

Kuveyt Türk Katılım Bankası Anonim Şirketi

**Independent auditor's report, consolidated
financial statements and notes for the year
ended December 31, 2020**

*(Convenience translation of consolidated financial statements and independent auditor's
report originally issued in Turkish)*

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(Convenience translation of the auditor's report originally issued in Turkish ~ See Note 1 of Section Three)

REPORT ON CONSOLIDATED FINANCIAL INFORMATION

To the General Assembly of Kuveyt Türk Katılım Bankası A.Ş.

A) Audit of consolidated Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş (the “Bank”) and its subsidiaries (collectively referred as “the Group”), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of income, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

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

2) Basis for Opinion

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matter

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



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Key Audit Matter	How the matter is addressed in our audit
<p><i>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment of financial assets and related important disclosures</i></p>	
<p>As disclosed in footnote 1.6 of Section 3; the Group measured expected credit losses for financial assets by TFRS 9 “Financial Instruments Standards”. The rationale reasons for selecting TFRS 9 impairment of financial assets as key audit matter are as follows;</p> <ul style="list-style-type: none"> ▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The applications TFRS 9 introduced are complex and comprehensive ▪ The classification of financial instruments based on the Group’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized together with the adoption of TFRS 9 ▪ Estimations and assumptions used for expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9. 	<p>Our additional audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> ▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group’s past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including profit share payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group’s business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluating the impact of the Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses together with forward-looking estimates and significant assumptions. ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modelling process ▪ Auditing of disclosures related to TFRS 9.



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4) Other Matter

As disclosed footnote 1.5 of section three; the consolidated financial statements dated 1 January 2019 and 31 December 2019 were restated by taking Neova Sigorta A.Ş. into the scope of consolidation and these restated financial statements are presented comparatively with the financial statements dated 31 Aralık 2020.

The financial statements of Neova Sigorta A.Ş. as at 31 December 2019 were audited by another audit firm, which expressed an unqualified opinion in their reports issued on 28 February 2020. Also, the audit of consolidated financial statements of the Group before the restatement as at 31 December 2018 and the financial statements of Neova Sigorta A.Ş. as at 31 December 2018, which form the basis of the consolidated financial statements as at 1 January 2019 that are presented in comparison with the accompanying consolidated financial statements as at 31 December 2020, were audited by one an other audit firm, which expressed an unqualified opinions in their report of the Group dated 7 March 2019 and in their report of Neova Sigorta A.Ş. dated 27 February 2019.

5) Responsibilities of Management and Directors for the Consolidated Financial Statements

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

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

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

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentations.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entries or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matters in our auditor's report unless law or regulation precludes public disclosures 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.



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B) Report on Other Legal and Regulatory Requirements

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

Additional paragraph for convenience translation to English:

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

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

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



Emre Çelik, SMMM
Partner

March 3, 2021
Istanbul, Turkey

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**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE YEAR ENDED 31 DECEMBER 2020**

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The consolidated Year-End Financial Report prepared in accordance with the Communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- General Information About the Parent Bank
- Consolidated Financial Statements of The Parent Bank
- Explanations on Accounting Policies Applied in The Period
- Information on Financial Structure and Risk Management of The Group
- Disclosures and Explanations on Consolidated Financial Statements
- Other Explanations
- Independent Auditors' Audit Report

The following are our subsidiaries, subsidiaries and jointly controlled subsidiaries whose financial statements are consolidated in the framework of this annual consolidated financial report.

	Subsidiaries	Subsidiaries	Jointly Controlled Subsidiaries
1.	KT Sukuk Varlık Kiralama A.Ş.		Katılım Emeklilik ve Hayat A.Ş.
2.	KT Kıra Sertifikaları Varlık Kiralama A.Ş.		
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.		
4.	KT Bank AG.		
5.	KT Portföy Yönetimi A.Ş.		
6.	KT Sukuk Company Limited		
7.	Neova Sigorta A.Ş.		

The consolidated financial statements for the year-end period and related disclosures and footnotes that are subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira.

Hamad Abdulmohsen AL-MARZOUQ
Chairman of the Board of Directors

Shadi Ahmed Yacoub ZAHARAN
Chairman of the Audit
Committee

Nadir ALPASLAN
Member of the Audit Committee

Mohamad AL-MIDANI
Member of the Audit
Committee

Ufuk UYAN
CEO

Ahmet KARACA
Chief Financial Officer

Cemil Akbebek
Official and International
Reporting Manager

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

Name-Surname/Position: Mustafa ERDEM / Senior Official Reporting Manager

Telephone: 0212 354 75 24

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SECTION ONE

GENERAL INFORMATION

1. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status:

Kuveyt Türk Katılım Bankası A.Ş. (“The Bank”) was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the Bank’s equity, to collect funds from domestic and foreign customers through “Current Accounts” and “Profit/ Loss Sharing Accounts” and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

The parent bank and consolidated financial partnerships are together called “the group”.

2. Parent Bank structure, shareholders jointly or individually having direct or indirect control over the management and supervision of the Bank and the disclosures on any related changes in the current period, if any, and information about the Group that the Bank belongs to:

As of 31 December 2020, 62.24% of the Parent Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by The Public Institution For Social Security in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

3. Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the parent bank:

Name	Title	Date of the Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Hamad Abdulmohsen AL MARZOUQ	Head of the BOD	25/06/2014			Master	-
Shadi Ahmed Yacoub ZAHKAN	Member of BOD and chairman of the audit committee	25/09/2020	04/11/2020		Master	-
Nadir ALPASLAN	Vice President of BOD and member of Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E AL MUDHAF	Member of BOD	07/10/2019			Bachelor	0.010%
Burhan ERSOY	Member of BOD	18/06/2020			Bachelor	-
Mohamad Al-MİDANİ	Member of BOD and Audit Committee	05/05/2015	15/05/2015		Master	-
Ahmad S A A AL KHARJİ	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
Gehad Mohamed Elbendary ANANY	Member of BOD	25/09/2020	09/09/2020		Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.057%
Ahmet KARACA	Assistant General Manager, Financial Control.	12/07/2006			Master	0.001%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.004%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.017%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking.	05/05/2005			Doctorate	0.009%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.001%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.010%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.005%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.005%

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.12% of the Parent Bank’s share capital (31 December 2019 – 0.12%).

4. Information on qualified parent bank

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,863,098	62.24%	2,863,098	-
Vakıflar Genel Müdürlüğü Mazbut Vakıfları	861,086	18.72%	861,086	-
Total	3,724,184	80.96%	3,724,184	-

As of 31 December 2020, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

5. Explanations of the Parent Bank’s services and field of operations

The Parent Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Parent Bank’s core business is operating in accordance with the principles of interest-free banking as a participation parent bank by collecting funds through current and profit/loss sharing accounts and lending such funds to its customers. As of 31 December 2020, the Group is operating through 440 domestic branches (31 December 2019 – 436) with 6,552 employees (31 December 2019 – 6,091). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

- To collect funds through “Current Accounts” and “Profit/Loss Sharing Accounts” and special fund pools in line with the regulations;
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking;
- To offer financial and operational leasing;
- To handle all kinds of deposits and payments, including travelers’ checks, credit cards and other payment instruments, provide member business services (POS), consulting, advisory, and safe deposit box services;
- To purchase financial instruments on money and capital markets in cash or installments, sell and mediate the sale and trade on the stock exchange in accordance with legislation and principles of non-interest banking;
- To purchase, acquire and construct any kind of real estate and if necessary, lease or transfer ownership to other persons;
- To act as a representative, deputy or agent for corporations and enterprises (including insurance companies);
- To provide socially responsible aid for the benefit of the community in the light of the legislations.

The Parent Bank’s activities are not limited to the list above. If another transaction is decided to be beneficial to the Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Customs and Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association.

6. Bank of Consolidated Financial Turkey of the Communiqué on Preparation Table Accounting Standards required by the differences between the structures of consolidation transactions subject to full consolidation or proportionate consolidation, deducted from equity or comments about agencies that are not included in these three methods

According to the notification of Banks to the Preparation of Consolidated Financial Statements, only financial partnerships retrieving the scope of consolidation, Turkey Accounting Standards and Turkey Financial Reporting Standards of financial and nonfinancial all partnerships should be included in the consolidation.

7. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries:

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
- VII. Profit Distribution Table of the Parent Bank

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2020

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

1. CONSOLIDATED BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited Current Period 31.12.2020			Restated Audited ior Period (*) 31.12.2019			Restated Audited ior Period (*) 01.01.2019		
		TL	FC	Total	TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(5.2.1.)	33,478,939	93,215,622	126,694,561	35,167,424	52,828,711	87,996,135	22,292,160	32,699,493	54,991,653
II. FUNDS BORROWED	(5.2.3.)	175,272	5,029,049	5,204,321	160,847	286,378	447,225	93,394	1,901,902	1,995,296
III. MONEY MARKETS		185,225	-	185,225	-	-	-	188,003	-	188,003
IV. SECURITIES ISSUED (Net)		1,821,975	3,337,298	5,159,273	735,743	3,906,422	4,642,165	1,487,369	6,157,936	7,645,305
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES		1,390,486	286,320	1,676,806	129,690	294,447	424,137	21,045	149,118	170,163
6.1. Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	1,390,486	286,320	1,676,806	129,690	164,719	294,409	21,045	42,766	63,811
6.2. Derivative Financial Liabilities at Fair Value Through Other		-	-	-	-	-	-	-	-	-
6.2. Comprehensive Income	(5.2.7.)	-	-	-	-	129,728	129,728	-	106,352	106,352
VII. LEASE PAYABLES	(5.2.6.)	345,320	3,974	349,294	318,828	35,223	354,051	-	-	-
VIII. PROVISIONS	(5.2.8.)	3,316,160	406,642	3,722,802	2,565,308	244,064	2,809,372	1,904,489	184,795	2,089,284
8.1. Restructuring Provision		-	-	-	-	-	-	-	-	-
8.2. Reserves for Employee Benefits		436,440	1,014	437,454	316,616	706	317,322	238,751	538	239,289
8.3. Insurance for Technical Provision (Net)		2,118,814	-	2,118,814	1,693,153	-	1,693,153	1,274,777	-	1,274,777
8.4. Other Provisions		760,906	405,628	1,166,534	555,539	243,358	798,897	390,961	184,257	575,218
IX. CURRENT TAX LIABILITIES	(5.2.9.1.)	388,013	1,857	389,870	253,945	1,452	255,397	204,617	1,936	206,553
X. DEFERRED TAX LIABILITIES		-	-	-	-	-	-	-	-	-
XI. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.10.)	-	-	-	-	-	-	-	-	-
11.1. Held for Sale		-	-	-	-	-	-	-	-	-
11.2. Related to Discontinued Operations		-	-	-	-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(5.2.11.)	-	4,590,265	4,590,265	-	3,380,983	3,380,983	-	1,901,210	1,901,210
12.1. Loans		-	-	-	-	-	-	-	-	-
12.2. Other Debt Instruments		-	4,590,265	4,590,265	-	3,380,983	3,380,983	-	1,901,210	1,901,210
XIII. OTHER LIABILITIES	(5.2.5.)	1,624,489	569,393	2,193,882	1,225,662	273,578	1,499,240	1,404,741	158,507	1,563,248
XIV. SHAREHOLDERS' EQUITY	(5.2.12.)	8,064,461	(33,647)	8,030,814	7,240,711	(47,838)	7,192,873	5,848,597	(162,664)	5,685,933
14.1. Paid-in Capital		4,595,131	-	4,595,131	3,995,766	-	3,995,766	3,497,322	-	3,497,322
14.2. Capital Reserves		26,399	-	26,399	25,764	-	25,764	24,208	-	24,208
14.2.1. Share Premiums		24,525	-	24,525	24,525	-	24,525	24,208	-	24,208
14.2.2. Share Cancellation Profits		1,874	-	1,874	1,239	-	1,239	-	-	-
14.2.3. Other Capital Reserves		-	-	-	-	-	-	-	-	-
14.3. Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		(51,258)	-	(51,258)	(19,082)	-	(19,082)	(13,296)	-	(13,296)
14.3. Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		23,115	86,143	109,258	176,294	78,477	254,771	18,702	(51,432)	(32,730)
14.5. Profit Reserves		1,996,805	-	1,996,805	1,494,059	-	1,494,059	1,123,576	-	1,123,576
14.5.1. Legal Reserves		310,296	-	310,296	253,156	-	253,156	200,769	-	200,769
14.5.2. Statutory Reserves		-	-	-	-	-	-	-	-	-
14.5.3. Extraordinary Reserves		1,617,135	-	1,617,135	1,170,797	-	1,170,797	923,536	-	923,536
14.5.4. Other Profit Reserves		69,374	-	69,374	70,106	-	70,106	(729)	-	(729)
14.6. Profit or Loss		1,444,265	(119,790)	1,324,475	1,539,449	(126,315)	1,413,134	1,172,973	(111,232)	1,061,741
14.6.1. Retained Earnings		(295,348)	(126,315)	(421,663)	250,425	(111,232)	139,193	261,607	(107,902)	153,705
14.6.2. Net Profit for the Period		1,739,613	6,525	1,746,138	1,289,024	(15,083)	1,273,941	911,366	(3,330)	908,036
14.7. Minority Shares	(5.2.13.)	30,004	-	30,004	28,461	-	28,461	25,112	-	25,112
TOTAL LIABILITIES AND EQUITY		50,790,340	107,406,773	158,197,113	47,798,158	61,203,420	109,001,578	33,444,415	42,992,233	76,436,648

(*) The effects of the restatement are explained in the note 1.5 of section III

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT AS OF 31 DECEMBER 2020

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

3. CONSOLIDATED INCOME STATEMENT

	Notes	Audited Current Period 01.01.2020- 31.12.2020	Restated Audited Prior Period 01.01.2019- 31.12.2019
I. PROFIT SHARE INCOME	(5.4.1.)	9,646,347	7,745,856
1.1. Profit Share on Loans		6,283,767	6,077,584
1.2. Profit Share on Reserve Deposits		37,473	86,722
1.3. Profit Share on Banks		229,931	348,009
1.4. Profit Share on Money Market Placements		-	-
1.5. Profit Share on Marketable Securities Portfolio		2,702,365	907,934
1.5.1. Fair Value Through Profit or Loss		342,538	96,194
1.5.2. Fair Value Through Other Comprehensive Income		2,121,615	665,164
1.5.3. Measured at Amortised Cost		238,212	146,576
1.6. Finance Lease Income		342,754	259,612
1.7. Other Profit Share Income		50,057	65,995
II. PROFIT SHARE EXPENSE		3,111,225	3,932,137
2.1. Expense on Profit Sharing Accounts	(5.4.4.)	1,934,858	3,013,663
2.2. Profit Share Expense on Funds Borrowed	(5.4.2.)	396,952	272,103
2.3. Profit Share Expense on Money Market Borrowings		354,479	2,514
2.4. Expense on Securities Issued		365,387	581,094
2.5. Profit Share Expense on Lease		59,549	62,763
2.6. Other Profit Share Expense		-	-
III. NET PROFIT SHARE INCOME (I - II)		6,535,122	3,813,719
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		261,839	368,932
4.1. Fees and Commissions Received		862,342	818,966
4.1.1. Non-Cash Loans		136,800	175,096
4.1.2. Other		725,542	643,870
4.2. Fees and Commissions Paid		600,503	450,034
4.2.1. Non-Cash Loans		11,835	8,633
4.2.2. Other	(5.4.13.)	588,668	441,401
V. DIVIDEND INCOME	(5.4.3.)	68	2,841
VI. NET TRADING INCOME / LOSS	(5.4.5.)	847,844	1,328,159
6.1. Capital Market Transaction Gains/Losses		45,028	32,116
6.2. Gains/Losses from Derivative Financial Instruments		(2,210,668)	464,803
6.3. Foreign Exchange Gains/Losses		3,013,484	831,240
VII. OTHER OPERATING INCOME	(5.4.6.)	1,819,357	1,930,377
VIII. NET OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)		9,464,230	7,444,028
IX. EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	3,240,522	2,640,410
X. OTHER PROVISIONS (-)		325,218	68,562
XI. PERSONNEL EXPENSES (-)	(5.4.8.)	1,342,912	1,132,226
XII. OTHER OPERATING EXPENSES (-)	(5.4.8.)	2,312,022	1,992,008
XIII. NET OPERATING INCOME/(LOSS) (IX-X-XI)		2,243,556	1,610,822
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		20,930	13,727
XVI. INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	2,264,486	1,624,549
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(551,618)	(348,156)
18.1. Current Tax Provision		(826,371)	(451,634)
18.2. Deferred Tax Income Effect (+)		187,277	205,627
18.3. Deferred Tax Expense Effect (-)		462,030	309,105
XIX. CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)	(5.4.11.)	1,712,868	1,276,393
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1. Income on Non-Current Assets Held for Sale		-	-
20.2. Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-
20.3. Income on Other Discontinued Operations		-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1. Expenses from Non-Current Assets Held For Sale		-	-
21.2. Expenses from Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)		-	-
21.3. Expenses from Other Discontinued Operations		-	-
XXII. PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
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 (XX±XXI)		-	-
XXV. NET PROFIT/LOSS (XVII+XXII)	(5.4.12.)	1,712,868	1,276,393
25.1. Group's Income/Loss		1,746,138	1,273,941
25.2. Minority Interest Income/Loss (-)		(33,270)	2,452
Earnings Per Share Income/Loss		-	-

(*) The effects of the restatement are explained in the note 1.5 of section III

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED INCOME STATEMENT AS OF 31 DECEMBER 2020

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

4. CONSOLIDATED STATEMENT OF PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME

	Audited Current Period 31.12.2020	Restated Audited Prior Period 31.12.2019
I. CURRENT PROFIT (LOSS)	1,712,868	1,276,393
II. OTHER COMPREHENSIVE INCOME	(160,781)	281,715
2.1 Other Comprehensive Income Not Reclassified Through Profit or Loss	(32,176)	(5,786)
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	(40,220)	(7,233)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	8,044	1,447
2.2 Other Comprehensive Income Reclassified Through Profit or Loss	(128,605)	287,501
2.2.1 Foreign Currency Translation Difference	260,831	52,280
2.2.2 Valuation And/Or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(249,886)	389,097
2.2.3 Cash Flow Hedge Income/Loss	11,514	(21,235)
2.2.4 Foreign Net Investment Hedge Income/Loss	(263,591)	(51,447)
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Taxes Related Other Comprehensive Income Items Reclassified Through Profit or Loss	112,527	(81,194)
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,552,087	1,558,108

(*) The effects of the restatement are explained in the note 1.5 of section III

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2020

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

5. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
						1	2	3	4	5	6						
Restated Prior Period (01/01/2019 – 31/12/2019)																	
I. Prior Period Ending Balance		3,497,322	24,208	-	-	-	(13,296)	-	173,232	(117,150)	(88,812)	1,110,535	(1,160)	809,543	5,394,422	25,112	5,419,534
II. Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	28,613	(28,613)	13,041	154,865	98,493	266,399	-	266,399
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	28,613	(28,613)	-	-	-	-	-	-
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	13,041	154,865	98,493	266,399	-	266,399
III. Adjusted Beginning Balance (I+II)		3,497,322	24,208	-	-	-	(13,296)	-	173,232	(88,537)	(117,425)	1,123,576	153,705	908,036	5,660,821	25,112	5,685,933
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(5,786)	-	52,280	303,232	(68,011)	-	-	1,273,941	1,555,656	3,328	1,558,984
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves		500,000	-	-	-	-	-	-	-	-	-	(500,000)	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes	(1,556)	317	-	1,239	-	-	-	-	-	-	-	(1,025)	(76,214)	61,720	(15,519)	21	(15,498)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	871,508	61,702	(969,756)	(36,546)	-	(36,546)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	(30,000)	(6,546)	(36,546)	-	(36,546)
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	863,266	-	(863,266)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	91,702	(99,944)	-	-	-
Balance at end of the period (III+IV+.....+X+XI)	(5.2.12.)	3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,494,059	139,193	1,273,941	7,164,412	28,461	7,192,873
Current Period (01/01/2020 – 31/12/2020)																	
I. Prior Period Ending Balance		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,472,776	(89,157)	1,117,637	6,788,475	28,461	6,786,936
II. Corrections and Accounting Policy Changes Made According to TAS 8(*)		-	-	-	-	-	-	-	-	-	-	21,283	228,350	156,304	405,937	-	405,937
2.1 Effect Of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	156,304	-	-	405,937
2.2 Effect Of Changes In Accounting Policies		-	-	-	-	-	-	-	-	-	-	21,283	228,350	-	-	-	-
III. Adjusted Beginning Balance (I+II)		3,995,766	24,525	1,239	-	-	(19,082)	-	225,512	214,695	(185,436)	1,494,059	139,193	1,273,941	7,164,412	28,461	7,192,873
IV. Total Comprehensive Income (Loss)		-	-	-	-	-	(32,176)	-	260,831	(199,908)	(190,344)	-	816	1,746,138	1,585,357	1,539	1,586,896
V. Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Reserves		600,000	-	-	-	-	-	-	-	-	-	(600,000)	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes (**)	(635)	-	-	635	-	-	-	-	-	(16,092)	-	(631)	(718,422)	(6,534)	(741,679)	4	(741,675)
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	1,103,377	156,750	(1,267,407)	(7,280)	-	(7,280)
11.1 Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	-	(7,280)	(7,280)	-	(7,280)
11.2 Transfers To Legal Reserves		-	-	-	-	-	-	-	-	-	-	1,102,558	-	(1,102,558)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	819	156,750	(157,569)	-	-	-
Balances at end of the period (III+IV+.....+X+XI)	(5.2.12.)	4,595,131	24,525	1,874	-	-	(51,258)	-	486,343	(1,305)	(375,780)	1,996,805	(421,663)	1,746,138	8,000,810	30,004	8,030,814

(*) Neova Sigorta A.Ş., a subsidiary of the group manages the risk fund formed due to the contributions of the participants separately in accordance with Article 6 of the “regulation on participation insurance and working procedures and principles” published by the Ministry of Treasury and Finance. Accordingly, the profit/(expense) amount of the risk fund, which is due to participant contributions amounting to 34.809 TL for the current period, has been classified under other liabilities in balance sheet. (31 December 2019: TL876).

