranged.

Türkiye Kalkınma ve Yatırım Bankası A.Ş. Law dated 24 October 2018 and numbered 7147 was abolished and the Law dated 14 October 1999 and numbered 4456 was revoked. The Bank’s name was changed to Türkiye Kalkınma ve Yatırım Bankası A.Ş with the law numbered 7147.

II. Capital Structure of the Bank, Shareholders that Retain Direct or Indirect Control and Management of the Bank Solely or Together, Changes about These Issues During the Year And Disclosures about the Group:

The capital ceiling of the Bank which is subject to registered capital system is TL 2.500.000. The issued capital within the registered capital is TL 1.600.000 (The Bank’s capital consist of 160 Billion shares with par value of TL 0,01 each), and the shareholders and their shares in the issued capital are shown below:

Shareholders	Share Amount (Thousand TL)	Share (%)	Share Capital (Thousand TL)	Unpaid Capital (Thousand TL)
Republic of Turkey Ministry of Treasury and Finance	1.585.304	99,08	1.585.304	-
Other Shareholders (*)	14.696	0,92	14.696	-
Total	1.600.000	100,00	1.600.000	-

(*)Includes all shareholders and shares of theses shareholders are traded in Borsa İstanbul. Therefore, number of shareholders can’t be known

SECTION ONE (continued)

GENERAL INFORMATION (continued)

III. Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents And Their Shares Attributable to the Bank, if any:

Chairman and Members of the Board of Directors (*):

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Raci KAYA	Chairman of the Board	09.11.2020	Master's Degree	30
Murat ZAMAN	Deputy Chairman of the Board	05.11.2019	Master's Degree	18
İbrahim H. ÖZTOP	CEO and Board Member	13.12.2018	Master's Degree	25
Salim Can KARAŞIKLI	Board Member	13.12.2018	Bachelor's Degree	26
Dr. Turgay GEÇER	Board Member	27.05.2019	Doctorate	29
Erdal ERDEM	Board Member	10.07.2020	Bachelor's Degree	24
Abdullah BAYAZIT	Board Member	10.07.2020	Master's Degree	15

*Erdal ERDEM and Abdullah BAYAZIT were elected as Board Members at the Bank's Ordinary General Assembly Meeting held on 10 July 2020.

Deputy Chairman of the Board Dr. Hakan ERTÜRK's mission ended on 10 July 2020.

Member of the Board of Directors Kemal Çağatay İMİRGİ resigned from his duties in the Bank as of 30 June 2020.

Chairman of the Board of Directors Hayrettin DEMİRCAN resigned from his duties in the Bank as of 1 November 2020.

General Manager, Executive Vice Presidents:

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
İbrahim H. ÖZTOP	General Manager / All areas	16.08.2018	Master's Degree	24
Zekai IŞILDAR	EVP/ HR Management, Human Resources System and Strategy, Support Services	30.01.2009	Bachelor's Degree	32
Satı BALCI	EVP/ Subsidiaries, Corporate Relations and Sustainability, Financial Affairs, Loan Operations, Treasury and Capital Market Operations	07.11.2017	Bachelor's Degree	31
Ufuk Bala YÜCEL	EVP/ Loan Allocation, Loan Monitoring, Legal Affairs	01.02.2019	Master's Degree	32
Seçil KIZILKAYA YILDIZ	EVP/ Financial Analysis and Valuation, Engineering, Economic Research, Mergers and Acquisition Advisory, Capital Markets Advisory, Financial Advisory	08.03.2019	Bachelor's Degree	21
Özgür MARAŞ	EVP/ Corporate Banking and Project Finance, IT System and Infrastructure, IT Application Development	17.04.2019	Bachelor's Degree	28
Emine Özlem CİNEMRE	EVP/ Treasury, Financial Institutions, Development Finance Institutions, Development Cooperation and Wholesale Banking	20.05.2019	Bachelor's Degree	32

* Executive vice president Burak DEDELER resigned from his duties in the Bank as of 29 November 2020.

Chief Internal Inspector:

Name Surname	Duty	Assignment Date	Education Level	Experience in Banking Sector(Years)
Dr. Kaan Ramazan ÇAKALI	Chief Internal Inspector	27.05.2019	Doctorate	18

Executives mentioned above do not own any shares of the Bank in the part which is not publicly traded.

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

IV. Information About Persons And Institutions that Have Qualified Shares Attributable to the Bank:

Republic of Turkey Ministry of Treasury and Finance owns 99,08% of the shares of the Bank.

V. Summary of Functions and Lines of Activities of the Bank:

As an investment and development bank of Türkiye Kalkınma ve Yatırım Bankası A.Ş.'s operating areas are supporting investments and projects for sustainable growth, ensuring the efficient use of capital and fund resources, financing domestic, international and international joint investments, and profit partnership or lease-based loan transactions by using modern development and investment banking tools in line with our country's development goals, to ensure that all development and investment banking functions can be performed in a competitive, dynamic and effective manner.

VI. Information on Application Differences Between Consolidation Practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and the Turkish Accounting Standards, and Entities Subject to Full or Proportional Consolidation or Deducted From Equity or not Subject to Any of These Three Methods:

Since Kalkınma Yatırım Menkul Değerler A.Ş. which is the subsidiary of the Bank is in liquidation process, the Bank has lost control over its subsidiary in accordance with the related provisions of TAS and TFRS and net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been reclassified to financial assets measured at fair value through other comprehensive income.

The Bank has 100% participation in Kalkınma Yatırım Varlık Kiralama Anonim Şirketi established on 28.05.2020 with a nominal capital of TL 50.000 and 100% participation in Kalkınma Girişim Sermayesi Portföy Yönetimi Anonim Şirketi, which was established on 17.11.2020 with a nominal capital of TL 1.800.000. Since the newly established subsidiaries of the Bank did not start their activities as of 31 December 2020, the Bank did not prepare the consolidated financial statements and their footnotes after obtaining the conformity opinion of the Public Oversight, Accounting and Auditing Standards Authority.

VII. Current or Likely Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts Between the Bank and Its Subsidiaries:

As explained above, Kalkınma Yatırım Menkul Değerler A.Ş. is in liquidation process, and transfer of equity is expected to be made at the end of the liquidation process.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I.** Balance sheet (Statement of Financial Position)
- II.** Statement of off-balance sheet accounts
- III.** Statement of profit or loss
- IV.** Statement of profit or loss and other comprehensive income
- V.** Statement of changes in shareholders' equity
- VI.** Statement of cash flows
- VII.** Statement of profit distribution

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
Notes To The Unconsolidated Financial Statements As of 31 December 2020
(Thousands of Turkish Lira (TL) unless otherwise stated)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
ASSETS							
I. FINANCIAL ASSETS (NET)	(1)	3.518.947	2.622.919	6.141.866	2.114.710	1.128.037	3.242.747
1.1 Cash and Cash Equivalents		2.943.885	2.112.671	5.056.556	1.656.432	807.463	2.463.895
1.1.1 Cash and Balances with Central Bank		1.126	-	1.126	595	-	595
1.1.2 Banks		1.451.203	2.112.671	3.563.874	1.602.105	740.977	2.343.082
1.1.3 Money Markets		1.500.739	-	1.500.739	61.019	66.486	127.505
1.1.4 Expected Credit Loss (-)		(9.183)	-	(9.183)	(7.287)	-	(7.287)
1.2 Financial Assets Measured at Fair Value Through Profit or Loss		-	119.725	119.725	-	90.216	90.216
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	119.725	119.725	-	90.216	90.216
1.2.3 Other Financial Assets		-	-	-	-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income		575.019	390.523	965.542	458.278	230.358	688.636
1.3.1 Government Securities		549.917	345.964	895.881	440.129	217.310	657.439
1.3.2 Equity Securities		14.990	-	14.990	8.037	-	8.037
1.3.3 Other Financial Assets		10.112	44.559	54.671	10.112	13.048	23.160
1.4 Derivative Financial Assets		43	-	43	-	-	-
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss		43	-	43	-	-	-
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)	(2)	1.194.875	20.580.110	21.774.985	278.894	15.690.162	15.969.056
2.1 Loans		1.415.404	18.987.319	20.402.723	466.503	14.661.269	15.127.772
2.2 Lease Receivables		30	-	30	70	-	70
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost		124.551	1.592.791	1.717.342	37.320	1.028.893	1.066.213
2.4.1 Government Securities		124.551	1.592.791	1.717.342	37.320	1.028.893	1.066.213
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Loss (-)		(345.110)	-	(345.110)	(224.999)	-	(224.999)
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(3)	-	-	-	-	-	-
3.1 Held for Sale Purpose		-	-	-	-	-	-
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	(4)	20.543	-	20.543	15.960	-	15.960
4.1 Associations (Net)		18.693	-	18.693	15.960	-	15.960
4.1.1 Associates Accounted Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Financial Subsidiaries		18.693	-	18.693	15.960	-	15.960
4.2 Subsidiaries (Net)		1.850	-	1.850	-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		1.850	-	1.850	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(5)	46.139	-	46.139	94.797	-	94.797
VI. INTANGIBLE ASSETS (Net)	(6)	17.744	-	17.744	2.085	-	2.085
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		17.744	-	17.744	2.085	-	2.085
VII. INVESTMENT PROPERTY (Net)	(7)	-	-	-	850	-	850
VIII. CURRENT TAX ASSET	(8)	-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(9)	17.990	-	17.990	-	-	-
X. OTHER ASSETS	(10)	23.296	30.807	54.103	20.785	29.638	50.423
TOTAL ASSETS		4.839.534	23.233.836	28.073.370	2.528.081	16.847.837	19.375.918

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
Unconsolidated Balance Sheet (Statement of Financial Position) As of 31 December 2020

(Thousand of Turkish Lira (TL) unless otherwise stated)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
LIABILITIES							
I. DEPOSITS	(1)	-	-	-	-	-	-
II. FUNDS BORROWED	(2)	782.206	20.980.533	21.762.739	113	15.363.766	15.363.879
III. MONEY MARKET FUNDS	(3)	205.378	-	205.378	50.364	-	50.364
IV. SECURITIES ISSUED (Net)	(4)	-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS	(5)	121.079	124.137	245.216	17.728	427	18.155
5.1 Borrower Funds		102.413	61.625	164.038	-	-	-
5.2 Other		18.666	62.512	81.178	17.728	427	18.155
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(6)	-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(7)	47	-	47	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		47	-	47	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES	(8)	-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)	(9)	13.575	-	13.575	15.207	-	15.207
X. PROVISIONS	(10)	51.012	-	51.012	26.569	-	26.569
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		38.997	-	38.997	25.628	-	25.628
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		12.015	-	12.015	941	-	941
XI. CURRENT TAX LIABILITY	(11)	45.148	-	45.148	45.843	-	45.843
XII. DEFERRED TAX LIABILITY	(12)	-	-	-	11.682	-	11.682
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(13)	-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(14)	-	1.993.243	1.993.243	-	1.402.055	1.402.055
14.1 Borrowings	(13)	-	1.993.243	1.993.243	-	1.402.055	1.402.055
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES	(15)	47.752	121.061	168.813	22.796	62.955	85.751
XVI. SHAREHOLDERS' EQUITY	(16)	3.577.794	10.405	3.588.199	2.352.892	3.521	2.356.413
16.1 Paid-in capital		1.600.000	-	1.600.000	850.000	-	850.000
16.2 Capital Reserves		209.757	-	209.757	208.057	-	208.057
16.2.1 Share Premium		3.683	-	3.683	1.983	-	1.983
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		206.074	-	206.074	206.074	-	206.074
16.3 Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		(348)	-	(348)	152	-	152
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		4.509	10.405	14.914	32.683	3.521	36.204
16.5 Profit Reserves		1.262.036	-	1.262.036	682.612	-	682.612
16.5.1 Legal Reserves		69.512	-	69.512	47.157	-	47.157
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		1.183.750	-	1.183.750	631.753	-	631.753
16.5.4 Other Profit Reserves		8.774	-	8.774	3.702	-	3.702
16.6 Profit or (Loss)		501.840	-	501.840	579.388	-	579.388
16.6.1 Prior Periods' Profit or (Loss)		-	-	-	132.282	-	132.282
16.6.2 Current Period Profit or (Loss)		501.840	-	501.840	447.106	-	447.106
TOTAL LIABILITIES		4.843.991	23.229.379	28.073.370	2.543.194	16.832.724	19.375.918

The accompanying explanations and notes form an part of these financial statements.

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
Unconsolidated Statement of Off-Balance Sheet As of 31 December 2020
(Thousand of Turkish Lira (TL) unless otherwise stated)

II. STATEMENT OF OFF-BALANCE SHEET ACCOUNTS		Note	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
			TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(1)		4.822.190	4.407.441	9.229.631	230.013	1.731.316	1.961.329
I. GUARANTEES AND WARRANTIES			54.826	675.830	730.656	13	-	13
1.1. Letters of Guarantee			54.826	642.008	696.834	13	-	13
1.1.1. Guarantees Subject to State Tender Law			-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations			2	-	2	-	-	-
1.1.3. Other Letters of Guarantee			54.824	642.008	696.832	13	-	13
1.2. Bank Acceptances			-	-	-	-	-	-
1.2.1. Import Letter of Acceptance			-	-	-	-	-	-
1.2.2. Other Bank Acceptances			-	-	-	-	-	-
1.3. Letters of Credit			-	33.822	33.822	-	-	-
1.3.1. Documentary Letters of Credit			-	-	-	-	-	-
1.3.2. Other Letters of Credit			-	33.822	33.822	-	-	-
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. Purchase Guarantees on Marketable Security Issuance			-	-	-	-	-	-
1.7. Factoring Guarantees			-	-	-	-	-	-
1.8. Other Guarantees			-	-	-	-	-	-
1.9. Other Collaterals			-	-	-	-	-	-
II. COMMITMENTS	(3)		4.752.554	3.692.960	8.445.514	230.000	1.731.316	1.961.316
2.1. Irrevocable Commitments			-	24.399	24.399	-	19.824	19.824
2.1.1. Asset Purchase and Sale Commitments			-	-	-	-	-	-
2.1.2. Deposit Purchase and Sales Commitments			-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries			-	-	-	-	-	-
2.1.4. Loan Granting Commitments			-	-	-	-	-	-
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			-	-	-	-	-	-
2.1.9. Commitments for Credit Card Limits			-	-	-	-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions			-	-	-	-	-	-
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			-	24.399	24.399	-	19.824	19.824
2.2. Revocable Commitments			4.752.554	3.668.561	8.421.115	230.000	1.711.492	1.941.492
2.2.1. Revocable Loan Granting Commitments			4.752.554	3.668.561	8.421.115	230.000	1.711.492	1.941.492
2.2.2. Other Revocable Commitments			-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)		14.810	38.651	53.461	-	-	-
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 Transactions			14.810	38.651	53.461	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions			14.810	38.651	53.461	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy			7.424	19.324	26.748	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell			7.386	19.327	26.713	-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates			-	-	-	-	-	-
3.2.2.1. Foreign Currency Swap-Buy			-	-	-	-	-	-
3.2.2.2. Foreign Currency Swap-Sell			-	-	-	-	-	-
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)			5.013.406	43.781.832	48.795.238	2.857.003	36.461.769	39.318.772
IV. ITEMS HELD IN CUSTODY			195.460	-	195.460	46.920	-	46.920
4.1. Customer Fund and Portfolio Balances			-	-	-	-	-	-
4.2. Investment Securities Held in Custody			195.460	-	195.460	46.920	-	46.920
4.3. Checks Received for Collection			-	-	-	-	-	-
4.4. Commercial Notes Received for Collection			-	-	-	-	-	-
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			4.817.946	43.781.832	48.599.778	2.807.997	36.441.823	39.249.820
5.1. Marketable Securities			587.780	-	587.780	-	-	-
5.2. Guarantee Notes			13.406	4.316.246	4.329.652	17.255	3.606.492	3.623.747
5.3. Commodity			-	-	-	-	-	-
5.4. Warranty			-	-	-	-	-	-
5.5. Immovable			3.779.752	28.079.463	31.859.215	2.193.249	22.316.924	24.510.173
5.6. Other Pledged Items			166.364	8.767.569	8.933.933	298.450	8.591.729	8.890.179
5.7. Pledged Items-Depository			270.644	2.618.554	2.889.198	299.043	1.926.678	2.225.721
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES			-	-	-	2.086	19.946	22.032
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			9.835.596	48.189.273	58.024.869	3.087.016	38.193.085	41.280.101

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
Unconsolidated Statement of Profit or Loss As of 31 December 2020
(Thousand of Turkish Lira (TL) unless otherwise stated)

III. STATEMENT OF PROFIT OR LOSS	Note	Audited	
		Current Period 1 January-31 December 2020	Prior Period 1 January-31 December 2019
I. INTEREST INCOME	(1)	1.216.379	1.133.147
1.1 Interest on Loans		811.131	750.666
1.2 Interest on Reserve Requirements		-	-
1.3 Interest on Banks		135.705	234.597
1.4 Interest on Money Market Transactions		81.075	39.428
1.5 Interest on Marketable Securities Portfolio		188.423	108.120
1.5.1 Fair Value Through Profit or Loss		-	-
1.5.2 Fair Value Through Other Comprehensive Income		102.497	68.121
1.5.3 Measured at Amortised Cost		85.926	39.999
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		45	336
II. INTEREST EXPENSE (-)	(2)	(479.089)	(425.427)
2.1 Interest on Deposits		-	-
2.2 Interest on Funds Borrowed		(465.361)	(422.790)
2.3 Interest Expense on Money Market Transactions		(5.766)	(429)
2.4 Interest on Securities Issued		-	-
2.5 Measured at Amortised Expense		(3.061)	(2.194)
2.6 Other Interest Expenses		(4.901)	(14)
III. NET INTEREST INCOME (I - II)		737.290	707.720
IV. NET FEES AND COMMISSIONS INCOME		20.623	14.516
4.1 Fees and Commissions Received		31.144	15.747
4.1.1 Non-cash Loans		3.705	197
4.1.2 Other		27.439	15.550
4.2 Fees and Commissions Paid		(10.521)	(1.231)
4.2.1 Non-cash Loans		-	-
4.2.2 Other		(10.521)	(1.231)
V. DIVIDEND INCOME	(3)	5.556	4.840
VI. TRADING PROFIT / (LOSS) (Net)	(4)	10.063	34.617
6.1 Trading Gains / (Losses) on Securities		5.987	24.045
6.2 Gains / (Losses) on Derivative Financial Transactions		(63.527)	(3.143)
6.3 Foreign Exchange Gains / (Losses)		67.603	13.715
VII. OTHER OPERATING INCOME	(5)	176.300	23.139
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)		949.832	784.832
IX. EXPECTED CREDIT LOSS (-)	(6)	(165.985)	(52.873)
X. OTHER PROVISION EXPENSE (-)		(36.230)	(19.168)
XI. PERSONNEL EXPENSE (-)		(81.135)	(88.900)
XII. OTHER OPERATING EXPENSES (-)	(7)	(45.710)	(37.587)
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		620.772	586.304
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(8)	620.772	586.304
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(118.932)	(139.198)
18.1 Current Tax Provision		(143.198)	(144.270)
18.2 Deferred Tax Income Effect (+)		-	-
18.3 Deferred Tax Expense Effect (-)		24.266	5.072
XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	501.840	447.106
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from Non-current Assets Held for Sale		-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses for Non-current Assets Held for Sale		-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Expenses for Other Discontinued Operations		-	-
XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV. NET PROFIT/(LOSS) (XIX+XXIV)	(10)	501.840	447.106
Earning/(Loss) per share (in TL full)		0,006	0,005

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**Unconsolidated Statement of Profit or Loss and Other Comprehensive Income As of 31 December 2020**

(Thousand of Turkish Lira (TL) unless otherwise stated)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited Current Period 1 January-31 December 2020	Audited Prior Period 1 January-31 December 2019
I. CURRENT PERIOD PROFIT/LOSS		501.840	447.106
II. OTHER COMPREHENSIVE INCOME		(21.790)	38.820
2.1 Not Reclassified to Profit or Loss		(500)	(569)
2.1.1 Property and Equipment Revaluation Increase/Decrease		-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease		-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss		(625)	(694)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss		-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss		125	125
2.2 Reclassified to Profit or Loss		(21.290)	39.389
2.2.1 Foreign Currency Translation Differences		-	-
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income		(26.571)	48.055
2.2.3 Cash Flow Hedge Income/Loss		-	-
2.2.4 Foreign Net Investment Hedge Income/Loss		-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses		-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss		5.281	(8.666)
III. TOTAL COMPREHENSIVE INCOME (I+II)		480.050	485.926

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
Unconsolidated Statement of Changes in Shareholders' Equity As of 31 December 2020

(Thousand of Turkish Lira (TL) unless otherwise stated)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss						Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity
						Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
						1	2	3	4	5	6				
PRIOR PERIOD 31 December 2019															
I.	Balance at the beginning of the period	500.000	1.582	-	206.074	-	721	-	-	26.299	-	522.319	160.293	-	1.417.288
II.	Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	(29.484)	-	-	132.282	-	102.798
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	(29.484)	-	-	132.282	-	102.798
III.	New balance (I+II)	500.000	1.582	-	206.074	-	721	-	-	(3.185)	-	522.319	292.575	-	1.520.086
IV.	Total comprehensive income (loss)	-	-	-	-	-	(569)	-	-	39.389	-	-	-	447.106	485.926
V.	Capital increase in cash	350.000	-	-	-	-	-	-	-	-	-	-	-	-	350.000
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	-	401	-	-	-	-	-	-	-	-	-	-	-	401
XI.	Profit distribution	-	-	-	-	-	-	-	-	-	-	160.293	(160.293)	-	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	160.293	(160.293)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)		850.000	1.983	-	206.074	-	152	-	-	36.204	-	682.612	132.282	447.106	2.356.413
CURRENT PERIOD 31 December 2020															
I.	Balance at the beginning of the period	850.000	1.983	-	206.074	-	152	-	-	36.204	-	682.612	579.388	-	2.356.413
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)	850.000	1.983	-	206.074	-	152	-	-	36.204	-	682.612	579.388	-	2.356.413
IV.	Total comprehensive income (loss)	-	-	-	-	-	(500)	-	-	(21.290)	-	-	-	501.840	480.050
V.	Capital increase in cash	750.000	-	-	-	-	-	-	-	-	-	-	-	-	750.000
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	-	1.700	-	-	-	-	-	-	-	-	36	-	-	1.736
XI.	Profit distribution	-	-	-	-	-	-	-	-	-	-	579.388	(579.388)	-	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	579.388	(579.388)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)		1.600.000	3.683	-	206.074	-	(348)	-	-	14.914	-	1.262.036	-	501.840	3.588.199

1. Tangible and Intangible Assets Revaluation Reserve,

2. Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans,

3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss),

4. Exchange Differences on Translation,

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,

6. Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss).

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
Unconsolidated Statement of Cash Flows As of 31 December 2020
(Thousand of Turkish Lira (TL) unless otherwise stated)

VI. STATEMENT OF CASH FLOWS			
	Note	Audited Current Period 1 January-31 December 2020	Audited Prior Period 1 January-31 December 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities	(1)	416.626	527.719
1.1.1 Interest Received		1.107.399	1.062.463
1.1.2 Interest Paid		(405.200)	(382.827)
1.1.3 Dividend Received		5.556	4.840
1.1.4 Fees and Commissions Received		31.144	15.747
1.1.5 Other Income		132.900	2.877
1.1.6 Collections from Previously Written-off Loans and Other Receivables		36.348	7.847
1.1.7 Payments to Personnel and Service Suppliers		(101.430)	(121.505)
1.1.8 Taxes Paid		(148.316)	(138.008)
1.1.9 Other	(1)	(241.775)	76.285
1.2 Changes in Operating Assets and Liabilities	(1)	1.438.110	350.982
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(8.664)	(26.203)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	-
1.2.3 Net (increase) / decrease in loans		(838.995)	206.221
1.2.4 Net (increase) / decrease in other assets		7.009	(26.452)
1.2.5 Net increase / (decrease) in bank deposits		-	-
1.2.6 Net increase / (decrease) in other deposits		-	-
1.2.7 Net increase/ (decrease) in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net increase / (decrease) in funds borrowed		1.807.371	115.520
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	(1)	471.389	81.896
I. Net Cash Provided from Banking Operations	(1)	1.854.736	878.701
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net Cash Provided from Investing Activities		(229.210)	(1.367.125)
2.1 Cash paid for acquisition of investments, associates and subsidiaries		(1.850)	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries		-	-
2.3 Purchases of property and equipment		(5.202)	(8.891)
2.4 Disposals of property and equipment		171.521	377
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(444.812)	(605.718)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		235.725	232.135
2.7 Purchase of Financial Assets Measured at Amortised Cost		(190.044)	(1.014.457)
2.8 Sale of Financial Assets Measured at Amortised Cost		26.602	30.932
2.9 Other		(21.150)	(1.503)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities	(1)	743.246	1.324.689
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	978.570
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Equity Instruments		750.000	350.000
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(6.754)	(3.881)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(1)	217.938	10.747
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		2.586.710	847.012
VI. Cash and Cash Equivalents at the Beginning of the Period	(2)	2.470.569	1.623.557
VII. Cash and Cash Equivalents at the End of the Period	(3)	5.057.279	2.470.569

The accompanying explanations and notes form an integral part of these financial statements.

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
Statement of Profit Distribution As of 31 December 2020
(Thousand of Turkish Lira (TL) unless otherwise stated)

VII. STATEMENT OF PROFIT DISTRIBUTION		
	Audited	Audited
	Current Period	Prior Period
	1 January-31 December 2020 (*)	1 January-31 December 2019
I. DISTRIBUTION OF CURRENT YEAR INCOME (1)		
1.1 CURRENT YEAR INCOME	620.772	586.304
1.2 TAXES AND DUTIES PAYABLE(-)	(118.932)	(139.198)
1.2.1 Corporate Tax (Income tax)	(143.198)	(144.270)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	24.266	5.072
A. NET INCOME FOR THE YEAR (1.1-1.2)	501.840	447.106
1.3 PRIOR YEARS LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(22.355)
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	501.840	424.751
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 GENERAL RESERVES(**)	-	419.679
1.13 OTHER RESERVES	-	5.072
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 preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,006	0,005
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 (%)	-	-

(*) Since the dividend distribution proposal for 2020 to be submitted to the General Assembly for approval has not yet been prepared by the Board of Directors, only the distributable profit amount is specified in the 2020 dividend distribution table.

(**) The profit of 2019 was transferred to legal reserves and extraordinary reserves with the decision of the General Assembly.

SECTION THREE

ACCOUNTING POLICIES

I. Explanations on Basis of Presentation:

a. The preparation of financial statements and related notes according to Turkish Accounting Standards and Regulation on the Procedures And Principles Regarding Banks Accounting Practices and Maintaining Documents:

As prescribed in the Article 37 of the Banking Act No. 5411, the Bank prepares its financial statements and underlying documents in accordance with the “Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks” and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) except for matters regulated by BRSA legislation (together referred as “BRSA Accounting and Reporting Legislation”).

In accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in the Official Gazette No. 30673, dated 1 February 2019, accompanying financial statements are aligned with latest financial statement format.

b. Changes in accounting policies and disclosures:

TMS / TFRS changes, which entered into force as of 1 January 2021, do not have a significant effect on the accounting policies, financial status and performance of the Bank. TMS and TFRS changes, which were published but not put into effect as of the final date of the financial statements, will not have a significant effect on the accounting policies, financial status and performance of the Bank. In addition, the Indicator Interest Rate Reform - 2nd Stage, bringing changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021, was published in December 2020 and early implementation of the changes is allowed. With the amendments made, certain exceptions are provided for the basis used in determining contractual cash flows and the provisions of hedge accounting. It is anticipated that the changes will not have a significant impact on the Bank's financials. On the other hand, the process for the Indicative Interest Rate Reform is expected to be completed as of 31 December 2021, and the Bank's work continues within the scope of adaptation to the changes.

c. Other issues:

The new coronavirus disease (COVID-19), which emerged in the People's Republic of China in the end of December 2019 and spread to other countries, was declared a pandemic on 11 March 2020 by the World Health Organization. In order to keep the negative economic effects of the epidemic to a minimum, some measures are taken both in our country and around the world. The effects of these developments on the Bank's financial status and activities are closely monitored by the relevant units and the Bank's Top Management.

The effects and forecasts of the COVID-19 outbreak are included in the model in accordance with TFRS 9 Financial Instruments Standard and the expected credit loss provisions calculated are reflected in the financial statements dated 31 December 2020. The effect of COVID-19 on expected loan loss provisions is explained in footnote IX “Explanations on impairment of financial assets”.

II. Basis of valuation used in the preparation of financial statements:

Accounting policies for the preparation of financial statements and valuation principles used are applied in accordance with BRSA Accounting and Reporting Legislation.

Those accounting policies and valuation principles are explained below notes through II - XXIII.

Except for the financial assets and liabilities carried at fair value, the unconsolidated financial statements have been prepared in thousand of Turkish Lira (“TL”) under the historical cost.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

III. Explanations on Utilization Strategy of Financial Instruments and Foreign Currency Transactions:

The majority of the liabilities of the balance sheet of the Bank consists of funds obtained from domestic and international markets. The majority of funds obtained domestically consist of funds provided by Export Credit Bank of Turkey, international institutions such as World Bank, Islamic Development Bank and The German Development Bank via Republic of Turkey Ministry of Treasury and Finance and budget originated funds and the rest consists of funds provided through short-term money market transactions within the framework of balance sheet management. The Bank acts as an intermediary for those funds provided by the Republic of Turkey Ministry of Treasury and Finance to be utilized in various sectors. The funds obtained internationally consist of medium and long term loans borrowed from World Bank, and European Investment Bank and Council of European Development Bank, Islamic Development Bank, Japan International Corporation Bank, Black Sea Trade and Development Bank, Industrial and Commercial Bank of China, Asian Infrastructure Investment Bank and The German Development Bank.

During the utilization of the funds obtained, the Bank pays attention for utilization of loans in line with borrowing conditions while taking assets-liability mismatch into account, and tries to avoid maturity, exchange rate and liquidity risks. Exchange rate risk, interest rate risk and liquidity risk are measured and monitored on a regular basis, necessary measures are taken as a result of changes in the market data and balance sheet management is performed within the predetermined risk limits and legal limits.

A non-speculative exchange rate position risk management is applied to limit the Bank's exchange rate risk. For that reason, during the determination of the allocation of balance sheet and off-balance sheet assets according to currencies, foreign currency management policy is applied in the most effective way.

Commercial placements are directed to high-profit and low-risk assets by taking Bank-specific and domestic economic expectations, market conditions, expectations and inclinations of loan customers, risks like interest, liquidity, exchange rate etc. into account, and safety policy is kept in the foreground for placement activities. Basic macro goals concerning balance sheet sizes are determined during budgeting and the transactions are carried out according to work programs prepared in this context.

The exchange rates, interest and price movements are closely monitored; transaction and control limits that are developed from the Bank's previous experiences are based on when taking positions as well as legal limits. In this way, limit excesses are prevented.

During foreign currency transactions, procedures detailed below are applied.

- a. Foreign currency monetary assets and liabilities are translated to Turkish Lira (TL) with the buying exchange rates announced by the Bank at the end of period and foreign exchange differences are accounted as foreign exchange gain or loss.
- b. There is no exchange rate differences capitalized as of the balance sheet date.
- c. Basic principles of exchange rate risk management policy: Decisions to avoid exchange rate and parity risks are taken by the Asset- Liability Committee that meets regularly. The decisions are in line with the models prepared in the context of the basic boundaries of Foreign Currency Net General Position/Shareholders' Equity Ratio which is included in legal requirements, and those decisions are carried out carefully. To avoid parity risk, foreign exchange position is managed by taking singular and general positions.
- d. Foreign currency transactions are calculated using the exchange rates prevailing at the dates of transactions and the profit/losses are included in the income statement of the related period.

IV. Explanations on Subsidiaries and Affiliates:

Subsidiaries and affiliates are accounted at cost in the unconsolidated financial statements and if any, provisions for impairment losses are deducted in accordance with TAS 27.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

V. Explanations on Futures, Options Contracts and Derivative Instruments:

The Bank has no derivative instruments that can be separated from the host contract. Derivative financial instruments are recorded with the fair value at the date of agreement and valued at fair value in the following reporting periods. In addition, the receivables and payables arising from these transactions are accounted for at off-balance sheet accounts. Depending on valuation difference being positive or negative, measurement differences are presented on the related balance sheet accounts.

VI. Explanations on Interest Income and Expenses:

Interests are recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities).

If a financial asset possesses on uncollected interest accrual before its acquisition by the Bank, interest collected afterwards is separated into periods such as before its acquisition and after acquisition, and only the part of after acquisition is recognized as interest income on the profit or loss statement.

The Bank does not cancel the interest accruals and rediscounts of loans and other receivables that have become non-performing loans within the framework of the effectuated in 1 January 2018 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette dated 22 June 2016 and numbered 29750 and monitors said amounts in interest income. Within the scope of TFRS 9 methodology, the expected loss provision is calculated based on the interest accruals and rediscounts added amounts.

VII. Explanations on Fees and Commission Income and Expenses:

Fees and commissions received from cash loans, that are not attributable to interest rates applied, and fees for banking services are recorded as income on the date of collection. Fees and commissions paid for the funds borrowed, which are not attributable to interest rates of the funds borrowed, are recorded as expense on the date of the payment. All other commission and fee income and expenses, are recorded on an accrual basis. Earnings in return of agreements or as a result of services provided for real or legal third parties for purchase or sale of assets are recorded as income when collected.

VIII. Explanations on Financial Assets:

Financial assets mainly constitute the Bank’s commercial activities and operations. These instruments have the ability to expose, affect and diminish the liquidity, credit and interest rate risks in the financial statements.

The Bank adds its financial assets to the financial statements in accordance with the provisions of the “Importing and Excluding the Financial Statements” section of the TFRS 9 Standard and subtracts them from the financial statements.

Financial assets are included in the statement of financial status when they become a party to the terms of the contract related to the financial asset and measured at fair value for the first time (excluding trade receivables under TFRS 15 Customer Contracts Revenue).

Within the scope of the classification provisions of TFRS 9 Standard, financial assets are classified as measured on the basis of the following matters, at amortized cost in subsequent accounting, by reflecting the fair value changes to other comprehensive income or by reflecting the fair value changes to profit or loss.

- The business model used by the entity for the management of financial assets,
- Properties of contractual cash flows of a financial asset.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Financial Assets (Continued):

Business Model Test and Cash Flow Characteristics Test are performed to determine the classification of financial assets. Purchase and sale transactions of these financial assets are accounted according to their “delivery date”. The classification of financial assets is decided on the date of their acquisition, taking into account “Testing of Contractual Cash Flows Only Interest and Principal and Evaluation of Business Model”. When the business model used for the management of financial assets is changed, all financial assets affected by this change are reclassified.

Financial Assets Measured at Fair Value through Profit and Loss:

Financial assets whose fair value differences are reflected in profit / loss are mainly for a short-term securities acquired for the purpose of being sold or bought back in the near future.

Financial assets whose fair value difference is reflected in profit / loss are reflected to the balance sheet at their cost values and are subject to valuation at fair value following their recording. Fair values for securities traded on Borsa Istanbul (BIST) are found using the weighted average clearing prices formed on BIST at the balance sheet date.

Gains or losses resulting from the valuation of financial assets whose fair value difference is reflected in profit / loss are reflected in profit / loss accounts. The positive difference between the acquisition cost and discounted value during the holding of financial assets for trading purposes is the difference in “Interest Income”, if the fair value of the asset is above its discounted value, in the “Capital Market Transactions Profits” account, the fair value's; if it is below, the negative difference is recorded in the “Capital Market Transactions Losses” account.

Financial Assets Measured at Fair Value Through Other Comprehensive Income:

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

Financial assets measured at fair value through other comprehensive income are initially recognized at cost including the transaction costs. After initial recognition, the fair value difference of the financial assets at fair value through profit or loss is carried at fair value. Marketable securities that are traded on BIST are carried at weighted average exchange prices of ISE as of the balance sheet date. In the case a price does not occur in an active market, it is accepted that fair value cannot be reliably determined and amortised cost which is calculated by using the effective interest rate method is accepted as the fair value.

The difference between the cost and fair value is accounted for as interest income accrual or impairment loss. Interest income for financial assets measured at fair value through other comprehensive income with fixed or floating interest rate shows the difference between cost and amortised cost calculated by using the effective interest rate method and accounted for as interest income from marketable securities. Unrealized gains and losses arising from changes in fair value of the financial assets measured at fair value through other comprehensive income and which are denoting the difference between fair value and amortised cost of financial assets, are recognized in the “Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss” and amounts accounted for under equity are reflected to income statement when financial assets are sold.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Financial Assets (Continued):

Equity Instruments Measured at Fair Value Through Other Comprehensive Income:

During the first registration, the changes in the fair value of the investment in an equity instrument within the scope of TFRS 9, which are not held for commercial purposes or that are not contingent on the financial statements of the acquirer in a business combination where the TFRS 3 Business Combinations standard is applied, are reflected in the other comprehensive income statement. An irreversible preference can be made to take. The choice in question is made separately for each financial instrument.

The relevant fair value differences recognized in the other comprehensive income statement are not transferred to profit or loss in the following periods, but are transferred to previous periods' profit / loss. Dividends from such investments are included in the financial statements as profit or loss unless they are explicitly a part of the investment cost recovery. TFRS 9 impairment provisions are not valid for equity investments.

If the securities representing the share in the capital classified as financial assets whose fair value difference is reflected in other comprehensive income are traded in the organized markets and / or their fair value can be determined reliably, they are accounted at their fair values and they are not traded in the organized markets and their fair value is reliably evaluated. If it cannot be determined, the cost values are reflected to the financial statements after the provision regarding the depreciation is deducted.

Financial Investments Measured at Amortised Cost and Loans:

Financial Investments Measured at Amortised 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 amortised cost are subsequently measured at amortised cost by using effective interest rate method, and they are accounted for by setting forth provision for impairment loss or by posting interest income accrual. Interests received from financial assets measured at amortised cost are recognized as interest income.

Loans

Loans represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans are initially recognized with cost and carried at amortised cost calculated using the effective interest rate method at the subsequent periods. Transaction fees, transaction expenses and other expenses paid for the assets received as collateral for these are considered as a part of the transaction cost and are reflected to the customer.

Cash loans provided include investment and business loans and loans extended through banks and leasing companies (APEX method).

Foreign currency indexed loans are converted into Turkish Lira from the exchange rate on the opening date and followed in Turkish Currency accounts. Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

VIII. Explanations on Financial Assets (Continued):

The loan portfolio is regularly monitored by the Bank's management and if there are any suspicions about the inability to collect the loans granted, the loans accepted as troubled and are classified as the regulation published in the Official Gazette dated 22 June 2016 and numbered 29750 and the latest changes dated 18 October 2018 is numbered 30569 Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside and TFRS 9.

The Bank's Board of Directors determined the procedures and principles regarding the classification, monitoring, follow-up, loan ratios and collaterals of the loans according to the article number 53 of The Türkiye Kalkınma ve Yatırım Bankası A.Ş. Law dated 24 October 2018 and numbered 7147 and the first paragraph of the Article 53 of the Banking Act No: 5411 In this context, the Bank has decided to perform the classification and provisioning of loans in accordance with the TFRS 9 Standard and the Regulation on Provisions and Principles Regarding the Classification of Loans and Provisions to be Set Aside.

Cash and Cash Equivalents:

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturity of 3 months or less following the date of purchase, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The carrying amounts of these assets represent their fair values.

IX. Explanations on Impairment of Financial Assets:

As of 1 January 2019, the Bank 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." In this framework, the method of allocating credit provisions applied within the framework of the relevant legislation of BRSA has been replaced with the expected credit loss model.

Expected credit loss (ECL) model is used for instruments (such as bank deposits, loans and leasing receivables) recorded in other comprehensive income statement over amortized cost or fair value, and in addition, financial lease receivables that cannot be measured at fair value through profit / loss, applies to contract assets, credit commitments, and financial guarantee contracts.

The guiding principle of the ECL model is to reflect the general outlook of the increase or improvement in credit risk of financial instruments. The amount of ECLs defined as loss provision or provision depends on the degree of increase in credit risk since the loan was first issued.

Within the scope of TFRS 9 Financial Instruments, three basic factors regarding the measurement of expected credit loss are taken into consideration. These,

(a) the amount weighted according to the neutrality and probabilities determined by evaluating the possible outcome range,

(b) time value of money

(c) reasonable and supportable information on past events, current conditions and forecasts of future economic conditions that can be obtained without incurring excessive cost or effort as of at the reporting date.

Taking into consideration these three factors, the Bank's historical data is modeled and the expected loss amount is calculated for each loan. Since the calculated expected loss expresses the future value, the present value of this amount is calculated with the discount factor.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on Impairment of Financial Assets (Continued):

In order to reflect the changes in credit risk since the initial recognition of credit risk, the loss provision is updated at each reporting date in which the expected loss calculations are performed.

The Bank assesses whether there has been a significant increase in credit risk in the financial instrument for the first time since it was included in the financial statements. In making this assessment, the Bank uses the change in default risk during the expected life of the financial instrument. To make this assessment, the Bank compares default risk related to the financial instrument as of the reporting date and the default risk related to the financial instrument for the first time in the financial statements, and is reasonable, which can be obtained without incurring excessive costs or efforts, which is reasonable indication of significant increases in credit risk since its introduction for the first time. and supportable information.

In the TFRS 9 impairment, a 3-step approach is used in which the credit risk level increases at each stage:

Stage 1: It refers to all accounts that have not shown any deterioration in credit quality since the loan was issued. All accounts defined as having low credit risk will be classified as Stage 1 without periodically checking whether there is a significant increase in credit risk. A 12-month provision calculation is performed for all accounts classified in Stage 1.

Stage 2: Refers to all accounts showing significant deterioration in credit quality since the loan was issued. For all accounts classified in Stage 2, lifetime provision calculations are performed.

Stage 3: Refers to all impaired assets. For all accounts classified in Stage 3, lifetime provision calculations are performed.

TFRS 9 requires a 12-month compensation for all loans in stage 1, and a lifetime provision for all remaining loans.

Significant Increase in Credit Risk

If the customers classified as Stage 1 meet the following criteria, it has been decided by the Bank to be classified under Stage 2:

- The number of delay days of the customer is over 30
- Restructuring of the debtor with financial difficulties by granting concession
- Customer has Close Monitoring criteria
- There is a 35 percent or more decrease in the quantitative score to be calculated by considering the end-of-year financial statements for the customer every year, and the score in question drops below 40 (a significant increase criterion in credit risk).

Customers are periodically evaluated (at least once a year) and their ratings are updated in order to evaluate the criterion of significant increase in credit risk. The evaluation period is shortened for the borrowers who received a significant deterioration in credit risk during the year.

Classification criteria under Stage 2 work for all bank customers, in addition, in case of negative market intelligence, classification can be made under Stage 2. This process continues under TFRS 9. The classification rules determined within the scope of TFRS 9 work for all portfolios.

Treasury and Banks portfolios are among the low default portfolios, and it is decided by the Bank to classify the assets in this portfolio under Phase 1 until an opposite assessment is made.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on Impairment of Financial Assets (Continued):

Significant Increase in Credit Risk (Continued):

For the quantitative criteria related to the significant deterioration in credit risk specified in Article 4 of the provisions regulation regarding the classification of loans, a decrease of 35 percent or more in the customer rating calculated according to the credit rating model used in the bank and a decrease below 40 in the credit risk determined by the Bank as a criterion for significant deterioration. In addition to these criteria, the restructuring made to the customer with financial difficulties specified in the Article 7 of the Regulation on the Classification of Loans and the Provisions for These are used as classification criteria under the 2nd stage.

Definition of Default

TFRS 9 Standard “When defining the default for the purpose of determining the business default risk according to TFRS 9, it uses a default definition consistent with the definition used for the credit risk management purposes of the related financial instrument and, if appropriate, takes into account qualitative indicators (eg financial commitments). However, unless the entity has reasonable and supportable information that reveals that default will occur when there is a longer delay, there is an otherwise demonstrable pre-acceptance that the default will not occur after the financial instrument expires after 90 days. The definition of default used for these purposes is applied consistently to all financial instruments unless information that proves that another definition of default is more appropriate for a particular financial instrument is available. ” According to the article, the definition of default is used within the scope of modeling.

The definition of default used in the Bank is as follows:

- Customers with more than 90 days of delay (The number of customer delay days represents the highest number of delay days of the customer's existing loans on the relevant reporting date.)
- Compensation of the letter of guarantee received by the bank for collateral
- Customers considered to be at high risk by the bank

With the BRSA’s decision numbered 8948 dated 17 March 2020, numbered 8970 dated 27 March 2020 and numbered 9312 dated 8 December 2020, within the scope of the 4th and 5th articles of the Regulation on Provisions and Principles Regarding the Classification of Loans and Provisions to be Set Aside, the delay of 30 days foreseen for classification in the Stage 2 is 90 days; The 90 days delay period foreseen to be classified as non-performing loans is allowed to be applied as 180 days. As stated in the relevant decisions, the Bank allocated provisions according to its own risk model for the loans within the scope of this application, which will be valid until 30 June 2021.

12 Month Expected Loss

12-month loan loss corresponds to some of the expected loan loss that may arise from the possible default status of the loan within 12 months of the reporting date.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on Impairment of Financial Assets (Continued):

Lifetime Expected Loss

Lifetime losses arise from all possible default events that may occur during the expected life span of the financial instrument after the reporting date. Life expectancy is related to the maturity of the financial instrument.

One of the risk parameters to be used in calculating the provision amounts to be set as per TFRS 9 is the Probability of Default (PD) information. Probability of Default refers to the possibility of a live loan falling into default. PD calculation is carried out by considering past data, current conditions and prospective macroeconomic expectations.

Specifically, while calculating PD, qualitative, quantitative scores, sector, bank degree and macro effect are taken into account. For the company whose quantitative evaluation is made, an objective score is produced between 0 and 100. The sector in which the company operates is determined in accordance with the NACE code (Statistical Classification of European Community Economic Activities; a reference resource for the purpose of producing and disseminating statistics on economic activities in Europe).

After the qualitative and quantitative scores of the company are determined, the mentioned points are weighted according to the company scale and the company's score is calculated.

Banks, on the other hand, are ranked objectively by considering various criteria, namely capital, asset quality, liquidity, profitability, income-expenditure structure and capacity.

Finally, for the macro effect, a volatility index is calculated first, and then variables that act in parallel and play a role in the measurement of crisis probabilities before sudden financial shocks are identified. Afterwards, the index is created by weighting the determined variables according to the success rate.

The macro effect ultimately applied to the customer scores by the Bank is the macro note calculated on the company grade (non-macro score) calculated as a result of qualitative (partnership information, group of companies, etc.) and quantitative (liquidity, financial structure, profitability etc.) assessment of each customer. In line with the customer's score, corrections are applied. In this context, Turkey's economy made pioneering studies of vulnerability indicators for identifying crisis and some of the variables derived from various areas of the economy that have been identified by the Bank successfully predict in advance. This prediction has been accepted by the Bank as the threshold values are exceeded and the signal is produced starting at least 12 months before the crisis.

In order to obtain the macroeconomic score, which is calculated by considering the positive and negative scenarios as well as the base scenario value, values are calculated at a certain margin in accordance with the distribution of the series for positive and negative scenario values from the index values distributed between 0-100 and averaged over 12 months.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

IX. Explanations on Impairment of Financial Assets (Continued):

Due to the COVID-19 epidemic, which has influenced the whole world, it is seen that since mid-March 2020, many enterprises have suspended their activities for a certain period of time or have been restricted to certain sectors within the framework of measures taken to create remote working conditions. It is known that many businesses will be negatively affected by this situation, but the extent of this effect cannot be predicted. The Bank analyzed the effects of COVID-19 to the sectors in which the loans in the loan portfolio are used, and updated the sector parameters with the assumption that the foreseen risk was not systematic and reflected the epidemic effect to TFRS 9 parameters by considering the relationships between TFRS 9 parameters and sectoral risk level. Economic developments and negative expectations due to the COVID-19 outbreak were reflected in the expected loan loss calculation as of 31 December 2020, within the Bank's projections.

X. Explanations on Offsetting of Financial Assets and Liabilities:

Financial assets and liabilities are offset on balance sheet when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously.

XI. Explanations on Sales and Repurchase Agreements and Lending of Securities:

Securities sold in repurchase agreements (repo) are accounted for in the balance sheet accounts in line with Uniform Chart of Accounts. Accordingly, the government bonds and treasury bills sold to the clients in the context of repurchase agreements are classified as "Subject to Repurchase Agreements" and are valued at fair values in or discounted values using effective interest rate method according to the holding purposes in the Bank portfolio. Funds gained by repurchase agreements are shown separately in the liability accounts and interest expense accrual is calculated for these funds.

Securities that were purchased to resell commitment (reverse repurchase agreements) are shown as a line item under 'Money Market Placements' line. For the difference between the purchase of securities and resale prices of the reverse repo agreements for the period; income accrual is calculated using the effective interest rate method. There are no marketable securities lending transactions.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XII. Explanations on Fixed Assets Held for Sale and Discontinued Operations and Related Liabilities:

Assets that are classified as held for sale (or the disposal group) are measured at the lower of its carrying amount and fair value less costs to sell. In order to classify a tangible fixed asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer.

Also, the asset should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year. Such assets (or the disposal group) are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the assets. The Bank has no assets classified as held for sale.

A discontinued operation is a component that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement. The Bank has no discontinued operations.

XIII. Explanations on Goodwill and Other Intangible Assets:

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible fixed assets first are carried at cost which includes acquisition costs and other direct costs bearded necessary for the assets to become ready for use. Subsequent to recognition, intangible assets are presented in financial statements at cost less any accumulated amortization and accumulated impairment losses, if any.

Amortization is charged on a straight-line basis over their estimated useful lives which is 33,33%. Useful life of other intangible assets are determined by the consideration of items like expected usage period of the asset, technical, technological or other kind of obsolesce and maintenance costs incurred to obtain economic benefit from the assets.

Expenses related to existing computer software and computer software improvement that enhance original content and useful life, are capitalized over the software. Those capitalized expenses are amortised over the remaining useful life of the related assets using the “straight line method”.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIV. Explanations on Tangible Fixed Assets:

Tangible fixed assets are carried at cost which includes acquisition costs and other direct costs beared necessary for the assets to become ready for use, and if results of appraisal reports exceed the costs, they are not subject to any revaluation. Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and accumulated impairment losses, if any.

The Bank's tangible fixed assets purchased before 1 January 2005 are carried at restated cost in the balance sheet before 31 December 2004 and its tangible fixed assets that are purchased subsequently are valued at historical cost.

Gain or loss arising from the disposal or retirement of an item of tangible fixed assets is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

Ordinary maintenance and repair expenses of tangible fixed assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of tangible assets are capitalized. Investment expenditures include cost items that extend the useful life of the asset, increase the servicing capabilities of the asset, improve the quality of goods or services produced or reduces the costs. There is no pledge, mortgage and other restriction on the tangible fixed assets or given for the purchase commitments or any restrictions on the rights for the use of these.

Tangible fixed assets are amortised by using the straight-line method over their estimated useful lives. Estimated depreciation rates of tangible fixed assets are as follows.

	<u>Estimated Useful Life (Years)</u>	<u>Amortization Rate (%)</u>
Building	50	2
Safes (vaults)	50	2
Vehicles	5	20
Other Tangible Assets	3-15	6,66-33,33

There is no change in accounting estimations that has material effect in the current period or that is expected to have effect in the subsequent periods.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XV. Explanations on Leasing Transactions:

“TFRS 16 Leases” Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826 to be applied as of 1 January 2019.

Bank as a lessee

The “TFRS 16 Leases” Standard removes financial lease and operational lease distinction for lessees and introduces a single accounting model for all leasing transactions. According to the standard, the lessees reflect a “asset that gives the right to use” and a “lease obligation” to the financial statements at the date when the lease actually begins. The initial cost of the asset that gives the right to use is measured by deducting the lease incentives from the sum of the lease obligation and the initial direct costs incurred by the lessees. The cost method is used for the measurements after the beginning of the lease. In this method, the asset that gives the right to use is measured by deducting the accumulated depreciation and accumulated deprecation provisions from the cost value. The lease obligation is initially measured at the present value of the lease payments to be made during the lease period. In subsequent measurements, the book value of the liability is increased to reflect the interest on the lease obligation and decreased to reflect the lease payments made. TFRS 16 has made exemptions for leases of 12 months or less and leases related to low value assets.

The Bank, which is a lessee in financial leasing transactions, accounts for all lease transactions longer than 12 months as assets and liabilities in the statement of financial position. Depreciation expense related to the leased asset and interest expense in lease payments are reported in the income statement. The lease obligation was initially measured at the present value of the lease payments to be made during the lease period using the Bank’s TL alternative source cost.

The bank as the lessor

According to the “TFRS 16 Leases” Standard, financial lease and operational lease distinction continues for the lessor. If the lessor transfers the significant risks and benefits arising from ownership of the asset subject to the lease to the lessee, he will classify it as a financial lease. Other leases will be classified as operational leases. The receivables that arise from leasing the assets of the Bank, which are not included in financial lease transactions and which are not used in banking transactions, are followed up in the receivables from the leasing transaction and are accounted on an accrual basis.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVI. Explanations on Provisions and Contingent Liabilities:

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation.

Provisions other than the specific and general provisions set for loans and other receivables and contingent liabilities are accounted for in accordance with “Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

XVII. Explanations on Employee Benefit Liabilities:

Obligations for employee benefits are recognized in accordance with the TAS 19 “Turkish Accounting Standard about Benefits for Employee”.

There is no fund to which the Bank personnel are members. However, personnel are members of Personnel Assistance and Additional Social Security Foundation of Türkiye Kalkınma Bankası A.Ş. and the Bank has no obligations regarding this foundation, accordingly no provision is reserved in the accompanying financial statements.

Under the Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. In accordance with the working status of the Bank and the social security institution legislation, the retirement pension is related to the ones related to the Law No. 5434 and the severance payment is calculated to those related to the Law numbered 1475.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated a discount rate of 2,40% (31 December 2019: 3,72%). As the maximum liability is revised semiannually, the maximum amount of TL (full) 7.638,95 effective from 1 January 2021 has been taken into consideration in calculation of provision from employment termination benefits (31 December 2019 TL (full) 6.379,86).