(**) The effects of the restatement are explained in the note 1.5 of section III

1. Accumulated Revaluation Increase / Decrease of Fixed Assets
2. Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
4. Foreign Currency Transition Differences
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
STATEMENT OF CASH FLOW AS OF 31 DECEMBER 2020

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

6. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Audited Current Period	Restated Audited Prior Period
		01.01.2020- 31.12.2020	01.01.2019- 31.12.2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations		4,484,711	5,692,369
1.1.1 Profit Share Income Received		8,626,213	10,576,719
1.1.2 Profit Share Expense Paid		(2,935,050)	(3,831,256)
1.1.3 Dividends Received		68	2,841
1.1.4 Fees And Commissions Received		917,653	818,966
1.1.5 Other Income		2,406,840	3,435,790
1.1.6 Collections From Previously Written Off Loans		374,444	431,694
1.1.7 Payments to Personnel And Service Suppliers		(1,461,738)	(1,205,878)
1.1.8 Taxes Paid		(1,111,610)	(545,036)
1.1.9 Others		(2,332,109)	(3,991,471)
1.2 Changes in Assets And Liabilities From Banking Operations		(7,696,569)	11,912,880
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(2,943,023)	(4,144,535)
1.2.2 Net (Increase) Decrease in Due From Banks And Other Financial Institutions		(10,056,468)	2,079,480
1.2.3 Net (Increase) Decrease in Loans		(21,719,400)	(13,629,788)
1.2.4 Net (Increase) Decrease in Other Assets		(9,559,006)	(6,527,612)
1.2.5 Net Increase (Decrease) in Bank Deposits		645,501	286,471
1.2.6 Net Increase (Decrease) in Other Deposits		30,424,765	32,711,583
1.2.7 Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss		-	(830)
1.2.8 Net Increase (Decrease) in Funds Borrowed		3,037,543	(1,528,194)
1.2.9 Net Increase (Decrease) in Due Payables		-	-
1.2.10 Net Increase (Decrease) in Other Liabilities		2,473,519	2,666,305
I. Net Cash Provided From / (Used in) Banking Operations		(3,211,858)	17,605,249
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From / (Used in) Investing Activities		(8,613,022)	(4,071,563)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.2 Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.3 Fixed Assets Purchases		(120,504)	(162,523)
2.4 Fixed Assets Sales		194,500	5,304
2.5 Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(12,758,073)	(2,130,182)
2.6 Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income		6,067,423	307,107
2.7 Cash Paid For Purchase of Investment Securities		(1,933,750)	(3,420,599)
2.8 Cash Obtained From Sale of Investment Securities		-	1,374,120
2.9 Other		(62,618)	(44,790)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From / (Used in) Financing Activities		966,756	(2,039,735)
3.1 Cash Obtained From Funds Borrowed And Securities Issued		6,267,842	6,366,492
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(5,600,576)	(9,723,301)
3.3 Capital Increase		388,646	1,423,134
3.4 Dividends Paid		(7,280)	(36,546)
3.5 Payments For Finance Leases		(81,876)	(69,514)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents	(5.5.4)	5,637,262	1,704,243
V. Net Increase (Decrease) in Cash And Cash Equivalents		(5,220,862)	13,198,194
VI. Cash And Cash Equivalents at The Beginning of The Period	(5.5.1)	19,216,292	7,214,008
VII. Cash And Cash Equivalents at The End of The Period	(5.5.1)	13,995,430	20,412,202

*) The effects of the restatement are explained in the note 1.5 of section III

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
PROFIT DISTRIBUTION TABLE OF PARENT BANK AS OF 31 DECEMBER 2020

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

7. PROFIT DISTRIBUTION TABLE OF PARENT BANK

	Current Period 01.01.2020 - 31.12.2020 (*)	Prior Period 01.01.2019 - 31.12.2019 (*)
I. Distribution of Current Period Profit		
1.1. Current Period Profit	1,852,683	1,415,267
1.2. Taxes and Dues Payable (-)	452,402	305,429
1.2.1. Corporate Tax (Income Tax)	781,806	401,181
1.2.2. Income Tax Withholding	-	-
1.2.3. Other Taxes and Dues Payable (**)	(329,404)	(95,752)
A. Net Profit for the Period (1.1-1.2)	1,400,281	1,109,838
1.3. Prior year's Losses (-)	-	-
1.4. First Legal Reserves (-)	-	-
1.5. Other Reserves (-)	-	-
B. Distributable Net Period Profit [(A-(1.3+1.4+1.5)]	1,400,281	1,109,838
1.6. First Dividend to Shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Preferred Stocks	-	-
1.6.3. To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Owners of the profit and loss Sharing Certificates	-	-
1.7. Dividend to Personnel (-)	-	-
1.8. Dividend to Board of Directors (-)	-	7,280
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Preferred Stocks	-	-
1.9.3. To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Owners of the profit/loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Statutory Reserves (-)	-	-
1.12. Extraordinary Reserves	-	446,338
1.13. Other Reserves	-	389
1.14. Special Funds	-	-
II. Distribution from Reserves		
2.1. Distributed Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. The Owners of Ordinary Shares	-	-
2.3.2. The Owners of Preferred Stocks	-	-
2.3.3. The Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4. The Profit Sharing Bonds	-	-
2.3.5. The Owners of the profit/loss Sharing Certificates	-	-
2.4. Share to Personnel (-)	-	-
2.5. Share to Board of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Stocks	-	-
3.2. To Owners of Stocks (%)	-	-
3.3. To Owners of Preferred Stocks	-	-
3.4. To Owners of Preferred Stocks (%)	-	-
IV. Dividend per Share		
4.1. To Owners of Stocks	-	-
4.2. To Owners of Stocks (%)	-	-
4.3. To Owners of Preferred Stocks	-	-
4.4. To Owners of Preferred Stocks (%)	-	-

(*) The profit distribution of the Bank is decided at the General Assembly meeting which is not yet held as of the date of the preparation of these financial statements

(**) Deferred tax benefit is presented under other tax and legal liabilities.

The accompanying notes are an integral part of these financial statements

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on Basis of Presentation

1.1. The preparation of the consolidated financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on Accounting Applications for Banks and Safeguarding of Documents:

The Parent Bank prepares its financial statements in accordance with the “Regulation on The Procedures And Principles For Accounting Practices And Retention of Documents By Banks” published in the Official Gazette dated 1 November 2006 with numbered 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Agency (“BRSA”) as well as the circulars and pronouncements published by the BRSA. For matters not regulated by the aforementioned legislations, the Bank prepares its financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, which comprises the terms of the Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

Additional paragraph for convenience translation

The differences between the standards set out by BRSA Accounting and Financial Reporting Legislation and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

1.2. Accounting policies and valuation principles applied in the preparation of consolidated financial statements:

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss, and the financial assets and liabilities at fair value through other comprehensive income that are measured at fair values.

The preparation of consolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the Group management to make assumptions and estimates with respect to the assets and liabilities on the balance sheet and contingent issues outstanding as of the balance sheet date. These assumptions and estimates mainly consist of calculations of the fair values of financial instruments and the impairment on assets. The assumptions and estimates are reviewed regularly and, when necessary, appropriate corrections are made and the effects of such corrections are reflected on the income statement.

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively effects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures are still being taken in Turkey as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to the measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in Turkey and worldwide.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of December 31, 2020, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in third section footnote numbered 1.6 “Explanations on Expected Credit Loss”. In the upcoming periods, the Bank will update its relevant assumptions are necessary and revise the realizations of past estimates.

1.3. Changes in accounting estimates, errors and classifications

If changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. There were no significant changes in the accounting estimates of the Group in the current year. Significant accounting errors are applied retrospectively and prior period financial statements are restated.

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1.4. Preparation of the financial statements as regards to the current purchasing power of money:

Until 31 December 2004, the financial statements of the Group were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29"). As per the BRSA decision numbered 1623 and dated 21 April 2005 and the BRSA circular dated 28 April 2005 it was stated that the indicators for the application of inflation accounting were no longer applicable. Consequently, as of 1 January 2005, the inflation accounting has not been applied.

1.5. TFRS 3 Explanations on Business Combinations Standard:

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Business combinations are accounted in accordance with TFRS 3 "Business Combinations" except for the assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

The interests of non-controlling shareholders in the acquire is initially measured at the non-controlling's proportion of the fair value of the assets, liabilities and contingent liabilities recognized.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

- *Explanations regarding the accounting policy applied for the acquisition of Neova Sigorta A.Ş.*

Following the necessary legal permissions on May 5, 2020, the Bank finalized the purchase of Neova Sigorta A.Ş. by completing the share transfer process. The Bank purchased 78,864,212 shares by paying TL 745,860 and increased the partnership share in Neova Sigorta A.Ş. from 7% to 100% by owning all the shares.

As per the principle related to "Accounting for business combinations under common control" the Public Oversight Accounting and Auditing Standards Authority issued in the Official Gazette No. 30568 dated 17 October 2018, business combinations under common control shall be accounted through restating previous period's financial statements via the pooling of interest method. In line with the aforementioned Authority decisions, The Group management restated its consolidated balance sheet and off-balance sheet as at 31 December 2019 and 1 January 2019 and also the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in shareholder's equity and cash flows for the period ended at 31 December 2019 due to the purchase of Neova Sigorta A.S.

The effects of the regulations and classifications described above are presented in detail below.

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I) *Effects of regulations and classifications on consolidated financial statements as of January 1, 2019:*

ASSETS		Notes	Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
I.	FINANCIAL ASSETS (Net)		23,757,096	394,196	24,151,292
1.1	Cash and Cash Equivalents	(5.1.1)	17,407,571	290,505	17,698,076
1.1.2	Banks	(5.1.3)	6,896,927	290,505	7,187,432
1.2	Financial Assets at Fair Value Through Profit or Loss		103,094	108,462	211,556
1.2.3	Other Financial Assets		72,997	108,462	181,459
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4)	6,204,420	(4,771)	6,199,649
1.3.2	Equity Instruments		27,548	(4,771)	22,777
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5)	46,974,574	447,912	47,422,486
2.3	Financial Assets Measured At Amortized Cost	(5.1.6.)	37,156	447,912	485,068
2.3.1	Government Debt Securities		37,156	176,891	214,047
2.3.2	Other Financial Assets		-	271,021	271,021
V.	TANGIBLE ASSETS (Net)		457,187	8,656	465,843
VI.	INTANGIBLE ASSETS (Net)		200,765	2,496	203,261
6.2	Other		200,765	2,496	203,261
IX.	DEFERRED TAX ASSETS	(5.1.12)	380,683	12,439	393,122
X.	OTHER ASSETS	(5.1.13)	2,890,428	57,963	3,448,391
	TOTAL ASSETS		75,012,986	1,423,662	76,436,648

LIABILITIES		Notes	Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
I.	FUNDS COLLECTED	(5.2.1)	55,230,018	(238,365)	54,991,653
IV.	SECURITIES ISSUED (Net)		7,792,870	(147,565)	7,645,305
VIII.	PROVISIONS		800,522	1,288,762	2,089,284
8.2	Reserves For Employee Benefits		229,078	10,211	239,289
8.3	Insurance For Technical Provision (Net)		-	1,274,777	1,274,777
8.4	Other Provisions		571,444	3,774	575,218
IX.	CURRENT TAX LIABILITIES	(5.2.8.1)	177,652	28,901	206,553
XIII.	OTHER LIABILITIES	(5.2.4)	1,337,718	225,530	1,563,248
XIV.	EQUITY	(5.2.11)	5,419,534	266,399	5,685,933
14.5	Profit Reserves		1,110,535	13,041	1,123,576
14.5.1	Legal Reserves		187,583	13,186	200,769
14.5.4	Other Profit Reserves		(584)	(145)	(729)
14.6	Profit or Loss		808,383	253,358	1,061,741
14.6.1	Retained Earnings		(1,160)	154,865	153,705
14.6.2	Net Profit of the Period		809,543	98,493	908,036
	TOTAL LIABILITIES		75,012,986	1,423,662	76,436,648

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II) *Effects of regulations and classifications on consolidated financial statements as of December 31, 2019:*

ASSETS		Notes	Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
I.	FINANCIAL ASSETS (Net)		43,374,329	1,167,817	44,542,146
1.1	Cash and Cash Equivalents	(5.1.1)	26,730,059	915,156	27,645,215
1.1.2	Banks	(5.1.3)	7,516,772	915,156	8,431,928
1.2	Financial Assets at Fair Value Through Profit or Loss		4,001,504	258,167	4,259,671
1.2.3	Other Financial Assets		59,910	258,167	318,077
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4)	12,460,760	(5,506)	12,455,254
1.3.2	Equity Instruments		38,583	(5,506)	33,077
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)	(5.1.5)	59,782,476	353,543	60,136,019
2.3	Financial Assets Measured At Amortized Cost	(5.1.6.)	2,859,381	353,543	3,212,924
2.3.1	Government Debt Securities		2,725,997	176,942	2,902,939
2.3.2	Other Financial Assets		133,384	176,601	309,985
V.	TANGIBLE ASSETS (Net)		834,101	12,242	846,343
VI.	INTANGIBLE ASSETS (Net)		198,760	3,239	201,999
6.2	Other		198,760	3,239	201,999
IX.	DEFERRED TAX ASSETS	(5.1.12)	401,782	15,071	416,853
X.	OTHER ASSETS	(5.1.13)	1,698,669	584,516	2,283,185
	TOTAL ASSETS		106,865,150	2,136,428	109,001,578

LIABILITIES		Notes	Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
I.	FUNDS COLLECTED	(5.2.1)	88,249,772	(253,637)	87,996,135
IV.	SECURITIES ISSUED (Net)		350,955	3,096	354,051
VIII.	PROVISIONS		1,099,254	1,710,118	2,809,372
8.2	Reserves For Employee Benefits		302,820	14,502	317,322
8.3	Insurance For Technical Provision (Net)		-	1,693,153	1,693,153
8.4	Other Provisions		796,434	2,463	798,897
IX.	CURRENT TAX LIABILITIES	(5.2.8.1)	226,221	29,176	255,397
XIII.	OTHER LIABILITIES	(5.2.4)	1,257,502	241,738	1,499,240
XIV.	EQUITY	(5.2.11)	6,786,936	405,937	7,192,873
14.5	Profit Reserves		1,472,776	21,283	1,494,059
14.5.1	Legal Reserves		231,728	21,428	253,156
14.5.4	Other Profit Reserves		70,251	(145)	70,106
14.6	Profit or Loss		1,028,480	384,654	1,413,134
14.6.1	Retained Earnings		(89,157)	228,350	139,193
14.6.2	Net Profit for the Period		1,117,637	156,304	1,273,941
	TOTAL LIABILITIES		106,865,150	2,136,428	109,001,578

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III) January 1, 2019 and December 31, 2019 effects of the regulations and classifications on the Consolidated Statement of offsetting accounts:

		Reported 31/12/2018	Restatement Effects, Including Elimination Effects	Restated 01/01/2019
I.	A. COMMITMENTS AND CONTINGENCIES (I+II+III)	86,759,151	(299,101)	86,460,050
	GUARANTEES AND WARRANTIES	11,876,080	(299,101)	11,576,979
1.1.	Letters of Guarantee	10,391,279	(299,101)	10,092,178
1.1.3.	Other Letters of Guarantee	9,460,501	(299,101)	9,161,400
	TOTAL OFF-BALANCE SHEET ACCOUNTS	545,744,255	(299,101)	545,445,154

		Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
I.	A. COMMITMENTS AND CONTINGENCIES (I+II+III)	123,656,675	(299,101)	123,357,574
	GUARANTEES AND WARRANTIES	11,902,354	(299,101)	11,603,253
1.1.	Letters of Guarantee	10,007,571	(299,101)	9,708,470
1.1.3.	Other Letters of Guarantee	9,272,139	(299,101)	8,973,038
	TOTAL OFF-BALANCE SHEET ACCOUNTS	670,736,952	(299,101)	670,437,851

IV) Effects of regulations and classifications on Consolidated Income Statement as of December 31, 2019:

		Reported 31/12/2019	Restatement Effects, Including Elimination Effects	Restated 31/12/2019
I.	PROFIT SHARE INCOME	7,558,226	187,630	7,745,856
1.3	Profit Share on Banks	257,954	90,055	348,009
1.5	Profit Share on Marketable Securities Portfolio	810,359	97,575	907,934
1.5.1	Fair Value Through Profit or Loss	66,463	29,731	96,194
1.5.3	Measured at Amortised Cost	78,732	67,844	146,576
II.	PROFIT SHARE EXPENSE (-)	3,991,466	(59,329)	3,932,137
2.1	Expense on Profit Sharing Accounts	3,050,658	(36,995)	3,013,663
2.4	Expense on Securities Issued	604,045	(22,951)	581,094
2.5	Profit Share Expense on Lease	62,146	617	62,763
III.	NET PROFIT SHARE INCOME (I - II)	3,566,760	246,959	3,813,719
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	490,868	(121,936)	368,932
4.1	Fees And Commissions Received	800,292	18,674	818,966
4.1.2	Other	625,196	18,674	643,870
4.2	Fees And Commissions Paid	309,424	140,610	450,034
4.2.2	Other	300,791	140,610	441,401
VI.	NET TRADING INCOME / LOSS	1,324,855	3,304	1,328,159
6.3	Foreign Exchange Gains/Losses	827,936	3,304	831,240
VII.	OTHER OPERATING INCOME	789,578	1,140,799	1,930,377
VIII.	GROSS OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)	6,174,902	1,269,126	7,444,028
X.	OTHER PROVISIONS (-)	59,711	8,851	68,562
XI.	PERSONNEL EXPENSES (-)	1,086,890	45,336	1,132,226
XII.	OTHER OPERATING EXPENSES (-)	979,920	1,012,088	1,992,008
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	1,407,971	202,851	1,610,822
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	1,421,698	202,851	1,624,549
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(300,733)	(47,423)	(348,156)
18.1	Current Tax Provision	(401,579)	(50,055)	(451,634)
18.3	Deferred Tax Expense Effect (-)	306,473	2,632	309,105
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	1,120,965	155,428	1,276,393
XXV.	NET PROFIT/LOSS (XVII+XXII)	1,120,965	155,428	1,276,393
25.1	Group's Income/Loss	1,117,637	156,304	1,273,941
25.2	Minority Interest Income/Loss (-)	3,328	(876)	2,452

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1.6 Disclosures Regarding TFRS 9 Financial Instruments:

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced “TAS 39: Financial Instruments: Recognition and Measurement.” standard.

TFRS 9 also includes new principles for general hedge accounting which aims to harmonize hedge accounting with risk management applications. In the admission of the accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39. In this context, the Parent Bank continues to apply the hedge accounting provisions of TAS 39.