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation:

Current Tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205 , will be applied as 22% for corporation earnings for three years (2018,2019 and 2020 fiscal years) from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. The corporate tax rate will start to be applied as 20% as of the fiscal year of 2021, due to the failure to extend the time or to take a new decision regarding the regulation. The Bank implements its current and deferred tax responsibilities in accordance with the regulations. The corporate tax rate is applied to the tax base to be found as a result of adding the non-deductible expenses to the commercial earnings of the companies, the exemption (such as the participation earnings exemption) and the deduction of the deductions in the tax laws. No further tax is paid if the profit is not distributed. Income through a permanent establishment or permanent representative in Turkey, which the non-resident corporations and dividends paid to companies resident in Turkey (dividends) not subject to withholding. Dividend payments made to individuals and institutions other than these are subject to 15% withholding tax. Addition of profit to capital is not considered as profit distribution and does not apply to withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 17th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year.

Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government. According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax. This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss. Taxes which does not accrue on time because the applying exemption for the transfer of the expemted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax. Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods. In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 30th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessment based on their findings.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XVIII. Explanations on Taxation (Continued):

Deferred Tax

In accordance with TAS 12 “Turkish Accounting Standards Relating to Income Tax”, the Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation. Deferred tax is recognized on temporary 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 are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences. However, 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. Such assets and liabilities are not recognized as deferred tax liability or asset 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 a deferred tax asset is reviewed at each balance sheet date. Carrying amount of a deferred tax asset can be reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Since deferred tax affects the periods in progress except for the period in which the assets are created or the liabilities are fulfilled, the deferred tax assets and liabilities at the end of the 2020 accounting period are calculated over the 20% corporate tax rate effective as of the 2021 accounting period.

Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is associated directly with equity. Deferred tax asset and deferred tax liability are presented as net in these financial statements.

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.

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.

The current tax payable is offset with prepaid tax, if they are associated with. Deferred tax assets and liabilities are also offset.

Deferred tax calculation is made within the scope of TFRS 9 for the first and second stage provisions.

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.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XIX. Additional Explanations on Borrowings:

The Bank accounts its debt instruments in the subsequent periods, by using the effective interest rate method. The Bank has no borrowings that require hedging techniques for accounting and valuation of debt instruments and liabilities representing the borrowings.

The Bank continues its financial support that it provided and still providing by acquiring sources from domestic and international markets. Dormitory resources provided through Central Bank of the Republic of Turkey, Turkey Export Credit Bank, World Bank through the Ministry of Treasury and Finance, are available from international organizations such as the Islamic Development Bank and the German Development Bank. In addition to these, the Bank acts as an intermediary for the use of various Budget-sourced funds domestically. The loan from this source has been disbursed and no new funds have been transferred from the Ministry of Treasury and Finance. The funds provided are recorded in the Bank's resource accounts on the transfer date. The maturity and interest rates of these funds are determined by the public authority through Investment Incentives Communiqués.

The present foreign funds of the Bank are medium and long term loans from World Bank, European Investment Bank, Council of European Development Bank, Islamic Development Bank, Karadeniz Development Bank and Japan International Corporation Bank, Industrial and Commercial Bank of China, Asian Infrastructure Investment Bank and The German Development Bank are recorded to related accounts on the date and with the cost the funds are available to the Bank.

The Bank generally prefers providing loans in parallel to the borrowing terms like maturity date, interest rate, interest type and currency type to avoid maturity, exchange rate and liquidity risks.

The Bank has not issued any convertible bonds and debt instruments.

XX. Explanations on Shares Issued:

Paid-in capital of the Bank has been increased from TL 850.000 to TL 1.600.000 by issuing nominal value of TL 750.000 in the current period.

XXI. Explanations on Bill Guarantees and Acceptances:

Commitments regarding bill guarantees and acceptances of the Bank are presented in the “Off Balance Sheet” commitments.

XXII. Explanations on Government Incentives:

There are no government incentives utilized by the Bank in the current and prior period.

XXIII. Explanations on Segment Reporting:

As part of its mission, the Bank operates mainly in the areas of corporate banking and investment banking. Corporate banking provides financial solutions and banking services to customers with medium and large joint stock company status. Services offered include investment loans, project finance, TL and foreign exchange business loans, letters of credit and letters of guarantee.

Within the scope of investment banking activities, the Bank's treasury bills, government bond trading, repo transactions, money swaps and forward foreign exchange transactions, capital markets consultancy, financial consultancy, merger and purchase consultancy are performed. Among the investment banking operating income, revenues from Treasury transactions activities are included.

As of 31 December 2020, explanations on segment reporting in line with “Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures” are shown below.

SECTION THREE (Continued)

ACCOUNTING POLICIES (Continued)

XXIII. Explanations on Segment Reporting (Continued):

Current Period (31.12.2020)	Investment Banking (Treasury)	Corporate Banking	Other	Total Operations of the Bank
Interest income	399.437	340.869	(3.016)	737.290
Net fees and commissions income/(expense)	(10.521)	30.781	363	20.623
Other operating income	10.416	237.867	7.163	255.446
Other operating expense	(63.527)	(168.537)	(160.523)	(392.587)
Profit before tax	335.805	440.980	(156.013)	620.772
Tax provision	-	-	(118.932)	(118.932)
Net profit for the period	335.805	440.980	(274.945)	501.840
Current Period (31.12.2020)				
Segment Assets	7.723.411	20.263.386	66.030	28.052.827
Associates and subsidiaries		20.543	-	20.543
Total Assets	7.723.411	20.283.929	66.030	28.073.370
Segment Liabilities	205.425	24.012.247	267.499	24.485.171
Shareholders' equity	-	-	3.588.199	3.588.199
Total Liabilities	205.425	24.012.247	3.855.698	28.073.370

Prior Period (31.12.2019)	Investment Banking (Treasury)	Corporate Banking	Other	Total Operations of the Bank
Interest income	381.716	327.862	(1.858)	707.720
Net fees and commissions income	(1.231)	15.603	144	14.516
Other operating income	21.848	38.533	2.215	62.596
Other operating expense	(6.878)	(45.826)	(145.824)	(198.528)
Profit before tax	395.455	336.172	(145.323)	586.304
Tax provision	-	-	(139.198)	(139.198)
Net profit for the period	395.455	336.172	(284.521)	447.106
Prior Period (31.12.2019)				
Segment Assets	4.208.740	15.072.392	78.826	19.359.958
Associates and subsidiaries	-	15.960	-	15.960
Total Assets	4.208.740	15.088.352	78.826	19.375.918
Segment Liabilities	50.364	15.382.036	1.587.105	17.019.505
Shareholders' equity	-	-	2.356.413	2.356.413
Total Liabilities	50.364	15.382.036	3.943.518	19.375.918

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations on Equity:

Equity amount and capital adequacy standard ratio are calculated within the framework of “Regulation Regarding Equities of Banks” and “Regulation Regarding Measurement and Evaluation of Banks’ Capital Adequacy”.

The Bank’s equity amount as at 31 December 2020 is TL 5.651.910, (31 December 2019: TL 3.844.584) and its capital adequacy ratio is 20,21% (31 December 2019: 22,29%). The capital adequacy ratio of the Bank is above the minimum ratio determined by the relevant legislation.

Information on Equity Items:

Current Period (31.12.2020)	Amount	Amount Related to Practice before 1/1/2014*
Common Equity Tier I Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	1.806.074	
Share Premium	3.683	
Reserves	1.262.036	
Other Comprehensive Income according to TAS	18.838	
Profit	501.840	
Net profit for the period	501.840	
Retained Earnings	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	3.592.471	
Deductions from Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	432	-
Leasehold Improvements on Operational Leases (-)	4.354	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	17.744	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	-
Mortgage Servicing Rights not deducted	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences	17.990	-
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions From Common Equity Tier I Capital	40.520	
Total Common Equity Tier I Capital	3.551.951	
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	1.371.165	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4) (Issued or Obtained after 1.1.2014)	-	
Additional Tier 1 Capital Before Deductions	1.371.165	
Deductions From Additional Tier 1 Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	-
Investments made by the bank to equity items issued by banks and financial institutions investing in the additional capital items of the bank and meeting the conditions specified in Article 7 of the Regulation	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	1.371.165	
Total Tier I Capital (Tier I Capital = Common Equity Tier I Capital + Additional Tier I Capital)	4.923.116	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	513.057	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	215.737	
Total Deductions from Tier II Capital	728.794	
Deductions from Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Non-Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital	-	-
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	728.794	
Total Equity (Total Tier I and Tier II Capital)	5.651.910	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be Defined by the BRSA	-	

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	18.838	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	5.651.910	-
Total Risk Weighted Assets	25.291.162	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	14,04	-
Tier I Capital Ratio (%)	19,47	-
Capital Adequacy Ratio (%)	22,35	-
BUFFERS		
Bank-specific total CET1 Capital Ratio	2,5	-
Capital Conservation Buffer Ratio (%)	2,5	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	-
Systemic significant bank buffer ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	-	-
Amounts Lower Than Excesses as per Deduction Rules	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation	-	-
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	215.737	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	215.737	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	22.477	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	-	-
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts to be taken into consideration under the previous provisions

In the equity table, under the amount of capital, in which, is the last receivable right receivable in case of bank liquidation, there is capital and other capital reserves (inflation difference correction). Investment in associates which is denominated in foreign currency on balance sheet, is presented under deductions from Tier I on equity table if there is not enough Tier I or Tier II capital. The amount included in the provision item under Tier II is general provisions.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Prior Period (31.12.2019)	Amount	Amount Related to Practice before 1/1/2014*
Common Equity Tier I Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	1.056.074	
Share Premium	1.983	
Reserves	682.612	
Other Comprehensive Income according to TAS	45.123	
Profit	579.388	
Net profit for the period	447.106	
Retained Earnings	132.282	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	2.365.180	
Deductions from Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	155	-
Leasehold Improvements on Operational Leases	4.097	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	2.085	-
Net Deferred Tax Asset/Liability	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions From Common Equity Tier I Capital	6.337	
Total Common Equity Tier I Capital	2.358.843	
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	997.290	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier 1 Capital Before Deductions	997.290	
Deductions From Additional Tier 1 Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	997.290	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	3.356.133	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	373.162	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	115.289	
Total Deductions from Tier II Capital	488.451	
Deductions from Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Non-Consolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	488.451	
Total Equity (Total Tier I and Tier II Capital)	3.844.584	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be Defined by the BRSA	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	45.123	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-
Capital		
Total Capital (Total of Tier I Capital and Tier II Capital)	3.844.584	-
Total Risk Weighted Assets	17.247.075	-
CAPITAL ADEQUACY RATIOS	-	-
CET1 Capital Ratio (%)	13,68	-
Tier I Capital Ratio (%)	19,46	-
Capital Adequacy Ratio (%)	22,29	-
BUFFERS	-	-
Bank-specific total CET1 Capital Ratio	2,5	-
Capital Conservation Buffer Ratio (%)	2,5	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	-
Systemic significant bank buffer ratio (%)	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued)

Information on Equity Items (Continued):

Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	-	-
Amounts Lower Than Excesses as per Deduction Rules	-	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	-	-
Limits for Provisions Used in Tier II Capital Calculation	-	-
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	115.289	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	115.289	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	(1.789)	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4	-	-
(effective between 1.1.2018-1.1.2022)	-	-
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

* Amounts to be taken into consideration under the previous provisions.

In the equity table, under the amount of capital, in which, is the last receivable right receivable in case of bank liquidation, there is capital and other capital reserves (inflation difference correction). Investment in associates which is denominated in foreign currency on balance sheet, is presented under deductions from Tier I on equity table if there is not enough Tier I or Tier II capital. The amount included in the provision item under Tier II is general provisions.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I – Explanations on Equity (Continued)

Explanations on the reconciliation of capital items to balance sheet:

Current Period (31.12.2020)	Balance sheet value	Amount of adjustment	Value at capital report
1. Paid-in-Capital	1.600.000	206.074	1.806.074
2. Capital Reserves	209.757	(206.074)	3.683
2.1. Share Premium	3.683	-	3.683
2.2. Share Cancellation Profits	-	-	-
2.3. Other Capital Reserves	206.074	(206.074)	-
3. Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss	(348)	-	(348)
4. Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss	14.914	3.924	18.838
5. Profit Reserves	1.262.036	-	1.262.036
6. Profit or Loss	501.840	-	501.840
6.1. Prior Periods' Profit or (Loss)	-	-	-
6.2. Current Period Profit or (Loss)	501.840	-	501.840
Deductions from Common Equity Tier I Capital (-)	-	(40.172)	(40.172)
Common Equity Tier I Capital	3.588.199	(36.248)	3.551.951
Subordinated Loans	-	1.371.165	1.371.165
Deductions from Tier I capital (-)	-	-	-
Tier I Capital	3.588.199	1.334.917	4.923.116
Subordinated Loans	-	513.057	513.057
General Provisions	-	215.737	215.737
Deductions from Tier II capital (-)	-	-	-
Tier II Capital	-	728.794	728.794
Deductions from Total Capital (-)	-	-	-
Total	3.588.199	2.063.711	5.651.910

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I – Explanations on Equity (Continued):

Explanations on the reconciliation of capital items to balance sheet (Continued):

Prior Period (31.12.2019)	Balance sheet value	Amount of adjustment	Value at capital report
1.Paid-in-Capital	850.000	206.074	1.056.074
2.Capital Reserves	208.057	(206.074)	1.983
2.1. Share Premium	1.983	-	1.983
2.2. Share Cancellation Profits	-	-	-
2.3. Other Capital Reserves	206.074	(206.074)	-
3.Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss	152	-	152
4. Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss	36.204	8.919	45.123
5.Profit Reserves	682.612	-	682.612
6.Profit or Loss	579.388	-	579.388
6.1. Prior Periods' Profit or (Loss)	132.282	-	132.282
6.2. Current Period Profit or (Loss)	447.106	-	447.106
Deductions from Common Equity Tier I Capital (-)	-	(6.489)	(6.489)
Common Equity Tier I Capital	2.356.413	2.430	2.358.843
Subordinated Loans	-	997.290	997.290
Deductions from Tier I capital (-)	-	-	-
Tier I Capital	2.356.413	999.720	3.356.133
Subordinated Loans	-	373.162	373.162
General Provisions	-	115.289	115.289
Deductions from Tier II capital (-)	-	-	-
Tier II Capital	-	488.451	488.451
Deductions from Total Capital (-)	-	-	-
Total	2.356.413	1.488.171	3.844.584

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued):

Information on borrowing instruments to be included in the equity calculation:

Current Period (31.12.2020)	
Issuer-Loan supplier	Bank / Republic of Turkey Ministry of Treasury and Finance
Mediator's code (CUSIP, ISIN etc.)	-
Instruments Legislation subject to	BRSA
Consideration in equity calculation	
1/1/2015 from 10% reduction by being subject to the application	No
Validity status on consolidated or base or both consolidated and base	Unconsolidated
Type of the instrument	Loan
Amount considered in the equity calculation (As of the reporting date - Million TL)	513
Instrument's nominal value (Million TL)	513
Accounting classification of the instrument	Liabilities Subordinated Loan
Issue date of the instrument	31.12.2018
Instrument's maturity structure (Demand / Maturity)	Demand
Starting maturity of the instrument	-
Whether the issuer has the right to reimbursement due to BRSA approval	Yes
Reimbursement option date, contingent repayment options and refund amount	-
Subsequent reimbursement option dates	-
Interest / dividend payments	
Fixed or variable interest / dividend payments	-
Interest rate and interest rate index value	-
Whether there are any restrictions that stop the payment of dividends	-
Fully optional, partially optional or mandatory	-
Whether there is an element that will encourage repayment, such as interest rate increases	-
Noncumulative or cumulative	-
Convertible to stock	
Triggering event / events that can cause conversion if they can be converted to a stock	-
Full or partial conversion if convertible	-
If convertible, conversion rate	-
If forced to convert to stock, forced or optional conversion feature	-
Convertible instruments types if converted to stock	-
Issuer of a debt instrument to be converted	-
Value reduction feature	
Trigger event / events that will cause a reduction if it has a value reduction feature	-
Total or partial value reduction if value reduction is available	-
Continuous or transient feature	-
Value increment mechanism if the value can be temporarily reduced	-
In the case of the right to take in case of liquidation in the order of the instrument (immediately above this instrument)	After the borrowing, before the additional capital, same as Tier II Capital
Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.
Which of the provisions of Articles 7 and 8 of the Regulation on Equity of Banks is not	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued):

Information on borrowing instruments to be included in the equity calculation (Continued):

(Prior Period 31.12.2019)	
Issuer-Loan supplier	Bank / Republic of Turkey Ministry of Treasury and Finance
Mediator's code (CUSIP, ISIN etc.)	-
Instruments Legislation subject to	BRSA
Consideration in equity calculation	
1/1/2015 from 10% reduction by being subject to the application	No
Validity status on consolidated or base or both consolidated and base	Unconsolidated
Type of the instrument	Loan
Amount considered in the equity calculation (As of the reporting date - Million TL)	373
Instrument's nominal value (Million TL)	373
Accounting classification of the instrument	Liabilities Subordinated Loan
Issue date of the instrument	31.12.2018
Intrument's maturity structure (Demand / Maturity)	Demand
Starting maturity of the instrument	-
Whether the issuer has the right to reimbursement due to BRSA approval	Yes
Reimbursement option date, contingent repayment options and refund amount	-
Subsequent reimbursement option dates	-
Interest / dividend payments	
Fixed or variable interest / dividend payments	-
Interest rate and interest rate index value	-
Whether there are any restrictions that stop the payment of dividends	-
Fully optional, partially optional or mandatory	-
Whether there is an element that will encourage repayment, such as interest rate increases	-
Noncumulative or cumulative	-
Convertible feature to stock	
Triggering event / events that can cause conversion if they can be converted to a stock	-
Full or partial conversion if convertible	-
If convertible, conversion rate	-
If forced to convert to stock, forced or optional conversion feature	-
Convertible instruments types if converted to stock	-
Issuer of a debt instrument to be converted	-
Value reduction feature	
Trigger event / events that will cause a reduction if it has a value reduction feature	-
Total or partial value reduction if value reduction is available	-
Continuous or transient feature if it has a value reduction feature	-
Value increment mechanism if the value can be temporarily reduced	-
In the case of the right to take in case of liquidation in the order of the instrument (immediately above this instrument)	After the borrowing, before the additional capital, same as Tier II Capital
Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.
Which of the provisions of Articles 7 and 8 of the Regulation on Equity of Banks is not	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued):

Information on borrowing instruments to be included in the equity calculation (Continued):

(Current Period 31.12.2020)	
Issuer-Loan supplier	Bank / Turkey Wealth Fund
Mediator's code (CUSIP, ISIN etc.)	-
Instruments Legislation subject to	BRSA
Consideration in equity calculation	
1/1/2015 from 10% reduction by being subject to the application	No
Validity status on consolidated or base or both consolidated and base	Unconsolidated
Type of the instrument	Loan
Amount considered in the equity calculation (As of the reporting date - Million TL)	1.371
Instrument's nominal value (Million TL)	1.371
Accounting classification of the instrument	Liabilities Subordinated Loan
Issue date of the instrument	24.04.2019
Instrument's maturity structure (Demand / Maturity)	Demand
Starting maturity of the instrument	-
Whether the issuer has the right to reimbursement due to BRSA approval	Yes
Reimbursement option date, contingent repayment options and refund amount	25.04.2024 (There is an early payment option after the 5th year)
Subsequent reimbursement option dates	-
Interest / dividend payments	
Fixed or variable interest / dividend payments	Fixed Interest
Interest rate and interest rate index value	5,08
Whether there are any restrictions that stop the payment of dividends	-
Fully optional, partially optional or mandatory	-
Whether there is an element that will encourage repayment, such as interest rate increases	-
Noncumulative or cumulative	-
Convertible feature to stock	
Triggering event / events that can cause conversion if they can be converted to a stock	-
Full or partial conversion if convertible	-
If convertible, conversion rate	-
If forced to convert to stock, forced or optional conversion feature	-
Convertible instruments types if converted to stock	-
Issuer of a debt instrument to be converted	-
Value reduction feature	
Trigger event / events that will cause a reduction if it has a value reduction feature	-
Total or partial value reduction if value reduction is available	-
Continuous or transient feature if it has a value reduction feature	-
Value increment mechanism if the value can be temporarily reduced	-
In the case of the right to take in case of liquidation in the order of the instrument (immediately above this instrument)	After borrowings and secondary capital
Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.
Which of the provisions of Articles 7 and 8 of the Regulation on Equity of Banks is not	Complies with the requirements of Article 8 of the Regulation on Equity of Banks.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

I. Explanations on Equity (Continued):

Information on borrowing instruments to be included in the equity calculation (Continued):

(Prior Period 31.12.2019)	
Issuer-Loan supplier	Bank / Turkey Wealth Fund
Mediator's code (CUSIP, ISIN etc.)	-
Instruments Legislation subject to	BRSA
Consideration in equity calculation	
1/1/2015 from 10% reduction by being subject to the application	No
Validity status on consolidated or base or both consolidated and base	Unconsolidated
Type of the instrument	Loan
Amount considered in the equity calculation (As of the reporting date - Million TL)	997
Instrument's nominal value (Million TL)	997
Accounting classification of the instrument	Liabilities Subordinated Loan
Issue date of the instrument	24.04.2019
Instrument's maturity structure (Demand / Maturity)	Demand
Starting maturity of the instrument	-
Whether the issuer has the right to reimbursement due to BRSA approval	Yes
Reimbursement option date, contingent repayment options and refund amount	25.04.2024 (There is an early payment option after the 5th year)
Subsequent reimbursement option dates	-
Interest / dividend payments	
Fixed or variable interest / dividend payments	Fixed Interest
Interest rate and interest rate index value	5,08
Whether there are any restrictions that stop the payment of dividends	-
Fully optional, partially optional or mandatory	-
Whether there is an element that will encourage repayment, such as interest rate increases	-
Noncumulative or cumulative	-
Convertible feature to stock	
Triggering event / events that can cause conversion if they can be converted to a stock	-
Full or partial conversion if convertible	-
If convertible, conversion rate	-
If forced to convert to stock, forced or optional conversion feature	-
Convertible instruments types if converted to stock	-
Issuer of a debt instrument to be converted	-
Value reduction feature	
Trigger event / events that will cause a reduction if it has a value reduction feature	-
Total or partial value reduction if value reduction is available	-
Continuous or transient feature if it has a value reduction feature	-
Value increment mechanism if the value can be temporarily reduced	-
In the case of the right to take in case of liquidation in the order of the instrument (immediately above this instrument)	After borrowings and secondary capital
Whether the banks do not have the requirements of Articles 7 and 8 of the Regulation on Shareholders' Equity	Complies with the requirements of Article 7 of the Regulation on Equity of Banks.
Which of the provisions of Articles 7 and 8 of the Regulation on Equity of Banks is not	Complies with the requirements of Article 7 of the Regulation on Equity of Banks.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk:

Credit risk defined as the probability of loss that the Bank may incur as a result of the counterparty's failure to comply its contractual obligation partially or completely in time. The Bank ensures that credit risk is managed in accordance with the volume, nature and complexity of the loans, taking into account the best practices, within the framework of the BRSA regulations.

The most basic banking service provided by the Bank to finance medium and long-term investments, which is the core function of the Bank, is the "project evaluation-based lending activity". Considering the proportional size within the balance sheet structure, credit risk is the most important risk item of the Bank.

The general principle of the risk policies to be monitored by the Bank is to take risks that can be defined, controlled and / or managed in this sense and to strive not to take a risk other than the risks that are inevitable and arising due to the nature of its activities. Based on the basic principle of ensuring that the risks to be taken within this scope are defined and manageable risks, the Bank's credit risk is subject to foreign exchange risk, depending on the sensitivity shown to the compliance of loan disbursements with loan source conditions, except for credit risk and counterparty risk, which are inevitable due to the lending requirement, credit risk does not have additional risks such as interest risk or maturity risk of lending.

Having a fully functioning mechanism based on activities, the Bank's Lending and Participation Committee is responsible for determining the procedures and principles of the Bank's credit, assessing the credit-participation risk and the position of the placements, evaluating the reports prepared for the credit bureau, To continuously monitor lending activities, including the reorganization of the terms of its receivables, to establish the procedures and principles of the Bank's participation policies, and to make the necessary changes within the framework of general economic policies.

All loan placements of the Bank are allocated in accordance with legal legislations and reports prepared by Intelligence and Financial Analysis Department and Loan Assessment Department and with approvals of Lending and Participation Committee and Board of Directors. Since the lending of the Bank are in the form of project financing, the amount of loan that can be disbursed to a firm is basically determined during project assessment stage and disbursements are made in a controlled manner through monitoring of expenditures.

The financial data of the customers are regularly monitored until the collection and liquidation of the risk is completed with respect to the customers that are lend by the bank, and with deferred payment plan. For the customers whose income is above a certain limit or need to be re-evaluated, both the customer and its headquarters and the investment place are examined and detected. A Monitoring Report including recommendations developed as a result of the examinations and detections is being prepared. This implementation of the Bank's problematic loan portfolio review is continuously performed.

Loan balances of borrowers and other receivables are regularly monitored in accordance with the relevant legislation, and in case of an increase in the risk level of the borrower's credit, the credit limits are monitored and additional collateral is taken if necessary.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk (Continued):

For loan allocations, sectors are defined in accordance with borrowing conditions. The sectoral distribution of the loan customers is monitored and those distributions are taken into account during lending decisions and goals.

Bank ensures that credit risk is managed in accordance with the volume, nature and complexity of the loans, taking into account the best practices, within the framework of the BRSA regulations. The Bank ensures that the credit risks of all products, not only loan products, and activities are defined, measured and managed, not limited to loan products only. The Board of Directors constantly reviews, develops and, if necessary, makes adjustments to the system to ensure that the loan decision support systems are in compliance with the structure, size and complexity of the Bank's activities.

The Bank is not subject to the general loan restrictions defined by the Article 54 of the Banking Law numbered 5411. However, in the Bank's internal loan bylaws, the loan limits are determined mostly in parallel with the limitations set out in the Law. Loan monitoring department actively takes part in the measuring, analyzing and monitoring processes in order to determine credit risk level, and reports periodically to the Board of Directors, the Audit Committee and senior management.

Within the framework of the policies determined within the scope of BRSA Accounting and Financial Reporting Legislation;

The Bank evaluates its financial assets in 3 stages within the scope of TFRS 9. In this context, the Bank calculates the lifetime expected credit loss for the related loans for the loans that have defaulted (Stage 3) and loans that have not yet defaulted but have significantly increased the credit risk at the date of disbursement (Stage 2). For other financial assets within the scope of the Bank's TFRS 9 (Stage 1); It reflects the calculation including the probability of default within 12 months after the reporting date as the expected loss reserve.

Within the framework of asset-liability management within the Bank, taking into account legal limits, futures and other derivative product transactions are carried out. Credit risk assumed by such transactions is managed together with potential risks arising from market movements. Due to the derivative transactions in question, considering their share in the balance sheet, there is a very low credit risk. When exposure to significant credit risk due to derivative transactions, risks are reduced. There is no option contract in the bank.

In accordance with the approved IFRS 9 policy, "Procedures and Principles Regarding the Classification and the Provision for These provisions Credit" and "IFRS 9 Communiqué on Turkey Financial Instruments Financial Reporting Standards" approved by the Board, the Bank reserve provision as predicted.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk (Continued):

Risk Categories	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	Risk Amount ^(*)	Average Risk Amount	Risk Amount ^(*)	Average Risk Amount
Conditional and unconditional receivables to central governments or central banks	2.633.292	2.269.472	1.726.073	1.197.666
Conditional and unconditional receivables to banks and brokerage houses	9.727.927	7.707.282	6.142.824	5.736.317
Conditional and unconditional corporate receivables	14.309.076	11.441.545	9.137.319	8.611.751
Conditional and unconditional retail receivables	-	262.152	270.489	316.627
Conditional and unconditional receivables secured by real estate property	2.054.807	2.188.208	1.891.750	1.893.109
Overdue receivables	68.133	10.324	5.579	8.317
Receivables defined in high risk category by BRSA	144.124	125.278	112.351	99.963
Other Receivables	137.350	170.158	162.117	147.387

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

Restructured loans whose amortization schedule has changed are followed in the accounts which are specified by related regulations and monitored in accordance with the Bank's credit risk policies. Accordingly, commercial activities of debtors are analyzed and repayments are monitored whether they are in line with the repayments schedules or not, and necessary precautions are taken.

Since the Bank does not have any risks within the scope of private sector loans and trading accounts in banking accounts in other countries, cyclical capital buffer is not calculated.

- The Bank's top 100 and 200 cash loan customers compose 89,87% and 98,15% of the total cash loan portfolio, respectively (31 December 2019: 89,00% and 97,47%).
- The Bank's top 100 and 200 cash and non-cash loan customers compose 66,08% and 71,94 of the total on and off balance sheet assets, respectively (31 December 2019: 49,49% and 76,10%).
- The Bank's top 100 and 200 non-cash loan customers compose 100% of the total non-cash loans (31 December 2019: 100).

The Bank provided a general expected credit loss provision (Stage 1 and Stage 2) amounting to TL 193.646 (31 December 2019: general provision TL 103.996).

In the calculation of the ratios mentioned above, the expected loss provisions of the stage 3 are not taken into consideration.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk (Continued):

Profile of Significant Risks in Major Regions

	Risk Categories (***)							
	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others
Current Period (31.12.2020)								
Domestic	2.633.292	9.573.255	14.309.076	-	2.054.807	68.133	24.399	-
European Union (EU) Countries	-	115	-	-	-	-	119.725	-
OECD Countries (*)	-	154.557	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	20.543
Unallocated Assets (**)	-	-	-	-	-	-	-	116.807
Total	2.633.292	9.727.927	14.309.076	-	2.054.807	68.133	144.124	137.350
Prior Period (31.12.2019)								
Domestic	1.726.073	6.138.963	9.137.319	270.489	1.891.750	5.579	22.135	-
European Union (EU) Countries	-	3.861	-	-	-	-	90.216	-
OECD Countries (*)	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	15.959
Unallocated Assets (**)	-	-	-	-	-	-	-	146.158
Total	1.726.073	6.142.824	9.137.319	270.489	1.891.750	5.579	112.351	162.117

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

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

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

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.

Notes to the Unconsolidated Financial Statements As of 31 December 2020

(Thousands of Turkish Lira (TL) unless otherwise stated)

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk (Continued):

Risk profile by sectors or counterparties:

Current Period (31 December 2020)	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TL	FC	TOTAL
Agriculture	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	12.613.148	-	1.804.414	66.234	-	-	765.566	13.718.230	14.483.796
Mining and Quarrying	-	-	101.758	-	-	-	-	-	-	101.758	101.758
Production	-	-	2.135.240	-	83.862	738	-	-	658.845	1.560.995	2.219.840
Electricity, Gas, Water	-	-	10.376.150	-	1.720.552	65.496	-	-	106.721	12.055.477	12.162.198
Construction	-	-	4.987	-	-	-	-	-	-	4.987	4.987
Services	2.633.292	9.727.927	1.556.819	-	250.393	1.899	144.124	136.965	4.352.155	10.099.264	14.451.419
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	5	1.212.965	-	229.738	1.899	-	-	487.989	956.618	1.444.607
Transportation and Telecommunication	-	-	174.591	-	-	-	-	-	15.047	159.544	174.591
Financial Institutions	2.633.292	9.727.922	-	-	-	-	144.124	136.965	3.816.402	8.825.901	12.642.303
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	73.401	-	20.655	-	-	-	32.668	61.388	94.056
Health and Social Services	-	-	95.862	-	-	-	-	-	49	95.813	95.862
Others	-	-	134.122	-	-	-	-	385	18.529	115.978	134.507
Total	2.633.292	9.727.927	14.309.076	-	2.054.807	68.133	144.124	137.350	5.136.250	23.938.459	29.074.709

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.
Notes to the Unconsolidated Financial Statements As of 31 December 2020

(Thousands of Turkish Lira (TL) unless otherwise stated)

SECTION FOUR (Continued)
INFORMATION ON FINANCIAL STRUCTURE (Continued)
II. Explanations on Credit Risk (Continued):
Risk profile by sectors or counterparties:

Prior Period (31 December 2019)	Conditional and unconditional receivables to central governments or central banks	Conditional and unconditional receivables to banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by real estate property	Overdue receivables	Receivables defined in high risk category by BRSA	Others	TL	FC	TOTAL
Agriculture	-	-	-	-	-	2	-	-	2	-	2
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	2	-	-	2	-	2
Fishery	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	7.821.512	236.657	1.634.751	1.924	-	-	25.407	9.669.437	9.694.844
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	1.342.408	17.399	94.483	1.924	-	-	11.624	1.444.590	1.456.214
Electricity, Gas, Water	-	-	6.479.104	219.258	1.540.268	-	-	-	13.783	8.224.847	8.238.630
Construction	-	-	13.348	4.534	-	-	-	-	-	17.882	17.882
Services	1.726.073	6.142.824	1.258.931	29.298	256.999	3.653	110.040	-	2.420.647	7.107.171	9.527.818
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	-	1.113.345	24.639	235.682	3.314	-	-	299.445	1.077.535	1.376.980
Transportation and Telecommunication	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1.726.073	6.142.824	-	-	-	-	110.040	-	2.100.140	5.878.797	7.978.937
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	63.610	2.622	21.317	-	-	-	18.513	69.036	87.549
Health and Social Services	-	-	81.976	2.037	-	339	-	-	2.549	81.803	84.352
Others	-	-	43.528	-	-	-	2.311	162.117	134.789	73.167	207.956
Total	1.726.073	6.142.824	9.137.319	270.489	1.891.750	5.579	112.351	162.117	2.580.845	16.867.657	19.448.502

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk (Continued):

Analysis of Maturity-Bearing Risks According to Remaining Maturities

Risk Categories Current Period (31.12.2020)	Term to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional receivables to central governments or central banks	25.318	42.880	273.895	164.282	2.105.766
Conditional and unconditional receivables to banks and brokerage houses	5.092.465	-	54.670	57.837	4.475.851
Conditional and unconditional corporate receivables	291.694	539.291	1.076.379	2.169.669	18.670.070
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional receivables secured by real estate property	27.136	50.169	100.133	200.266	1.677.105
Others	74	66	83	158	-
Total	5.436.687	632.406	1.505.160	2.592.212	26.928.792

Risk Categories Current Period (31.12.2019)	Term to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional receivables to central governments or central banks	14.108	16.653	148.674	85.917	1.456.332
Conditional and unconditional receivables to banks and brokerage houses	2.378.875	-	34.817	-	3.690.401
Conditional and unconditional corporate receivables	435.793	242.894	527.096	1.054.191	8.818.838
Conditional and unconditional retail receivables	10.640	5.930	12.869	25.738	215.312
Conditional and unconditional receivables secured by real estate property	74.413	41.475	90.004	180.007	1.505.851
Receivables defined in high risk category by BRSA	16	20	30	108	2.137
Total	2.913.845	306.972	813.490	1.345.961	15.688.871

Information on Risk Categories

For the determination of risk weights for risk classes defined in the article 6 of the “Regulation on Measurement and Assessment of Capital Adequacy of Banks”, all counter parties are treated as non-rated since no rating agency is authorized by the Bank.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk (Continued):

Credit Risk by Risk Weights

Current Period (31.12.2020)										
Risk Weights	0%	2%	10%	20%	50%	75%	100%	150%	200%	Deductions from Equity
Before Credit Risk Mitigation	2.590.844	-	-	1.466.571	1.982.913	-	22.890.258	144.124	-	17.744
After Credit Risk Mitigation	2.590.844	-	-	1.466.571	2.142.437	-	22.730.734	144.124	-	-

Prior Period (31.12.2019)										
Risk Weights	0%	2%	10%	20%	50%	75%	100%	150%	200%	Deductions from Equity
Before Credit Risk Mitigation	483.989	-	-	1.602.105	1.863.170	270.489	15.116.398	112.351	-	2.085
After Credit Risk Mitigation	483.989	-	-	1.602.105	2.087.168	264.068	14.898.821	112.351	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk (Continued):

Information by Major Sectors or Type of Counterparties:

The Bank classifies its loans under the TFRS 9 Policy approved by the Board of Directors and allocates provisions. In this context, the Bank calculates and reflects the lifetime expected credit loss to the relevant loans when the Bank has not fallen into default yet, but there is a significant increase in the credit risk at the date of credit's issuance (Stage 2) and in default (Stage 3).

In the TFRS 9 Provisions Methodology document approved by the Board of Directors of the Bank, it has determined the criteria of "Significantly Increased Credit Risk" and "Classification", and its loans are classified according to these criteria and provision is provided.

	Credits		Provisions
	Impaired Loans (TFRS 9)		Expected Credit Loss Provisions (TFRS 9)
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	
Current Period (31.12.2020) Major Sectors / Counter Parties			
Agriculture	-	-	-
Farming and Stockbreeding	-	-	-
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	901.610	148.678	140.272
Mining and Quarrying	-	-	-
Production	-	24.470	23.731
Electricity, Gas and Water	901.610	124.208	116.541
Construction	-	-	-
Services	397.949	68.727	70.508
Wholesale and Retail Trade	-	-	-
Accommodation and Dining	188.527	62.073	61.362
Transportation and Telecommunication	129.245	-	2.093
Financial Institutions	-	-	-
Real Estate and Rental Services	-	-	-
Professional Services	-	-	-
Educational Services	24.862	-	173
Health and Social Services	55.315	6.654	6.880
Others	-	1.106	1.106
Total	1.299.559	218.511	211.886

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

II. Explanations on Credit Risk (Continued):

Prior Period (31.12.2019) Major Sectors / Counter Parties	Credits		Provisions
	Impaired Loans (TFRS 9)		Expected Credit Loss Provisions (TFRS 9)
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	
Agriculture	-	8	6
Farming and Stockbreeding	-	8	6
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	1.401.504	50.765	91.982
Mining and Quarrying	-	-	-
Production	109.893	34.100	32.532
Electricity, Gas and Water	1.291.611	16.665	59.450
Construction	-	1.892	1892
Services	97.443	70.086	66.813
Wholesale and Retail Trade	19.757	-	26
Accommodation and Dining	67.297	63.396	60.322
Transportation and Telecommunication	-	77	77
Financial Institutions	-	-	-
Real Estate and Rental Services	-	-	-
Professional Services	-	-	-
Educational Services	8.179	-	111
Health and Social Services	2.210	6.613	6.277
Others	-	1.106	1.106
Total	1.498.947	123.857	161.799

Information on Movements in Value Adjustments and Provisions:

Current Period (31.12.2020)	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage 3 Provisions	118.280	63.747	(31.647)	-	150.380
2. Stage 1 and 2 Provisions	115.289	102.593	(2.271)	-	215.611

Prior Period (31.12.2019)	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage 3 Provisions	112.829	8.060	(2.609)	-	118.280
2. Stage 1 and 2 Provisions	76.735	38.567	(13)	-	115.289

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. Explanations on Currency Risk:

The Bank is exposed to currency risk because of inconsistency of the foreign currency denominated asset and liability balances with respect to the transactions made in foreign currencies.

The currency risk management policy of the Bank is determined as keeping the “Foreign Currency Net General Position / Equity Standard Ratio” within legal limits, taking into account the efficiency criteria, taking into account the financial situation, current economic developments and trends in the market. By keeping up with this main goal and with respect to asset and liability management, foreign currency denominated assets are appreciated with the most favorable interest rates in the foreign currency market.

Currency risk is calculated within the scope of the standard method used for legal reporting.

Besides, the exchange rate risk faced by the Bank on a daily basis is determined by preparing the foreign currency balance sheet by covering individual positions. Proforma foreign currency balance sheets are used for the measurement of the future exchange rate risks (including foreign currency-indexed assets and liabilities).

The Bank has no hedging derivative instruments for foreign currency denominated borrowings and net foreign currency investments.

A non-speculative foreign exchange position management policy is followed in order to limit the exposure of the currency risk. In this respect, distribution of foreign currency denominated on balance sheet and off balance sheet items are considered.

In order to reduce the risk of foreign exchange rate fluctuations affecting the financial structure of the bank, the risk of foreign exchange rate of the bank is determined based on the Foreign Currency Net General Position / Equity ratio determined by the BRSA, which is 20%.

The foreign exchange buying rates of the Bank as of the date of the financial statements and the last five business days prior to that date are as follows:

<u>Date</u>	<u>USD</u>	<u>EURO</u>	<u>100 JPY</u>
31/12/2020	7,4433	9,1411	7,2279
30/12/2020	7,3746	9,0553	7,1432
29/12/2020	7,4641	9,1368	7,2103
28/12/2020	7,5142	9,1583	7,2678
25/12/2020	7,5381	9,1731	7,2846

The simple arithmetic average of the last thirty day rates as of 31 December 2020; USD: TL 7,677035, EURO: TL 9,322052, 100 JPY: TL 7,409000.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. Explanations on Currency Risk (Continued):

Information on the currency risk of the Bank:

Current Period (31.12.2020)	EURO	USD	Other FC⁽¹⁾	Total
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	1.297.650	814.411	610	2.112.671
Financial assets at fair value through profit and loss	119.725	-	-	119.725
Money market placements	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	241.593	148.930	-	390.523
Loans	7.763.963	11.223.356	-	18.987.319
Subsidiaries, associates and jointly controlled entities (joint ventures)	-	-	-	-
Financial Assets Measured at Amortised Cost	1.592.791	-	-	1.592.791
Derivative financial assets for hedging purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other assets	1.772	29.035	-	30.807
Total assets	11.017.494	12.215.732	610	23.233.836

Liabilities				
Interbank deposits	-	-	-	-
Foreign currency deposits	-	-	-	-
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	8.984.576	12.058.469	-	21.043.045
Marketable securities issued	-	-	-	-
Sundry creditors	1.993.243	-	-	1.993.243
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	26.792	166.299	-	193.091
Total liabilities	11.004.611	12.224.768	-	23.229.379

Net balance sheet position	12.883	(9.036)	610	4.457
Net off-balance sheet position	(6.399)	6.396	-	(3)
Assets on derivative instruments	2.742	16.582	-	19.324
Liabilities on derivative instruments	(9.141)	(10.186)	-	(19.327)
Non-cash loans	675.830	-	-	675.830

Prior Period (31.12.2019)				
Total assets	8.224.403	8.623.048	386	16.847.837
Total liabilities	8.217.999	8.614.725	-	16.832.724
Net balance sheet position	6.404	8.324	385	15.113
Net off-balance sheet position	-	-	-	-
Assets on derivative instruments	-	-	-	-
Liabilities on derivative instruments	-	-	-	-
Non-cash loans	-	-	-	-

⁽¹⁾ The foreign currencies presented in the other FC column of assets comprise; 16% GBP, 50% CHF and 34% JPY.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

III. Explanations on Currency Risk (Continued):

Currency Risk Sensitivity:

The following table shows the sensitivity of the Bank with 10% change in USD and EURO currencies.

Current Period (31.12.2020)	Increase in Exchange Rates	Effect on Profit/Loss (*)		Effect on Shareholders' Equity	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	(1.019)	794	14,893	4,425
EURO	10	363	338	24,159	18,609
Other	10	61	39	-	-

Current Period (31.12.2020)	Decrease in Exchange Rates	Effect on Profit/Loss (*)		Effect on Shareholders' Equity	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	2,298	(794)	(14,893)	(4,425)
EURO	10	(1,643)	(338)	(24,159)	(18,609)
Other	10	(61)	(38.5)	-	-

(*) Indicates the values before tax.

Prior Period (31.12.2019)	Increase in Exchange Rates	Effect on Profit/Loss (*)		Effect on Shareholders' Equity	
	%	Current Period	Prior Period	%	Current Period
USD	10	794	(1.686)	4.425	545
EURO	10	338	(14.150)	18.609	7.413
Other	10	39	40	-	-

Prior Period (31.12.2019)	Decrease in Exchange Rates	Effect on Profit/Loss (*)		Effect on Shareholders' Equity	
	%	Current Period	Prior Period	Current Period	Prior Period
USD	10	(794)	1.686	(4.425)	(545)
EURO	10	(338)	14.150	(18.609)	(7.413)
Other	10	(38.5)	(40)	-	-

(*) Indicates the values before tax.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

IV. Explanations on Interest Rate Risk:

The interest rate risk indicates the probability of loss that the Bank may incur due to the position of the financial instruments due to movements in the interest rates. Changes in interest rates affect the return on the assets and the cost of the liabilities. Interest rate risk arising from banking accounts, includes re-pricing risk, yield curve risk, base risk and option risk.

The interest rates determined by the market actors, especially the central banks, have a decisive role on the economic value of the Bank's balance sheet and on the Bank's income-loss balance. Sudden interest shocks in the market because the Bank to open the gap between the applied interest rate of the revenue generating assets and the interest paid on the liabilities. The opening of this gap may cause the Bank interest income to be adversely affected by fluctuations in market interest rates and may cause decrease in profitability of the Bank.

The Bank's basic principle in the interest rate risk management policy is to avoid mismatch and provide alignment between loans disbursed with fixed and floating rate and funds provided with fixed and floating rate. Accordingly, interest rate, currency and maturity alignment is respected during the disbursement of loans funded by foreign long-term borrowings, which form the material part of the loan portfolio. Almost the entire loan portfolio is financed by floating rate borrowings, thus interest rate risk from changes in interest rates seems not probable for the loan portfolio because of the correlation provided between the sources and the uses and other loans in the portfolio are financed by the equity of the Bank.

Within the framework of the Bank's basic principle of interest rate risk policy, optimization of portfolio distribution in the management of interest-sensitive assets other than loans is provided by considering possible changes in duration of positions and current interest rate limits; by taking into account alternative return, limits of tolerable loss and risk. In this context, to measure the interest rate risk exposure of the Bank, the effect of days to maturity and profit/loss are analyzed considering the scenarios of possible changes in interest rates for securities portfolio. Alternatives for compensation of probable losses that may arise as a result of fluctuations in interest rates are examined using different markets. Interest rate sensitivity analysis is also made for the positions besides securities portfolio.

There is no interest rate mismatch on loan portfolio as the main principle of interest rate adjustment on the source and disbursement side of the loan portfolio of the Bank. For this reason, the Bank's credit portfolio does not carry any interest rate risk even if it is affected by market volatility. Interest rate-sensitive items on the Bank's balance sheet are limited only to the size of the Financial Assets Measured at Fair Value Through Other Comprehensive Income within the liquid portfolio.

In order to minimize the possibility of unfavorable effects of market interest rate changes on the Bank's financial position, risk limits are used for the management of interest rate risk. These limits are set by Asset-Liability Committee and approved by Board of Directors. The Bank monitors and controls whether interest-sensitive assets are within the determined limits.

In order to minimize the likelihood that the change in market interest rates in the bank's securities portfolio management will cause adverse effects on the financial structure of the bank, limits have been set on the adjusted duration of the securities portfolio and the amount of daily loss that may arise from the securities portfolio.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

IV. Explanations on Interest Rate Risk (Continued):

Based on the statutory 20% rate of “The Ratio of Interest Rate Risk Due To Banking Book” determined by the BRSA to the measurement and evaluation of the interest rate risk by using standard shock method, arising from the on-balance sheet and off-balance sheet positions in the banking book within the scope of the interest rate limits of the Bank, is determined with a more conservative approach.

Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

End of the Current Period (31.12.2020)	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	-	-	-	-	1.125	1.125
Banks ⁽¹⁾	3.529.984	-	-	-	-	25.653	3.555.637
Financial assets measured at fair value through profit and loss	-	-	-	-	-	119.725	119.725
Money market placements	1.499.794	-	-	-	-	-	1.499.794
Financial Assets Measured at Fair Value Through Other Comprehensive Income ⁽³⁾	227.050	24.484	479.843	219.175	-	14.990	965.542
Loans ^{(2) (5)}	6.068.382	2.494.574	3.017.288	2.445.703	5.964.619	68.132	20.058.698
Financial Assets Measured at Amortised Cost	-	2.051	-	1.704.025	10.184	-	1.716.260
Other assets ^{(4) (5)}	43	-	-	-	-	156.546	156.589
Total Assets	11.325.253	2.521.109	3.497.131	4.368.903	5.974.803	386.171	28.073.370
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	205.378	-	-	-	-	-	205.378
Sundry creditors	-	-	-	-	-	125.854	125.854
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	4.471.546	3.974.662	6.690.060	3.846.572	2.861.077	-	21.843.917
Other liabilities ⁽⁴⁾	83.350	-	-	-	-	5.814.871	5.898.221
Total liabilities	4.760.274	3.974.662	6.690.060	3.846.572	2.861.077	5.940.725	28.073.370
Long position on balance sheet	6.564.979			522.331	3.113.726		10.201.036
Short position on balance sheet		(1.453.553)	(3.192.929)			(5.554.554)	(10.201.036)
Long position on off-balance sheet							-
Short position on off-balance sheet							-
Total position	6.564.979	(1.453.553)	(3.192.929)	522.331	3.113.726	(5.554.554)	-

- (1) Balances without maturity are shown in the “Non-interest Bearing” column.
(2) Net balance of non-performing loans and receivables is shown in “Non-interest Bearing” column.
(3) Securities representing a share in capital and investment funds are shown in “Non-interest Bearing” column.
(4) Deferred tax asset, shareholders’ equity and other non-interest bearing assets and liabilities are shown in “Non-interest Bearing” column.
(5) Lease receivables (TL 30) are represented in other assets.
(6) The expected credit losses for financial assets and other assets are reflected in the related items.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

IV. Explanations on Interest Rate Risk (Continued):

Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on days to repricing dates):

End of the Prior Period (31.12.2019)	Up to 1 Month	1–3 Months	3–12 Months	1–5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ⁽¹⁾	-	-	-	-	-	595	595
Banks ⁽¹⁾	2.312.648	-	-	-	-	23.407	2.336.055
Financial assets measured at fair value through profit and loss	-	-	-	-	-	90.216	90.216
Money market placements	127.246	-	-	-	-	-	127.246
Financial Assets Measured at Fair Value Through Other Comprehensive Income ⁽³⁾	498	-	213.684	466.416	-	8.038	688.636
Loans ⁽²⁾	5.351.652	1.914.411	2.853.378	1.282.266	3.498.211	5.579	14.905.497
Financial Assets Measured at Amortised Cost	12.540	12.731	-	1.028.786	10.189	-	1.064.246
Other assets ⁽⁴⁾	-	-	-	-	-	163.427	163.427
Total Assets	7.804.584	1.927.142	3.067.062	2.777.468	3.508.400	291.262	19.375.918
Liabilities							
Interbank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market borrowings	50.364	-	-	-	-	-	50.364
Sundry creditors	-	-	-	-	-	53.773	53.773
Marketable securities issued	-	-	-	-	-	-	-
Funds provided from other financial institutions	3.651.879	2.246.663	4.689.396	2.894.905	1.899.191	-	15.382.034
Other liabilities ⁽⁴⁾	-	-	-	-	-	3.889.747	3.889.747
Total liabilities	3.702.243	2.246.663	4.689.396	2.894.905	1.899.191	3.943.520	19.375.918
Long position on balance sheet	4.102.341	-	-	-	1.609.209	-	5.711.550
Short position on balance sheet	-	(319.521)	(1.622.334)	(117.437)	-	(3.652.258)	(5.711.550)
Long position on off-balance sheet	-	-	-	-	-	-	-
Short position on off-balance sheet	-	-	-	-	-	-	-
Total position	4.102.341	(319.521)	(1.622.334)	(117.437)	1.609.209	(3.652.258)	-

⁽¹⁾ Balances without maturity are shown in the “Non-interest Bearing” column.

⁽²⁾ Net balance of non-performing loans and receivables is shown in “Non-interest Bearing” column.

⁽³⁾ Securities representing a share in capital and investment funds are shown in “Non-interest Bearing” column.

⁽⁴⁾ Deferred tax asset, shareholders’ equity and other non-interest bearing assets and liabilities are shown in “Non-interest Bearing” column.

⁽⁵⁾ Lease receivables (TL 20) are represented in other assets.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

IV. Explanations on Interest Rate Risk (Continued):

Average interest rates applied to monetary financial instruments (%):

End of the Current Period (31.12.2020)	EURO	USD	JPY	TRY
Assets (*)				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	1,61	1,17	-	18,04
Financial assets measured at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	17,98
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,82	7,31	-	13,66
Loans and Receivables	3,17	4,21	-	12,98
Financial Assets Measured at Amortised Cost	5,16	-	-	3,61
Liabilities (*)				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	17,44
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds Accepted by Development and Investment Banks	-	0,20	-	12,00
Funds provided from other financial institutions	1,32	2,25	-	9,30

(*) Rates shown in the table are calculated by using the annual interest rates.

End of the Prior Period (31.12.2019)	EURO	USD	JPY	TRY
Assets (*)				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks	0,39	1,80	-	11,23
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	11,36
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,65	5,26	-	24,54
Loans and Receivables	3,02	5,37	-	15,31
Financial Assets Measured at Amortised Cost	5,07	-	-	18,43
Liabilities (*)				
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	10,82
Sundry creditors	-	-	-	-
Marketable securities issued	-	-	-	-
Funds provided from other financial institutions	1,26	3,69	-	12,50

(*) Rates shown in the table are calculated by using the annual interest rates.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

V. Explanations on Equity Securities in Banking Book:

None.

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio:

1. Liquidity risk management

The Bank's liquidity management is managed by Treasury Department in coordination with related departments and the strategies constituted by Asset Liability Committee as part of "Risk Management Strategies, Policies and Application Principles" that is approved by the Board of Directors. The liquidity risk management as per the implementation principles are stated as follows:

"Liquidity risk refers to the probability that the Bank will incur the consequential loss that it cannot anticipate or face unforeseeable, all cash flow requirements without affecting the day-to-day operations or financial structure.

Liquidity risk also expresses the possibility of loss that the Bank may suffer as a result of the Bank's inability to close or balance any position at market prices due to the lack of depth in the markets or excessive volatility.

The main policy of Liquidity Risk Management in the Bank is to provide quality asset structure in which any liabilities can be fulfilled. Since the Bank is specialized, its liquidity need is more predictable as compared to commercial banks, and ensures cash flows provided for its liabilities more regularly.

The type, maturity structure and compliance of interest rates with assets and liabilities in the balance sheet, is assured within the framework of the Asset Liability Management Committee's decisions. The Bank keeps liquidity ratios within risk limits as set out in legal legislation and follows regularly.

In order to manage liquidity risk, proforma cash flows are set on the basis of predictable data by evaluating the maturities of asset and liability structure. Proper placement of liquidity excess considering alternative gains and meeting liquidity needs with the most appropriate cost of funding is essential.

Additionally, monthly proforma cash flows and balance sheet durations regarding the fulfilment level of medium and long term liabilities are traced in order to determine early factors that generate risk.

Mainly for risk measurement and monitoring activities to determine the level of liquidity risk;

The liquidity risk of the Bank is calculated by using "Liquidity Analysis Forms" in accordance with the form determined by the BRSA and reported to the BRSA on a weekly and daily basis."