All recognized financial assets that are within the scope of TFRS 9 are required to be initially measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

Dividends obtained from such investments are accounted in the financial statements as profit or loss unless they are evidently a part of the recoverable cost of investment.

As a result of the combination of contractual cash flow characteristics and business models, the differences in the classification of financial assets are reflected in the financial statements compared to the current classification in TAS 39.

During the first recognition of a financial asset into the financial statements, business model determined by the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

Classification And Measurement of Financial Instruments:

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “solely payments of principal and profit share” (SPPI).

Upon initial recognition each financial asset shall be classified as either fair value through profit or loss (“FVTPL”) amortized cost or fair value through other comprehensive income (“FVOCI”). As for the classification and measurement of financial liabilities, the application of the existing terms of TAS 39 remain largely unchanged under TFRS 9.

Explanations on Expected Credit Loss :

As of 1 January 2018, the Parent Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

Modeling studies were carried out on the principal components of the Expected Loan Loss calculation and the default probability (CTR) models were developed on various loan portfolios. Credit portfolios are determined according to customer segments that form the basis of banking activities. The cyclical default probabilities generated by these models developed for use in the Internal Rating Based Approach (IDD) are translated into the Instantaneous Default Probabilities and these instantaneous default probabilities are used when calculating the Expected Loan Loss on TFRS 9. Loss in Default (LID) calculation is made using models established on the basis of sub-segments based on the bank's internal collection data. Default Amount (TT) corresponds to the balance used in cash at the reporting date for cash loans, non-cash loans and balance after application of the loan to commitment risks.

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Macroeconomic scenarios affect TO values. The expected credit loss amount is calculated by weighting 3 different scenarios as Base, Good and Bad scenarios. The probability of default of the debtors and the loss rates in default vary with each scenario.

The Group has calculated the possible effects of the COVID-19 outbreak as of 31 December 2020 with the best estimate method, which it obtained on the principle of maximum effort to estimate and reasoning used in the calculation of expected credit losses. In the light of the aforementioned data, the Group revised its macroeconomic expectations in the calculation of expected credit loss, and the calculation made taking into account the change in PD with the update in the EDF model was reflected in the financial statements as of 31 December 2020. By its nature, the model effects are reflected in the financial statements with a delay due to the occurrence of the events and their effects at different times. For this reason, if deemed necessary the Bank may make sectoral based valuations in order to eliminate the timing difference and establish additional provisions for the sector or customers which are considered to have a high impact due to outbreak.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default periods for loans to be classified as non-performing loans shall be applied as 180 days; the 30 days periods for loans to be classified as stage 2 shall be applied as 90 days according to assembly's resolution dated on 17 March 2020. This measure will be effective until 31 December 2020. In this context,

- Temporarily, it is possible to classify the receivables that cannot be collected up to 90 days in stage 1, and the receivables that cannot be collected up to 180 days in Stage 2
- In restructured installment receivables, the practice of shifting installments without a contract breakdown, within the defined terms has started for costumers who do not want to be late in their instalments.

Terminatively, this leads the Banks continue to set aside prvisions for such receivables in accordance with their own risk models used in the calculation of expected credit losses under TFRS 9.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecast of future economic conditions.

The Group applies a 'three-stage' impairment model depending on the gradual increase in credit risk observed since initial recognition

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

In this context; The basic considerations that are taken into account in determining the significant increase in the credit risk of a financial asset and its transfer to Phase 2 are, but are not limited to, the following.

- Delayed by more than 30 days as of the reporting date
- Restructuring
- Close Monitoring
- Evaluation of distortion in Rating Note

The rating of the rating is calculated by using the Parent Bank's rating ratings based on the internal rating of the parent Bank by using the rating of the credit rating. For the loan, the rating rating calculated on the reporting date exceeds the determined threshold values and is considered as a distortion in the rating.

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 30-day delay period for the classification of loans as Stage 2 has been implemented as 90 days until 31 December 2020; The Bank continues to provide provisions in accordance with this loan credit risk policy.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

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The Parent Bank periodically evaluates the provisions of loans and other receivables in accordance with TFRS 9 retrospectively on the basis of their results and, if deemed necessary, revises the basketing rules and the parameters used in the calculation of the related provision balances.

In this context; in accordance with the decision of the BRSA in the context of the covid-19 outbreak, the 90-day delay period for the classification of loans as Stage 3 has been implemented as 180 days until 31 December 2020. The BRSA extended these opportunities until 30 June 2021 with its decision dated 8 December 2020 and numbered 9312. The Bank continues to provide provisions in accordance with this loan credit risk policy.

1.7 Revenue from TFRS 15 Customer Contracts:

TFRS 15 Revenue from Customer Contracts provides a single, comprehensive model and guidance on the recognition of revenue and is recorded in accordance with TFRS 15.

1.8 Explanations on TFRS 16 Leases Standard

The leasing transactions are presented by the lessor as assets (right-of-use assets) and liabilities from leasing transactions. TFRS 16 Standard eliminates the dual accounting model of leasing transactions on balance sheet and operational leasing transactions as direct expense except balance sheet.

Within the scope of TFRS 16, the Parent Bank reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Bank measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Parent Bank. In addition, the Bank measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

As of December 31, 2020, the right-of-use assets classified tangible assets amounting to TL 529,263 in the balance sheet of the Parent Bank and lease obligations amounting to TL 559,081. In the twelve-month period that ended as of the same date, financial expenses amounting to TL 60,013 and depreciation expenses amounting to TL 117,438 were incurred.

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority (“POA”) has changed to TFRS 16 “Leases” standard by publishing Privileges Granted in Lease Payments -"Amendments to TFRS 16 Leases" concerning Covid-19. With this change, tenants are exempted from whether there has been a change in the rental privileges in lease payments due to Covid-19. This change did not have a significant impact on the financial status or performance of the Bank.

2. Explanations on Strategy of Using Financial Instruments And Foreign Currency Transactions

The Group follows an asset-liability management strategy that mitigates risk and increases earnings by balancing the funds borrowed and the investments in various financial assets. The main objective of asset-liability management is to limit the Parent Bank’s exposure to liquidity risk, currency risk and credit risk while increasing profitability and strengthening the Parent Bank’s equity. The assets-liabilities committee (ALC) manages the assets and liabilities within the trading limits on the level of exposure placed by the Executive Risk Committee.

Gains and losses arising from foreign currency transactions have been recorded in the period in which the transaction took place. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates published by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized in the income statement under the net foreign exchange income/expense account.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments into Turkish Lira are included in the income statement. There are no foreign currency differences capitalized by the Parent Bank

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3. Investments in Associates And Subsidiaries

Consolidated and Financial Statements " Turkey Accounting Standard for Consolidated Financial Statements" (TFRS 10) has been prepared in accordance with the provisions.

Titles, locations of the headquarters, main operations and Group's shares relating the consolidated entities are as follows:

Title	Address (City/Country)	Faaliyet Konusu	31-Dec-20	31-Dec-19	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
Nevoa Sigorta A.Ş.	İstanbul/Turkey	Financial Institution	100.00%	7.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/ Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	İstanbul/ Turkey	Financial Institution	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	İstanbul/ Turkey	Financial Institution	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/ Turkey	Financial Institution	75.00%	75.00%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	İstanbul/ Turkey	Financial Institution	50.00%	50.00%	Accounted with equity pick-up

(*) *KT Sukuk Company Limited, established on July 31, 2015 in the Cayman Islands for the issuance of the bank's Tier-II subordinated loan, was excluded.*

Parent Bank and the subsidiaries, the financial tables of which are consolidated along with the Parent Bank, are collectively referred as "the Group."

Consolidation basis of subsidiaries:

Subsidiaries are entities whose capital and management are directly or indirectly controlled by the Parent Bank. Subsidiaries are consolidated by the full consolidation method, within the framework of significance on the basis of operational outcomes, assets sizes and equity sizes. The financial statements of the relevant subsidiaries are included in the consolidated financial statements as of the date that control is transferred to Parent Bank.

Control denotes any of the following circumstances: the Parent Bank directly or indirectly through subsidiaries has over 50% of the voting rights or, dominance over the voting rights as described afore does not exist but the Parent Bank owns the preferred shares, or; the Parent Bank has voting rights appropriating more than %50 percent of all voting rights due to the agreements signed with other shareholders, or; the Parent Bank has the authority to manage the operational and financial policies of the entity due to certain arrangements or agreements, or; the Parent Bank has the power to influence the majority of the votes within the Board of Directors or any other executive organ vested with similar rights, or; the Parent Bank by any means has the power to appoint or dismiss the majority of the Board of Directors.

In accordance with the full consolidation, all of the assets, liabilities, income, expense and off-balance sheet liabilities of the subsidiaries are consolidated with the assets, liabilities, income, expense and off-balance sheet liabilities of the Parent Bank. The carrying value of the Group's investment in each subsidiary is offset with the cost value of the subsidiary's capital owned by the Group. Balances regarding the transactions between the subsidiaries in the scope of the consolidation and the unrealized gains/losses are reciprocally offset. Minority shares within the net income of the consolidated subsidiaries are determined provided that the net income of the Group shall be calculated, and these minority shares are presented as a separate item in the income statement. Minority shares are presented under the equity in the consolidated balance sheet.

In the case where the accounting policies implemented by the subsidiary are different than the Parent Bank, the accounting policies are reconciled.

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4. Explanations on Forward Transactions And Option Contracts And Derivative Instruments

The Group enters into forward agreements to decrease its currency risk and to manage its foreign currency liquidity. Derivative instruments are classified as ‘hedging derivative financial asset’ and ‘derivative financial assets/liabilities at fair value profit or loss’. The Group classifies its derivative instruments as “Derivative Financial Instruments Held for Hedging Purposes” and “Derivative Financial Instruments Held for Trading” in accordance with TAS 39. Even though some derivative transactions economically hedge risk, since all necessary conditions for hedge accounting are not met, they are accounted for as “held for trading” within the framework of TAS 39, and are reflected in the “Derivative Financial Assets/liabilities at fair value profit or loss” account in the balance sheet. The Group has no derivative financial assets/liabilities for hedging purposes as of balance sheet date.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their notional amounts.

Fair values of foreign currency forward transactions and swaps are calculated by using the discounted cash flow model. Differences resulting from the changes in the fair values of derivatives held for trading are accounted under ‘Trading Income/Loss’ line in the income statement.

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with TAS 39. If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract.

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank has continued to apply hedge accounting in accordance with TAS 39 in this context. The Group’s cash flow hedging process has ended as of 31 December 2020.

5. Explanations on Profit Share Income And Expense

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. While applying the internal rate of return method, the Parent Bank amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculations for these customers within the scope of TFRS 9 Financial Instruments Standard.

The Group calculates expense accrual in accordance with the unit value calculation method on profit/loss sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

6. Explanations on Fees And Commission Income And Expenses

Other than fees and commission income and expenses received from certain banking transactions that are recorded as income or expense in the period they are collected, fees and commission income and expenses are recognized in the income statement depending on the duration of the transaction. Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers.

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

In accordance with the provisions of TAS, commission and fees collected in advance for loans granted are deferred and reflected to the income statement by using the internal rate of return method. Unearned portion of the commission and fees relating to the future periods are recorded to the “Unearned Revenues” account under “Other Liabilities” on the balance sheet.

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7. Explanations on Financial Assets

The Group classifies and accounts for its financial assets as ‘Fair Value Through Profit/Loss’, ‘Fair Value Through Other Comprehensive Income,’ or ‘Amortized Cost.’ Such financial assets, are recognized and derecognized as per the terms of “Recognition and Derecognition in Financial Statements” under the section three of the “IFRS 9 Financial Instruments” regarding the classification and measurements of financial instruments, published in the Official Gazette numbered 29953 and dated 19 January 2017 by Public Oversight, Accounting and Auditing Standards Authority (“POA”). When financial assets are included in the financial statements for the first time, they are measured at fair value. Transaction costs are initially added to fair value or deducted from fair value at the initial measurement of financial assets other than the "Fair Value at Fair Value Through Profit or Loss".

The Group recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Parent Bank management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to gains, losses or profit shares that were previously recorded in the financial statements.

7.1 Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss are financial assets that are managed within a business model other than the business model whose objective is achieved by holding contractual cashflows for collection and the business model whose objective is achieved by collecting and selling contractual cash flows. Also, in case that the contractual terms of financial assets do not give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount, such assets are those that are, obtained with the aim of providing profit from the short-term price or other factor fluctuations in the market or are part of a portfolio aiming to obtain short-term profit, regardless of the reason of acquisition.

7.2 Financial assets at fair value through other comprehensive income:

A financial asset is classified as at fair value through other comprehensive income when the asset is managed within a business model whose objective is achieved by collecting contractual cash flows and selling the financial asset, as well as when the contractual terms of the financial asset give rise on specified dates to cash flows are solely payments of principal and profit share on the principal amount.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition costs that reflect the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share method regarding the financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses,” which is the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income, are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, or the impairment of the asset. “Unrealized gains and losses” are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, are carried at fair value, in the case that the securities have a quoted market price in an active market and/or the fair values of the securities can be reliably measured. In contrary case, the securities are carried at cost, less provision for impairment.

During initial recognition an entity can make an irrevocable election regarding the presentation of the subsequent changes in the fair value of the investment in an equity instrument, that is not held for trading purposes, in the other comprehensive income. In the case that the entity elects to present the changes as described, dividends arising from the investment is accounted in the financial statements as profit or loss.

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7.3 Financial assets measured at amortized cost:

In the case that a financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and that the contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and profit share on the principal amount, the financial asset is classified as financial asset measured at amortized cost.

Financial Assets Measured at Amortized Cost; are financial assets, other than loans and receivables, which are held for the purpose of custody until maturity, with conditions necessary for such assets to be held until contractual maturity met, including funding ability; and which have fixed or determinable payments and fixed maturities. Financial assets measured at amortized cost are initially recognized at cost and subsequently measured at amortized cost using the internal rate of return method. Profit share income related to Financial Assets measured at amortized cost is reflected in the income statement.

7.4 Derivative financial assets:

The major derivative instruments utilized by the Group are foreign currency swaps, cross currency swaps and currency forwards.

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

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, the fair value amounts are classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss." The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The fair value of derivative instruments is calculated by considering the market value of the derivatives or by using the discounted cash flow model.

7.5 Loans:

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Profit Share Rate (internal rate of return) Method".

8. Explanations on Offsetting of Financial Assets And Liabilities

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

9. Explanations on Sale And Repurchase Agreements And Lending of Securities

Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. In this content, initial OMT transaction was performed with CBRT on 14 June 2013 by selling Treasury Rent Certificates that are recognized in the assets of the Bank in return for conditional repurchasing. From this date on, the Bank performs sale transactions of treasury rent certificates that are recognized in the assets of the balance sheet in return for conditional repurchasing by tendering to purchase auctions held by CBRT with various maturities; and thusly raises funds.

As of 31 December 2020, the Group has repurchased agreement amounting to TL 185,225 (31 December 2019: None).

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10. Explanations on Assets Held For Sale And Discontinued Operations And Related Liabilities

As mandated by the Banking Act 5411 Article 57 “banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

Assets that meet the criteria for classification as assets held for sale are measured at the lower of the carrying amount of assets and fair value less any costs to be incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. In order to classify an asset as held for sale, the sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset (or the disposal group) together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset (or the disposal group) should be actively in the market at a price consistent with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan. Various events and conditions may extend the completion period of the disposal over one year. If such delay arises from any events and conditions beyond the control of the entity and there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or disposal group) can remain to be classified as assets (or disposal group) held for sale. Extension of the period necessary to complete the sale, does not avoid the classification of the related asset (or disposal group) to be classified as asset held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale. Discontinued operations are presented separately in the income statement. The Parent Bank has no discontinued operations.

11. Explanations on Goodwill And Other Intangible Assets

Intangible assets are stated at cost adjusted for inflation until 31 December 2004, less provision for impairment, if any, and accumulated amortization and amortized with straight-line method.

The other intangible assets of the Group comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years. The depreciation period for licenses is determined based on the period in the license agreements.

There is no goodwill related to associates and subsidiaries.

12. Explanations on Tangible Assets

Fixed assets are stated at cost adjusted for inflation until 31 December 2004, less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The annual rates used for amortization are as follows:

Property	2%
Movables, leased assets	6.67% - 20%

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than one year as of the balance sheet date. Leasehold improvements are depreciated over the term of the lease agreements by straight-line method.

If the recoverable amount (the higher of value in use and fair value) of a tangible asset is less than its carrying value, impairment loss is provided and the carrying value is written down to its recoverable amount.

Gains or losses resulting from disposals of the fixed assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

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Expenses for repair costs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed as incurred.

The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product, or to decrease the costs.

Property held for long-term rental yields and/or capital appreciation is classified as investment property. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

13. Explanations on Leasing Transactions

For contracts concluded prior to 1 January 2019, the Group assesses whether the contract has a lease qualification or include a lease transaction.

- (a) The right to obtain almost all of the economic benefits from the use of the leased asset and,
- (b) Whether the leased asset which has the right to manage its use is evaluated

The Group has started implementing the TFRS 16 - Leases standard from 1 January 2019, the first date of the TFRS 16 standard. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Group's alternative borrowing profit rate. The Group has recognized the right to lease assets equal to the lease obligation by restating the previously paid or accrued lease payments.

The right of the use asset

The Group reflects the existence of a right of use and a lease obligation to the financial statements at the date the lease is commenced.

The right to use asset is recognized first by cost method and includes the following:

- (a) The first measurement amount of the lease obligation,
- (b) The amount obtained by deducting all rental incentives received from all lease payments made at or before the date of the rental.

When the Group applying cost method, the existence of the right of use:

- (a) Accumulated depreciation and accumulated impairment losses are deducted and
- (b) Measures the restatement of the lease obligation over the adjusted cost.

The Group applies the depreciation liabilities in TAS 16 Tangible Fixed Assets while depreciating the right of use asset.

The Group determines whether the right of use has been impaired and recognizes any identified impairment losses in accordance with TAS 36 – Impairment of Assets.

Lease Obligation

At the effective date of the lease, the Group measures the leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Group's alternative borrowing interest rate.

The profit on the lease liability for each period of the lease term is the amount found by applying a fixed periodic profit rate to the remaining balance of the lease liability. Periodic profit rate is the Group's borrowing profit rate.

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After the beginning of a contract, the Group remeasures its lease liability to reflect changes in lease payments. The Group reflects the restatement amount of the lease obligation to the financial statements as revised in the presence of the right of use.

The Group measures the lease obligation by discounting the revised lease payments on a revised discount rate when any of the following conditions occur:

- A change in the rental period.
- The Group determines revised rent payments based on revised lease term.
- The Group determines the revised discount rate for the remaining portion of the lease term as the alternative borrowing interest rate at the date of Bank's revaluation.

14. Insurance Technical Income and Expense

In insurance companies, premium income is obtained after diminishing the shares transferred from arranged policy income to reinsurer.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurer's shares of outstanding and paid claims are offset in the provisions.

15. Explanations on insurance technical provisions

IFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

Within the framework of the current insurance regulation, insurance technical provisions accounted by insurance companies for unearned Premium claims, unexpired risk reserve, outstanding claims and life-mathematical reserves are presented in the consolidated financial statements.

Unearned premium reserve is recognized on accrued premiums without discount or commission which extends to the next period or periods on a daily basis for the current insurance contracts.

In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the main branches specified by the Undersecretariat of Treasury. For each main branch, the amount found by multiplying the ratio exceeding 95% by the net unearned premium provision, is added to the unearned premium provision of that main branch.

If the outstanding claim reserve is established and confirmed by approximation and if there are unpaid or unidentified compensation amounts in both prior and current Accounting periods; it is separated for estimated yet unreported compensation amounts.

Mathematical reserve is recognized on actuarial bases in order to meet the requirements of policyholders and beneficiaries for life, health and personal accident insurance contracts for a period longer than a year.

On the other hand, actuarial chain ladder method is used to estimate the reserve amount to be set aside in the current period by looking at the data of the past materialized losses. If the reserve amount found as a result of this method exceeds the amount of reserve for the amount of uncertain indemnity, additional reserve must be set aside for the difference.

Reinsurance companies recognize for the outstanding claims that is declared by the companies, accrued and determined on account.

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Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted Insurance premiums ceded to reinsurers on contract that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Cost which vary and are directyl associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with the earning of premium.

16. Explanations on Provisions And Contingent Liabilities

Provisions and contingent liabilities are accounted for in accordance with “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

As per the “Matching Principle,” a provision is provided for the liabilities arising as a result of past events in the period they arise, if it is probable that the liability will be settled and a reliable estimate for the liability amount can be made.

When a reliable estimate of the amount of the obligation cannot be made or it is not probable that an outflow of resources will be required to settle the obligation, the obligation is considered as a “Contingent” liability and is disclosed in the related notes to the financial statements.

17. Explanations on Liabilities Relating to Employee Benefits

17.1 Defined benefit plans:

In accordance with existing social legislation, the group is required to make severance pay to each employee who has completed over one year of service with the group and who retires or quits the employment to receive old age or disability benefits, to fulfill the compulsory military service, because of the marriage (for females) or because of the other compulsive reasons as defined in the laws and whose employment is terminated due to reasons other than resignation or misconduct.

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm.

Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

The Group’s employees are not members of any pension fund, foundations, union or other similar entities.

17.2 Defined contribution plans:

The group pays defined contribution plans to publicly administered Social Security Funds for its employees as mandated by the Social Security Association. The Bank has no further payment obligations other than this contribution share. The contributions are recognized as employee benefit expense when they are due.

17.3 Short term benefits to employees:

In accordance with “TAS 19”, vacation pay liabilities are defined as “Short Term Benefits to Employees” and accrued as earned.

Group management calculates bonus accrual if it foresees that the budgeted year-end figures approved by the Board of Directors are attainable.

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18. Explanations on Taxation

Current Tax

As per the terms of the provisional article 10 added to the Law No. 5520 by the Article 91 of the Law No. 7061, it was established that the rate of 20%, as disclosed in the first paragraph of the Article 32 of the Corporate Tax Law No. 5520, shall be applied as 22% over the corporation income for the tax periods of the years 2018, 2019, 2020 (and for entities that are appointed with special accounting period, for the accounting periods beginning within the relevant year). Council of Ministers is entitled to lower the rate of 22% as disclosed in the first paragraph to a limit of 20%.

Under this scope, corporate tax with the rate of 22% shall be calculated over the corporate income of the corporate taxpayers for the accounting periods of 2018, 2019 and 2020. In addition, as per provisions of the Income Tax Law, advance tax with the rate of 22% shall be paid by the taxpayers in the aforementioned periods in order to be offset from the corporate tax for the aforementioned tax periods.

The corporate tax rate will be applied as 22% for the years 2018, 2019 and 2020. This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. According to the tax legislations, advance tax amount shall also be calculated using a rate of 20% for each quarter over tax base and shall be paid, then the advance taxes paid within the year shall be offset from the corporate tax calculated over the yearly corporate tax return for that year.

Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister's decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15th and 30th articles of the corporate tax law numbered 5520 were re-determined. In accordance with this, dividends distributed to companies other than companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey are subject to 15% withholding taxes. Double tax treaty agreements are also taken into consideration during the application of withholding taxes on dividends distributed to real persons and to foreign-based taxpayers. Addition of profit to share capital is not considered as dividend distributed therefore no withholding taxes is applied.

With the aforementioned amendment to the law, entities calculate advance tax using a rate of 22% over the quarterly financial income, for the years 2018-2019-2020 and advance tax returns are filed by the fourteenth day of the second month following the related period and taxes are paid by the seventeenth day. Advance taxes are paid within the year belong to that year, and the paid advance taxes are offset from the corporate tax liability calculated over the corporate tax returns in the subsequent year. Any remaining amount of paid advance taxes after the offset can be paid back in cash or it can be deducted from financial loans to the government.

For the purpose of issuance of certificate of leasing immovables to resource institutions, with the sale of asset leasing companies, the scope of Financial Leasing, Factoring and Financing Companies Law No.6361, dated 21 November 2012 in order to lease it back and in case of taking back at the end of the contract, with the sale of financial leasing companies and asset leasing by asset leasing companies, for profit from the sale of the immovable property inherited from the institution applies this rate as 100% and for the immovable is not compulsory to be in assets at least for a period of two years. But the mentioned immovable's; except in case of failure to fulfill the obligations arising from the source institution, the lesser or leasing agreement, immovable in question by the asset leasing company, in case of selling a third person or institutions, these immovable's with the carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

Corporate tax returns are filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes is paid in one installment by the end of that month.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. However, losses cannot be carried back to offset profits from previous periods. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments.

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Deferred Tax

For taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, as per the provisions of “Turkish Accounting Standard on Income Taxes” (“TAS 12”), the Group calculates deferred tax liability over all taxable temporary differences and deferred tax asset or liabilities over taxable temporary differences, apart from the provisions for Expected Credit Losses for 12-Months (Stage 1) and for Lifetime Credit Losses (Stage 2) with significant increase in the credit risk after initial recognition, to the extent that is probable that taxable profit will be available in subsequent periods. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. The tax effect regarding the items directly accounted in equity are also reflected in equity. 20% tax rate is used in the calculation of deferred tax assets and liabilities.

19. Explanations on Additional Disclosures on Borrowings

Borrowings other than funds collected are measured at amortized cost using the internal rate of return method after the initial recognition. The Parent Bank does not apply hedging techniques on related borrowings.

The Group has not issued convertible bonds.

20. Explanations on Share Certificates Issued

There is no significant amount of transaction costs on Bank about share certificates.

21. Explanations on Acceptances And Aailed Drafts

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

22. Explanations on Government Grants

There are no government grants received by the Group.

23. Explanations on Segment Reporting

The Group operates in three main segments; Retail Banking, Corporate and Commercial Banking, Treasury and International Banking. Each segment operates with unique products, and the operational results are followed based on these segments.

Segment reporting is disclosed in Section Four, Note 14.

24. Explanations on Other Matters

The Group has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

1. Explanations on Consolidated Equity Items

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2020 Group’s total capital has been calculated as TL 12,705,468 (31 December 2019: TL 10,668,414), capital adequacy ratio is 19.97% (31 December 2019: 18.96%).

Based on the press release made by the BRSA on 23 March 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provisions amounts, spot purchase exchange rate can be used in preparation of financial statements as of 31 December, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” which acquired before 23 March, 2020 may not be included in capital calculation. As of 31 December 2020, the Bank has used these opportunities in capital adequacy calculations.

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1.1. Components of Consolidated Total Capital:

	Current Period	Restated Prior Period
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital To Be Entitled For Compensation After All Creditors	4,600,000	4,000,000
Share Premium	24,525	24,525
Reserves	1,996,805	1,494,059
Other Comprehensive Income According to TAS	204,250	268,165
Profit	1,324,475	1,413,134
Current Period Profit	1,746,138	1,273,941
Prior Period Profit	(421,663)	139,193
Minority Shares	-	-
Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit	30,004	28,461
Common Equity Tier I Capital Before Deductions	8,180,059	7,228,344
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	77,641	13,394
Leasehold Improvements On Operational Leases	77,771	66,940
Goodwill Netted With Deferred Tax Liabilities	-	-
Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights	260,421	192,334
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	51,258	19,082
Direct And Indirect Investments Of The Bank On Its Own Tier I Capital	4,869	4,234
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 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	471,960	295,984
Total Common Equity Tier I Capital	7,708,099	6,932,360

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Additional Tier I Capital Before Deductions		
Capital corresponding to privileged shares not included in the core capital and the related issuance premiums		-
Borrowing instruments deemed appropriate by the Authority and related issuance premiums	1,851,633	1,189,404
Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)		-
Additional Capital Before Discounts	1,851,633	1,189,404
Deductions From Additional Tier I Capital		
Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)		-
Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation		-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)		-
The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)		-
Other Items To Be Defined By The BRSA (-)		-
Items To Be Deducted From Tier I Capital During The Transition Period		
Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy 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 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	1,851,633	1,189,404
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	9,559,732	8,121,764
Tier II Capital		
Debt Instruments And The Related Issuance Premiums Defined By The BRSA (*)	2,592,281	2,073,399
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)	652,104	595,205
Total Deductions From Tier II Capital	3,244,385	2,668,604
Deductions From Tier II Capital		
Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)		-
Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation		-
Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)		-
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	3,244,385	2,668,604
Total Equity (Total Tier I And Tier II Capital)	12,804,117	10,790,368

(*) TL 5 of Tier II capital issue amounting to TL 2,592,286 issued via KT Sukuk Company Limited has been withdrawn and is deducted from equity.

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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 Immovables 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 (-)	5,828	5,505
Other Items To Be Defined By The BRSA (-)	92,821	116,449
Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period		
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-)	-	-
CAPITAL		
Total Capital (Total Of Tier I Capital And Tier II Capital)	12,705,468	10,668,414
Total Risk Weighted Assets	63,613,084	56,262,955
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12.12	12.32
Tier I Capital Ratio (%)	15.03	14.44
Capital Adequacy Ratio (%)	19.97	18.96
BUFFERS		
Bank-Specific Total CET1 Capital Ratio	2.50	2.50
Capital Conservation Buffer Ratio (%)	2.50	2.50
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	7.62	7.82
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)	652,104	595,205
General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets	652,104	595,205
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)	-	-
Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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Information on debt instruments to be included in equity calculation:			
Issuer	KT SUKUK COMPANY LIMITED	KT ONE COMPANY LIMITED	KT AT One Company Limited
Instrument Code (CUSIP, ISIN vb.)	XS1323608635	XS2028862998	XS2227803819
Legislation to which the instrument is subject	BRSA regulation on Shareholders' Equity	BRSA regulation on Shareholders' Equity	BRSA regulation on Shareholders' Equity
Consideration In Equity Calculation			
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Instrument Type	Subordinated Sukuk	Subordinated Sukuk	Subordinated Sukuk
Amount taken into account in equity calculation (as of last reporting date-TL million)	2,592	1,481	370
Nominal value of the instrument (TL million))	2,592	1,481	370
The account in which the instrument is followed accounting	3470103	3470003	3470003
Export date of the instrument	17/02/2016	16/07/2019	29/09/2020
Maturity structure of the instrument (demand/term))	Term	Demand	Demand
Initial maturity of the instrument	10 Years (Maturity Date : 02/17/2026)	Demand	Demand
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	17/02/2021 - Complete	16/07/2024 - Complete	09/28/2025 - Complete
Subsequent repayment option dates	17/02/2021	07/16/2024	28/09/2025
Dividend payments			
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	7.90%	9.13%	9.95%
Whether there are any restrictions that stop paying dividends	None	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative	Noncumulative
Ability to convert to stock			
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock.	Cannot be converted into stock	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertible instrument, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Value reduction feature			
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Primary Unsecured Sukuk	Tier - 1	Tier - 1
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders' equity of the banks are not met	None	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders' equity of the banks are not met	None	None	None

(*) TL 5 of Tier II capital issue amounting to TL 2,592,286 issued via KT Sukuk Company Limited has been withdrawn and is deducted from equity.

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1.2 Approaches applied to assess the adequacy of internal capital requirement in terms of current and future activities:

Internal evaluation process is established for continuously evaluating and maintaining the types, componenets and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the bank, and to provide the availability od adequate capital in order to cover these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Parent Banks' growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Banks' risk profile and risk appetite.

Within this scope, capital structure is reviewed as based on the frame of the activities and risks exposed to, and the internal capital requirement, probable to occur within the direction of targets and strategies of the Group is evaluated. This evaluation includes interest rate risk, concentration risk, liquidation risk, reputation risk, residual risk, country risk and strategic risk arising of the banking books as well as market, credit and operational risks. Capital requirement internal evaluation is evaluated to be a developing process and the development areas for the future period are determined and plans are prepared.

2. Explanations and Disclosures related to Consolidated Credit Risk

Credit risk means the risks and damages to arise as a result of partial or complete non-fulfillment of the obligations timely by non-compliance of the counter party with the requirements of the agreement concluded with the Group.

With regards to the credit risk, the debtor or the group of deptors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Group is subjected to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits on the basis of countries and regions. Within this scope, the total risk which the Group had taken in the foreign country or region, the total of the credit risk taken by the banks residing abroad and/or their branches in Turkey, the total risks of the credits generated to the people residing abroad or with foreign nationally, the risk total taken over the corporate customers and/or banks to which the partners residing in Turkey but of which the principal shareholder or shareholders reside in another country, had given guarantee and in required cases, the risk total taken by the Bank in Turkey should be followed up.

The risks and limits arising of the treasury transactions and customer based commercial transactions are followed up daily. Moreover, the control of the limits allocated as based on the degrees of the correspondent banks and the maximum risk that the Group can take within its equities are also performed daily. The risk limits relevant to the transactions performed daiy are determined and the risk intensity relevant to off the balance sheet transactions are being followed up.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for the Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits redefined and additional guarantees are taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the allocation decision taken by the credit committee

Futures and option contracts and other similar contract positions are not held.

The indemnified non-cash loans are subject to the same risk weight as the unpaid credits, in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Proviions to be Forded". Renewed and restructured loans are monitored in accordance with the methods set out in the relevant legislation.

Foreign trade financing and inter-banks loan transactions are performed by a wide network of correspondents and the countr risks, limits, correspondent risks and limits are regularly evaluated within this scope.

There is no important credit risk concentration when evaluated together with the financial activities of the other financial institutes.

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The Parent Bank's top 100 and 200 cash loan customers represents 25% and 32% of the total cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 non-cash loan customers represent 32% and 41% of the total non-cash loan portfolio, respectively.

The Parent Bank's top 100 and 200 cash and non-cash loan customers represent 23% and 29% of the total cash and non-cash loan portfolio, respectively.

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount(**)
Conditional and unconditional receivables from central governments or Central Banks	52,541,435	46,059,100
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	257,348	220,804
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	10,844,546	10,548,957
Conditional and unconditional receivables from corporates	29,908,024	24,190,958
Conditional and unconditional receivables from retail portfolios	14,182,890	12,555,220
Conditional and unconditional receivables secured by mortgages	21,852,188	18,635,524
Collateralized receivables with mortgages	243,934	264,990
Past due receivables	145,506	139,541
Receivables defined under high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	75,196	98,535
Stock Investments	84,991	65,478
Other receivables	6,559,826	6,447,057
Total	136,695,884	119,226,164

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

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank.

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Risk Classifications	Prior Period Risk Amount (*)	Average Risk Amount (**)
Conditional and unconditional receivables from central governments or Central Banks	31,190,580	23,700,543
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	213,413	17,784
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	17,314,622	13,964,271
Conditional and unconditional receivables from corporates	16,604,167	15,066,822
Conditional and unconditional receivables from retail portfolios	9,606,960	9,517,428
Conditional and unconditional receivables secured by mortgages	14,693,282	14,641,742
Past due receivables	366,696	296,723
Receivables defined under high risk category by BRSA	71,775	139,120
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	94,539	92,180
Stock Investments	64,061	262,824
Other receivables	6,244,656	5,307,196
Total	96,464,751	83,006,633

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

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank.

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2.1. Profile of significant exposures in major regions:

Current Period (*)	Conditional and unconditional receivables from central governments of Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	52,541,435	-	4,495,935	26,830,010	13,612,650	21,697,804	240,366	123,676	75,196	-	-	119,617,072
European Union Countries	-	-	685,457	2,953,148	532,512	39,700	2,998	21,830	-	-	-	4,235,645
OECD Countries (**)	-	-	1,908,656	51,038	5,118	11,835	3	-	-	-	-	1,976,650
Off-Shore Regions	-	-	5,930	10,468	181	33,605	323	-	-	-	-	50,507
USA, Canada	-	-	3,089,839	2,504	667	6,287	-	-	-	-	-	3,099,297
Other Countries	-	257,348	658,729	60,856	31,762	62,957	244	-	-	-	-	1,071,896
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	84,991	-	84,991
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	6,559,826	6,559,826
Total	52,541,435	257,348	10,844,546	29,908,024	14,182,890	21,852,188	243,934	145,506	75,196	84,991	6,559,826	136,695,884

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

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

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

(****) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

Prior Period (*)	Conditional and unconditional receivables from central governments of Central Banks	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Investments similar to collective investment funds	Stock Investments	Other Receivables	Total
Domestic	31,190,580	-	9,694,492	14,644,904	9,592,411	14,542,010	366,020	71,775	94,539	-	-	80,196,731
European Union Countries	-	-	824,744	1,852,296	4,617	25,985	1	-	-	-	-	2,707,643
OECD Countries (**)	-	-	2,283,038	104	305	5,139	187	-	-	-	-	2,288,773
Off-Shore Regions	-	-	596,972	43,215	4,033	91,304	-	-	-	-	-	735,524
USA, Canada	-	-	1,796,239	195	107	1,393	-	-	-	-	-	1,797,934
Other Countries	-	213,413	2,119,137	63,453	5,487	27,451	488	-	-	-	-	2,429,429
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	64,061	-	64,061
Undistributed Assets / Liabilities(***)	-	-	-	-	-	-	-	-	-	-	6,244,656	6,244,656
Total	31,190,580	213,413	17,314,622	16,604,167	9,606,960	14,693,282	366,696	71,775	94,539	64,061	6,244,656	96,464,751

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

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

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

(****) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

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2.2. Risk profile by sectors or counterparties

Current Perio	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from Corporates	Conditional and unconditional receivables from retail receivables	Conditional and unconditional receivables secured by Mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Stock Investment	Other receivables	TL	FC	Total (*)
Agriculture	-	-	-	-	-	-	456,738	249,476	498,991	7,699	-	-	-	-	-	-	-	951,636	261,268	1,212,904
Farming and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stockbreeding	-	-	-	-	-	-	422,123	182,714	411,243	2,822	-	-	-	-	-	-	-	783,710	235,192	1,018,902
Forestry	-	-	-	-	-	-	33,267	64,605	87,145	4,877	-	-	-	-	-	-	-	163,829	26,065	189,894
Fishery	-	-	-	-	-	-	1,348	2,157	603	-	-	-	-	-	-	-	-	4,097	11	4,108
Manufacturing	-	-	-	-	-	-	10,962,566	3,688,267	4,391,612	30,170	-	-	-	-	-	-	-	10,797,995	8,274,620	19,072,615
Mining and Quarryin	-	-	-	-	-	-	2,206,974	634,065	714,788	4,412	-	-	-	-	-	-	-	2,169,516	1,390,723	3,560,239
Production	-	-	-	-	-	-	5,877,264	2,767,732	3,374,290	23,973	-	-	-	-	-	-	-	8,097,605	3,945,654	12,043,259
Electricity, Gas and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	-	-	-	-	-	-	2,878,328	286,470	302,534	1,785	-	-	-	-	-	-	-	530,874	2,938,243	3,469,117
Construction	-	-	-	-	-	-	6,537,670	1,384,963	3,074,401	100,690	-	-	-	-	-	-	-	6,173,383	4,924,341	11,097,724
Services	52,541,435	-	-	257,348	-	10,844,546	7,401,509	4,473,779	5,564,614	92,860	-	-	-	-	75,196	84,991	-	34,876,966	46,459,312	81,336,278
Wholesale and Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade	-	-	-	-	-	-	4,505,966	3,088,213	3,813,872	51,970	-	-	-	-	-	-	-	8,957,769	2,502,252	11,460,021
Accommodation and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dining	-	-	-	-	-	-	51,168	102,827	243,384	12,542	-	-	-	-	-	-	-	265,686	144,235	409,921
Transportation and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecom.	-	-	-	-	-	-	1,323,557	617,845	443,599	11,311	-	-	-	-	-	-	-	1,388,657	1,007,655	2,396,312
Financial Institutions	52,541,435	-	-	257,348	-	10,844,546	35,327	3,348	42,780	66	-	-	-	-	75,196	84,991	-	21,888,653	41,996,384	63,885,037
Real Estate and	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental Services	-	-	-	-	-	-	707,598	182,845	389,677	3,861	-	-	-	-	-	-	-	815,435	468,546	1,283,981
Professional Services	-	-	-	-	-	-	11	3,494	86	18	-	-	-	-	-	-	-	240	3,369	3,609
Educational Services	-	-	-	-	-	-	42,025	49,127	118,851	7,139	-	-	-	-	-	-	-	159,002	58,140	217,142
Health and Social	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	735,857	426,080	512,365	5,953	-	-	-	-	-	-	-	1,401,524	278,731	1,680,255
Others	-	-	-	-	-	-	4,549,541	4,386,405	8,322,570	12,515	145,506	-	-	-	-	-	-	6,559,826	15,757,893	8,218,470
Total	52,541,435	-	-	257,348	-	10,844,546	29,908,024	14,182,890	21,852,188	243,934	145,506	-	-	-	75,196	84,991	6,559,826	68,557,873	68,138,011	136,695,884