Limits on liquidity risk are determined under; the legal limitations set out by the BRSA and the Liquidity Emergency Plan Directive of the Bank". The Bank's "Liquidity Emergency Plan Directive" came into force with the decision of the Board of Directors dated 27 October 2016 and numbered 2016-20-10 / 180. Situations that require the implementation of the Liquidity Emergency Plan are followed by indicators derived from bank-specific (internal) and financial market developments. The Liquidity Emergency Plan includes actions to ensure that the Bank fulfills its obligations at its current level and to maintain liquidity at the level required by the Bank or to achieve liquidity at acceptable costs and to provide the necessary liquidity with the objective of protecting the Bank's reputation.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued):

1. Liquidity risk management (Continued):

In the Bank's liquidity risk management, limitations of the related regulations of BRSA, Bank's "Risk Management Strategies, Policies and Implementation Fundamentals" and internal risk limitations that are determined by general market conditions are fundamental. Consequently, active units within the liquidity risk management Department of Treasury being in the first place, act according to these limitations. First limitation on legal requirements set by the BRSA is; as per the regulation on "Calculation of Liquidity Coverage Ratio", minimum limits of 100% and 80% are assigned on consolidated and unconsolidated basis respectively for total and foreign currency limits. On the other hand investment and development banks are exempt from those limitations until BRSA has determined otherwise.

The Bank's internal reporting within the scope of liquidity risk management consists of daily, weekly and monthly reports that are prepared by the Risk Monitoring Department. Daily balance sheet and duration calculations are prepared by risk monitoring department. On weekly reports, which are prepared by the same department, liquidity limits are monitored. Weekly realized liquidity limits determined by Board of Directors is aggregated in monthly risk limits monitoring report. Those reports investigate legal risks and adaption of early warning limits. Also, to monitor liquidity risk in "TKB Riskness Analysis According to Selected Indicators and Risk Groups" report prepared monthly includes;

- Proforma Cash Flows Statement,
- Proforma Currency Balance Sheet
- Duration of Balance Sheet items, - in detail-Marketable Securities (by class of financial instruments)
- Summary of liquidity forms sent to BRSA by Financial Accounting Department. Proforma cash flows statement and amount of future liquid assets in different scenarios for one year period

Related report is presented to the Board of Directors; the Audit Committee and senior management on a monthly basis. By taking into consideration these reports, the Asset Liability Committee and Audit Committee evaluate the liquidity position of the Bank, and results of liquidity measurement system are included in the decision making process.

Regarding the liquidity risk, as well as legal limits, internal limits have been determined in accordance with its own internal procedures, mission and risk appetite, as included in the Bank's risk policies. These limits have been determined by the Board of Directors in excess of legal limits, including early warning limits, and are revised annually.

2. Liquidity coverage ratio

The Bank's liquidity coverage rates are prepared weekly by the Budget Cost Management and Reporting Unit in accordance with the "Regulation on Calculation of the Liquidity Coverage Ratio of Banks" published in the Official Gazette dated 21 March 2014 and numbered 28948, and reported to the BRSA. With its decision dated March 26, 2020 and numbered 8967, the BRSA granted an exemption from the obligations of reporting the liquidity coverage rates of development and investment banks to the Agency until 31 December 2020, in order to reduce the operational burden due to the COVID-19 epidemic process. Based on the aforementioned decision, weekly liquidity coverage ratio calculation was not performed for the period of 1 April - 30 December 2020.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued):

2. Liquidity coverage ratio (Continued):

	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
Current Period (31.12.2020)	TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS			3.049.185	355.436
Total high-quality liquid assets (HQLA)			3.049.185	355.436
CASH OUTFLOWS				
Retail and small business customers deposits	-	-	-	-
Stable deposits	-	-	-	-
Less stable deposits	-	-	-	-
Unsecured funding other than retail and small business customers deposits	575.752	349.552	459.753	248.379
Operational deposits	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured funding	575.752	349.552	459.753	248.379
Secured wholesale funding			-	-
Other cash outflows	205.438	157.381	205.438	157.381
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	205.438	157.381	205.438	157.381
Debts related to structured financial products	-	-	-	-
Payment commitments related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time and other contractual commitments	6.692.040	4.215.726	334.602	210.786
Other irrevocable or conditionally revocable commitments	-	-	-	-
TOTAL CASH OUTFLOWS			999.793	616.546
CASH INFLOWS				
Secured receivables	-	-	-	-
Unsecured receivables	2.17.448	1.170.064	2.073.819	1.069.995
Other cash inflows	205.314	130.643	205.314	130.643
TOTAL CASH INFLOWS	2.380.762	1.300.707	2.279.133	1.200.638
			Total Adjusted Value	
TOTAL HIGH QUALITY LIQUID ASSETS			3.049.185	355.436
TOTAL NET CASH OUTFLOWS			475.246	340.989
LIQUIDITY COVERAGE RATIO (%)			642	104

(*) Based on the BRSA's decision dated 26 March 2020 and numbered 8967, the data dated 31 December 2020 were used.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued):

2. Liquidity coverage ratio (Continued):

	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
Prior Period (31.12.2019)	TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS			610.262	125.395
Total high-quality liquid assets (HQLA)			610.262	125.395
CASH OUTFLOWS				
Retail and small business customers deposits	-	-	-	-
Stable deposits	-	-	-	-
Less stable deposits	-	-	-	-
Unsecured funding other than retail and small business customers deposits	487.569	450.838	475.278	450.838
Operational deposits	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured funding	487.569	450.838	475.278	450.838
Secured wholesale funding			-	-
Other cash outflows	99.527	9.975	99.527	9.975
Liquidity needs related to derivatives and market valuation changes on derivatives transactions	99.527	9.975	99.527	9.975
Debts related to structured financial products	-	-	-	-
Payment commitments related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
Commitments that are unconditionally revocable at any time and other contractual commitments	1.704.447	1.474.447	85.222	73.722
Other irrevocable or conditionally revocable commitments	-	-	-	-
TOTAL CASH OUTFLOWS			660.027	534.535
CASH INFLOWS				
Secured receivables	189.814	175.966	189.814	175.966
Unsecured receivables	2.220.170	995.978	2.219.549	995.357
Other cash inflows	99.044	90.116	99.044	90.116
TOTAL CASH INFLOWS	2.509.028	1.262.060	2.508.407	1.261.439
			Total Adjusted Value	
TOTAL HIGH QUALITY LIQUID ASSETS			610.262	125.395
TOTAL NET CASH OUTFLOWS			165.007	133.634
LIQUIDITY COVERAGE RATIO (%)			370	94

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

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued):

3. Explanations Liquidity Coverage Ratio

Significant factors that impact the result of liquidity coverage ratio and change of the items in time that are taken into account in calculation of this ratio

The significant factors that impact liquidity provision rate are net cash outflows and high quality assets stock. Items in the calculation of the rate in consideration may be changed in time because of economic structure and decisions of the Bank on fund management.

The explanation about elements of the high quality liquid assets

High quality liquid assets mostly consist of domestic government bonds, and eurobonds.

Content of funds and their composition

The main fund source of the Banks is long term borrowings which are provided by the International Financial Organizations. The coverage of these sources in all funds is approximately 90,7%. The 0,1% of the Bank's total fund is provided by funds and 8,3% of the Bank's total fund is provided by the subordinated loans.

Cash outflows generating from derivative transactions and information about which transactions are subject to collateral margin

The Bank's derivative transactions are mainly foreign currency forward transactions. Income and expense figures related to derivative transactions made within the year are accounted in profit / loss from derivative financial transactions. There are no transactions that are likely to complete collateral.

Counterparty and product-based funding sources and concentration limits on collateral

The funds of the Bank which operates as a development bank are mainly from international development banks and financial organizations. There is no concentration limit on counterparty or product.

The operational and legal factors that hinder liquidity transfer which is needed by the bank itself, its foreign branch and its consolidated subsidiary, and respective liquidity risk.

None.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued):

4. Maturity analysis of assets and liabilities according to remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ⁽¹⁾	Total
Current Period (31.12.2020)								
Assets								
Cash (Cash on hand, Money in Transit, Purchased Cheques and Balances with Central Bank)	1.125	-	-	-	-	-	-	1.125
Banks	25.653	3.529.984	-	-	-	-	-	3.555.637
Financial Assets at Fair Value through Profit/Loss	119.725	-	-	-	-	-	-	119.725
Interbank Money Market Placements	-	1.499.794	-	-	-	-	-	1.499.794
Financial Assets Measured at Fair Value Through Other Comprehensive Income	14.991	25.318	28.471	487.850	229.382	179.530	-	965.542
Loans ⁽²⁾	-	204.190	377.442	2.317.710	12.182.352	4.908.871	68.133	20.058.698
Financial Assets Measured at Amortised Cost	-	-	14.409	4.997	1.686.854	10.000	-	1.716.260
Other Assets ⁽²⁾	-	43	-	-	-	-	156.546	156.589
Total Assets ⁽³⁾	161.494	5.259.329	420.322	2.810.557	14.098.588	5.098.401	224.679	28.073.370
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Other Funding	-	364.662	333.938	1.656.992	12.034.620	7.453.292	413	21.843.917
Interbank Money Market Takings	-	205.378	-	-	-	-	-	205.378
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	125.854	-	-	-	-	-	-	125.854
Other Liabilities ⁽²⁾	80.688	89.789	38.708	-	-	-	5.689.036	5.898.221
Total Liabilities	206.542	659.829	372.646	1.656.992	12.034.620	7.453.292	5.689.449	28.073.370
Liquidity Gap	(45.048)	4.599.500	47.676	1.153.565	2.063.968	(2.354.891)	(5.464.770)	-
Net Off-Balance Position	-	35	-	-	-	-	-	35
Derivative Financial Assets	-	26.748	-	-	-	-	-	26.748
Derivative Financial Liabilities	-	26.713	-	-	-	-	-	26.713
Non-Cash Loans	93.842	-	-	45.155	53.248	538.411	-	730.656
Prior Period (31.12.2019)								
Total Assets	122.256	2.894.403	262.127	1.867.497	10.667.018	3.393.611	169.006	19.375.918
Total Liabilities	53.773	219.174	267.111	1.052.094	8.439.200	5.500.306	3.844.260	19.375.918
Liquidity Gap	68.483	2.675.229	(4.984)	815.403	2.227.818	(2.106.695)	(3.675.254)	-
Net Off-Balance Position	-	-	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	13	-	-	-	-	-	-	13

⁽¹⁾ Assets, such as fixed assets, associates, subsidiaries, property value, prepaid expenses and net non performing receivables, other asset accounts that would not be converted to cash in a short time period and needed to used in the banking activities; Liabilities and equity accounts, such as the accounts with no maturities and provisions, are shown in the undistributed column. Deferred tax asset is included in the undistributed column.

⁽²⁾ Lease receivables (TL 30) are represented in other assets.

⁽³⁾ The expected credit losses for financial assets and other assets are reflected in the related items.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued):

Remaining maturity of contractual financial liabilities:

In compliance with the TFRS 7, the following table indicates the maturities of the Bank's major non-derivative financial liabilities. The following tables have been prepared by referencing the earliest dates of payments without discounting the liabilities. The interest to be paid to the related liabilities is included in the following table. Adjustments column shows the items that may cause possible cash flows in the following periods. The balances of the related liabilities in balance sheet do not include these amounts.

Current Period (31.12.2020)	Book Value	Principal Rated Output	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Liabilities							
Funds provided from other financial institutions	21.843.917	25.817.383	162.337	372.415	15.120.725	1.919.445	8.242.461
Money market borrowings	205.378	205.378	205.378	-	-	-	-
Total	22.049.295	26.022.761	367.715	372.415	15.120.725	1.919.445	8.242.461

Prior Period (31.12.2019)	Book Value	Principal Rated Output	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Liabilities							
Funds provided from other financial institutions	15.382.034	18.819.292	166.679	235.443	1.271.985	10.907.184	6.238.001
Money market borrowings	50.364	50.364	50.364	-	-	-	-
Total	15.432.398	18.869.656	217.043	235.443	1.271.985	10.907.184	6.238.001

The following table shows non-cash loans according to remaining maturities.

Current Period (31.12.2020)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	-	-	-	33.822	-	-	33.822
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	626.548	-	-	11.333	53	58.900	696.834
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	626.548	-	-	45.155	53	58.900	730.656

Prior Period (31.12.2019)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Letters of Credit	-	-	-	-	-	-	-
Endorsements	-	-	-	-	-	-	-
Letters of Guarantee	13	-	-	-	-	-	13
Acceptances	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	13	-	-	-	-	-	13

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VII. Explanations on Leverage Ratio:

In the current period, the rate of increase in total risk amount was higher than the rate of increase in core capital. The leverage ratio of the Bank calculated from the three-month average amounts as of 30 December 2020 is 16.91% (31 December 2019: 16.91%). The reason why the leverage ratio of the current period is lower than the leverage ratio of the previous period is that the amount of main capital has increased at a lower rate than the total risk amount related to on-balance sheet assets.

On-balance sheet assets (*)	Current Period (31.12.2020)	Prior Period (31.12.2019)
Balance sheet assets (Excluding derivative financial instruments and credit derivatives, including collaterals)	27.094.218	19.305.655
(Assets deducted in determining Tier 1 capital)	-	-
Total balance sheet exposures	27.094.218	19.305.655
Derivative financial instruments and loan derivatives		
Replacement cost of derivative financial instruments and loan derivatives	-	-
Potential loan risk of derivative financial instruments and loan derivatives	122.118	-
Total derivative financial instruments and loan derivatives exposure	122.118	-
Securities financing transaction exposure		
Risks from SCFT assets (excluding on-balance sheet)	99	-
Risks from brokerage activities related exposures	-	-
Total risks related with securities or commodity financing transactions	99	-
Off-balance sheet items		
Gross notional amounts of off-balance sheet items	8.469.824	1.792.309
(Adjustments for conversion to credit equivalent amounts)	(6.906.300)	(1.590.792)
Total risks of off-balance sheet items	1.563.524	201.517
Capital and total risks		
Tier 1 capital	4.407.176	3.299.158
Total risks	28.779.959	19.507.172
Leverage ratio		
Leverage ratio	15,29	16,91

(*) Calculated by taking the average of the last three months financial statements.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VIII. Explanations on the Presentation of Financial Assets and Liabilities at Fair Values:

When fair value of financial assets and liabilities are determined, discounted values are taken into consideration according to remaining maturities. Transactions traded on the stock exchange are valued by using the daily weighted average prices of the last working day on the balance sheet date based on the stock market value.

	Book Value (*)		Fair Value	
	Current Period (31.12.2020)	Prior Period (31.12.2019)	Current Period (31.12.2020)	Prior Period (31.12.2019)
Financial Assets	28.119.567	19.325.146	28.228.339	19.371.950
Money markets placements	1.500.739	127.505	1.500.739	127.505
Banks	3.563.874	2.343.082	3.563.874	2.343.082
Financial Assets at Fair Value Through Profit and Loss	119.725	90.216	119.725	90.216
Financial Assets Measured at Fair Value Through Other Comprehensive Income	965.542	688.636	965.542	688.636
Financial Assets Measured at Amortised Cost	1.717.342	1.066.213	1.729.151	1.066.501
Loans	20.252.345	15.009.494	20.349.308	15.056.010
Financial Liabilities	23.963.014	16.837.862	24.717.620	17.876.294
Interbank deposits	-	-	-	-
Other deposits	-	-	-	-
Funds provided from other financial institutions	21.843.917	15.382.034	22.598.523	16.420.466
Subordinated debt	1.993.243	1.402.055	1.993.243	1.402.055
Marketable securities issued	-	-	-	-
Sundry creditors	125.854	53.773	125.854	53.773

(*) The book values of financial assets and financial liabilities are stated in the book values by adding accrual amounts at the end of the period.

Methods and estimations used for the fair value determination of financial instruments which are not presented with their fair values in the financial statements:

- i- For the fair value determination of loans, interest rates as of balance sheet date are considered.
- ii- For the fair value determination of banks, interest rates as of balance sheet date are considered.
- iii- In order to calculate the fair value of other financial assets measured at amortized cost, the stock market value as of the balance sheet date has been used.
- iv- For the fair value determination of the funds provided from other financial institutions, alternative resource interest rates are considered.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VIII. Explanations on the Presentation of Financial Assets and Liabilities at Fair Values (Continued):

Information on fair value measurements recognized in the financial statements:

TFRS 7 “Financial Instruments: Disclosures” standard requires the items, which are recognized in the balance sheet at their fair values to be shown in the notes by being classified. According to this standard, the related financial instruments are classified into three levels in such a way that they will express the significance of the data used in fair value measurements. At the first level, there are financial instruments, whose fair values are determined according to quoted prices in active markets for identical assets or liabilities, at the second level, there are financial instruments, whose fair values are determined by directly or indirectly observable market data, and at the third level, there are financial instruments, whose fair values are determined by the data, which are not based on observable market data. The financial assets, which are recognized in the balance sheet at their values, are shown below as classified according to the aforementioned principles.

Current Period (31.12.2020)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	-	-	119.725
Debt securities	-	-	-
Share certificates	-	-	119.725
Other	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	950.552	-	14.990
Debt securities	950.552	-	-
Share certificates	-	-	14.990
Other	-	-	-
Derivative Financial Assets	-	43	-
Investment in subsidiaries and associates ⁽¹⁾	-	-	-
Derivative financial liabilities	-	47	-

⁽¹⁾ Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost, these companies are not included in the table.

Prior Period (31.12.2019)	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	-	-	90.216
Debt securities	-	-	-
Share certificates	-	-	90.216
Other	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	680.599	-	8.037
Debt securities	680.599	-	-
Share certificates	-	-	8.037
Other	-	-	-
Derivative Financial Assets	-	-	-
Investment in subsidiaries and associates ⁽¹⁾	-	-	-
Derivative financial liabilities	-	-	-

⁽¹⁾ Since the unlisted investments in associates and subsidiaries are recognized at acquisition cost, these companies are not included in the table.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

VIII. Explanations on the Presentation of Financial Assets and Liabilities at Fair Values (Continued):

The table below shows the movement table of level 3 financial assets.

Level 3 Movement Table	Current Period (31.12.2020)	Prior Period (31.12.2019)
Balance at the Beginning of the period	98.253	66.020
Purchases During the Period	9.386	-
Disposals Through Sale/Redemptions	(4.599)	-
Valuation Effect	31.675	32.233
Transfers	-	-
Balance at the End of the period	134.715	98.253

IX. Explanations on the Transactions Made on Behalf of Others and Items Held in Trust:

The Bank provides security buying, selling and custody services on behalf and account of others. The Bank also acts as an intermediary in the execution of tourism and infrastructure investments on behalf of the Republic of Turkey Ministry of Culture and Tourism, and no new resources have been transferred in this context recently.

There are no transactions based on faith by the Bank.

X. Explanations on Risk Management:

1. General information on risk management and risk weighted amounts:

The Bank's risk management approach:

It should be emphasized firstly that the Bank is actively using committees and risk budgeting in decision-making mechanisms and risk management processes while assessing risk management performance in addition to the functional and financial performance, which has operational mechanisms based on a wide range of activities. Within the framework of the Bank's vision, mission, strategic objectives and targets set by the Board of Directors and risk management policies and strategies; the Asset and Liability Management Committee and the Credit Participation Committee constitute two main committees that play a critical role in the execution of the Bank's activities; which the Asset and Liability Management Committee ensuring that the assets and liabilities are managed effectively and efficiently by taking into consideration the current and possible economic developments and the factors such as interest, maturity and currency, and establishing coordination and communication between the Senior Management and the Bank's units, and the Credit Participation Committee with the function of determining the principles of lending, evaluating the credit-participation risk and the situation of the investment, evaluating the reports prepared on the loan appraisal and in summary taking care of all the lending activities. Within the framework of the short-term strategies determined by the Asset and Liability Management Committee in line with the vision and strategic objectives of the Bank's Strategic Plan, each of the units in the Bank comply with these targets and the risk budgeting application based on the consolidation of these budgets are applied to contribute to the basic activities of the Bank.

Risk monitoring processes constitute the main determinant of risk management policies in decision making processes in the Bank. The organizational structure of the risk monitoring processes is composed of, the "Internal Control" and "Risk Monitoring" Directorates which the duties and authorities established within the Bank with the decision of the Board of Directors pursuant to the Banking Law and the BRSA legislation, the Audit Committee and the Internal Inspection Department. The units within the internal systems of the Bank and the Audit Committee undertake their activities in accordance with the "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process" dated 11/07/2014 and numbered 29057 of the BRSA.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

1. General information on risk management and risk weighted amounts (Continued):

The Bank's risk management approach (Continued):

The general principle of the risk policies followed by the Bank where the implementation of committees and risk budgeting actively in decision-making mechanisms and risk management processes; which was approved by Board of Directors dated 11.01.2016, 2016-01-15/015 stated in the Bank's "Risk Management Strategies, Policies and Implementation Principles", "To specialize in the activities in accordance with the mission, vision and structure determined by the Establishment Law, to take risks that can be identified, controlled and / or managed, and to make efforts to avoid any risks other than the risks inevitable and arising as part of the nature of the activities". While the Bank is specializing in its activities in accordance with its vision and structure in line with this general principle, it shapes the asset composition in line with this principle and in the risk management policy it is subject to the principle of "taking risks that can be controlled and / or managed, not taking any risks other than the risks that are unavoidable and to apply this principle as much as possible. In this context, it is the basic principle to ensure that the risks to be taken are defined and manageable.

In addition, to the extent that risk measurement and reporting techniques allow, measurement of the present and future potential impacts of the risks taken is made possible and written limits for the risks arising from the operations of the Bank and for the digitization are determined according to the BRSA regulations. Therefore, the risk appetite of the Bank is determined and monitored by the risk limits prepared in accordance with the provisions of Article 39 titled "Risk Appetite Structure" of Internal Systems and ICAAP Regulations of Banks No. 29057 issued by the BRSA and published in the Official Gazette on 11 July 2014. "Risk Limits and Implementation Principles", which are revised by the Risk Monitoring Department annually in accordance with the Bank's risk policies and accepted by the Board of Directors, are the main policy that determines the Bank's risk appetite structure.

According to the "Risk Limits and Implementation Guidelines" which is the most important indicator of the risk appetite of the bank, limits, early warning limits and actions to be taken in case of exceeding limit are determined by basic risk groups. In determining limits, the legal limits shape the general framework. However, in addition to the principle of prudence in risk management, specific limits specific to the Bank are also set for each risk type. The early warning limits are intended to prevent limit overs, and the limits are set one level below (or above). Each risk group covered by the Bank's risk limits is monitored by reports made to the Senior Management and the Audit Committee on a daily, weekly, monthly basis by the Risk Monitoring Department and is first informed to the relevant unit in the framework of the actions to be taken in determining the elimination of exceeded limits.

It is clear that both the decision-making mechanisms and the risk management processes are the general principle of risk policies and the Bank has a "risk avoider" risk appetite within the framework of risk limits and implementation principles.

The limits stated in the text of "Risk Appetite Structure, Risk Limits and Implementation Principles" approved by the Board of Directors within the framework of the 37th article of "Regulation on Internal Systems of Banks" issued by the BRSA for quantifiable risks arising from the activities of the Bank are determined. The Risk Monitoring Department monitors compliance with these limits and regularly reports to the Board of Directors, the Audit Committee and the Senior Management.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

1. General information on risk management and risk weighted amounts (Continued):

The Bank's risk management approach (Continued):

Stress test scenario analyzes carried out by our Bank within the scope of risk management activities include various techniques to measure the potential resilience of the bank portfolio against unexpected risks. Capital Planning Buffer prepared in accordance with the provisions of the “Stress Test Program” specified in article 43 of “Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process” and Guidelines for Stress Tests to be Used by Banks in Capital and Liquidity Planning and specified in Article 59 of the Regulation. The results of the implementation of the scenarios determined by the BRSA used in the calculation are sent to the BRSA within the scope of the ISEDES (Internal Capital Adequacy Assessment Process) Report prepared by our unit annually. In the ISEDES Report, the Bank's capital adequacy level is evaluated by applying the BRSA and our Bank scenarios on the Bank's 3-year Strategic Plan predictions.

The stress test scenario analyzes, which are updated quarterly for our bank, are also structured in a structure parallel to ISEDES practices. Stress testing is carried out by applying two negative scenarios of the relevant year, determined by the BRSA, to the financial statements and capital adequacy ratio components of the period to be tested.

In the stress test study, shocks are given on the basis of two basic parameters (interest and exchange rate), and these shocks are based on each parameter and each scenario;

- i- Balance sheet and income statement
- ii- Legal equity
- iii- Risk Weighted Assets (RWA)
- iv- Capital Adequacy Ratio (CAR)

the effects on it are evaluated.

The first parameter used in the scenario analysis is the exchange rate and the other is the interest rates. Exchange rate and interest shocks are designed as base, negative and extremely negative scenarios sent by BRSA.

On the Bank's securities portfolio, portfolio sensitivity is firstly calculated against changes in interest rates, and two separate scenarios are set forth to compensate for the potential loss arising from adverse interest rate changes.

The Bank's “Proforma Cash Flows Statement” analysis, which is prepared based on the possible cash inflows and outflows in the next one-year period, including seven different scenarios, ranging from 45 percent to 95 percent of “loan collection rates” and implicitly including currency and interest forecasts, it is the most detailed scenario analysis that the Bank has prepared. In this analysis, the effects of different collection ratios on the liquidity risk of the Bank are evaluated.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

1. General information on risk management and risk weighted amounts (Continued):

Footnotes and related explanations prepared in accordance with the “Communiqué on Public Disclosures by Banks” published in the Official Gazette No. 29511 on 23 October 2015 and entered into force on 31 March 2017 are given in this section. In accordance with the relevant communiqué, the following tables, which should be given quarterly, were not presented as of 31 December 2020, as the Bank’s standard approach was used in the calculation of capital adequacy:

- RWA flow statement under IMM (Internal Model Method)
- RWA flow statements of CCR exposures under Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

Overview of risk weighted amounts:

		Risk Weighted Amount		Minimum Capital Requirement	
		Current Period (31.12.2020)	Prior Period (31.12.2019)	Current Period (31.12.2020)	Prior Period (31.12.2019)
1	Credit risk (excluding counterparty credit risk) (CCR)	24.300.933	16.628.634	1.944.074	1.330.291
2	Of which standardized approach (SA)	24.300.933	16.628.634	1.944.074	1.330.291
3	Of which internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	10.520	769	842	61
5	Of which standardized approach for counterparty credit risk (SA-CCR)	10.520	769	842	61
6	Of which internal model method (IMM)	-	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-	-
8	Equity investments in funds – look-through approach	-	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization exposures in banking book	-	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-	-
15	Standard Of which SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market Risk	26.800	20.063	2.144	1.605
17	Of which standardized approach (SA)	26.800	20.063	2.144	1.605
18	Of which internal model approaches (IMM)	-	-	-	-
19	Operational Risk	952.909	597.609	76.233	47.809
20	Of which basic indicator approach	952.909	597.609	76.233	47.809
21	Of which standardized approach	-	-	-	-
22	Of which advanced measurement approach	-	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-	-
24	Floor adjustments	-	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	25.291.162	17.247.075	2.023.293	1.379.766

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations

General qualitative information on credit risk:

The Bank calculates its legal credit risk as per the framework of the “Regulation on the Measurement and Evaluation of Banks’ Capital Adequacy” and Basel II criteria. The management of credit risk is essential in such a way as to ensure that the standard ratio of legal capital adequacy is above the minimum limit of existing regulations.