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

(**) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

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Agriculture	-	-	-	-	-	-	119,667	156,206	225,587	5,056	57	-	-	-	-	-	-	441,927	64,646	506,573
Farming and Stockbreeding	-	-	-	-	-	-	106,093	108,362	172,439	4,850	-	-	-	-	-	-	-	338,736	53,008	391,744
Forestry	-	-	-	-	-	-	13,557	46,517	52,633	206	57	-	-	-	-	-	-	101,630	11,340	112,970
Fishery	-	-	-	-	-	-	17	1,327	515	-	-	-	-	-	-	-	-	1,561	298	1,859
Manufacturing	-	-	-	-	-	-	6,058,671	2,702,394	3,073,301	41,992	333	-	-	-	-	-	-	10,426,041	1,450,650	11,876,691
Mining and Quarryin Production	-	-	-	-	-	-	760,612	511,372	474,847	7,379	324	-	-	-	-	-	-	1,519,291	235,243	1,754,534
Electricity, Gas and Water	-	-	-	-	-	-	2,709,562	1,931,744	2,353,566	32,577	9	-	-	-	-	-	-	5,945,017	1,082,441	7,027,458
Construction	-	-	-	-	-	-	2,588,497	259,278	244,888	2,036	-	-	-	-	-	-	-	2,961,733	132,966	3,094,699
Services	31,190,580	-	-	213,413	-	17,314,622	3,972,764	1,211,622	2,358,297	137,757	37	-	-	-	-	-	-	7,234,628	445,849	7,680,477
Wholesale and Retail Trade	-	-	-	-	-	-	2,252,736	2,185,655	2,490,141	62,331	205	-	-	-	-	-	-	6,076,175	914,893	6,991,068
Accommodation and Dining	-	-	-	-	-	-	36,887	87,037	241,753	19,415	-	-	-	-	-	-	-	343,670	41,422	385,092
Transportation and Telecom.	-	-	-	-	-	-	765,109	462,754	284,925	48,816	20	-	-	-	-	-	-	1,426,176	135,448	1,561,624
Financial Institutions	31,190,580	-	-	213,413	-	17,314,622	1,894,579	1,358	4,177	339	-	-	-	-	94,539	64,061	-	6,717,856	44,059,812	50,777,668
Real Estate and Rental Services	-	-	-	-	-	-	303,842	98,475	278,747	29,430	-	-	-	-	-	-	-	684,314	26,180	710,494
Professional Services	-	-	-	-	-	-	2,017	239	187	-	-	-	-	-	-	-	-	2,443	-	2,443
Educational Services	-	-	-	-	-	-	64,708	60,495	141,753	699	-	-	-	-	-	-	-	256,249	11,406	267,655
Health and Social Services	-	-	-	-	-	-	279,874	313,355	321,548	4,254	3	-	-	-	-	-	-	807,720	111,314	919,034
Others	-	-	-	-	-	-	853,313	2,327,370	5,272,866	16,607	71,120	-	-	-	-	-	-	6,244,656	11,591,856	14,785,932
Total	31,190,580	-	-	213,413	-	17,314,622	16,604,167	9,606,960	14,693,282	366,696	71,775	-	-	-	94,539	64,061	6,244,656	46,009,055	50,455,696	96,464,751

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

(**) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

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2.3. Analysis of maturity-bearing exposures according to remaining maturities:

Risk Categories (*) – Current Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	4,938,677	-	-	778,383	19,108,987
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	257,348
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	5,294,479	482,334	11,721	63,165	326,989
Conditional and unconditional receivables from corporates	5,414,730	1,195,651	5,333,584	3,947,355	13,984,082
Conditional and unconditional receivables from retail portfolios	2,135,905	987,609	2,245,923	1,934,120	6,717,234
Conditional and unconditional receivables secured by mortgages	1,202,800	767,140	1,693,683	2,476,893	15,711,672
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	145,506	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	20,921	15,645	7,180	-	31,450
Stock Investments	-	-	-	-	84,991
Other Receivables	-	-	-	-	-
Total	19,153,018	3,448,379	9,292,091	9,199,916	56,222,753

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

(**) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

Risk Categories (*) – Prior Period	Time to Maturity				
	1 month	1–3 months	3–6 months	6–12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	425,122	-	-	1,728,966	12,440,897
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	213,413
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,772,354	852,076	5,165,590	55,029	1,563,588
Conditional and unconditional receivables from corporates	2,570,647	692,051	2,894,299	1,269,541	9,149,806
Conditional and unconditional receivables from retail portfolios	1,582,405	747,055	1,121,613	1,587,319	4,407,322
Conditional and unconditional receivables secured by mortgages	961,021	579,140	958,207	1,983,077	10,211,837
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	71,713	62	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	57,729	11,341	21,765	500	3,205
Stock Investments	-	-	-	-	64,061
Other Receivables	-	-	-	-	-
Total	7,440,991	2,881,725	10,161,474	6,624,432	38,054,129

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

(**) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.”

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2.4 Exposure Categories

In compliance with the 7th Article of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks, determination of the risk weights in calculation of the risk weighted sums is performed based on the credit ratings provided by the rating companies.

The ratings of an international credit rating agency are used for the Banks and Corporate Receivables asset class, which is limited to the receivables that are resident abroad. Receivables from banks are analyzed in two separate receivable classes according to their original maturity. If the original maturity is 3 months or less, they are assigned to “Short Term Receivables from Banks and Intermediary Institutions”, if it is more than 3 months it is assigned to “Receivables from Banks and Intermediary Institutions”. The banks and institutions established within the country are evaluated as unrated.

The ratings given by the international credit rating agency are used to determine the risk weighted asset class. The ratings of the credit rating agency are being used for Banks and Corporate Receivables asset class limited to the counterparties which are resident abroad.

Exposure Categories					
Credit Quality Grade	Fitch Rating Risk	Exposures to Central Governments or Central Banks Exposure Categories	Exposures from Banks and Brokerage Houses		Exposures to Corporates
			Receivables With Original Maturity Less Than 3 Months	Receivables with Original Maturity greater than 3 Months	
1	AAA AA+ AA AA-	%0	%20	%20	%20
2	A+ A A-	%20	%20	%50	%50
3	BBB+ BBB BBB-	%50	%20	%50	%100
4	BB+ BB BB-	%100	%50	%100	%100
5	B+ B B-	%100	%50	%100	%150
6	CCC+ CCC CCC- CC C D	%150	%150	%150	%150
Unrated	Unrated	%100	%20 (*)	%50 (*)	%100

(*) This is used under the condition of not being less than the implemented one in the centralized management of the Parent Bank’s located country.

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2.5 Credit risk using the standard approach:

2.5.1. Credit risk exposed and credit risk mitigation effects:

	Risk Classes	CCF and CRM		CCF and CRM		RWA and RWA density	
		Receivable before		Receivable post		RWA	RWA density
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1	Receivables from central governments and Central Banks	52,084,727	-	57,700,165	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	257,348	-	257,348	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	10,030,188	1,394,201	10,030,188	198,443	2,638,044	26
7	Receivables from corporate	27,088,135	5,903,214	23,671,537	2,760,742	25,841,802	98
8	Retail receivables	12,271,562	7,685,326	10,929,372	1,893,535	9,265,376	72
9	Receivables secured by residential property	9,742,590	824,752	9,483,985	355,864	3,412,799	35
10	Receivables secured by commercial property	10,888,344	1,849,942	10,352,716	858,770	7,568,601	68
11	Non-performing receivables	243,934	-	181,517	-	94,004	52
12	Receivables in high-risk categories	145,506	-	145,506	-	218,231	150
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	75,196	-	75,196	-	18,455	25
16	Other receivables	6,559,826	-	6,559,826	-	2,781,048	42
17	Stock investments	84,991	-	84,991	-	84,991	100
18	Total	129,472,347	17,657,435	129,472,347	6,067,354	51,923,351	

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2.5.2. Exposures by asset classes and risk weights:

Risk Classes / Risk Weights		0%	10%	20%	50%	75%	100%	150%	200%	Others*	Total risk amount (post-CCF and CRM)
1	Receivables from central governments and Central Banks	57,700,165	-	-	-	-	-	-	-	-	57,700,165
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	257,348	-	-	-	-	-	-	-	-	257,348
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	16,923	-	9,032,433	695,436	-	483,839	-	-	-	10,228,631
7	Receivables from corporate	318,136	-	340,426	-	-	25,773,717	-	-	-	26,432,279
8	Retail receivables	281,308	-	256,042	-	12,285,557	-	-	-	-	12,822,907
9	Receivables secured by residential property	57,575	-	73,308	-	-	-	-	-	9,708,965	9,839,848
10	Receivables secured by commercial property	82,410	-	110,029	6,944,903	-	4,074,145	-	-	-	11,211,487
11	Non-performing receivables	861	-	412	172,644	-	7,600	-	-	-	181,517
12	Receivables in high-risk categories	19	-	-	-	-	-	145,487	-	-	145,506
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	22,731	-	36,610	9,444	-	6,411	-	-	-	75,196
16	Stock investments	-	-	-	-	-	84,991	-	-	-	84,991
17	Other receivables	3,777,505	-	1,591	-	-	2,780,730	-	-	-	6,559,826
18	Total	62,514,981	-	9,850,851	7,822,427	12,285,557	33,211,433	145,487	-	9,708,965	135,539,701

* 35% Risk Weight is classified in the "Others" section.

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2.6. Risk amounts according to risk weights:

Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Risk Weights										
Exposures before Credit Risk Mitigation	56,159,234	-	9,070,634	10,098,454	8,349,267	14,165,097	37,551,509	145,506	-	-
Exposures after Credit Risk Mitigation	62,514,981	-	9,850,851	9,708,965	7,822,427	12,285,557	33,211,433	145,487	-	-

Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Risk Weights										
Exposures before Credit Risk Mitigation	19,175,728	-	5,866,983	6,921,378	28,611,365	9,600,544	24,169,513	71,775	-	-
Exposures after Credit Risk Mitigation	20,567,013	-	6,307,197	6,698,423	30,294,800	8,662,945	21,815,150	71,758	-	-

2.7. Information by major sectors and type of counterparties

Impaired Loans; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness according to TFRS 9 Financial Instruments. For such credits, “specific provisions” are allocated as TFRS 9 suggests.

Past Due Loans; are the credits that overdue up to 90 days but not impaired. For such credits, “general provisions” are allocated within the scope of TFRS 9.

Current Period	Loans		Provisions
	Impaired Loans		
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	Expected Credit Loss Provisions (*)
Agriculture	254,002	50,399	95,534
Farming and Stockbreeding	233,481	28,780	75,984
Forestry	19,499	18,341	15,872
Fishery	1,022	3,278	3,678
Manufacturing	2,121,591	453,590	900,336
Mining and Quarrying	490,170	62,382	181,608
Production	1,505,834	356,249	667,459
Electricity, Gas and Water	125,587	34,959	51,269
Construction	1,480,599	1,288,690	1,551,475
Services	2,874,720	1,028,716	1,526,464
Wholesale and Retail Trade	1,572,153	656,152	904,496
Accommodation and Dining	204,438	106,068	160,115
Transportation and Telecommunication	249,028	96,309	131,261
Financial Institutions	7,820	3,939	4,012
Real Estate and Rental Services.	457,523	38,410	165,592
Professional Services	5,207	183	799
Educational Services	64,574	67,631	77,756
Health and Social Services	313,977	60,024	82,433
Others	824,376	148,859	195,101
Total	7,555,288	2,970,254	4,268,910

(*) Provisions for expected credit loss include Stage II and Stage III provisions.

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Prior Period	Loans		Provisions
	Impaired Loans		Expected Credit Loss Provisions (*)
	Significant Increase in Credit Risk (Stage II)	Default (Stage III)	
Agriculture	158,153	30,991	48,506
Farming and Stockbreeding	115,499	24,357	33,613
Forestry	41,860	3,606	11,678
Fishery	794	3,028	3,215
Manufacturing	1,600,817	376,583	606,644
Mining and Quarrying	251,886	56,884	92,242
Production	1,244,865	304,370	490,120
Electricity, Gas and Water	104,066	15,329	24,282
Construction	1,206,802	701,370	763,122
Services	2,246,279	867,584	991,513
Wholesale and Retail Trade	1,454,282	477,745	591,906
Accommodation and Dining	80,853	90,430	86,779
Transportation and Telecommunication	231,402	68,157	86,107
Financial Institutions	341	3,904	3,566
Real Estate and Rental Services.	239,020	183,419	138,008
Professional Services	280	-	81
Educational Services	116,459	3,466	32,405
Health and Social Services	123,642	40,463	52,661
Others	635,884	133,153	144,690
Total	5,847,935	2,109,681	2,554,475

(*) Provisions for expected credit loss include Stage II and Stage III provisions.

2.8. Movements in value adjustments and provisions

Current Period (*****)	Opening Balance (After TFRS9)	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	1,557,589	1,702,008	(331,486)	(403,794)	2,524,317
Stage 1&2 Provisions (**)	1,485,484	1,538,514	(99,614)	-	2,924,384

Prior Period (*****)	Opening Balance (After TFRS9)	Provisions for period	Provision Reversals (***)	Other Adjustments (****)	Closing Balance
Stage 3 Provisions (*)	841,927	2,085,698	(395,880)	(974,156)	1,557,589
Stage 1&2 Provisions (**)	1,099,680	554,712	(168,908)	-	1,485,484

(*) Represents Stage III expected loss provision.

(**) Represents Stage I and Stage II expected loss provision.

(***) Includes provision reversals and exchange rate differences.

(****) Represents loans written off from assets.

(*****) It does not include provisions for non-cash loans.

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2.9. Risk involved in counter-cyclical capital buffer calculation

Current Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	42,914,258	-	42,914,258
Germany	6,389,664	-	6,389,664
England	56,079	-	56,079
Albania	43,248	-	43,248
Iraq	20,621	-	20,621
Marshall Islands	20,368	-	20,368
Italy	13,187	-	13,187
Saudi Arabia	11,373	-	11,373
Qatar	4,772	-	4,772
Hungary	2,979	-	2,979
Other	18,021	-	18,021

Prior Period

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	27,991,272	-	27,991,272
Germany	1,894,969	-	1,894,969
Bahrain	91,183	-	91,183
Albania	35,928	-	35,928
Iraq	17,681	-	17,681
Marshall Islands	16,257	-	16,257
Qatar	9,628	-	9,628
Italy	3,213	-	3,213
Hungary	2,992	-	2,992
Saudi Arabia	2,797	-	2,797
Other	23,091	-	23,091

2.10. Information of Cash and Noncash Loans according to Parent Bank Risk Rating System

The Bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings are shown the table below as of 31 December 2020.

	Cash Loans	Non-Cash Loans	Total
High Quality	44.99%	63.93%	47.47%
Medium Quality	32.35%	23.33%	31.16%
Average	15.48%	11.01%	14.90%
Below Average	7.18%	1.73%	6.47%

Note: All portfolio is rated.

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3. Explanations on consolidated currency risk

Foreign currency risk represents the Group’s exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The “standard method” and the “value at risk method” used in legal reporting are used to measure the exchange rate risk of the bank.

The Parent Bank monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross-exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 31 December 2020, the Group carries a net foreign currency short position of TL 21,796,612 (31 December 2019 – TL 8,378,733 long position) comprising of TL 21,899,484 balance sheet long position (31 December 2019 - TL 7,931,895 short position) and TL 102,872 off balance sheet long position (31 December 2019 – TL 446,838 long position).

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

	24/12/2020	25/12/2020	28/12/2020	29/12/2020	30/12/2020	Balance Sheet Valuation Rate
USD	7.6107	7.56463	7.47681	7.40353	7.34181	7.40653
EURO	9.28474	9.21736	9.13757	9.06682	9.01014	9.09967
GBP	10.33891	10.25926	10.11788	9.98879	9.96032	10.10961
CHF	8.56629	8.50385	8.40333	8.35228	8.30637	8.40579
JPY	0.07344	0.07308	0.07222	0.0714	0.07112	0.07183

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days preceding the balance sheet date are as follows (full TL):

	Monthly average FC purchase rate
USD	7.71618
EURO	9.39106
GBP	10.36876
CHF	8.68225
JPY	0.07435

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Consolidated Currency risk of the Group:

	Euro	USD	Other FC	Total
Current period				
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (**)	9,001,993	9,677,347	5,287,203	23,966,543
Banks (****)	644,121	352,463	5,259,185	6,255,769
Financial assets at fair value through profit and loss	885,744	275,145	5,659,521	6,820,410
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	368,754	4,970,879	-	5,339,633
Loans and finance lease receivables (*)	14,635,388	13,719,665	17,232	28,372,285
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Financial assets at amortized cost	3,857,987	2,373,500	-	6,231,487
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	13,683	1,173	-	14,856
Intangible assets	77,261	-	-	77,261
Other assets (*****)	8,106,276	290,881	2,639	8,399,796
Total assets	37,591,207	31,661,053	16,225,780	85,478,040
Liabilities				
Current account and funds collected from Banks via participation accounts	497,579	100,797	233,373	831,749
Current and profit sharing accounts FC (**)	16,280,443	38,670,358	37,433,072	92,383,873
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	862,627	8,760,661	-	9,623,288
Marketable securities issued	-	3,337,298	-	3,337,298
Miscellaneous payables	119,571	156,326	109,448	385,345
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	260,479	422,843	29,777	713,099
Total liabilities	18,020,699	51,448,283	37,805,670	107,274,652
Net balance sheet position	19,570,508	(19,787,230)	(21,579,890)	(21,796,612)
Net off-balance sheet position	(19,869,202)	20,187,707	21,580,979	21,899,484
Financial derivative assets	730,800	25,033,494	21,919,119	47,683,413
Financial derivative liabilities	20,600,002	4,845,787	338,140	25,783,929
Non-cash loans (**)	1,840,536	2,349,832	205,654	4,396,022
Prior period				
Total assets	32,421,730	25,771,122	11,237,311	69,430,163
Total liabilities	12,507,749	36,360,587	12,183,094	61,051,430
Net balance sheet position	19,913,981	(10,589,465)	(945,783)	8,378,733
Net off-balance sheet position	(20,055,210)	11,193,288	930,027	(7,931,895)
Financial derivative assets	371,647	19,860,378	1,463,898	21,695,923
Financial derivative liabilities	20,426,857	8,667,090	533,871	29,627,818
Non-cash loans (**)	1,883,918	2,503,577	576,420	4,963,915

(*) Includes foreign currency indexed loans amounting to TL 1,740,355 (31 December 2019 – TL 2,662,329).

(**) Does not have any effect to the net off-balance sheet position.

(***) Precious metals are included in "Other FC" column.

(****) Other liabilities at fair value through TL 1,537 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 122,089

(*****) Includes provisions for expected losses amounting to TL 328 in the balance sheet

(*****) Includes deferred tax assets amounting to TL 73,642 in the balance sheet.

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below;

- Derivative financial assets held for trading TL 333,060 (31 December 2019 – TL 163,236)
- Prepaid expenses: TL 693 (31 December 2019 – 1,217 TL)
- Derivative financial liabilities held for trading: TL 286,320 (31 December 2019 – TL 164,719)
- Marketable securities of FC revaluation reverse: (94,206) (31 December 2019 - TL (82,154))
- Derivative financial liabilities held for hedging: None (31 December 2019 - TL 129,728)

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Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions that are amounting to;

- Forward foreign currency purchase transactions TL 1,121,892 (31 December 2019 – TL 907,403)
- Forward foreign currency sale transactions: TL 1,177,606 (31 December 2019 – TL 983,763)
- Precious metal purchase transactions: TL 20,984,650 (31 December 2019 – TL 15,348)
- Precious metal sale transactions: TL 30,525 (31 December 2019 – TL 322,394)

Currency risk sensitivity

The Group is mainly exposed to foreign currency risk in EURO, USD and GOLD.

The following table shows the Group's sensitivity to 10% change in both USD, EURO and GOLD exchange rate.