Within the scope of “Basel II application” under the measure of credit risk, the standard method prescribed by the BRSA is used and this measurement method based on weighting to the classes and guarantees of the loans is embodied in the KR520 form which is reported monthly to the BRSA. There are basically 3 main headings of the form:

- Risk Classes,
- Credit Risk Reduction Techniques and Credit Risk Substitution Effects,
- Distribution by Risk Weights.

In order to determine the credit risk, the Bank’s Risk Weighted Assets are classified by “Separation On The Basis Of Risk Classes”. After the asset is classified according to the risk classes, collaterals received on loans are assessed under Basel II “Credit Risk Mitigation Techniques and Credit Risk Substitution Effects”. The credit risk is measured monthly within the standard method framework, by using the algorithm in the “Basel II Credit Rating Classification”.

The Bank provides for the measurement, monitoring, stress testing and scenario analysis studies that are in line with the volume, quality and complexity of the credit risk management and reporting results to the Audit Committee and the Board of Directors.

Moving from the Bank’s loan portfolio structure for risk measurement and monitoring activities besides the standard method for determining the level of credit risk that the bank may encounter;

- Credit Risks by Sectors
- Credit Risks by Region
- Non-performing Loans Analysis
- Concentration Analysis of Credits
- Risks Weights of Loan Collaterals
- Sectoral Risks According to Risk Weights of Loans
- Distribution of Loans by Maturity and Source
- Distribution of Performing Credits is analyzed and reported.

In the Bank’s credit risk management policy, diversification of credit portfolio is essential. Although the Bank is not subject to the credit restrictions imposed on banks accepting deposits pursuant to Article 77 of the Banking Law No. 5411, the Bank has determined its credit limits with the “Credit Regulation” dated January 2019, published with the approval of the Board of Directors. Credit risk limits are determined in the text of “Risk Appetite Structure, Risk Limits and Implementation Principles” approved by the Board of Directors, and the limits are monitored daily, weekly and monthly by the Risk Management unit and reported to the Top Management.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Credit quality of assets:

Current Period (31.12.2020)		Default (a)	Not Overdue (b)	Provisions/Amortisations and Impairment (c)	Net Value (a+b-c)
		Gross carrying value as per TAS			
1	Loans	218.511	20.184.212	(344.025)	20.058.698
2	Debt securities	-	2.667.896	(1.732)	2.666.164
3	Off-balance sheet assets	3	730.654	(11.048)	719.607
4	Total	218.514	23.582.762	(356.805)	23.444.469

Prior Period (31.12.2019)		Default (a)	Not Overdue (b)	Provisions/Amortisations and Impairment (c)	Net Value (a+b-c)
		Gross carrying value as per TAS			
1	Loans	123.857	15.003.915	(222.275)	14.905.497
2	Debt securities	-	1.746.864	(52)	1.746.812
3	Off-balance sheet assets	1	12	(1)	12
4	Total	123.858	16.750.791	(222.328)	16.652.321

Changes in non-performing loans and debt securities:

Current Period (31.12.2020)

1	Defaulted loans and debt securities at the end of prior reporting period	123.857
2	Defaulted loans and debt securities from last reporting period	131.002
3	Receivables that are not defaulted	(36.348)
4	Amounts written of	-
5	Other Changes	-
6	Defaulted loans and debt securities at the end of reporting period (1+2-3-4+-5)	218.511

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Changes in non-performing loans and debt securities (Continued):

Prior Period (31.12.2019)

1	Defaulted loans and debt securities at the end of prior reporting period	119.465
2	Defaulted loans and debt securities from last reporting period	7.616
3	Receivables that are not defaulted	(3.224)
4	Amounts written of	-
5	Other Changes	-
6	Defaulted loans and debt securities at the end of reporting period (1+2-3-4+-5)	123.857

Additional disclosures about the credit quality of assets:

The Bank evaluates its financial assets in 3 stages within the scope of TFRS 9. In this context, the Bank calculates the lifetime expected credit loss for the related loans for the loans that have defaulted (Stage 3) and loans that have not yet defaulted, but have significantly increased the credit risk at the date of disbursement of the loan (Stage 2). For other financial assets within the scope of the Bank TFRS 9 (Stage 1); It reflects the calculation including the probability of default within 12 months after the reporting date as the expected loss reserve.

Loans and other receivables, including overdue interest, are restructured under the Provisioning Regulation by providing additional credits, if necessary, in order to provide liquidity to the borrower for the purposes of ultimately enabling collection of the receivables in the event that it is arising from temporary liquidity difficulties.

Provisional liquidity problem is considered as manageable cash inflow difficulty arising from the fact that a borrower with credit risk that is able to fulfill its obligations on time and on its terms would have been fundamentally irregular due to fluctuations in sales revenue or operating income due to unforeseen and temporary consequences.

Restructured loans are continue to be classified and followed up in the groups that they are followed up until that date. Within this period, provision continues at the special or general provision rates applicable to the group in which they are monitored for the related receivables.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Additional disclosures about the credit quality of assets (Continued):

Breakdown of non-performing loans and respective provisions by geographic regions

Current Period (31.12.2020)	Non-performing loans	Stage 3 Expected Credit Loss
Domestic	218.511	150.378
European Countries	-	-
OECD Countries	-	-
Total	218.511	150.378

Prior Period (31.12.2019)	Non-performing loans	Specific provisions
Domestic	123.857	118.280
European Countries	-	-
OECD Countries	-	-
Total	123.857	118.280

Information in terms of major sectors and type of counterparties

Current Period (31.12.2020)	Loans	Non-Performing Loans	Expected Credit Loss Provision	Total
Agriculture	-	-	-	-
Farming and Animal Breeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Industry	13.837.906	148.678	242.561	13.744.023
Mining and quarry	-	-	-	-
Manufacturing	2.314.042	24.470	29.941	2.308.571
Electricity, gas and water	11.523.864	124.208	212.620	11.435.452
Construction	20.034	-	245	19.789
Service	6.277.801	68.727	100.068	6.246.460
Wholesale and retail trade	45.339	-	262	45.077
Hotel and food services	1.177.338	62.073	67.377	1.172.034
Transportation and communication	331.527	-	3.813	327.714
Financial institutions	4.533.679	-	20.709	4.512.970
Real estate and leasing services	-	-	-	-
Self-employment services	-	-	-	-
Educational services	94.056	-	996	93.060
Health and social services	95.862	6.654	6.911	95.605
Other	48.471	1.106	1.151	48.426
Total	20.184.212	218.511	344.025	20.058.698

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Information in terms of major sectors and type of counterparties

(Prior Period 31.12.2019)

	Loans	Non-Performing Loans	Expected Credit Loss Provision	Total
Agriculture	-	8	6	2
Farming and Animal Breeding	-	8	6	2
Forestry	-	-	-	-
Fishery	-	-	-	-
Industry	9.554.669	50.765	127.620	9.477.814
Mining and quarry	-	-	-	-
Manufacturing	1.610.559	34.100	35.070	1.609.589
Electricity, gas and water	7.944.110	16.665	92.550	7.868.225
Construction	19.249	1.892	1.947	19.194
Service	5.298.560	70.086	91.174	5.277.472
Wholesale and retail trade	43.221	-	36	43.185
Hotel and food services	1.212.563	63.396	64.885	1.211.074
Transportation and communication	123.760	77	489	123.348
Financial institutions	3.702.048	-	17.539	3.684.509
Real estate and leasing services	-	-	-	-
Self-employment services	-	-	-	-
Educational services	124.015	-	1.799	122.216
Health and social services	92.953	6.613	6.426	93.140
Other	131.436	1.106	1.528	131.014
Total	15.003.914	123.857	222.275	14.905.496

Maturity analysis for non-performing loans

Current Period (31.12.2020)	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and above
Corporate and Commercial Loans	124.121	-	3.358	4.499	85.427
Other	-	-	-	-	1.106
Total	124.121	-	3.358	4.499	86.533

Prior Period (31.12.2019)	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and above
Corporate and Commercial Loans	7.041	-	1.280	21.694	92.736
Other	-	-	-	-	1.106
Total	7.041	-	1.280	21.694	93.842

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Qualitative requirements to be disclosed to the public regarding on credit risk mitigation techniques:

In the calculation of the amounts subject to credit risk, the Bank evaluates the loans in terms of risk weight, taking into consideration the risk classes, grading notes and risk reduction elements within the context of "Communiqué on Credit Risk Mitigation Techniques".

The Bank does not make on-balance sheet and off-balance sheet netting within the scope of credit risk mitigation. Applications related to valuation and management of collateral are carried out in line with the Communiqué on Credit Risk Mitigation Techniques. Main guarantees taken by the Bank in the context of credit risk mitigation techniques are financial guarantees (cash) and guarantees (Turkish Treasury and banks). Monetary guarantees are evaluated with the most recent values as of the reporting date in the credit risk reduction process. In the event that a bank loan customer receives guarantees obtained from other institutions, the credit risk worthiness of the guaranteeing institution in the credit risk reduction process is taken into consideration. Risk-reducing effects of collaterals are taken into account through standard volatility adjustments in the portfolios in which the comprehensive financial guarantee method is used.

Overview of credit risk mitigation techniques:

	Current Period (31.12.2020)	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivative s	Collateralized amount of exposures secured by credit derivatives
1	Loans	47.362	20.355.361	100%	-	-	-	-
2	Debt Instruments	-	2.667.896	100%	-	-	-	-
3	Total	47.362	23.023.257	100 %	-	-	-	-
4	Overdue	-	218.511	100%	-	-	-	-

	Prior Period (31.12.2019)	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	75.077	14.934.110	100%	-	-	-	-
2	Debt Instruments	-	670.598	100%	-	-	-	-
3	Total	75.077	15.604.708	100 %	-	-	-	-
4	Overdue	-	123.857	100%	-	-	-	-

Qualitative information on ratings used by the banks while calculating credit risk with standard approach :

The risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are determined pursuant to the regulations. Any external risk ratings which are determined by any international rating agency are not used.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Standard Approach - Credit risk exposure and credit risk mitigation effects:

The Bank calculates the credit risk with a standard approach and do not use a rating grade.

Current Period (31.12.2020)	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amount and Intensity of Risk Weighted Amount	
Risk Class	On-balance sheet amount	Off-Balance Sheet Amount	On-balance sheet amount	On-balance sheet amount	Off-Balance Sheet Amount	On-balance sheet amount
Exposures to sovereigns and central banks	2.633.292	-	3.024.492	-	1.938.751	64,1%
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	9.667.952	9	9.887.442	9	7.121.138	72,0%
Exposures to corporates	14.258.338	8.475.932	13.059.117	713.735	13.772.852	100,0%
Retail exposures	-	-	-	-	-	-
Exposures secured by residential property	40.916	-	40.916	-	23.097	56,5%
Exposures secured by commercial property	2.013.892	-	1.999.392	-	1.039.640	52,0%
Overdue items	68.132	-	68.133	-	66.804	98,0%
Exposures in high-risk categories	119.725	24.399	119.725	24.399	216.185	150,0%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other exposures	137.350	-	137.350	-	132.985	96,8%
Equity share investments	-	-	-	-	-	-
Total	28.939.597	8.500.340	28.336.567	738.143	24.311.452	83,6%

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Standard Approach - Credit risk exposure and credit risk mitigation effects (Continued):

Prior Period (31.12.2019)	Exposures before CCF and CRM		Exposures post-CCF and CRM		Risk Weighted Amount and Intensity of Risk Weighted Amount	
	On-balance sheet amount	Off-Balance Sheet Amount	On-balance sheet amount	Risk Class	On-balance sheet amount	Off-Balance Sheet Amount
Exposures to sovereigns and central banks	1.726.073	-	1.726.073	-	1.246.198	72,2%
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	6.142.814	9	6.427.140	9	4.994.223	77,7%
Exposures to corporates	9.137.317	1.941.495	8.967.705	3	8.967.708	100,0%
Retail exposures	270.489	-	264.068	-	198.051	75,0%
Exposures secured by residential property	42.074	-	42.074	-	23.213	55,2%
Exposures secured by commercial property	1.849.676	-	1.741.383	-	870.692	50,0%
Overdue items	5.579	-	5.579	-	2.790	50,0%
Exposures in high-risk categories	92.527	19.824	92.527	19.824	168.526	150,0%
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other exposures	162.117	-	162.117	-	158.002	97,5%
Equity share investments	-	-	-	-	-	-
Total	19.428.666	1.961.328	19.428.666	19.836	16.629.403	85,5%

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Standard Approach: Exposures by asset classes and risk weights:

The Bank calculates the credit risk with the standard approach and does not use a rating score.

Current Period (31.12.2020)											
	Risk Class	0%	10%	20%	50% Secured by property mortgages	75%	100%	150%	200%	Other	Total risk amount (after CCF and CRM)
1	Exposures to sovereigns and their central banks	1.085.741	-	-	-	-	1.938.751	-	-	-	3.024.492
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	1.500.739	-	1.466.571	184.635	-	6.735.506	-	-	-	9.887.451
7	Exposures to corporates	-	-	-	-	-	13.772.852	-	-	-	13.772.852
8	Retail exposures	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	35.638	-	5.278	-	-	-	40.916
10	Exposures secured by commercial property	-	-	-	1.919.505	-	79.887	-	-	-	1.999.392
11	Past-due items	-	-	-	2.659	-	65.474	-	-	-	68.133
12	Exposures in high-risk categories	-	-	-	-	-	-	144.124	-	-	144.124
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
16	Other exposures	4.364	-	-	-	-	132.986	-	-	-	137.350
17	Equity share investments	-	-	-	-	-	-	-	-	-	-
18	Total	2.590.844	-	1.466.571	2.142.437	-	22.730.734	144.124	-	-	29.074.710

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

2. Credit risk explanations (Continued):

Standard Approach: Exposures by asset classes and risk weights (Continued):

Prior Period (31.12.2019)											
	Risk Class	0%	10%	20%	50% Secured by property mortgages	75%	100%	150%	200%	Other	Total risk amount (after CCF and CRM)
1	Exposures to sovereigns and their central banks	479.875	-	-	-	-	1.246.198	-	-	-	1.726.073
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	1.602.105	302.484	-	4.522.560	-	-	-	6.427.149
7	Exposures to corporates	-	-	-	-	-	8.967.708	-	-	-	8.967.708
8	Retail exposures	-	-	-	-	264.068	-	-	-	-	264.068
9	Exposures secured by residential property	-	-	-	37.722	-	4.352	-	-	-	42.074
10	Exposures secured by commercial property	-	-	-	1.741.383	-	-	-	-	-	1.741.383
11	Past-due items	-	-	-	5.579	-	-	-	-	-	5.579
12	Exposures in high-risk categories	-	-	-	-	-	-	112.351	-	-	112.351
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
16	Other exposures	4.114	-	-	-	-	158.003	-	-	-	162.117
17	Equity share investments	-	-	-	-	-	-	-	-	-	-
18	Total	483.989	-	1.602.105	2.087.168	264.068	14.898.821	112.351	-	-	19.448.502

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

3. Explanations on counterparty credit risk:

Evaluation of counterparty credit risk according to measurement methods:

A counterparty credit risk is the risk that a counterparty who is involved in a transaction that is liable to both parties defaults before the final payment in the cash flow of that transaction.

The Bank takes necessary measures to limit counterparty credit risks arising from bilateral transactions, such as off-balance sheet over the counter derivative transactions, by taking into account risk capacities.

Transactions made by the Treasury Department including counter-party risks such as over the counter forward, swaps and options are reported daily to the Senior Management and Risk Monitoring Department. All transactions made by the other party are considered within the limits of the counterparty. Exceeded limits are reported daily to the responsible managers and are recorded with all measures taken to overcome these limitations.

Current Period (31.12.2020)		Replacement cost	Potential Credit Risk Amount	EEPE	Alpha used for competing regulatory EAD	EAD Post-CRM	Risk Weighted Amounts
1	Standardized Approach - CCR (for derivatives)	-	-	-	1,4	-	-
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	25.419	6.047
6	Total	-	-	-	-	25.419	6.047

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

3. Explanations on counterparty credit risk (Continued):

Evaluation of counterparty credit risk according to measurement methods

Prior Period (31.12.2019)		Replacement cost	Potential Credit Risk Amount	EEPE	Alpha used for competing regulatory EAD	EAD Post-CRM	Risk Weighted Amounts
1	Standardized Approach - CCR (for derivatives)	-	-	-	1,4	-	-
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	1.844	-
6	Total	-	-	-	-	1.844	-

KKR2: Capital Requirements for CVA:

There is no derivative transaction in the bank that will be affected by speculative market prices, KDA is not calculated.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

3. Explanations on counterparty credit risk (Continued):

Standard approach - counterparty credit risk based on risk classes and risk weights:

Current Period (31.12.2020)									
Risk Class	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Exposures to sovereigns and their central banks	18.958	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	517	-	-	5.944	-	-	6.047
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Overdue items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	18.958	-	517	-	-	5.944	-	-	6.047

(*) Total credit risk: Risk amount related to capital adequacy computation after the counterparty credit risk measurement techniques are applied.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

3. Explanations on counterparty credit risk (Continued):

Standard approach - counterparty credit risk based on risk classes and risk weights (Continued):

Prior Period (31.12.2019)									
Risk Class	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Exposures to sovereigns and their central banks	1.844	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Overdue items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	1.844	-	-	-	-	-	-	-	-

(*) Total credit risk: Risk amount related to capital adequacy computation after the counterparty credit risk measurement techniques are applied.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

3. Explanations on counterparty credit risk (Continued):

Collaterals for counterparty credit risk:

A counterparty credit risk is the risk that a counterparty who is involved in a transaction that is liable to both parties defaults before the final payment in the cash flow of that transaction.

The Bank takes necessary measures to limit counterparty credit risks arising from bilateral transactions, such as off-balance sheet derivative transactions, by taking into account risk capacities.

Transactions made by the Treasury Department including counter-party risks such as over the counter forward, swaps and options are reported daily to the Senior Management and Risk Monitoring Department. All transactions made by the counter party are considered within the limits of the counter party. Exceeded limits are reported daily to the responsible managers and are recorded with all measures taken to overcome these limitations.

Current Period (31.12.2020)	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral Received	Fair value of collateral Given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	1.549.109	205.332
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	1.549.109	205.332

Prior Period (31.12.2019)	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	62.904	50.281
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	62.904	50.281

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

3. Explanations on counterparty credit risk (Continued):

Credit derivatives

None.

Exposures to central counterparties (CCP)

None.

Explanations on securitizations

None.

4. Explanations on market risk:

Qualitative information to be publicly disclosed on market risk:

The Bank is exposed to market risk depending on the fluctuations that may occur in the financial market as a result of its activities, in exchange rates, interest rates and stock prices.

The Bank calculates and legally reports its market risk by using the standard method within the framework of the provisions of the “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy” published in the Official Gazette No. 29511 dated 23 October 2015.

In addition to the monthly standardized methodology, the market risk is calculated on a daily basis using the Value At Risk (“VaR”) approach. The VaR calculated by using the internal model to predict the potential loss in financial market conditions, the stress tests and scenario analysis results, including the price changes occurring in the crises that occurred in previous years or the probable effects of different interest and exchange rate shocks on existing portfolios are reported to Audit Committee and top management.

In accordance with the “Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process” published on the Official Gazette dated 11 July 2014 and numbered 29057, the limits of these risks are determined by taking into account the main risks borne by the Bank and such risk limits are determined within the framework of changing market conditions and Bank strategies “Risk Appetite Structure, Risk Limits and Implementation Principles” which are frequently revised and approved by the Board of Directors.

The reports prepared within the framework of compliance with the risk limits are regularly presented to the Board of Directors, the Audit Committee and senior management.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

4. Explanations on market risk (Continued):

Market risk amounts based on standard approach:

		Current Period 31.12.2020	Prior Period 31.12.2019
		RAT	RAT
	Direct (cash) Products		
1	Interest rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	26.800	20.063
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	26.800	20.063

5. Link between the financial statements and risk amounts:

Explanations on differences between the amounts prepared as per TAS and the risk amounts:

“Credit Risks” are calculated over the securities classified as “Financial assets at fair value through profit or loss” and “Financial assets measured at fair value through other comprehensive income”.

Repurchase and reverse repo transactions of the Bank are subject to “Counterparty Credit Risks” and the Capital Obligation against Counterparty Credit Risk is calculated and reported under the “Credit Risk”. In addition, “Market Risk” is calculated over the securities used in the “Reverse Repo” transactions.

The amount included in the “Off-balance sheet amounts” line of the B2 table is reported as “Subject to Credit risk” by multiplying with “Credit Conversion Rates”.

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**Notes to the Unconsolidated Financial Statements As of 31 December 2020**

(Thousands of Turkish Lira (TL) unless otherwise stated)

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on Risk Management (Continued):****5. Linkages between the financial statements and risk amounts (Continued):****Differences and matching between accounting consolidation and legal consolidation:**

Current Period (31.12.2020)	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Items in accordance with TMS				
			Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with the Central Bank	1.126	-	1.126	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	119.725	-	119.725	-	-	-	-
Banks	3.555.637	-	3.555.637	-	-	-	-
Interbank money market	1.499.793	-	-	1.499.793	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	965.542	-	965.542	-	-	-	-
Derivative Financial Assets	43	-	43	-	-	-	-
Loans and Receivables	20.058.698	-	20.058.698	-	-	-	-
Factoring receivables	-	-	-	-	-	-	-
Financial Assets Measured at Amortised Cost	1.716.260	-	1.716.260	-	-	-	-
Investments in associates	20.543	-	20.543	-	-	-	-
Lease receivables	30	-	30	-	-	-	-
Tangible assets (net)	46.139	-	46.139	-	-	-	-
Intangible assets (net)	17.744	-	-	-	-	-	17.744
Investment properties (net)	-	-	-	-	-	-	-
Tax asset	17.990	-	17.990	-	-	-	-
Other assets	54.100	-	54.100	-	-	-	-
Total Assets	28.073.370	-	26.555.833	1.499.793	-	-	17.744

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**Notes to the Unconsolidated Financial Statements As of 31 December 2020**

(Thousands of Turkish Lira (TL) unless otherwise stated)

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on Risk Management (Continued):****5. Linkages between the financial statements and risk amounts (Continued):****Differences between accounting consolidation and legal consolidation (Continued):**

Current Period (31.12.2020)	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Items in accordance with TMS				
			Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposit	-	-	-	-	-	-	-
Derivative financial liabilities held for trading	47	-	-	-	-	-	-
Borrowing funding loans	21.762.739	-	-	-	-	-	-
Money markets balances	205.378	-	-	205.378	-	-	-
Issued securities	-	-	-	-	-	-	-
Funds	245.216	-	-	-	-	-	-
Miscellaneous Payables	126.137	-	-	-	-	-	-
Other external funding's payable	42.676	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Debts from leasing transactions	13.575	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-	-
Provisions	51.012	-	-	-	-	-	-
Tax liability	45.148	-	-	-	-	-	-
Liabilities for assets held for sale and discontinued operations	-	-	-	-	-	-	-
Subordinated debts	1.993.243	-	-	-	-	-	-
Shareholders' equity	3.588.199	-	-	-	-	-	-
Total liabilities and equity	28.073.370	-	-	205.378	-	-	-

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**Notes to the Unconsolidated Financial Statements As of 31 December 2020**

(Thousands of Turkish Lira (TL) unless otherwise stated)

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on Risk Management (Continued):****5. Linkages between the financial statements and risk amounts (Continued):****Differences between accounting consolidation and legal consolidation (Continued):**

Prior Period (31.12.2019)	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Items in accordance with TMS				
			Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with the Central Bank	595	-	595	-	-	-	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	90.216	-	90.216	-	-	-	-
Banks	2.343.082	-	2.343.082	-	-	-	-
Interbank money market	127.505	-	66.486	61.019			
Financial assets available-for-sale (net)	688.636	-	688.636	-	-	-	-
Loans	15.009.493	-	15.009.493	-	-	-	-
Factoring receivables	-	-		-	-	-	-
Investments held to maturity (net)	1.066.213	-	1.066.213	-	-	-	-
Investments in associates	15.960	-	15.960	-	-	-	-
Lease receivables	70	-	70	-	-	-	-
Tangible assets (net)	94.797	-	94.797	-	-	-	-
Intangible assets (net)	2.085	-	-	-	-	-	2.085
Investment properties (net)	850	-	850	-	-	-	-
Tax asset		-		-	-	-	-
Other assets	50.423	-	50.423	-	-	-	-
Total Assets	19.489.925	-	19.426.821	61.019	-	-	2.085

TÜRKİYE KALKINMA VE YATIRIM BANKASI A.Ş.**Notes to the Unconsolidated Financial Statements As of 31 December 2020**

(Thousands of Turkish Lira (TL) unless otherwise stated)

SECTION FOUR (Continued)**INFORMATION ON FINANCIAL STRUCTURE (Continued)****X. Explanations on Risk Management (Continued):****5. Linkages between the financial statements and risk amounts (Continued):****Differences between accounting consolidation and legal consolidation (Continued):**

Prior Period (31.12.2019)	Carrying values in financial statements prepared as per TAS	Carrying values in financial statements prepared as per TAS within legal consolidation	Items in accordance with TMS				
			Subject to credit risk	The counterparty credit risk	Securitization positions	Subject to market risk	Not subject to capital requirements or subject to deduction from capital
Liabilities							
Deposit	-	-	-	-	-	-	-
Derivative financial liabilities held for trading	-	-	-	-	-	-	-
Borrowing funding loans	15.363.879	-	-	-	-	-	-
Money markets balances	50.364	-	-	50.364	-	-	-
Issued securities	-	-	-	-	-	-	-
Funds	18.155	-	-	-	-	-	-
Miscellaneous Payables	53.773	-	-	-	-	-	-
Other external funding's payable	31.978	-	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Debts from leasing transactions	15.207	-	-	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-	-	-	-
Provisions	26.569	-	-	-	-	-	-
Tax liability	57.525	-	-	-	-	-	-
Liabilities for assets held for sale and discontinued operations	-	-	-	-	-	-	-
Subordinated debts	1.402.055	-	-	-	-	-	-
Shareholders' equity	2.356.413	-	-	-	-	-	-
Total liabilities and equity	19.375.918	-	-	50.364	-	-	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

5. Linkages between the financial statements and risk amounts (Continued):

Main sources of differences between the risk amounts and carrying values in financial statements prepared as per TAS:

	Current Period (31.12.2020)	Total	Subject to credit risk	Securitization positions	Subject to counterparty risk	Subject to market risk
1	Carrying values of assets in accordance with TAS within legal consolidation	28.073.370	26.555.833	-	1.499.793	-
2	Carrying values of liabilities in accordance with TAS within legal consolidation	28.073.370	-	-	205.378	-
3	Total net amount under legal consolidation	-	26.555.833	-	1.294.415	-
4	Off-balance sheet items	9.229.631	79.225	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from netting of differences (outside line 2)	-	-	-	-	-
7	Differences arising from consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the BRSA	-	-	-	-	-
	Risk balances	37.303.001	26.635.058	-	1.705.171	-

	Prior Period (31.12.2019)	Total	Subject to credit risk	Securitization positions	Subject to counterparty risk	Subject to market risk
1	Carrying values of assets in accordance with TAS within legal consolidation	19.489.926	19.426.822	-	61.019	-
2	Carrying values of liabilities in accordance with TAS within legal consolidation	19.375.917	-	-	50.364	-
3	Total net amount under legal consolidation	114.009	19.426.822	-	10.655	-
4	Off-balance sheet items	1.961.329	19.836	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from netting of differences (outside line 2)	-	-	-	-	-
7	Differences arising from consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the BRSA	-	-	-	-	-
	Risk balances	21.451.254	19.446.658	-	111.383	-

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

6. Explanations on operational risk:

According to the Bank's Operational Risk Management Policy, operational risk management practices; Overlooking of errors and irregularities as a result of disruptions in internal controls, failure to comply with time and conditions by the Bank's management and personnel, errors and failures in information technology systems, and losses due to disasters such as earthquakes, fires, floods, and other factors that may occur on the basis of the Bank and the sector. are developed taking into account.

Operational risk amount is calculated by using the basic indicator approach within the scope of 14th article of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". The value is, 15% of the Banks' gross income for the last three years multiplied with 12,5.

Annual gross income, as the financial reports are included in the income statement; adding net fee and commission income, dividend income from stocks other than subsidiary and affiliate shares, trading profit / loss (net) and other operating income to net interest income, profit from the sale of assets monitored in held-to-maturity securities accounts / the loss is calculated by deducting extraordinary income and insurance claims.

Current Period (31.12.2020)	31.12.2017	31.12.2018	31.12.2019	Total / Positive BG year amount	Ratio (%)	Total
Gross Income	289.290	479.661	755.704	508.218	15	76.233
Value at operational risk (Total * 12,5)						952.909
Prior Period (31.12.2019)	31.12.2016	31.12.2017	31.12.2018	Total / Positive BG year amount	Ratio (%)	Total
Gross Income	187.223	289.290	479.661	318.725	15	47.830
Value at operational risk (Total * 12,5)						597.609

The Operational Risk Management Policy, which was renewed in order to determine the policies, principles, approaches and basic elements in Operational Risk Management in order to reveal the risks that the Bank will be exposed to in line with the general strategies and long-term goals and the strategies to be followed for these risks, was approved by the Board of Directors as of 30.12.2020. With this policy, it is aimed to contribute to the establishment of an established and consistent "Operational Risk Culture" throughout the Bank by defining, determining, measuring, evaluating and reporting Operational Risks.

Audit findings, internal loss data, risk control and self-assessment report, operational risk analysis report, external data, business process map and key risk indicators will be envisaged to use in the identification and assessment of operational risk. Regarding the analysis of operational risk, risk control and self-assessment studies, operational risk analysis report, scenario analysis and stress tests are envisaged. Within the scope of reducing the operational risks and increasing the efficiency of the operational risk management process, the use of methods such as controlling the exposed risks by applying determined policies and procedures, reducing by using risk reduction techniques such as insurance, transferring them to another area are the basic elements that will increase the effectiveness of operational risk management. can be listed.

Support Services procedures, emergency and contingency plans that enable the transfer of operational risks, emergency and contingency plans, as well as special policies, procedures and controls for money laundering and terrorist financing that may cause operational risks, management of IT risks It is foreseen to be created.

SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE (Continued)

X. Explanations on Risk Management (Continued):

6. Explanations on operational risk (Continued):

In the Bank, all operational risks are within the framework of defining, evaluating, monitoring and controlling / reducing risks. It is managed under the supervision of the Board of Directors and the Audit Committee. The results of the activities of the Internal Audit Unit and Internal Control and Compliance Unit for monitoring operational risks are monitored and evaluated by the Audit Committee.

Legal measurements for Operational Risk are made using the Basic Indicator Method within the scope of the Regulation on Measurement and Assessment of Capital Adequacy of Banks. Studies of other measurement methods for Measurement of Operational Risks within the scope of Basel and BRSA regulations are carried out by the Risk Management Unit.

7. Interest rate risk on banking accounts:

Bank calculates the interest rate risk on banking book according to “Regulation on Measurement and Evaluation of Interest Rate Risk on Banking Book as per Standard Shock Method” and reports to the BRSA monthly.

Interest Rate Risk on Banking Book report includes Receivables from Central Bank, Money Market Placements, Receivables from Banks, Available for Sale Financial Assets (excluding government bonds), Receivables from Reverse-repo, Loans and Receivables, Investments Held to Maturity and Other Receivables in the asset side, and Payables to Central Bank, Money Market Borrowings, Payables to Banks, Funds Obtained from Repo Transactions, Issued Bonds; Borrowings, Subordinated Debt and Other Payables on the liabilities side.

Economic value differences due to the interest rate instabilities calculated according to “Regulation on Measurement and Evaluation of Interest Rate Risk on Banking Book as per Standard Shock Method” are presented below for each currency.

	Current Period (31.12.2020)	Applied Shock	Gains / Losses	Gains / Equity – Losses / Equity
	Currency	(+/- x base points)		
1	TL	(+) 500 base points	(25.772)	(0,46)%
2	TL	(-) 400 base points	24.530	0,43%
3	EURO	(+) 200 base points	92.794	1,64%
4	EURO	(-) 200 base points	(111.878)	(1,98)%
5	USD	(+) 200 base points	(99.413)	(1,76)%
6	USD	(-) 200 base points	117.455	2,08%
	Total (Of Negative Shocks)		(32.391)	(0,58)%
	Total (Of Positive Shocks)		30.107	0,53%

	Prior Period (31.12.2019)	Applied Shock	Gains / Losses	Gains / Equity – Losses / Equity
	Currency	(+/- x base points)		
1	TL	(+) 500 base points	(26.626)	(0,69)%
2	TL	(-) 400 base points	25.636	0,67%
3	EURO	(+) 200 base points	45.785	1,19%
4	EURO	(-) 200 base points	(53.575)	(1,39)%
5	USD	(+) 200 base points	21.685	0,56%
6	USD	(-) 200 base points	(30.449)	(0,79)%
	Total (Of Negative Shocks)		40.844	1,06%
	Total (Of Positive Shocks)		(58.389)	(1,52)%

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS

I. Explanations and Notes Related to Assets:

1. Information on financial assets:

1.1. Information on cash and cash equivalents:

1.1.1. Information on cash and balances with the Central Bank of the Republic of Turkey:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Cash and foreign currency	10	-	17	-
Central Bank of the Republic of Turkey	1.116	-	578	-
Other	-	-	-	-
Total	1.126	-	595	-

1.1.1.a. Information on required reserve deposits:

Since the Bank does not accept deposits, it is not subject to Central Bank of the Republic of Turkey's Communiqué No: 2005/1 "Reserve Requirements".

1.1.1.b. Information on the account of Central Bank of the Republic of Turkey:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Unrestricted Demand Deposit	1.116	-	578	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	1.116	-	578	-

1.1.2. Information on banks:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Banks				
Domestic	1.451.203	2.007.772	1.602.105	733.308
Foreign	-	104.899	-	7.669
Foreign Head Office and Branches	-	-	-	-
Total	1.451.203	2.112.671	1.602.105	740.977

1.1.3.b. Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	Current Period (31.12.2020)	Prior Period (31.12.2019)	Current Period (31.12.2020)	Prior Period (31.12.2019)
EU Countries	20.640	3.860	-	-
USA and Canada	1.989	3.809	-	-
OECD Countries	82.270	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	104.899	7.669	-	-

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued)

1.1. Information on cash and cash equivalents (Continued):

1.1.3. Information on Money market placements:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Money Market Placements	-	-	-	66.486
Receivables from Reverse Repo Transactions	1.500.739	-	61.019	-
Total	1.500.739	-	61.019	66.486

1.1.4. Information on expected credit loss provisions for financial assets:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Cash and Balances with Central Bank	1	-	1	-
Banks	8.237	-	7.027	-
Money Markets	945	-	259	-
Total	9.183	-	7.287	-

1.2. Financial assets at fair value through profit and loss subject to repurchase agreements:

None.

1.2.a) Financial assets at fair value through profit and loss given as collateral or blocked):

None.

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

1.3.a-1) Financial assets measured at fair value through other comprehensive income subject to repurchase agreements:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	205.332	-	50.283	-
Other	-	-	-	-
Total	205.332	-	50.283	-

1.3.a-2) Information on financial assets measured at fair value through other comprehensive income given as collateral or blocked:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bonds, treasury bills and similar securities	63.299	-	166.896	-
Other	-	-	-	-
Total	63.299	-	166.896	-

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued)

1.3. Information on financial assets measured at fair value through other comprehensive income (Continued):

1.3.a.3) Information on financial assets measured at fair value through other comprehensive income:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Debt Securities	950.554	680.651
Quoted on a stock exchange	950.554	680.651
Unquoted	-	-
Share Certificates	17.800	10.847
Quoted on a stock exchange	-	-
Unquoted	17.800	10.847
Provision for impairment (-)	(2.812)	(2.862)
Total	965.542	688.636

1.4. Information on derivative financial assets:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Forward Transactions	43	-	-	-
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	43	-	-	-

2. Explanations on financial assets measured at amortized cost (Net):

2.1. Information on loans:

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

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	385	-	2.311	-
Total	385	-	2.311	-

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued))

2. Explanations on financial assets measured at amortized cost (Net) (Continued):

2.1. Information on loans (Continued):

2.1.b) Information on standard loans and loans under follow up (first and second group loans) including restructured loans under follow up:

Cash Loans Current Period (31.12.2020)	Standart Loans	Loans Under Close Monitoring		
		Loans not subject to restructuring	Restructured Loans	
			Loans with revised contract terms	Refinance
Non-specialized loans	17.884.849	981.178	129.341	-
Discount notes	679.014	7.258	16.104	-
Export loans	33.714	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	1.456.238	-	-	-
Consumer loans	384	-	-	-
Credit cards	-	-	-	-
Other	15.715.499	973.920	113.237	-
Special loans	1.000.405	150.766	37.673	-
Other receivables	-	-	-	-
Total	18.885.254	1.131.944	167.014	-

Cash Loans Prior Period (31.12.2020)	Standart Loans	Loans Under Close Monitoring		
		Loans not subject to restructuring	Restructured Loans	
			Loans with revised contract terms	Refinance
Non-specialized loans	12.195.998	1.072.395	359.255	-
Discount notes	285.931	448	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	1.285.710	-	-	-
Consumer loans	2.311	-	-	-
Credit cards	-	-	-	-
Other	10.622.046	1.071.947	359.255	-
Special loans	1.308.965	52.394	14.907	-
Other receivables	-	-	-	-
Total	13.504.963	1.124.789	374.162	-

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
First and Second Stage Expected Loss Reserves	Standart Loans	Loans Under Close Monitoring	Standart Loans	Loans Under Close Monitoring
12 Months Expected Credit Losses	132.139	-	60.477	-
Significant Increase in Credit Risk	-	61.508	-	43.519

SECTION FIVE (Continued)

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

I. Explanations and Notes Related to Assets (Continued)

2. Explanations on financial assets measured at amortized cost (Net) (Continued):

2.1. Information on loans (Continued):

2.1.c) Loans according to their maturity structure:

Cash Loans Current Period (31.12.2020)	Standart Loans	Loans Under Close Monitoring		
		Loans not subject to restructuring	Restructured Loans	
			Loans with revised contract terms	Refinance
Short term loans	289.392	9.226	49.038	-
Medium and long term loans	18.595.862	1.122.718	117.976	-

Cash Loans Prior Period (31.12.2019)	Standart Loans	Loans Under Close Monitoring		
		Loans not subject to restructuring	Restructured Loans	
			Loans with revised contract terms	Refinance
Short term loans	251.964	2.971	25.916	-
Medium and long term loans	13.252.999	1.121.818	348.246	-

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued):

2. Explanations on financial assets measured at amortized cost (Net) (Continued):

2.1. Information on loans (Continued):

2.1.ç) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards:

Current Period (31.12.2020)	Short Term	Medium and Long Term	Total
Consumer Loans- TL	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans - TL	-	385	385
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	385	385
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	-	385	385

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued):

2. Explanations on financial assets measured at amortized cost (Net) (Continued):

2.1. Information on loans (Continued):

2.1.ç) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards (Continued):

Prior Period (31.12.2019)	Short Term	Medium and Long Term	Total
Consumer Loans- TL	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans - TL	-	2.311	2.311
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	2.311	2.311
Other	-	-	-
Personnel Loans-Indexed to FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans- FC	-	-	-
Real estate loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards- TL	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TL (Real Persons)	-	-	-
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	-	2.311	2.311

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued):

2. Explanations on financial assets measured at amortized cost (Net) (Continued):

2.1. Informations on loans (Continued):

2.1.d) Information on commercial loans with installments and corporate credit cards:

The Bank has not granted any commercial loans with installments and corporate credit cards as of balance sheet date.

2.1.e) Loans according to type of borrowers:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Public	-	-
Private	20.184.212	15.003.914
Total	20.184.212	15.003.914

2.1.f) Breakdown of domestic and international loans:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Domestic loans	20.184.212	15.003.914
International loans	-	-
Total	20.184.212	15.003.914

2.1.g) Loans granted to subsidiaries and associates:

TL 3.759 of loan disbursed to Arıcak A.Ş., a subsidiary of the Bank, has been followed at Group V. TL 3.759 default (stage III) provision has been provided for this loan.

2.1.ğ) Default (third stage) provisions:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Loans and other receivables with limited collectability	62.005	7.041
Loans and other receivables with doubtful collectability	-	-
Uncollectible loans and receivables	88.373	111.237
Total	150.378	118.278

2.1.h) Information on non-performing loans (Net):

2.1.h.1) Information on loans and other receivables restructured or rescheduled from non-performing loans:

	III. Group Loans With Limited Collectability	IV. Group Loans With Doubtful Collectability	V. Group Uncollectible Loans
Current Period (31.12.2020)			
Gross amounts before specific provisions	127.479	-	91.032
Restructured loans	-	-	-
Prior Period (31.12.2019)			
Gross amounts before specific provisions	7.041	-	116.816
Restructured loans	-	-	-

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued):

2. Explanations on financial assets measured at amortized cost (Net) (Continued):

2.1. Informations on loans (Continued):

2.1.h.2) Information on the movement of non-performing receivables:

	III. Grup	IV. Grup	V. Grup
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
Prior period end balance (31.12.2019)	7.041	-	116.816
Additions (+)	124.120	-	6.882
Transfer from other categories of non-performing loans (+)	5.639	6.738	-
Transfer to other categories of non-performing loans (-)	(6.738)	(5.639)	-
Collections (-)	(2.583)	(1.099)	(32.666)
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and commercial loans	-	-	-
Consumer loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance (31.12.2020)	127.479	-	91.032
Specific provisions (-)	(62.005)	-	(88.373)
Net balance on balance sheet	65.474	-	2.659

2.1.h.3) Information on Accruals of Interest, Rediscount and Valuation Effect and Their Provisions Calculated for Under Follow-up Loans Banks which Provide Expected Credit Loss According to TFRS 9:

	III. Grup	IV. Grup	V. Grup
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (31.12.2020)			
Interest Accruals and Valuation Differences	1.142	-	774
Provisions (-)	(1.142)	-	(774)
Net Balance	-	-	-
Prior Period (31.12.2019)			
Interest Accruals and Valuation Differences	106	-	2.029
Provisions (-)	(106)	-	(2.029)
Net Balance	-	-	-

2.1.h.4) Information on foreign currency non-performing loans:

As set out in the third part of the Communiqué on the Bank's Uniform Chart of Accounts and Prospectus, the context of definitions of Doubtful Receivables, Uncollectible Fees, Commissions and Other Receivables and Non-Performing Loans and Other Receivables, foreign currency loans which become non-performing loans are transferred to and monitored in terms of Turkish Lira.

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued):

2. Explanations on financial assets measured at amortized cost (Net) (Continued):

2.1. Informations on loans (Continued):

2.1.h.5) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Grup	IV. Grup	V. Grup
	Loans and Other Receivables With Limited Collectability	Loans and Other Receivables With Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net) (31.12.2020)	65.474	-	2.659
Loans to Real Persons and Legal Entities (Gross)	127.479	-	91.032
Specific provisions (-)	(62.005)	-	(88.373)
Loans to Real Persons and Legal Entities (Net)	65.474	-	2.659
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net) (31.12.2019)	-	-	5.579
Loans to Real Persons and Legal Entities (Gross)	7.041	-	116.816
Specific provisions (-)	(7.041)	-	(111.237)
Loans to Real Persons and Legal Entities (Net)	-	-	5.579
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

2.1.h.6) Net Value of Collaterals of Loans Under Close Monitoring, Collateral Type and Risk Mapping:

Type of collateral	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	Net Value of Collateral	Loan Balance	Net Value of Collateral	Loan Balance
Real Estate Mortgages (*)	610.064	610.064	602.319	602.319
Vehicle Pledges	-	-	-	-
Cash Collateral (Cash, Marketable Securities, etc.)	-	-	-	-
Pledge on wages	-	-	-	-
Cheque/Notes	-	-	-	-
Other (suretyship, commercial enterprise pledge, export documents etc.)	688.894	688.894	877.503	877.503
Non-collateralized	-	-	-	-
Total	1.298.958	1.298.958	1.479.822	1.479.822

(*) The loan amount is taken into account as the net value of the collateral, which is lower than the appraisal and mortgage amount or if these exceed the credit risk.

SECTION FIVE (Continued)

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

I. Explanations and notes related to assets (continued):

2. Explanations on financial assets measured at amortized cost (Continued):

2.1. Informations on loans (Continued):

2.1.h.7) Net Value of Collaterals of Non-performing Loans, Collateral Types and Risk Mapping:

Type of collateral	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	Net Value of Collateral	Loan Balance	Net Value of Collateral	Loan Balance
Real Estate Mortgages (*)	206.723	206.723	94.538	94.538
Cash collateral	-	-	-	-
Vehicle Pledges	-	-	-	-
Other (suretyship, commercial enterprise pledge, commercial valuable papers etc.)	3.446	3.446	7.332	7.332
Non-collateralized	-	8.342	-	21.987
Total	210.169	218.511	101.870	123.857

(*) The loan amount is taken into account as the net value of the collateral, which is lower than the appraisal and mortgage amount or if these exceed the credit risk.

2.1.i) Main principles of liquidating non-performing loans and other receivables:

If there are collateral elements in the fourth section of the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Reserved for them, these elements are converted into money as soon as possible as a result of both administrative and legal initiatives and the liquidation of the receivable is provided.

In the case collaterals are not present; the Bank is engaged in substantive intelligence in various periods to determine whether any property holdings are subsequently acquired in order to apply for legal procedures, even if there is evidence of insolvency for the debtor.

Before and after liquidation process; the Bank reviews financial information of the debtor companies. Then, in the case it is agreed that the companies show indications of operating on an ongoing basis and probably are going to have contributions to the economy; the Bank tries to make collections through rescheduling the payment terms.

2.1.i) Explanations on write-off policy:

Uncollectible loans or receivables are written-off with the decision of the Board of Directors, after the date 100% provision is set considering the collaterals using the rates determined in the related communiqué, when they are deemed impossible to collect in accordance with a convincing document or a court order.

SECTION FIVE (Continued)

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

I. Explanations and notes related to assets (Continued):

2. Explanations on financial assets measured at amortized cost r (Continued):

2.2. Information on finance lease receivables (Net):

The Bank's receivables from leasing are TL 30 (31 December 2019 : TL 70).

2.3. Information on factoring receivables:

None.

2.4.a) Information on government securities financial assets measured at amortised cost subject to repurchase agreements:

None.

2.4.b) Information on given as collateral or blocked financial assets measured at amortised cost subject to repurchase agreements:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Government Bonds	10.184	12.539
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	10.184	12.539

2.4.c) Information on government securities financial assets measured at amortised cost:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Government Bonds	1.717.342	1.066.213
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	1.717.342	1.066.213

2.4.d) Information on financial assets measured at amortised cost:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Debt Securities	1.717.342	1.066.213
Quoted on a stock exchange	1.717.342	1.066.213
Unquoted	-	-
Provision for impairment (-)	-	-
Total	1.717.342	1.066.213

2.4.e) Movement of financial assets measured at amortised cost:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Balance at the beginning of the period	1.066.213	49.416
Foreign currency differences on monetary assets	391.586	(120.831)
Purchases during the year (*)	286.145	1.168.560
Disposals through sales and redemptions (**)	(26.602)	(30.932)
Provision for impairment (-)	-	-
Balance at the end of the period	1.717.342	1.066.213

(*) TL 96.101 arises from the rediscount increase in purchases.

(**) Disposals through sales and redemptions 21.150 redemptions, 5.452 after coupon redemption rediscount and accrued interest reduction amounts.

SECTION FIVE (Continued)

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

I. Explanations and notes related to assets (Continued):

3. Assets held for sale and discontinued operations (Net):

None.

4. Information on Investments in associates:

4.1. Information on associates:

4.1.a. General information on associates:

	Description	Address (City/ Country)	The Bank's share percentage-if different voting percentage (%)	The Bank's risk group share percentage (%)
1	Maksan A.Ş.	Malatya	20	31,14
2	Türk Suudi Holding A.Ş. (*)	İstanbul	10	24,69

(*) Türk Suudi Holding A.Ş. is the process of liquidation.

4.1.b. Financial statement information of associates order above:

(*)	Total Assets	Shareholders' Equity	Total Fixed Asset	Interest Income	Income From Marketable Securities	Current Period Profit/ Loss	Prior Period Profit/ Loss	Fair Value
1	48.941	32.694	5.068	-	-	9.784	4.195	-
2	50.462	47.858	1	950	-	9.232	4.843	-

(*) The information of Maksan A.Ş. and Türk Suudi Holding A.Ş. are provided from the unaudited financial statements as of 30 September 2020. Prior period information of Maksan A.Ş. and Türk Suudi Holding A.Ş. are provided from the unreviewed financial statements as of 31 December 2019.

4.1.c. Movement of associates:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Balance at the beginning of the period	15.960	72.954
Movements during the period	2.733	(56.994)
Additions	-	-
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	-
TFRS 9 Classification Change	-	(57.713)
Revaluation increase	-	-
Provision for impairment (-) / Cancellation of provision	2.733	719
Balance at the end of the period	18.693	15.960
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

4.1.d. Sectoral information about associates and their carrying amounts:

None.

4.1.e. Associates quoted in the stock exchange:

None.

SECTION FIVE (Continued)

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

I. Explanations and notes related to assets (Continued):

4. Information on Investments in associates (Continued):

4.2. Information on investments in subsidiaries (Net):

4.2.a. Information on subsidiaries

By the application of the company's Board of Directors and approval the Capital Markets Board (CMB), the company's activities has been temporarily suspended beginning from 31 December 2009. In 2011, the licenses of the company have been canceled. In the General Assembly held on 20 March 2012, it was resolved to liquidate the company. Since the company is in liquidation process, the Bank has lost control over its subsidiary and net investment value of Kalkınma Yatırım Menkul Değerler A.Ş. in liquidation has been classified as financial assets measured at fair value through other comprehensive income in the accompanying financial statements.

The Bank has 100% participation in Kalkınma Yatırım Varlık Kiralama Anonim Şirketi established on 28 May 2020 with a nominal capital of TL (full) 50.000, and in Kalkınma Girişim Sermayesi Portföy Yönetimi A.Ş. established on 17 November 2020 with a nominal capital of TL (full) 1.800.000.

	Title	Address (City / Country)	Bank's Share Percentage - If Different, Voting Rate (%)	Bank's Risk Group Share Rate (%)
1	Kalkınma Yatırım Varlık Kiralama A.Ş.	İstanbul	100	100
2	Kalkınma Girişim Sermayesi Portföy Yönetimi A.Ş.	İstanbul	100	100

4.2.b. Financial statement information regarding subsidiaries in the order above:

(*)	Total Assets	Equity	Fixed Asset Total	Interest income	Securities Income	Current Period Profit / Loss	Previous Period Profit / Loss	Fair Value
1	59	50	-	-	-	-	-	-
2	1.684	1.480	-	-	29	(320)	-	-

(*) Financial data, Varlık Kiralama A.Ş. From its unaudited financial statements dated 30 September 2020, Portföy Yönetim A.Ş. obtained from audited financial statements as of 31 December 2020.

4.2.c. Movement of subsidiaries:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Balance at the beginning of the period	-	-
Movements during the period	1.850	-
Additions	1.850	-
Bonus shares certificates	-	-
Shares in current year profit	-	-
Disposals	-	-
TFRS 9 Classification Change	-	-
Revaluation increase	-	-
Provision for impairment (-) / Cancellation of provision	-	-
Balance at the end of the period	1.850	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

SECTION FIVE (Continued)

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

I. Explanations and notes related to assets (Continued):

4.2. Information on investments in subsidiaries (Net):

4.2.d. Sectoral information about subsidiaries and their carrying amounts:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Banks	-	-
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial associates	1.850	-

4.2.e. Subsidiaries quoted on the stock exchange:

None.

4.3. Information on jointly controlled entities (joint ventures):

None.

5. Information on tangible fixed assets:

Current Period (31.12.2020)	Real-Estates	Real-Estates held for sale	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	135.507	41.582	739	25.974	203.802
Provision for impairment	-	(1.339)	-	-	(1.339)
Movements during the period					
-Additions	1.328	2.109	-	3.874	7.311
-Disposals (-)	(119.283)	(18.425)	-	(4.793)	(142.501)
-Transfer from investment properties	-	-	-	-	-
-Provision for impairment (-)	-	-	-	-	-
-Reversal from provision for impairment (-)	-	153	-	-	153
Balance at the end of the period	17.552	24.080	739	25.055	67.426
Accumulated Depreciation					
Balance at the beginning of the period	91.290	1.814	262	13.450	106.816
Movements during the period					
-Depreciation charge	4.822	-	122	3.769	8.713
-Transfer from investment properties	-	-	-	-	-
-Disposals (-)	(89.130)	(1.328)	-	(3.784)	(94.242)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	6.982	486	384	13.435	21.287
Net book value at the end of the period	10.570	23.594	355	11.620	46.139

SECTION FIVE (Continued)

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

I. Explanations and notes related to assets (Continued):

5. Information on tangible fixed assets (Continued):

Prior Period (31.12.2019)	Real-Estates	Real-Estates held for sale	Vehicles	Other	Total
Cost					
Balance at the beginning of the period	121.547	26.848	739	12.212	161.346
Provision for impairment	-	(1.339)	-	-	(1.339)
Movements during the period					
-Additions	13.960	14.883	-	11.825	40.668
-Disposals (-)	-	(149)	-	(211)	(360)
-Transfer from investment properties	-	-	-	-	-
-Provision for impairment (-)	-	-	-	-	-
-Reversal from provision for impairment (-)(*)	-	-	-	-	-
Balance at the end of the period	135.507	40.243	739	23.826	200.315
Accumulated Depreciation					
Balance at the beginning of the period	86.855	1.868	140	10.038	98.901
Movements during the period					
-Depreciation charge	4.435	-	122	2.314	6.871
-Transfer from investment properties	-	-	-	-	-
-Disposals (-)	-	(54)	-	(200)	(254)
-Provision for impairment (-)	-	-	-	-	-
Balance at the end of the period	91.290	1.814	262	12.152	105.518
Net book value at the end of the period	44.217	38.429	477	11.674	94.797

6. Information on intangible assets:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Cost		
Balance at the beginning of the period	8.945	7.442
Movements during the period	-	-
-Additions	17.762	1.503
- Disposals	-	-
Balance at the end of the period	26.707	8.945
Accumulated Amortisation		
Balance at the beginning of the period	6.860	5.736
Movements during the period	-	-
-Amortization charge	2.103	1.124
-Disposals	-	-
Balance at the end of the period	8.963	6.860
Net book value at the end of the period	17.744	2.085

SECTION FIVE (Continued)

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

I. Explanations and notes related to assets (Continued):

7. Information on investment properties:

As of 31 December 2020, the Bank does not have investment properties held for lease purposes (31 December 2019: TL 850). The Bank generated a rental income of TL 542 from its investment properties disposed of in 2020 for the period ending on 31 December 2020 (31 December 2019: 578 TL).