	% changes on foreign currency	Effects on profit/loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	40,048	60,382	40,048	60,382
EURO	10%	(29,869)	(14,123)	(29,869)	(14,123)
GOLD	10%	11,870	3,545	11,870	3,545

4.Explanations related to stock position risk

4.1 Relation of risks with gains accounted under equity and analyzing according to their aims including strategic reasons and the accounting policies applied and general information about valuation techniques with assumptions in this application, the elements that manipulate valuation and important changes:

The Group's non-quoted securities are accounted for fair value. When the fair value cannot be reliably measured, the cost method is used.

4.2. Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:

Current Period Equity Securities (shares) investments (*)	Carrying Value	Comparison	
		Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	49,146	-	-
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	61,311	-	-
Quoted Securities	-	-	-
Prior Period Equity Securities (shares) investments (*)	Carrying Value	Comparison	
		Fair Value	Market Value
Securities Available-for-Sale	33,077	-	-
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	40,381	-	-
Quoted Securities	-	-	-

(*) Related equity investments are accounted on a cost basis in the accompanying financial statements since the fair value of these investments can not be measured reliably.

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4.3 Realized gains/losses, revaluation surplus, unrealized gains/losses on equity securities and results included in core and supplementary capitals:

None.

5. Consolidated liquidity risk management and liquidity coverage ratio

The liquidity risk of the Group is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories:

Funding Liquidity Risk: It is a kind of risk which does not meet the any unexpected loss and non defaulting debts and liabilities.

Market Liquidity Risk: It is a kind of risk which consists of the position that cannot be sold without affecting market price due to insufficient market depth or market conditions' deterioration or that cannot be completed with the position of market price for any reasons.

Liquidity risk is managed by the Asset and Liability Committee (ALCO) and relevant business units within the framework of the Liquidity Risk Policy and risk appetite approved by the Board of Directors. In liquidity risk management, the measures to be taken and the practices to be implemented are determined, taking into account normal economic and stress conditions. The Bank defines the liquidity risk, measures, monitors and periodically presents the risks with liquidity risk measurement methods in accordance with international standards. Liquidity risk stress tests are carried out on a monthly basis. Emergency Funding Plan (Liquidity Contingency Plan) was created to regulate the procedures and principles for the bank to ensure and maintain sufficient liquidity level under stress conditions.

The ratios of the bank regarding the liquidity risk are well above the legal limits. The Bank keeps the liquidity buffer at high levels, taking into account the periods when liquidity risk may increase. Due to this approach, it was evaluated that the negative effects of the global COVID-19 epidemic did not have a significant effect on the liquidity need of the Bank.

5.1 Information on risk capacity of the Group, Responsibilities and structure of liquidity risk management, the Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Market Management Policies and Practices approved by Board of Directors. The Group's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet its liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Bank.

The Group has a strong capital structure and is supported by its main shareholder is Kuwait Finance House; also its current and participation accounts are spread to the base and are stable, and its sources of foreign borrowing are diversified. Hence, by the virtue of the aforementioned facts, the Bank has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Group which insures its cash outflows with the high-quality liquid assets is deemed high. The Bank also has limits available for use at Central Bank of Turkey and other financial institutions.

Indicators regarding the liquidity position are analyzed and liquidity risk is evaluated at the ALCO meetings attended by the senior management. Furthermore, the Board of Directors are informed through the Audit Committee.

For the management of liquidity risk, the Risk Management Department follows the funding and liquidity risks, market conditions, in the participating accounts, the distribution of different currencies, maturity, cost and expected future cash flow requirements (particularly with regard to large deposits). Reports on the liquidity gap analysis prepared weekly by Budget and Management Reporting and monitored by the Asset and Liability Committee. These units also estimate the possible liquidity needs of the Group in case of urgent situations and generate action plans based on these estimates. Risk Management Department follows the limits on liquidity risk determined by the Board of Directors. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenarios on liquidity position of the Group. The Treasury Group Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. Official and International Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

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5.2. Information on the centralization degree of liquidity management and funding strategy and the functioning between the Group and the Group's subsidiaries:

The Group's liquidity management is performed by the Asset and Liability Management. Depending on the Parent Bank's consolidated subsidiaries are subject to liquidity risk is managed in-house, but the necessary communication and coordination within the Assistant General Manager in charge of Treasury and International Banking are provided.

5.3 Information on the Group's funding strategy including the policies on funding types and variety of maturities:

Group spread to the base of current and participation accounts and that a stable, long-term diversification and aims to be the source of the funds used. Ratio of liquid assets to total assets ratio and risk indicators related to liquidity, credit and the ratio of funds, issues such as the concentration in collected funds are being closely monitored.

5.4 Information on liquidity management on the basis of currencies constituting a minimum of five percent of the Groups's total liabilities:

Almost all liabilities of the Group are denominated in Turkish Lira, American Dollar, Euro or Gold. The TL denominated liquidity of the Group is managed through the open market transactions implemented by the Central Bank of the Turkish Republic and interbank operations. Liabilities denominated in TL are used in order to fund assets that are denominated in TL, assets denominated in TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits denominated in foreign currency and sukuk-financial certificates issued. Liquidity denominated in foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities denominated in Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

5.5. Information on liquidity risk mitigation techniques:

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposits. In addition, core deposit analysis is performed and concentration on collected funds are closely monitored.

5.6. Information on the use of stress tests:

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists on existing off-balance sheet and balance sheet positions relevant with liquidity risk expectation, 3 types liquidity stress tests are applied by Risk Management Directorate. These includes stress test scenarios are special to the Group, related with the overall market or scenarios take in consideration both of the situations. Stress tests related with liquidity risk are repeated at monthly periods. Results are tracked with key risk indicators and monitored by Senior Management.

5.7. General information about the contingency funding plan:

Necessary strategy and procedures for the management of possible liquidity crisis are determined with the Contingency Funding Plan, which is approved and reviewed every year by the Executive Risk Committee. The actions to be taken favor the benefits of depositors, creditors of the Bank and shareholders. Indicators of Contingency Funding Plan were determined, in case of unexpected progress at the liquidity situation occur or at situations trigger of other indicators, plan is put into use. After Liquidity Contingency Plan is put into use, Liquidity Contingency Management Committee is responsible from the determination of actions to be taken.

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5.8 Analysis of financial liabilities by remaining contractual maturities:

The following table is prepared before the Group's liabilities are undiscounted and based on the earliest date to the payment. Adjustment column shows the items that give rise to probable cash exit according to contractual terms at later period. The items that are mentioned are included the maturity analysis however they are not included in the balance sheet value of financial liabilities at the balance sheet.

	Up to 1 month	1-3 month	3-12 months	1-5 years	Above 5 years	Total	Adjustments	Balance Sheet Value
31 December 2020								
Funds Collected	114,170,245	6,715,547	4,946,413	848,336	14,020	126,694,561	-	126,694,561
Other Fundings	1,610,468	146,860	2,709,958	4,548,423	2,694,681	11,710,390	(1,915,804)	9,794,586
Debts from lease transaction	14,440	24,612	98,136	183,852	28,254	349,294	-	349,294
Securities issued	1,141,578	881,784	3,796,075	-	-	5,819,437	(660,164)	5,159,273
Funds from repo transaction	185,613	-	-	-	-	185,613	(388)	185,225
Total	117,122,344	7,768,803	11,550,582	5,580,611	2,736,955	144,759,295	(2,576,356)	142,182,939
31 December 2019								
Funds Collected	78,022,451	5,696,820	3,512,723	764,141	-	87,996,135	-	87,996,135
Other Fundings	644,712	271,750	1,685,305	3,126,653	-	5,728,420	(1,900,212)	3,828,208
Debts from lease transaction	13,524	23,118	88,758	206,311	22,340	354,051	-	354,051
Securities issued	54,296	82,218	136,514	2,281,515	2,328,110	4,882,653	(240,488)	4,642,165
Funds from repo transaction	-	-	-	-	-	-	-	-
Total	78,734,983	6,073,906	5,423,300	6,378,620	2,328,110	98,961,259	(2,140,700)	96,820,559

Maturity analysis for guarantees and contingencies

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Unallocated	Total
31 December 2020								
Letters of Guarantee	4,637,690	132,884	594,287	2,651,575	1,509,732	62,465	-	9,588,633
Bills of Exchange and Bank Acceptances	2,088	15,514	21,830	1,564	-	-	-	40,996
Letters of Credit	468,566	246,461	476,051	427,027	66,917	-	-	1,685,022
Other guarantees	464,044	1,820	1,984	65,962	8,336	4,536	-	546,682
Pre-financings given as guarantee	-	-	-	-	-	-	-	-
Total	5,572,388	396,679	1,094,152	3,146,128	1,584,985	67,001	-	11,861,333
31 December 2019								
Letters of Guarantee	5,340,090	141,073	492,414	2,339,451	1,590,962	103,581	-	10,007,571
Bills of Exchange and Bank Acceptances	810	10,792	20,733	19,943	2,757	-	-	55,035
Letters of Credit	501,105	155,156	396,019	306,255	15,474	-	-	1,374,009
Other guarantees	337,440	-	1,633	114,656	8,160	3,703	-	465,592
Pre-financings given as guarantee	147	-	-	-	-	-	-	147
Total	6,179,592	307,021	910,799	2,780,305	1,617,353	107,284	-	11,902,354

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Contractual maturity analysis of derivative instruments:

31 December 2020						
	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Total
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	19,446,342	26,065,934	845,511	990,716	-	47,348,503
Exit	20,158,833	27,145,532	790,854	905,607	-	49,000,826
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	-	-	-
Exit	-	-	-	-	-	-
Total Cash Inflow	19,446,342	26,065,934	845,511	990,716	-	47,348,503
Total Cash Outflow	20,158,833	27,145,532	790,854	905,607	-	49,000,826
31 December 2019						
Derivatives financial assets held for trading						
Foreign exchange derivatives:						
Entry	12,077,560	10,566,931	4,609,357	412,627	-	27,666,475
Exit	12,195,664	10,677,764	4,526,288	191,211	-	27,590,927
Hedging purposes financial assets						
Foreign exchange derivatives						
Entry	-	-	-	1,162,576	-	1,162,576
Exit	-	-	-	1,289,329	-	1,289,329
Total Cash Inflow	12,077,560	10,566,931	4,609,357	1,575,203	-	28,829,051
Total Cash Outflow	12,195,664	10,677,764	4,526,288	1,480,540	-	28,880,256

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Liquidity coverage ratio

<i>Current Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	39,648,579	25,901,529	38,662,197	24,915,147
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	55,219,940	16,267,567	4,911,996	1,626,757
3	Stable deposits	12,199,949	-	609,997	-
4	Less stable deposits	43,019,991	16,267,567	4,301,999	1,626,757
5	Unsecured wholesale funding, of which:	26,153,465	19,781,632	15,278,159	11,939,524
6	Operational deposits	-	-	-	-
7	Non-operational deposits	19,089,094	13,698,769	8,157,205	5,800,167
8	Unsecured funding	7,064,371	6,082,863	7,120,954	6,139,357
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	26,571,971	16,568,126	26,565,022	16,566,735
11	Outflows related to derivative exposures and other collateral requirements	26,566,415	16,568,126	26,565,022	16,566,735
12	Outflows related to restructured financial Instruments	5,556	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	17,403,730	4,719,856	1,534,567	239,311
16	TOTAL CASH OUTFLOWS			48,289,744	30,372,327
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	20,624,936	12,432,686	16,488,161	11,906,245
19	Other cash inflows	26,782,067	26,152,418	26,779,564	26,149,915
20	TOTAL CASH INFLOWS	47,407,003	38,585,104	43,267,725	38,056,160
				Upper Limit Applied Value	
21	TOTAL HQLA			38,662,197	24,915,147
22	TOTAL NET CASH OUTFLOWS			12,072,436	7,593,082
23	LIQUIDITY COVERAGE RATIO (%)			320.25	328.13

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

The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 31 December 2020:

	Highest	Date	Lowest	Date	Average
TL+FC	397.95	28/01/2020	233.35	28/04/2020	324.63
FC	495.60	31/01/2020	196.65	14/06/2020	316.94

The liquidity coverage rate is calculated by the proportion of high quality liquid assets held by the bank to its one month maturity cash outflows. Important balance sheet items that determine the rate; Compulsory provisions held by the CBRT, repo / non-repurchase securities, institutional qualified participation accounts, funds from abroad and receivables from banks. These items have more impact on the liquidity coverage ratio than the liquidity assets and net cash outflows, because they have a high share of the current cointegration, high concentration and variability over time.

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Liquidity risk management and liquidity coverage ratio (continued)

<i>Prior Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	25,272,325	22,026,474	25,124,149	21,878,298
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	46,310,797	14,182,034	4,066,501	1,418,203
4	Less stable deposits	11,291,580	-	564,579	-
5	Unsecured wholesale funding, of which:	35,019,217	14,182,034	3,501,922	1,418,203
6	Operational deposits	16,772,002	11,695,643	9,399,904	6,911,683
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	13,256,946	8,617,440	5,884,848	3,833,480
9	Secured wholesale funding	3,515,056	3,078,203	3,515,056	3,078,203
10	Other cash outflows of which:				
11	Outflows related to derivative exposures and other collateral requirements	12,550,258	12,180,971	12,550,258	12,180,971
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	16,207,218	4,972,052	1,161,643	273,377
16	TOTAL CASH OUTFLOWS			27,178,306	20,784,234
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	18,201,958	12,419,370	15,337,019	11,801,428
19	Other cash inflows	12,642,247	6,676,898	12,642,247	6,676,898
20	TOTAL CASH INFLOWS	30,844,205	19,096,268	27,979,266	18,478,326
				Upper Limit Applied Value	
21	TOTAL HQLA			25,124,149	21,878,298
22	TOTAL NET CASH OUTFLOWS			6,794,577	5,196,059
23	LIQUIDITY COVERAGE RATIO (%)			369.77	421.06

^(*) The average of the calculated liquidity coverage ratio for the last three months based on the monthly simple arithmetic average. The table below presents highest, lowest and average liquidity coverage ratios for the period between 1 January – 31 December 2019:

Prior Period:

	Highest	Date	Lowest	Date	Average
TL+FC	406.63	21/10/2019	240.00	28/03/2019	321.01
FC	484.90	21/10/2019	266.24	28/03/2019	359.10

The liquidity coverage ratio is calculated by the ratio of the high quality liquid assets of the parent bank to the net cash outflows within the one-month maturity window. Important balance sheet items which are influential over the aforementioned ratio may be specified as required reserves held in the presence of TC Central Bank, securities not subject to repo/assurance, institutional qualified participation accounts, funds of foreign origins and receivables from banks. These items have a higher influence over the liquidity coverage ratio as their amounts have a higher share of liquid assets and net cash outflows, their consideration rate is higher and they may show variability over time.

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Presentation of assets and liabilities according to their remaining maturities:

Current period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated (***)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	6,637,647	18,473,323	-	-	-	-	-	25,110,970
Banks (*)	5,380,564	-	1,348,720	640,494	-	-	-	7,369,778
Financial assets at fair value through profit and loss	-	35,609	5,045,820	2,244,046	349,947	5	87,772	7,763,199
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	179,750	269,760	1,835,628	18,324,240	-	113,707	20,723,085
Loans (**)	-	10,652,407	9,051,513	24,701,706	30,700,992	4,907,789	(2,497,287)	77,517,120
Loans measured at amortised cost	-	-	3,675,988	382,349	2,441,473	-	-	6,499,810
Other assets (***)	8,537,925	720,012	330,561	89,906	857,093	-	2,677,654	13,213,151
Total assets	20,556,136	30,061,101	19,722,362	29,894,129	52,673,745	4,907,794	381,846	158,197,113
Liabilities								
Current account and funds collected from banks via participation accounts	843,666	20	-	-	-	-	-	843,686
Current and profit sharing accounts	73,523,304	39,803,255	6,715,547	4,946,413	848,336	14,020	-	125,850,875
Funds provided from other financial institutions	-	915,046	3,375,665	2,607,293	3,217,621	28,255	-	10,143,880
Money market borrowings	-	185,225	-	-	-	-	-	185,225
Marketable securities issued	-	1,328,260	755,504	3,075,509	-	-	-	5,159,273
Miscellaneous payables	662,768	120,963	-	-	-	-	-	783,731
Other Liabilities (***)	-	2,190,098	1,261,364	12,609	12,756	-	11,753,616	15,230,443
Total Liabilities	75,029,738	44,542,867	12,108,080	10,641,824	4,078,713	42,275	11,753,616	158,197,113
Net liquidity gap	(54,473,602)	(14,481,766)	7,614,282	19,252,305	48,595,032	4,865,519	(11,371,770)	-
Prior period								
Total assets	16,456,130	25,029,166	8,599,635	21,375,011	33,237,258	2,911,169	1,393,209	109,001,578
Total liabilities	37,304,079	42,377,871	6,494,668	5,242,158	5,061,569	2,239,399	10,281,834	109,001,578
Net liquidity gap	(20,847,949)	(17,348,705)	2,104,967	16,132,853	28,175,689	671,770	(8,888,625)	-

(*) Expected losses are netted off with provision.

(**) Includes receivables from leasing transactions and presented with netting off with the expected credit loss.

(***) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets.

(****) The unallocated other liabilities consists of equity and provisions balances.

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6. Explanations on consolidated leverage ratio

6.1 Disclosure of leverage ratio template

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

On-balance sheet assets (*)		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	160,626,497	103,613,007
2	(Assets deducted in determining Tier I Capital)	(478,778)	(274,081)
3	Total on-balance sheet risks (sum of lines 1 and 2)	160,147,719	103,338,926
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	629,764	288,592
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	482,894	390,743
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,112,658	679,335
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	2,119,201	572,070
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	2,119,201	572,070
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	69,537,344	65,620,425
11	(Adjustments for conversion to credit equivalent amounts)	(42,998,895)	(42,603,597)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	26,538,449	23,016,828
Capital and total risks			
13	Tier I Capital	9,567,064	7,716,781
14	Total risks (sum of lines 3, 6, 9 and 12)	189,918,027	127,607,159
Leverage ratio			
15	Leverage ratio	5.04	6.05

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Gropu's consolidated balance sheet date was 5.04% (31 December 2019 – 6.05%). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 24% due to the profit for the period, balance-sheet risks increased by 55%, and off-balance sheet items increased by 15%. Accordingly, the leverage ratio of the current period compared to the previous year shows a increase of 101 basis points.

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7. Explanations on consolidated fair values of financial assets and liabilities

The table summarizes the book value and fair value of the financial assets and liabilities that were not accounted by the values in Group's financial statements. Book value is the sum of the acquisition value and accumulated profit share accruals.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets				
Banks	7,370,553	8,431,928	7,370,553	8,431,928
Financial assets at FVTOCI	20,723,085	12,455,254	20,723,085	12,455,254
Financial assets valued at amortised cost	6,499,810	3,212,924	6,512,551	2,887,798
Loans and lease receivables	80,077,369	57,856,487	78,598,461	51,203,405
Financial Liabilities				
Current account and funds collected from banks via participation accounts.	843,686	405,913	843,686	405,913
Other current and profit sharing accounts	125,850,875	87,590,222	125,850,875	87,590,222
Money market borrowings	185,000	-	185,225	-
Funds provided from other financial institutions	9,794,586	3,828,208	10,728,442	2,512,293
Finance Lease Payable	5,159,273	4,642,165	5,222,499	4,604,571
Securities issued	2,193,882	1,499,240	2,193,882	1,499,240
Other Liabilities	349,294	354,051	349,294	354,051

The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, available for sales financial assets and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

8. Explanations on the activities carried out on behalf and account of other persons

The Group does not perform purchases, sales and custody services in the name of others. The Group has no fiduciary based transactions.

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9. Explanations on hedge accounting practices

TFRS 9 permits to defer application of TFRS 9 hedge accounting principles and permits the companies continue to apply hedge accounting principles of TAS 39 as a policy choice. In this context, while the Bank continues to apply TAS 39 policy for the hedge accounting, Cash Flow Hedge (“CFH”) accounting ended as of 31 December 2020.

The parent bank uses cash flow hedging (“CFH”) and net investment hedging accounting as of the balance sheet date.

The contractual amounts of the derivative financial instruments as of December 31, 2020 and the net fair values of the financial instruments are summarized in the table below:

	Current Period			Prior Period		
	Principal*	Asset	Liability	Principal*	Asset	Liability
Derivative Financial Instruments						
Cross currency swap transactions (CFH)	-	-	-	1,289,330	-	129,728
Total	-	-	-	1,289,330	-	129,728

(*) Only the "sell" legs of the related derivative financial instruments are presented. As of 31 December 2020, there is no balance in the Statement of off-balance Sheet for these derivative transactions. Including the purchase legs of TL 1,162,576 on 31 December 2019, the total amount of these derivative transactions Derivative financial instrument principal total of TL 2,451,906 is accounted for in off-balance sheet under “Derivative financial instruments held for risk management” line item

When the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked;

The hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged item are realized,

In case the hedged item is derecognized, hedge accounting is discontinued and within context of fair value hedge accounting, adjustments made to the value of the hedged item are accounted in income statement.