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Cost		
Balance at the beginning of the period	2.149	2.149
Provision for impairment	-	-
Movements during the period		
-Additions	-	-
-Disposals(-)	(2.149)	-
-Classified as tangible fixed assets (-)	-	-
-Provision for impairment(-)	-	-
-Reversal from provision for impairment (-)	-	-
Balance at the end of the period	-	2.149
Accumulated Depreciation		
Balance at the beginning of the period	1.299	1.255
Movements during the period		
- Accumulated depreciation classified as investment property (-)	-	-
- Depreciation charge	-	44
- Accumulated depreciation classified as tangible fixed asset (-)	-	-
- Disposals	(1.299)	-
- Provision for impairment(-)	-	-
Balance at the end of the period	-	1.299
Net book value at the end of the period	-	850

8. Information on tax assets:

None.

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to Assets (Continued):

9. Information on deferred tax assets:

As of 31 December 2020, the Bank has a deferred tax liability of TL 17.990. (31 December 2019: None). The deferred tax asset is calculated over the temporary differences formed by the assets and liabilities followed by the book value in the Bank's records and their tax base calculated in accordance with the tax legislation. In case the items that constitute the temporary differences are monitored among the equity items, the deferred tax asset/liability calculated over the said temporary differences are associated with the related equity items, and as of 31 December 2020, the Bank has no tax assets calculated over the period loss or tax deduction. (31 December 2019: None).

	Current Period	Prior Period
	(31.12.2020)	(31.12.2019)
Deferred Tax Assets		
From Depreciations	169	173
From Severance Payments	2.084	2.635
Securities Portfolio Internal Yield-Exchange Rate Difference	3.058	757
Actuarial	82	-
Financial Institutions Bills in Securities Portfolio	-	857
Personnel Bonus Premium Provision	5.955	3.003
TFRS 9 Provision	12.434	-
Other	356	342
Total Deferred Tax Assets	24.138	7.767
Deferred Tax Liabilities		
From Interest Rediscounts	1.109	405
Actuarial	-	43
Financial Institutions Bills in Securities Portfolio	357	-
Other Non-Financial Treasury Bills and Government Bonds	4.499	10.869
TFRS 9 Provision	-	7.757
TFRS 16 Leasings	174	375
Other	9	-
Total Deferred Tax Liabilities	6.148	19.449
Net Deferred Tax Assets / (Liabilities)	17.990	(11.682)

10. Information on other assets:

	Current Period	Prior Period
	(31.12.2020)	(31.12.2019)
Inventory	165	4
Prepaid expenses	52.965	36.255
Temporary account debtor	753	13.850
Sundry receivables	220	314
Total	54.103	50.423

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities

1. Information on maturity structure of deposits:

The Bank is not accepting deposits and funds

2. Information on funds borrowed:

2.a) Information on banks and other financial institutions:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
From Central Bank of the Republic of Turkey	782.206	-	-	-
From domestic banks and institutions	-	2.011.161	113	1.482.398
From foreign banks, institutions and funds	-	18.969.372	-	13.881.368
Total	782.206	20.980.533	113	15.363.766

(*) The securities amounting to TL 1.156.749 received from the loan customers to which the rediscount credits obtained from the CBRT were used were endorsed to the CBRT.

2.b) Maturity structure of funds borrowed:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Short-term	-	94.126	113	18.513
Medium and long-term	782.206	20.886.407	-	15.345.253
Total	782.206	20.980.533	113	15.363.766

2.c) Additional information for the areas of liability concentrations:

As the Bank is not authorized to accept deposits, liabilities are composed of funds obtained from domestic and international financial institutions, medium and long term loans and subordinated debt instruments.

Most of the loans from international finance institutions are from World Bank, European Investment Bank, European Commission Development Bank, Islamic Development Bank, The Black Sea Trade and Development Bank, Industrial and Commercial Bank of China and The German Development Bank, Asian Infrastructure Investment Bank and Japan International Corporation Bank. Domestic loans are from the Republic of Turkey Ministry of Treasury and Export Credit Bank of Turkey origin.

3. Information on funds provided under repurchase agreements:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Funds Provided under Repurchase Agreements	205.378	-	50.364	-
Total	205.378	-	50.364	-

4. Information on issued securities (Net):

None.

5. Explanations on funds:

Of the TL 245.216 which was provided by the Bank (31 December 2019: TL 18.155), TL 2.388 is from the World Bank, TL 351 is from the European Investment Bank, TL 18.893 is from the Treasury and Ministry of Finance, and TL 223.584 consists of funds from borrowers.

6. Explanations on financial liabilities at fair value through profit and loss:

None.

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued):

7. Negative Differences Table for Derivative Financial Liabilities

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Forward Transactions	47	-	-	-
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	47	-	-	-

8. Information on factoring liabilities

None.

9. Explanations on financial lease payables (Net):

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	Gross	Net	Gross	Net
Less than 1 Year	6.573	4.219	6.036	3.145
1-4 Years	11.412	9.356	16.044	12.062
More Than 4 Years	-	-	-	-
Total	17.985	13.575	22.080	15.207

10. Explanations on Provisions:

10.a) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

None (31 December 2019: None).

10.b) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2020, the first stage expected loss provision for non-compensated and non-cashed non-cash loans is TL 11.047 (31 December 2019: None), third stage expected loss provision is TL 1 (31 December 2019: TL 1).

10.c) Other provisions:

- As of 31 December 2020, there are 202 lawsuits filed against the Bank and there is a risk amount of TL 9.052. The Bank allocated 966 TL lawsuit provision for the lawsuits that are thought to be or are considered to be concluded against.
- The Bank accounts for the provisions for employee benefits in accordance with the Turkish Accounting Standards No: 19 and recognizes in financial statements. As of 31 December 2020, the Bank allocated provision for employee benefits amounting to TL 6.352 (31 December 2019: TL 10.586), for unused vacation accruals amounting to TL 2.871 (31 December 2019: TL 1.392) and within the scope of TAS 19, an additional provision amounting to TL 29.774 (31 December 2019: TL 13.650) has been reserved.

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued):

11.a) Information on current tax liability:

11.a.1) Information on tax provision:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Corporation tax and deferred tax				
Corporate tax payable	38.708	-	41.477	-
Deferred tax payable	-	-	11.682	-
Total	38.708	-	53.159	-

11.a.2) Information on taxes payable:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Corporate tax payable	38.708	41.477
Taxation on income on marketable securities	141	2
Property tax	2	2
Banking insurance transaction tax (BITT)	1.712	974
Foreign exchange transaction tax	115	3
Value added tax payable	175	171
Other	1.593	1.309
Total	42.446	43.938

11.a.3) Information on premiums:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Social security premiums- Employee	1.009	711
Social security premiums- Employer	1.477	1.041
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	72	51
Unemployment insurance- Employer	144	102
Other	-	-
Total	2.702	1.905

12. Information on deferred tax liabilities:

None.

13. Information on liabilities regarding assets held for sale and discontinued operations:

None.

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued):

14. Information on subordinated loans

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Debt instruments to be included in additional capital calculation	-	1.480.186	-	1.028.893
Subordinated Loans	-	1.480.186	-	1.028.893
Subordinated Debt Instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	-	513.057	-	373.162
Subordinated Loans	-	513.057	-	373.162
Subordinated Debt Instruments	-	-	-	-
Total	-	1.993.243	-	1.402.055

15. If other liabilities exceed 10 % of the balance sheet total, name and amount of sub-accounts constituting at least 20 % of grand total:

Other liabilities do not exceed 10% of the balance sheet total.

16. Information on shareholder's equity:

16.a) Presentation of paid-in capital:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Common Stock	1.600.000	850.000
Preferred Stock	-	-

16.b) Paid-in capital amount, explanation whether the registered share capital system is applicable for the Bank, if so amount of registered capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered capital	1.600.000	2.500.000

16.c) Information on share capital increases and their sources; other information on increased capital shares in current period:

Increase Date	Increase Amount	Cash	Income Reserves Subject to Increase	Capital Reserves Subject to Increase
29.12.2020	750.000	750.000	-	-

16.ç) Information on additions from capital reserves to capital in the current period:

There is no increase from capital reserves.

16.d) Capital commitments in the last fiscal year and that continue until the end of the following year-ended, general purpose of these commitments and projected resources required to meet these commitments:

The Bank has no capital commitments.

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued):

16.e) Information on legal reserves:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
I. Legal Reserve	55.041	32.686
II. Legal Reserve	14.471	14.471
Special Reserves	-	-
Total	69.512	47.157

16.f) Information on extraordinary reserves:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	1.183.750	631.753
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Currency Capital Exchange Difference	-	-
Total	1.183.750	631.753

16.g) Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of these future assumptions based on the uncertainty of these indicators on the Bank's equity:

The Bank's prior year revenues, profitability and liquidity and projections in the future are followed by the relevant units. Considering the current conditions in the country's economy and the Bank's prior year performance; within the framework of forecasts regarding income, profitability and liquidity, it is estimated that there will be no significant problems in the upcoming period.

16.h) Information on preferred shares:

The Bank has no preferred shares.

16.g) Information on accumulated other comprehensive income or loss that will be reclassified to profit or loss:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
From associates, subsidiaries and jointly controlled entities (joint ventures)	-	-	-	-
Valuation difference	4.509	10.405	32.235	3.447
Foreign exchange difference	-	-	-	-
Total	4.509	10.405	32.235	3.447

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes Related to Off-Balance Sheet Accounts

1. Information on off-balance sheet liabilities:

1.a) Nature and amount of irrevocable loan commitments:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Other Irrevocable Commitments	24.399	19.824
Total	24.399	19.824

1.b) Nature and amount of possible losses and commitments from the off-balance sheet items including the below mentioned:

None.

1.b.1) Guarantees, confirmed bills and guarantees assessed as financial guarantees and non-cash loans including other letter of credits:

The Bank has letter of credit commitments in the amount of TL 33.822 (31 December 2019: None). There are no guarantees and bank loans.

1.b.2) Definite guarantees, tentative guarantees, suretyships and similar transactions:

Total amount of the Bank's TL letters of guarantee are TL 696.834 (31 December 2019: TL 13). TL 2 (31 December 2019: TL 3) of this amount is letters of guarantee given to customs and other part is definite letters of guarantees.

1.c.1) Total non-cash loans

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Non-cash loans for providing cash loans	-	-
With original maturity of one year or less	-	-
With original maturity more than one year	-	-
Other non-cash loans	730.656	13
Total	730.656	13

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes Related to Off-Balance Sheet Accounts (Continued):

1.c.2) Non-cash loans sectoral risk concentrations:

	Current Period (31.12.2020)				Prior Period (31.12.2019)			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	1	-	-	-	1	7,68	-	-
Farming and raising livestock	1	-	-	-	1	7,68	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	54.816	99,98	675.830	100,00	3	17,24	-	-
Mining and quarry	-	-	-	-	-	-	-	-
Manufacturing	1	-	33.822	5,00	3	17,24	-	-
Electricity, gas and water	54.815	99,98	642.008	95,00	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Service	9	0,02	-	-	9	75,08	-	-
Wholesale and retail trade	-	-	-	-	-	-	-	-
Hotel and food services	-	-	-	-	-	-	-	-
Transportation and communication	-	-	-	-	-	-	-	-
Financial institutions	9	0,02	-	-	9	75,08	-	-
Real estate and leasing services	-	-	-	-	-	-	-	-
Self-employment services	-	-	-	-	-	-	-	-
Educational services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	54.826	100,00	675.830	100,00	13	100,00	-	-

1.c.3) Non-cash loans classified in Group I and II:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	I. Group		I. Group	
Non-cash loans	TL	FC	TL	FC
Letters of guarantee	54.823	642.008	13	-
Letters of credit	-	33.822	-	-
Endorsements	-	-	-	-

2. Information on derivative financial instruments:

The Bank's derivative transactions include forward foreign exchange purchase and sale transactions, as of 31.12.2020, TL 26.748 forward foreign exchange purchase, TL 26.713 forward foreign exchange sale transactions, and it has been accounted for trading purposes.

3. Information on contingent liabilities and assets:

Istanbul Venture Capital Initiative (IVCI - A Luxemburg Investment Company Fund) is founded as a stock company having variable capital and subject to laws of Luxemburg. The Bank has committed to buy "Group A" shares equal to nominal value of EUR 10 million and to pay this amount at the date determined by Fund according to its investment plan. The Fund's initial capital commitment was EUR 150 Million and its capital was increased to EUR 160 Million with new participants in March 2009. The Bank's participation was approved by the Board of Directors of IVCI on 13 November 2007 and share purchase agreement was signed at of the same date.

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

Explanations and Notes Related to Off-Balance Sheet Accounts (Continued):

3. Information on contingent liabilities and assets

The Bank made payment of share capital constituting payments equal to EUR 300.000 on 7 November 2008, EUR 218.750 on 6 July 2009 and EUR 281.250 on 12 November 2010, EUR 167.500 on 15 July 2011, EUR 437.500 on 10 November 2011, EUR 500.000 on 15 February 2012, EUR 500.000 on 25 May 2012, EUR 250.000 on 10 August 2012, EUR 500.000 on 19 September 2012, EUR 500.000 on 18 January 2013, EUR 500.000 on 27 June 2013 and EUR 500.000 on 13 December 2013, EUR 500.000 on 1 August 2014, EUR 500.000 on 29 August 2014, EUR 500.00 on 4 May 2015, EUR 500.000 on 16 October 2015, EUR 500.000 on 3 May 2016 and EUR 312.500 on 30 November 2017, EUR 312.500 on 2 March 2018, EUR 312.500 on 12 December 2018, EUR 980.842 on 13 December 2019, EUR 312.500 on 21 July 2020 the total capital payment is EUR 9.385.842.

With reference to the above capital contributions, out of the Bank's total commitment of EUR 10 million, EUR 9.385.842 have been paid, EUR 614.158 is not yet paid as of the balance sheet date.

The Bank has made an investment commitment of up to 3 Million EURO to 212 Regional Fund II, whose establishment location is Luxembourg, as a limited partner, below 10% of the total fund commitment amount.

The Bank made payment of share capital constituting payments equal to EUR 45.000 on 31 December 2018, EUR 120.000 on 21 January 2019 and EUR 330.000 on 21 March 2019, EUR 120.000 on 9 September 2019, EUR 330.000 on 09 December 2019.

With reference to the above capital contributions, out of the Bank's total commitment of EUR 3 million, EUR 945.000 have been paid, EUR 2.055.000 is not yet paid as of the balance sheet date.

4. Services supplied on behalf of others:

The Bank does not act as an intermediary for purchases and sales of securities on behalf of others and provides custody services.

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss:

1.a) Information related to interest income on loans:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Interest on Loans (*)				
Short term loans	310	7.874	637	11.837
Medium and long term loans	57.192	737.021	85.248	637.465
Interest on non-performing loans	8.734	-	15.479	-
Total	66.236	744.895	101.364	649.302

(*) Includes fees and commissions related to borrowings.

1.b) Information related to interest income on banks:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
From Central Bank of the Republic of Turkey	-	-	-	-
From domestic banks	128.562	7.088	225.482	9.106
From foreign banks	-	55	9	-
From foreign head offices and branches	-	-	-	-
Total	128.562	7.143	225.491	9.106

1.c) Information related to interest income on marketable securities:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Financial assets measured at fair value through profit and loss	-	-	-	-
Financial assets measured at fair value through other comprehensive income	87.740	14.757	62.798	5.323
Financial assets measured at amortised cost	15.471	70.455	8.396	31.603
Total	103.211	85.212	71.194	36.926

1.ç) Information related to interest income from subsidiaries and associates:

None.

1.d) Information on interest income from money market transactions:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Money market transactions	81	-	3.685	-
Reverse repurchase agreements	80.994	-	35.743	-
Total	81.075	-	39.428	-

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued):

2.a) Information related to interest expense on borrowings:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Banks	8.213	1.172	-	336.395
Central Bank of the Republic of Turkey	8.206	-	-	-
Domestic Banks	7	1.172	-	7.958
Foreign Banks	-	-	-	328.437
Foreign Head Office and Branches	-	-	-	-
Other Institutions ^(*)	1.061	454.915	1.132	85.263
Total	9.274	456.087	1.132	421.658

^(*) Includes fees and commissions related to borrowings.

2.b) Information related to interest expenses to subsidiaries and associates:

None.

2.c) Information related to interest on securities issued:

The Bank has no securities issued.

2.ç) Information related to interest on money market transactions:

2.ç) Information related to interest on money market transactions:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Money market transactions	10	-	128	113
Repurchase agreements	5.756	-	188	-
Total	5.766	-	316	113

2.d) Leasing interest expenses:

	Current Period (31.12.2020)		Prior Period (31.12.2019)	
	TL	FC	TL	FC
Buildings	2.604	-	1.872	-
Vehicles	457	-	322	-
Total	3.061	-	2.194	-

3. Information related to dividend income:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Financial assets measured at fair value through profit and loss	4.426	4.449
Financial assets measured at fair value through other comprehensive income	1.035	272
Other	95	119
Total	5.556	4.840

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued):

4. Information related to trading income/loss:

	Current Period (31.12.2020)	Prior Period (30.12.2019)
Gain	133.094	54.704
Gains on capital market operations	5.987	24.047
Gains on derivative financial instruments	49.657	2.799
Foreign exchange gains	77.450	27.858
Loss (-)	(123.031)	(20.087)
Losses from the capital market operations	-	(2)
Losses on derivative financial instruments	(113.184)	(5.942)
Foreign exchange losses	(9.847)	(14.143)

5. Information related to other operating income:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Income from sale of assets	124.013	280
Reversals from prior years' provisions	42.625	19.680
Other	9.662	3.179
Total	176.300	23.139

Generally, the Bank's other operating income consists cancellation of the severance pay provisions allocated in previous years, third stage expected loss provisions, subsidiaries reversal of impairment provisions, cancellations of unallocated performance premium provisions for 2019 and the revenues from its active sales.

6. Bank's expected credit loss expenses:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Expected Credit Loss Provisions	165.985	52.038
12 month expected credit loss (Stage 1)	82.333	21.571
Significant increase in credit risk (Stage 2)	17.989	16.148
Under Follow-up loans (Stage 3)	65.663	14.319
Marketable Securities Impairment Expense	-	835
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	835
Subsidiaries, Associates and Joint Ventures Provision Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	165.985	52.873

SECTION FIVE (Continued)

EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued):

7. Information related to other operating expenses:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Provision for employee termination benefits ^(*)	2.147	2.672
Provision expense for bank social aid fund deficits	-	-
Fixed assets impairment charges	-	-
Depreciation charges of fixed assets	8.713	6.914
Intangible assets impairment charges	-	-
Goodwill impairment charges	-	-
Amortization charges of intangible assets	2.103	1.124
Impairment charges on investments accounted for at equity method accounting	-	-
Impairment charges of assets that will be disposed	-	-
Amortization charges of assets that will be disposed	-	-
Impairment charges for non-current assets held for sale and discontinued operations	-	-
Other operating expenses	19.019	18.307
Operational leasing expenses	136	107
Maintenance expenses	650	1.508
Advertisement expenses	136	30
Other expenses ^(**)	18.097	16.662
Loss on sale of assets	888	-
Other	14.987	11.242
Total	47.857	40.259

- ^(*) Provision for Severance Pay and Provision for Short Term Employee Benefits are shown in the Other Provisions line in the profit or loss statement.
- ^(**) Other expenses TL 2.062 from cleaning expenses (31 December 2019: TL 3.833), TL 4.135 from communication expenses (31 December 2019: TL 3.099), TL 1.818 from security expenses (31 December 2019: TL 2.459), TL 1.936 part from computer usage expenses (31 December 2019: TL 1.242), TL 1.317 from heating, lighting and water expenses (31 December 2019: TL 1.249), TL 2.976 from vehicle expenses (31 December 2019: TL 233), TL 3.456 (31 December 2019: TL 2.983) and the remaining part (31 December 2019: TL 2.983) consists of other miscellaneous expenses.
- ^(***) The part of the other amounting to TL 4.423 of taxes, duties, fees and fund expenses (31 December 2019: TL 4.543), TL 5.660 of audit and consultancy fees (31 December 2019: TL 3.467), TL 3.143 of BRSA participation share (31 December 2019 : TL 1.797) and the remaining part amounting to TL 1.761 (31 December 2019: TL 1.435) consists of other miscellaneous expenses.

8. Information related to operating profit/loss before taxes:

As of 31 December 2020, the Bank's income before tax from the continuing operations is TL 620.772 (31 December 2019: TL 586.304) and the Bank has no discontinued operations.

9. Information related to tax provisions for taxes:

As of 31 December 2019, the Bank's income tax provision from continuing operations amounting to TL 118.932, (31 December 2019: TL 139.198) consists of TL 143.198 of current tax charge (31 December 2019: TL 144.270), TL 24.266 of deferred tax benefit (31 December 2019: 5072).

10. Information related to net operating income after taxes:

The Bank has earned net profit of TL 501.840 from continuing operations between 1 January 2020 and 31 December 2020 (Between 1 January 2019-31 December 2019: TL 447.106).

SECTION FIVE (Continued)

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

IV. Explanations and notes related to statement of profit or loss (continued):

11. Information on net profit/loss:

11.a) The nature and amount of income and expenses from ordinary banking operations, if their nature, amount and frequency are required for the complete understanding of the performance of the Bank in the current period:

None.

11.b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

There are no changes in accounting estimates.

12. If the other items in the income statement exceed 10 % of the income statement total, sub-accounts amounting to at least 20 % of these items are presented below:

The total amount of other fees and commissions in the profit or loss statement as of 31 December 2020 is TL 27.439 (31 December 2019: TL 15.550). Of this amount, TL 4.988 (31 December 2019: TL 12.213) is project service revenues and TL 9.903 (31 December 2019: None) is loan limit allocation fees, TL 5.716 (31 December 2019: None) is consultancy service income, TL 3.941 (31 December 2019: TL 1.527) consists of early loan payments.

As of 31 December 2020, the total amount of other fees and commissions given in the profit or loss statement is TL 10.521 (31 December 2019: TL 1.231). Of this amount, TL 6.803 (31 December 2019: None) consists of credit guarantee fund limit commissions and TL 1.204 (31 December 2019: TL 326) for listing fees.

V. Explanations and Notes Related to Statement of Changes in Shareholders' Equity:

In legal records, paid-in capital is TL 1.600.000 (31 December 2019: TL 850.000). As of the balance sheet date, the balance of legal reserves is TL 69.512 (31 December 2019: TL 47.157), the balance of extraordinary reserves is TL 1.183.750 (31 December 2019: TL 631.753) and the balance of other legal reserves is TL 8.774 (31 December 2019: TL 3.702).

The fair value difference of TL 14.140, which is the entire valuation difference of securities, results from the increase in value of financial assets reflected in other comprehensive income.

SECTION FIVE (Continued)

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

VI. Explanations and Notes Related to Cash Flow Statement:

1. Explanations related to “other” items and “effect of change in foreign currency rates on cash and cash equivalents” in statement of cash flows:

Net cash inflows from the Bank's banking activities amount to TL 1.854.736 (31 December 2019: TL (878.701)). TL 1.438.110 (31 December 2019 (350.982) TL) of the net cash inflows arising from banking activities is due to the change of active and passive accounts; TL 416.626 (31 December 2019: TL 527.719) arises from operating profit. Funds from which “Net Increase (Decrease) in Other Payables” item, which is included in the exchange of active and passive accounts, originates from changes in repo transactions, various debts, other foreign resources and taxes to be paid, changes in pictures, fees and premiums and is 471.389 TL (31 December 2019 81.896 TL). The “Other” item included in the operating profit is composed of items such as wages and commissions, other operating expenses except commercial profit / loss and personnel expenses, and it has been 241.775 TL (31 December 2019: 76.285 TL).

There is cash inflow from financing activities due to cash capital reason and other subordinated loans in 2020.

The effect of change in foreign currency rates on cash and cash equivalents is calculated by converting original currencies of cash and cash equivalents into TL using rates for both beginning and end of the period. The effect for the current period is calculated as TL 217.938 (31 December 2019: TL 10.747).

2. Cash and cash equivalents at the beginning of the period:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Cash	24.002	65.738
Cash in TL and foreign currencies	17	73
Demand deposits at banks and Central Bank of the Republic of Turkey	23.985	65.665
Cash equivalents	2.446.567	1.557.819
Interbank money market	127.486	1.203.935
Time deposits at banks	2.319.081	353.884
Total cash and cash equivalents	2.470.569	1.623.557

The total value of the transactions in prior period is the sum of current periods cash and cash equivalents.

3. Cash and cash equivalents at the end of the period:

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Cash	26.776	24.002
Cash in TL and foreign currencies	10	17
Demand deposits at banks and Central Bank of the Republic of Turkey	26.766	23.985
Cash equivalents	5.030.503	2.446.567
Interbank money market	1.500.000	127.486
Time deposits at banks	3.530.503	2.319.081
Total cash and cash equivalents	5.057.279	2.470.569

SECTION FIVE (Continued)

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

VII. Explanations Related to Risk Group of the Bank:

Predicted limitations determined in the Banking Law are maintained through internal regulations in the Bank which has no transactions related to deposit acceptance. For the transactions with risk groups, normal customer relationships and market conditions are taken into account. The Bank adopts policies that restrict the balance of transactions with risk groups in total assets and liabilities. Practices are carried out in accordance with this policy.

a) Current Period:

Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans	-	-	-	-	-	-
Beginning Balance	-	-	-	-	-	-
Closing Balance (*)	-	-	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

(*) TL 3.759 of loan extended to Arıcak A.Ş., a subsidiary of the Bank, has been followed in Group V. For this loan, TL 3.759 is set aside for the expected loss in the third stage.

b) Prior Period:

Risk Group	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans	-	-	-	-	-	-
Beginning Balance	138	-	-	-	-	-
Closing Balance (*)	-	-	-	-	-	-
Interest and Commissions Income	-	-	-	-	-	-

(*) TL 1.785 of loan extended to Arıcak A.Ş., a subsidiary of the Bank, has been followed in Group V. For this loan, TL 1.785 is set aside for the expected loss in the third stage.

c) Information on forward transactions, option contracts and similar other transactions between the Bank and its risk groups:

None.

d) Information on remuneration and benefits provided for the senior management of the Bank:

Salaries and dividend paid to members of Board of Directors, Supervisory Board, General Manager and Vice General Managers are presented below.

	Current Period (31.12.2020)	Prior Period (31.12.2019)
Salaries	8.380	5.998
Dividend and fringe benefits	1.192	80
Total	9.572	6.078

VIII. Explanations Related to the Bank's Domestic, Foreign and Off-shore Branches and Representatives Abroad:

None.

SECTION SIX

I. Other explanations related to Operations of the Bank:

The summary of information on the Bank's rating by International Rating Agencies:

The international ratings of the Bank are performed by Fitch on 1 September 2020.

	2020	2019
Foreign Currency Commitments		
Long Term	BB-	BB-
Short Term	B	B
Outlook	Negative	Stable
Turkish Lira Commitments		
Long Term	BB-	BB-
Short Term	B	B
Outlook	Negative	Stable
National		
Long Term	AAA(TUR)	AAA(TUR)
Outlook	Stable	Stable
Individual Rating	3	3
Support Points	BB-	BB-

II. Explanations and notes related to subsequent events:

None.

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I. Explanations on Independent Auditors' Report:

The financial statements as of 31 December 2020 were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of KPMG International Cooperative, a Swiss entity) and Independent Auditor's Report dated 11 February 2021 is presented preceding the financial statements.

II. Explanations and Notes Prepared by Independent Auditor:

None.