In accordance with TAS, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy.

Net investment hedge:

The Group applies a net investment hedge strategy to hedge its foreign currency risk due to its net investment of EUR 107,475,903 (Full Amount) of its subsidiary KT Bank AG. The same portion of the Group's foreign currency denominated participation funds is designated as hedging instrument. The effective portion of the exchange rate changes of the foreign currency participation funds in this scope is accounted for under hedging funds account under equity.

Hedging funds account under equity and other comprehensive income regarding net investment hedges have been accounted TL (375,780) and TL (199,555), respectively in the current period.

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Cash flow hedge:

The Parent Bank, convert Malaysian Ringgit (MYR) 800,000 MYR borrowings to USD loan with cross currency swap and this fund is evaluated in profit share-yielding assets in USD. In this context, the Bank has started to implement cash flow hedge accounting on August 1, 2014 to protect itself with cross currency swap against cash flow risks due to the changes in MYR/TL foreign exchange rates on borrowings and changes in USD/TL foreign exchange rates on profit share-yielding assets. In this context, the derivative financial instruments which are determined as hedging instruments are cross currency swaps and the hedged items are funds borrowed and profit share-yielding assets. However, the accounting of CFH applied by the Bank has ended as of September 30, 2020.

In the below table, the effect of accounting of CFH (current and prior period) is explained:

Current Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Assets	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	-	-

(*) Includes the deferred tax effect. There is no current period deferred tax effect.

Prior Period					
Type of hedging instrument	Hedged item (asset and liability) (**)	Nature of hedged risks	Net fair value of the hedging instrument		Amount in hedging funds (*)
			Assets	Liability	
Swap Transactions	Loans received and profit share assets	Cash flow risk of exchange rate changes	-	1.162.576	(11,514)

(*) Includes the deferred tax effect. As of prior period deferred tax effect amounting to TL (2,533)

(**) Bank's subsidiary KT Kira Sertifikaları A.Ş. Securities issued by the Bank and presented in the "Loans Received" line in the financial statements.

At the inception date, the Participation Bank documents the relationship between the hedging instruments and hedged items required by the CFH accounting application in accordance with TAS 39 and its own risk management policies and principles. Every individual relationship is approved and documented in the same way. Effectiveness tests have been selected according to the methods that are allowed by TAS 39 in reliance to the risk strategies of the Participation Bank. Also, effectiveness tests have been performed at the end of every month and the effectiveness of the risk relationships have been measured.

As of December 31, 2020 cash flow hedge transactions have been determined as effective.

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10. Explanations On Consolidated Risk Management

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee (“ALCO”) and the Risk Management Department (“RMD”) which has been composed in order to manage systemic risks that the Parent Bank is exposed. The Board of Directors is the owner of the Parent Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Parent Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

10.1. Explanations on Risk Management and Risk Weighted Amounts:

10.1.1.GBA – Bank’s Risk Management Approach:

What kind of an interaction does the Parent Bank’s risk profile has with the management board’s risk appetite and how does the business model determine the Parent Bank’s risk profile and how it interacts with it (i.e. Key risks regarding the business model and each one of these risks’ effect on the explanations);

Parent Bank’s business model fundamentally consisted of two main operating areas. These main areas are current accounts in accordance with the non-interest banking rules, collecting funds through profit/loss participation accounts and providing the usage of funds to its cilents through these funds and equity. The business model of the Parent Bank occurs an exposure of some significant risks. These significant risks are evaluated and identified by the Parent Bank’s Internal Capital Competence Evaluation Process. Parent Bank’s risk strategy for all significant risks is formed in writing. Parent Banks are required to form a structure which is composed of the policies and processes regarding determining the risk appetite and following it’s units’ compliance because of the regulation regarding the Parent Banks Internal Systems and Internal Capital Competence Evaluation Process, numbered 29057 and published by the Official Gazette on 11 July 2014. In order to comply with this regulation Risk Appetite Policy is published by the Risk Management Leadership and approved by the Board of Directors. In accordance with the Parent Bank’s Risk Appetite Policy, risk levels and risk limits of each kind of risks which appeared important are collectively determined to achieve the Parent Bank’s goals and to actualize the Parent Bank’s strategies by taking the risk capacity of the Parent Bank into consideration. Parent Bank’s risk strategy and risk limits are determined by the Board of Directors.

The units which perform the risk measurement and management are carrying out their businesses independently from execution units. Fundamentally, control and management activities devoted to credit, market, liquidity, operational and other significant risk types are occurred. Due to the business model, Risk Management Leadership strategically contribute to the Parent Bank to identify, follow, measure and manage all risks which the Parent Bank may expose. Credit Risk Management and Modelling unit which is one of the units which constitutes the Risk Management Leadership, carries out the risk measurement and management works regarding the credit risks. Market Risk, Operational Risk, Risk and Capital Planning Department which is another unit which carries out its businesses under the Risk Management Leadership, coordinates the Parent Bank’s capital planning works and manage risks regarding the market, operations, liquidity and other important risk types.

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Parent Bank has a credit predominant active structure due to its main business model. Reflecting the Bank's business model, total actives, predominantly consisted of dues regarding receivables from leasing and cash loans. The Parent Bank predominantly aims to grow sustainably by funding the real sector's financing and increasing the credit amount by taking the risk-return balance into the consideration. Within the frame of its business model, the main risk type which the Parent Bank exposed/predicts to be exposed damage is credit risk. The significant risks within the scope of Parent Bank's credit risks are as follows;

- Credit Risk states the possibility of loan loss which the Bank may expose due to the the partial or total nonpayment of its credit client on time in accordance with the contract made between the credit client and the Bank.
- Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings on obligation to both sides.
- Concentration risk covers risks arising from concentration between different types of risk or on an individual risk basis which may result in large losses that could threaten the Bank's ability to maintain its core operations or its financial structure or which could cause significant changes in the Bank's risk profile.

The parent bank is exposed to market risk due to its treasury transactions and other financial operations. However, correspondingly with the risk appetite, the bank takes care to ensure that its market risk-generating assets have high credit rating and liquidity, and it does not carry a speculative foreign exchange position in order to hedge foreign exchange risk.

The parent bank is exposed to operational risk due to its operations, processes carried out, human resources, systems and external resources. Operational risks in the bank are managed under the supervision of the Board of Directors within the framework of identifying, evaluating, monitoring and reducing/controlling the risks. The current risk management is considered to be in line with the size of the bank, taking into account the level and importance of the risk.

Explanations on risk reporting processes provided to the board of directors and senior management, in particular the scope and main content of the reporting,

Timely and comprehensive reporting of risks exposed within the scope of Risk management activities and risks arising from transactions carried out with the risk group of the Parent Bank is carried out by the head of Risk Management. The Parent Bank produces regular reports from the risk measurement models it uses and analyzes the reports. Risk measurement and risk monitoring results are reported to the Board of directors or to the Internal Systems Committee and senior management regularly and on time by the Risk Management Presidency.

The reports prepared include the level and development of significant risks and their effects on capital needs, the compliance of assumptions used in risk measurement and evaluation systems, the adequacy of the level of capital that the parent bank should hold for all important risks, its compliance with legal and internal capital targets and ratios, the need for future capital and changes to be made in, business continuity plans, etc. includes information.

The parent bank organizes a report on risk measurement, capital and liquidity planning and risk management capabilities under the scope of ICAAP at least once a year and in any case as of the end of the year.

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10.1.2. Overview of risk weighted amounts:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 31/12/2020	Restated Prior Period 31/12/2019	Current Period 31/12/2020
1	Credit risk (excluding counterparty credit risk) (CCR)	51,904,896	47,393,050	4,152,392
2	Standardised approach (SA)	51,923,351	47,417,649	4,153,868
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	244,931	198,728	19,594
5	Standardised approach for counterparty credit risk (SA-CCR)	244,931	198,728	19,594
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal model's equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	18,455	24,598	1,476
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	3,838,461	2,978,934	307,077
17	Standardised approach (SA)	3,838,461	2,978,934	307,077
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	7,606,341	5,667,645	608,507
20	Basic indicator approach	7,606,341	5,667,645	608,507
21	Standardised approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	63,613,084	56,262,955	5,089,046

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10.1.3. Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation:

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards					
		Carrying values in legal consolidation prepared as per TAS	Credit Risk	Counterparty Credit Risk	Securization Positions	Market Risk	No subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with Central Bank of Turkey	25,110,970	25,110,970	25,110,970	-	-	-	-
Banks	7,370,553	7,370,553	7,370,553	-	-	-	-
Receivables From Money Markets	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	7,681,397	7,681,397	-	-	-	7,681,397	-
Financial Assets at Fair Value Through OCI	20,723,085	20,723,085	20,723,085	-	-	-	-
Financial Assets Measured at Amortised Cost	6,499,810	6,499,810	6,499,810	-	-	-	-
Derivative Financial Assets	461,606	461,606	-	461,606	-	-	-
Expected Loss Provisions (-)	5,449,476	5,449,476	2,524,317	-	-	-	2,925,159
Loans	78,036,627	78,036,627	78,036,627	-	-	-	-
Lease Receivables	5,010,996	5,010,996	5,010,996	-	-	-	-
Factoring Receivables	-	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	519,087	519,087	519,087	-	-	-	-
Subsidiaries	23,680	23,680	23,680	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	61,311	61,311	61,311	-	-	-	-
Tangible Assets (Net)	924,082	924,082	846,311	-	-	-	77,771
Intangible Assets (Net)	273,145	273,145	12,724	-	-	-	260,421
Investment Properties (Net)	77,457	77,457	77,457	-	-	-	-
Current Tax Asset	-	-	-	-	-	-	-
Deferred Tax Asset	835,522	835,522	835,522	-	-	-	-
Other Assets	10,037,261	10,037,261	10,037,261	-	-	-	-
Total Assets	158,197,113	158,197,113	152,641,077	461,606	-	7,681,397	(2,586,967)
Liabilities							
Funds Collected	126,694,561	126,694,561	-	-	-	-	126,694,561
Borrowings	5,204,321	5,204,321	-	-	-	-	5,204,321
Debt to money markets	185,225	185,225	-	185,225	-	-	-
Securities Issued (Net)	5,159,273	5,159,273	-	-	-	-	5,159,273
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Derivative Financial Liabilities	1,676,806	1,676,806	-	-	-	-	1,676,806
Lease Payables	349,294	349,294	-	-	-	-	349,294
Provisions	3,722,802	3,722,802	-	-	-	-	3,722,802
Current Tax Liabilities	389,870	389,870	-	-	-	-	389,870
Deferred Tax Liabilities	-	-	-	-	-	-	-
Subordinated Debt Instruments	4,590,265	4,590,265	-	-	-	-	4,590,265
Other Liabilities	2,193,882	2,193,882	-	-	-	-	2,193,882
Equity	8,030,814	8,030,814	-	-	-	-	8,030,814
Total Liabilities	158,197,113	158,197,113	-	185,225	-	-	158,011,888

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10.1.4 Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

	Total	Items subject to credit risk framework	Items subject to securitisation framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
1- Carrying Value of Assets in Accordance with TAS (as in template 1B)	158,197,113	155,503,586	-	461,606	7,763,199
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	185,225	-
3- Total net amount	158,197,113	155,503,586	-	646,831	7,763,199
4- Off-balance sheet amounts	164,511,047	6,067,354	-	972,089	96,349,329
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	(26,031,239)	-	-	-
9-Risk Amounts	322,708,160	135,539,701	-	1,618,920	104,112,528

10.2. General qualitative information on credit risk:

10.2.1. How the business model translates into the components of the group's credit risk profile:

The business model of the Group basically consists of two main business fields: collecting funds by means of current accounts and profit/loss participation accounts subject to the interest-free banking rules, and using those funds and equity funds to make funds available to customers. Because of these main business fields, the group's assets have a credit-weighted structure. Reflecting this business model, its total assets are cash credit-weighted and financial leasing receivable-weighted. The group lends funds to finance the real sector in general and increases its volume of credits by taking into account its risk-return balance to achieve sustainable growth.

The risk profile of the Group indicates the types of risks to which it is exposed or expects to be exposed, and its risk level by type of risk. The largest type of risk to which the Group is exposed or expects to be exposed within its current and target business model is the credit risk. Since the risk of concentration is one of the most important components of the credit risk, concentration limits were set by sector for the concentration risk. Internal limits are set for cash, non-cash and total credits for each of 20 different sectors. Limits were set for monitoring Defaulted Credit Exposures in mentioned sectors and for taking corrective measures. With regard to concentration of the credit risk, internal limits were set for the top 10, 20, 30, 40, 50 and 100 debtor/credit risk groups. Furthermore, country limits were set to avoid concentration in countries selected as part of the sovereign risk process.

10.2.2. Criteria and approach used for defining credit risk policy and for setting credit risk limits:

The main purpose of the credit risk policy are to measure the counterparty risk undertaken as part of a credit transaction, to monitor the risk against the legal limits and the Bank's internal limits, to research new techniques and applications for measuring and controlling the risk, to monitor overdue receivables, to analyze the reason of overdue, and to take measures to prevent such reasons from repeating. The term 'credit risk' refers to the potential loss the group might be exposed to because of credit borrowers' partial or full default of the credit agreements they signed with the bank. This term also includes the loss of market value because of the breakdown of the counterparty's financial position. This term includes both on-balance sheet and off-balance sheet transactions.

Risk limits are set by openly relating it with the Bank's volume on consolidated and non-consolidated basis within the financial system as part of its risk appetite structure. In this context the appetite for risk approved by the Board of Directors are divided between and allocated to other levels considered necessary by type of risk. The uses of the limits are closely monitored, and overdrafts are reported to the executive management for ensuring the necessary measures to be taken.

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10.3. Structure and organization of the credit risk management and control function:

Risk Control and Compliance Group works under the Audit Committee and the Internal System Committee reporting to the Board of Directors. Risk Control and Compliance Group Manager and Risk Management Department Manager working under the former are in charge of and responsible for the strategies and policies approved by the Board of Directors and for performing the other tasks assigned by the Internal System Committee. Credit Risk Management and Modeling Unit is one of the units comprising the Risk Management Department performs the risk measurement and management tasks concerning the credit risk.

10.4. Relations between the credit risk management, risk control, compliance and internal audit functions;

The units comprising the internal systems report to the Board of Directors as required by the organizational chart of the group. Board of Directors has transferred its tasks and responsibilities for the internal systems to the Internal Systems Committee formed by four members of the Board of Directors and appointed to be Internal System Executives. The units in question are supervised and coordinated by the Internal Systems Committee.

The internal control function of the Group is performed by the Internal Control Department. Internal Control System has been founded in such a manner to be capable and efficient to mitigate, manage, monitor and control the exposure risks of the Group in accordance with the Group's organizational structure and business fields as well as changing circumstances, and covers all domestic and international branches, head office, consolidated subsidiaries and all business activities of the Group. The internal control system and internal control activities of the Group are designed by the Internal Control Department in cooperation with the relevant management executives and are performed at a sufficient and efficient extent.

Compliance Department is in charge of managing the group's compliance risk and taking it under control in an efficient way, forecasting and preventing the risk in question, and ensuring the group's activities to comply with the applicable laws and regulations.

Risk Management Department performs the tasks of determining, measuring and managing the exposure risks of the group. An efficient risk management system infrastructure has been established for credit risk management tasks, credit policy, and risk management activities falling within the credit risk policy. The internal credit risk limits set by the Board of Directors are measured and reported at regular intervals to the Audit Committee.

Audit Department is in charge of assuring the Board of Directors and the executive management that the Group's business activities are performed in accordance with the Banking Law, other applicable laws and regulations and the internal strategies, policies, principles and targets of the group, and that the internal control and risk management systems are efficient and sufficient.

10.5. Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the Board of Directors:

Risk Management Report for the Executive Management, which is the basic report presented to the Board of Directors and the executive management, is prepared before each meeting of the Audit Committee. The report in question contains the basic subjects described below.

Quality of the assets are analyzed in accordance with the classification specified in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside and the assets are compared with those of the previous fiscal period to monitor the sustainability of the asset quality. The report describes the credit risk limits and the figures realized in the relevant fiscal period. Credits lent in twelve different economic sectors are monitored by cash, non-cash and total credits. Credit shares and development trends of the economic sectors are monitored. The risk limits set in accordance with the Parent Bank's appetite for risk and the figures realized are explained. Observed key risk indicators include the ratio of credit risk-weighted items over the total assets, the ratio of the total gross amount of defaulted credits over the total financing (cash credits) portfolio and their distribution by sector, distribution of guarantees by guarantee group, the ratio of the top 10/20/30/40/50/100 risks over the total financing (cash and non-cash credits) portfolio, and the ratio of write-off.

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Distribution of cash credits by maturity term is monitored. Detailed information is given about the top 10 customers against whom internal or legal proceedings were filed, their limits, risks, guarantees and provisions, description of their sectors and their state are described. The trend of restructured credits is monitored. Also, loans to risk group of the Parent Bank are reported.

Sovereign ratings, limits and used limits are monitored and compared with the previous fiscal year.

The Parent Bank creates credit portfolios in accordance with its internal segment structure. These segments are divided into sub-segments. Risks realized for cash, non-cash and total credits are monitored by each of these portfolios.

Real estate price indexes are analyzed to monitor whether the values of the real estates received as guarantees for the funds lent have increased or decreased. These real estates are also monitored by subcategory in accordance with the classification of regions published by the Turkish Central Bank. They are also compared with the House Price Index of Turkey published by the Turkish Central Bank.

Credit quality of assets:

Current Period (**)		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	2,970,254	80,077,369	2,524,317	80,523,306
2	Debt securities	-	27,433,847	210,952	27,222,895
3	Off-balance sheet exposures (*)	-	19,952,357	439,754	19,512,603
4	Total	2,970,254	127,463,573	3,175,023	127,258,804

(*) Accruals of derivative transactions are presented as net amounts under impairments.

Restated Prior Period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-defaulted		
1	Loans	2,109,681	57,856,487	1,557,589	58,408,579
2	Debt securities	-	15,682,556	8,872	15,673,684
3	Off-balance sheet exposures (*)	-	17,391,736	421,583	16,970,152
4	Total	2,109,681	90,930,779	1,988,044	91,052,415

(*) Accruals of derivative transactions are presented as net amounts under impairments.

Changes in Stock of Defaulted Loans and Debt Securities:

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	2,109,681	1,185,840
2	Loans and debt securities that have been defaulted since the last reporting period	1,638,811	2,329,691
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	403,794	974,156
5	Other changes	(374,444)	(431,694)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	2,970,254	2,109,681

(*) Includes the amount of TL 153,338 of non-performing loans, for which one hundred percent provision has been reserved and sold to an asset management company.

10.6. Qualitative disclosures related to the credit quality of assets

10.6.1 Scope and definitions of “overdue” and “provision allocated” receivables for accounting purposes and the differences of definitions between “overdue” and “provision allocated”, if any

Overdue receivables: Overdue receivables and provision allocated receivables are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves. Provision for receivables: All financial instruments other than those covered by TFRS 9 and whose fair value is reflected in the profit / loss.

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10.6.2. The part of the overdue receivables (past 90 days) for which provision is not allocated and reasons for this application

The portion, as defined in The Regulation on Procedures and Principles Regarding the Classification of Loans and Provisions; based on minimum, legal compulsory consideration of collateral except for the amount calculated by using in the calculation of Lost in Default's ECLs. This portion corresponds to the rate determined by the Bank's past collection experience regarding the unsecured credit risk amount.

10.6.3. Definitions of the methods used when determining the provision amount

TFRS 9 requires a 12-month expected credit loss provision for all financial assets in Stage 1 and the expected credit loss for all other financial assets. 12-month expected credit loss represents the portion of the expected credit loss from probable default events within 12 months after the reporting date. Lifetime losses are losses from all possible default events during the expected life of the financial instrument after the reporting date. Lifetime refers to the maturity of the financial instrument. In non-maturity financial instruments, the bank calculates the behavioral maturity and uses this to calculate the expected loan loss. The ECLs are calculated at each instrument level by taking into account the projected cash flows, the PD (Probability of default), the LGD (Loss given default), the CCR (Credit Conversion Rate) and the discount rate. In small, very unimportant and unrated portfolios, the ECL can be estimated on a collective basis.

10.6.4. Definition of restructured receivables

The financial terms in existing financial difficulties may be amended to facilitate payment of the debt, and the original loan terms that were previously signed can be changed according to the borrower's new financing power and structure when the loan cannot be repaid or a potential non-repayment is encountered. In order for a loan to be considered as restructured, the debtor must be in financial difficulty and the debtor must be provided with the concession requirements for changing the loan conditions.

10.6.5. Breakdown of exposures by geographical areas, industry and ageing:

Distribution of cash receivables by sectors is as follows:

Sector	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Individual	14,531,103	8,757,610
Other Services	4,853,895	3,623,990
Education	341,301	329,666
Real Estate and Brokerage	789,411	1,042,084
Financial Services	3,796,867	9,167,477
Food, Beverage, Tobacco	2,309,211	2,217,930
Government	1,658,117	406,943
Production	4,017,691	2,361,665
Construction (Commitment)	9,152,145	7,320,658
Construction (Build-and-sell)	4,227,056	-
Public Services (Electricity, Water & Gas)	4,714,626	4,027,816
Mining & Chemistry	4,213,394	2,685,939
Machinery Equipment	663,178	400,345
Automotive	2,754,410	1,668,448
Oil, Gas and Oil Products	1,288,244	116,958
Health	1,449,528	562,229
Agriculture	494,186	190,390
Textile	5,637,005	3,563,134
Wholesale & Retail	13,813,184	9,735,324
Tourism	416,342	421,054
Transportation & Warehouse	1,926,729	1,366,508
Total	83,047,623	59,966,168

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The distribution of cash receivables by geographical regions is as follows:

Region	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
Akdeniz Region	5,664,298	3,911,807
Dogu Anadolu Region	1,580,628	1,013,398
Ege Region	5,077,225	3,363,576
Güneydogu Anadolu Region	4,585,283	3,031,352
İç Anadolu Region	13,978,808	8,692,112
Karadeniz Region	2,581,377	1,634,926
Marmara Region	44,981,832	30,036,782
Foreign	4,598,172	8,282,215
Total	83,047,623	59,966,168

The maturity distribution of cash receivables is as follows:

Maturity Distribution	Current Period – Cash Loan Amount	Prior Period – Cash Loan Amount
1-3 years	30,628,127	26,805,539
3-5 years	25,110,861	17,834,222
5 years and more	13,461,570	7,382,686
Up to 1 year	12,460,525	7,290,079
Defaulted	1,386,540	653,642
Total	83,047,623	59,966,168

10.6.6. Provisions based on geographical and sectoral concentration and written off amounts

Current Period - Sector	Non-performing loans	Specific Provisions	Write-Offs (*)
Agriculture	50,399	38,958	18,921
Farming and Stockbreeding	28,780	23,340	2,283
Forestry	18,341	12,340	16,638
Fishery	3,278	3,278	-
Manufacturing	453,590	390,889	45,388
Mining and Quarrying	62,382	53,334	6,621
Production	356,249	306,499	38,320
Electricity, Gas and Water	34,959	31,056	447
Construction	1,288,690	1,135,664	86,652
Services	1,028,716	853,605	229,493
Wholesale and Retail Trade	656,152	552,266	66,467
Accommodation and Dining	106,068	88,081	919
Transportation and Telecommunication	96,309	77,281	157,404
Financial Institutions	3,939	3,865	-
Real Estate and Rental Services	38,410	32,504	1,084
Professional Services	183	146	-
Educational Services	67,631	52,426	416
Health and Social Services	60,024	47,036	3,203
Other	148,859	105,201	23,340
TOTAL	2,970,254	2,524,317	403,794

(*) Refers to the loans worth TL 153,338 that were deleted in 2020, one hundred percent provisioned from non-performing loans and sold to an asset management company.

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Prior Period - Sector	Non-performing loans	Specific Provisions	Write-Offs
Agriculture	30,991	22,316	7,879
Farming and Stockbreeding	24,357	16,068	4,417
Forestry	3,606	3,220	1,315
Fishery	3,028	3,028	2,147
Manufacturing	376,583	304,506	265,788
Mining and Quarrying	56,884	45,765	58,561
Production	304,370	246,358	163,879
Electricity, Gas and Water	15,329	12,383	43,348
Construction	701,370	508,171	342,206
Services	867,584	632,309	296,959
Wholesale and Retail Trade	477,745	353,978	181,178
Accommodation and Dining	90,430	68,361	8,944
Transportation and Telecommunication	68,157	54,342	45,687
Financial Institutions	3,904	3,557	11,464
Real Estate and Rental Services	183,419	117,328	4,965
Professional Services	-	-	3
Educational Services	3,466	2,496	177
Health and Social Services	40,463	32,247	44,541
Other	133,153	90,287	61,324
TOTAL	2,109,681	1,557,589	974,156

Current Period - Geographic Region	Non-performing loans	Provisions	Write-Offs (*)
Marmara Region	1,563,800	1,307,313	174,219
Güneydogu Anadolu Region	227,320	187,949	15,544
Iç Anadolu Region	755,803	683,200	23,859
Akdeniz Region	125,209	111,948	125,413
Ege Region	189,331	162,867	14,773
Dogu Anadolu Region	38,755	35,916	3,520
Karadeniz Region	34,373	28,682	3,481
Foreign	35,663	6,442	42,985
Total	2,970,254	2,524,317	403,794

(*) Refers to loans that were deleted from assets in 2020.

Prior Period - Geographic Region	Non-performing loans	Provisions	Write-Offs
Marmara Region	1,312,283	947,319	459,910
Güneydogu Anadolu Region	107,121	93,246	161,338
Iç Anadolu Region	276,563	218,935	188,405
Akdeniz Region	139,607	111,878	84,960
Ege Region	115,692	91,200	42,038
Dogu Anadolu Region	45,101	34,514	13,169
Karadeniz Region	47,307	35,278	24,336
Foreign	66,007	25,219	-
Total	2,109,681	1,557,589	974,156

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10.6.7. Aging analysis for non-performing loans:

Current period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	739,545	560,048	1,427,721	115,934	38,185
Retail Loans	5,039	15,922	41,077	7,062	1,322
Credit cards	2,567	6,888	7,820	855	269
Other	-	-	-	-	-
Total	747,151	582,858	1,476,618	123,851	39,776

Prior Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over
Corporate and Commercial Loans	609,793	966,048	401,154	94,868	8,738
Retail Loans	86	58	1,072	36	66
Credit cards	10,144	13,165	3,839	510	104
Other	-	-	-	-	-
Total	620,023	979,271	406,065	95,414	8,908

10.6.8. Breakdown of Restructured receivables according to their provisions:

Restruction Status	Current Period - Risk	Prior Period - Risk
Performing	2,624,343	2,275,941
Non-Performing	264,327	171,479
Total	2,888,670	2,447,420

10.7. Credit Risk Mitigation

10.7.1 Qualitative information on Credit Risk Mitigation Techniques

Within the framework of the credit transactions carried out by the parent bank, all the collateral documents received in the presence of the branch personnel are checked by the branch operations staff and forwarded to the collateral follow-up Directorate through the main banking application. The systematic entries of the guarantees are completed by the personnel of the guarantee follow-up directorate where signature compliance, authorization checks and validity examinations are performed.

10.7.2 Credit risk mitigation techniques:

	Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	52,894,387	20,064,424	1,520,553	7,564,495	5,961,858	-	-
2	Debt securities	27,222,895	-	-	-	-	-	-
3	Total	80,117,282	20,064,424	1,520,553	7,564,495	5,961,858	-	-
4	Overdue	112,344	231,779	1,322	101,814	62,382	-	-

	Restated Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	43,822,510	12,458,319	2,010,696	2,127,750	1,841,401	-	-
2	Debt securities	15,673,684	-	-	-	-	-	-
3	Total	59,496,194	12,458,319	2,010,696	2,127,750	1,841,401	-	-
4	Overdue	526,472	25,620	15,922	-	-	-	-

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10.8. Explanations on Counterparty Credit Risk (CCR):

10.8.1. Risk management objectives and policies for CCR:

Determination of the creditworthiness of financial counterparties has been made in addition to the Credit Policy of the Parent Bank in accordance with the regulations published by BRSA and the international practices in order to limit the exposure to be suffered by the Parent Bank in case of financial counterparty default. This annex describes allocation of limit to financial counterparties and continuous monitoring activities. In this respect, the creditworthiness assessments of the financial and non-financial entities for CCRs especially including sovereign assessments and limits are finally decided by the committees specified under the Policy.

10.8.2. The method used to allocate the operational limits defined in terms of internal capital for CCR and central counterparty risks:

Internal model method is not used for calculating the capital requirements for counterparty credit risk and central counterparty risks.

10.8.3. Policies relating to guarantees and other risk mitigation and assessments concerning counterparty credit risk, including central counterparty risk:

All of the Parent Bank's counterparty credit risk and central counterparty limits are non-committed limits and they include cash and non-cash limits. In case of any transactions involving non-cash risk exposure, the reinsurance of the organizations such as International Development Banks is used. If required, cash collateral is sought in order to minimize the exposure. In case of transactions involving cash risk exposure, the risk exposure is mitigated by obtaining shares and bills (sukuk) as security.

10.8.4. Rules with respect to wrong-way risk:

Internal model is not used for CCR; and as such, no calculation is made with respect to the wrong-way risk.

10.8.5. The impact in terms of the amount of collateral that the bank is required to provide in case of a credit rating downgrade:

In case of a decrease in the credit rating, there is no additional collateral amount that our parent bank has to provide.

10.8.6. Counterparty credit risk (CCR) approach analysis:

	Current Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	391,901	580,188	-	1.4	972,089	212,000
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	-	-	-	-	-	-
6	Total	-	-	-	-	-	212,000

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	Prior Period	Replacement Cost	Potential future exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach CCR (for derivatives)	183,939	351,813	-	1.4	535,752	179,294
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	-	-	-	-	-	-
6	Total						179,294

10.8.7. Capital requirement for credit valuation adjustment (CVA):

		Current Period		Prior Period	
		EAD post-CRM	RWA	EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation				
1	(i) VaR component (including the 3×multiplier)	-	-	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3	All portfolios subject to the Standardised CVA capital obligation	972,089	32,931	535,752	19,433
4	Total subject to the CVA capital obligation	972,089	32,931	535,752	19,433

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10.8.8.CCR exposures by risk class and risk weights

Current Period - Risk Classes / Risk Weights (*)		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	456,708	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	576,986	38,929	-	-	-	-	-	134,862
7	Receivables from corporate	-	-	-	-	-	59,147	-	-	-	59,147
8	Retail receivables	-	-	-	-	17,793	-	-	-	-	13,345
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	2,648	927
10	Receivables secured by commercial property	-	-	-	507	-	3,465	-	-	-	3,719
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets (**)	-	-	-	-	-	-	-	-	-	-
18	Total	456,708	-	576,986	39,436	17,793	62,612	-	-	2,648	212,000

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

(**) Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

(***) 35% Risk Weight is classified in Others.

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Prior Period - Risk Classes / Risk Weights *		0%	10%	20%	50%	75%	100%	150%	200%	Others ***	Total credit risk*
1	Receivables from central governments and Central Banks	425,122	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	307,401	217,182	-	-	-	-	-	170,071
7	Receivables from corporate	-	-	-	-	-	4,139	-	-	-	4,139
8	Retail receivables	-	-	-	-	6,416	-	-	-	-	4,812
9	Receivables secured by residential property	-	-	-	-	-	-	-	-	239	84
10	Receivables secured by commercial property	-	-	-	375	-	-	-	-	-	188
11	Non-performing receivables	-	-	-	-	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-
16	Stock investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
17	Other assets**	-	-	-	-	-	-	-	-	-	-
18	Total	425,122	-	307,401	217,557	6,416	4,139	-	-	239	179,294

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

(**) Other assets: The template includes amounts that are not included in counterparty credit risk reported in CCR8.

(***) 35% Risk Weight is classified in Others.

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11. Securitization Positions

None.

12. Explanations on the activities carried out on behalf and account of other persons, fiduciary-based transactions

The Group does not perform purchases, sales and custody services in the name of others. The Bank has no fiduciary-based transaction agreements.

13. Qualitative explanations on market risk:

13.1. Group's processes and strategies:

Procedures for the identification, measurement, monitoring and control of the market risk of the group, as well as processes for risk protection and strategies/processes for monitoring of the continuity of the hedging effectiveness, as well as the strategic objectives for the group's trading activities.

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolidated and solo basis and transactions carried out with the risk group that the Parent Bank is involved in. These activities are carried out by the Parent Bank's Risk Management Department.

The definition of the market risk is made by legislation within the scope of the Pillar 1 risks. The components of the market risk that do not fall within the scope of Pillar 1 risks are assessed internally. This process is carried out by the Risk Management Department with the consultation to other relevant departments.

Measurement of the market risk is carried out by the Risk Management Department. Market risk is measured by the standard method as specified in the third part of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy. The Risk Management Department adopts international standardized methods and advanced statistical methods, which are included in the legislation, in the measurement of risks falling within the scope of the Pillar 2. Developed models as well as the stress tests and scenario analysis are used in the measurement and monitoring of the market risk.

The primary purpose of market risk is for the bank's risk exposure to be within the limits specified by the legislation and to be in accordance with the Bank's risk appetite. In this context, market risk is periodically measured, monitored and reported.

Risk limits related to market risk are established in accordance with the Group's Risk Appetite Policy. Aforementioned risk limits are determined by the Board of Directors and reviewed at least once a year. Limit usages are closely monitored.

Risk mitigation techniques have been applied in line with the size and complexity of the undertaking market risk and the controls are implemented in order to ensure their effectiveness.

Treasury Group Department monitors foreign currency positions and cash flows on behalf of the Parent Bank.

Moreover, new products and projects are examined in terms of market risk management and appropriate internal controls are implemented in case of necessity.

The ParentBank's strategic objectives for trading activities are given below.

- Ensure that the parent bank's lease certificate portfolio is managed at the optimum level within the risk-return balance limits
- Implement transaction by taking into account the future prospects of market developments/movements and the framework of trading opportunities in the current market prices
- Invest in Sukuk (lease certificates) as an alternative investment tool to manage the liquidity profitably

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13.2. The organization and structure of the market risk management function:

Definition of the market risk management structure established for the implementation of the parent bank's strategies and processes and the communication mechanism and relationship between the different parties involved in market risk management, as described in part 1.

The market risk service operates under the Deputy Head responsible from the Market Risk, Operational Risk and Capital Planning within Risk Management Department. This service directly reports to the Board of Directors through the Internal Systems Committee. The results of risk measurement and risk monitoring are shared with other related units. The activities coordinated within the Internal Capital Adequacy Assessment Process are carried out together with other relevant departments of the Parent Bank.

13.3. Structure and scope of risk reporting and/or measurement systems:

Within the scope of risk management system, the Group established a reporting system which ensures effective analysis and evaluation for market risks. The risk measurement and risk monitoring results is reported to the Internal Systems Committee on a timely manner.

There is a risk measurement system which covers the scope and complexity of significant market risk components including transactions and operations exposed to market risk. This system is being audited regularly.

The details of the market risk calculated as of 31 December 2019 and 31 December 2020 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

13.4. Market risk under standardised approach:

		Risk Weighted Amounts	
		Current Period	Restated Prior Period
	Outright products	3,847,896	2,978,935
1	Profit share risk (general and specific)	2,509,715	2,801,526
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	149,230	177,216
4	Commodity risk	1,188,951	193
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	3,847,896	2,978,935

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13.5. Explanations on Operational Risk:

"Basic Indicator Method" is used in operational risk calculation of the Group. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Group for the last 3 years, 2019, 2018 and 2017 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Goup published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the parent bank, subsidiary of the parent bank or subsidiary of the shareholder of the parent bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 608,507 corresponding to the 8% of TL 7,606,341 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 608,507 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

Current Period	31/12/2017 Amount	31/12/2018 Amount	31/12/2019 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	2,776,027	4,018,300	5,375,818	4,056,715	15	608,507
Value at Operational Risk (Total*12.5)						7,606,341

Prior Period	31/12/2016 Amount	31/12/2017 Amount	31/12/2018 Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	2,273,905	2,776,027	4,018,300	3,022,744	15	453,412
Value at Operational Risk (Total*12.5)						5,667,645

13.6. Profit-share rate risk related to banking book:

13.6.1. Economic value differences arising from fluctuations in profit share rates in accordance with the regulation on measurement and evaluation of profit share rates derived from banking accounts with standard shock method

Current Period	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's Equity- Losses/shareholder's Equity
1	TL	(+) 500bp	(1,930,380)	(15.27%)
2	TL	(-) 400bp	1,815,712	14.36%
3	USD	(+) 200bp	471,594	3.73%
4	USD	(-) 200bp	(514,239)	(4.07%)
5	EURO	(+) 200bp	371,746	2.94%
6	EURO	(-) 200bp	(385,722)	(3.05%)
	Total (For Negative Shocks)		915,750	7.24%
	Total (For Positive Shocks)		(1,087,040)	(8.60%)

(*) Parent Bank

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Prior Period	Currency	Applied Shock (+/- x basis points)	Gains/Losses	Gains/Shareholder's Equity-Losses/shareholder's Equity
1	TL	(+) 500bp	(442,560)	(4.28%)
2	TL	(-) 400bp	416,612	4.03%
3	USD	(+) 200bp	127,243	1.23%
4	USD	(-) 200bp	(144,354)	(1.40%)
5	EURO	(+) 200bp	(116,502)	(1.13%)
6	EURO	(-) 200bp	124,232	1.20%
	Total (For Negative Shocks)		396,490	3.84%
	Total (For Positive Shocks)		(431,819)	(4.18%)

(*) Parent Bank

13.7. Risk management objectives and policies:

In accordance with Group's strategies, risk policies and vision, the analysis that Risk Management Service presents to Internal Systems Committee and Audit Committee are credit risks, market risks, liquidity risks, operational risks and IT risk evaluations. Besides, in accordance with market trends, economic conduct and Bank's strategic growth, capital adequacy stress test and scenario analyses, evaluation of economic development in the World and Turkey is presented to Internal Systems Committee and Board of Directors by Risk Management Service. These analyses contribute to Bank Top Management's resolution process about risk appetite and awareness of risks, capital adequacy, strategy revisions and future estimation.

In addition, Risk Management Service verifies its own coordination to be ready proactively in business availability of Kuveyt Türk and situations connected with it.

Risk Management Service continues risk monitoring and analyzing operations in accordance with Board of Director's Group's mission, vision and growth strategy to prevent the potential risks. In this context credit and market risks, liquidity risk, operational risks and all limits, internal personal scoring and corporate rating modeling with IT risks issues, IT risk evaluation, operational lost data base, key risk indicators, operational risk insurances, market risk calculations, following up of treasury transactions and asset-liability risks are being monitorized.

Hierarchy of valuation techniques which establishes basis for fair value calculation of financial assets and liabilities:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Financial instruments valued by applying methods that are based on observable market prices, directly or indirectly, on data that has significant effect on the fair value reflected in the inputs

Level 3: Financial instruments valued by applying methods that are not based on observable market prices, directly or indirectly, on data that has significant effect on the fair value reflected in the inputs.

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2019 and 31 December 2020 are given in the table below:

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Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	7,763,199	461,606	-	8,224,805
Forward transactions	-	52,326	-	52,326
Swap transactions	-	409,280	-	409,280
Government debt securities	7,050,998	-	-	7,050,998
Other marketable securities	712,201	-	-	712,201
Financial assets at FVOCI	20,723,085	-	-	20,723,085
Equity securities	49,146	-	-	49,146
Government debt securities	20,489,638	-	-	20,489,638
Other marketable securities	184,301	-	-	184,301
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	1,676,806	-	1,676,806
Forward transactions	-	26,008	-	26,008
Swap transactions	-	1,650,798	-	1,650,798
Financial liabilities for hedging purposes	-	-	-	-
Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL	4,259,671	182,006	-	4,441,677
Forward transactions	-	17,994	-	17,994
Swap transactions	-	164,012	-	164,012
Government debt securities	3,941,594	-	-	3,941,594
Other marketable securities	318,077	-	-	318,077
Financial assets at FVOCI	12,455,254	-	-	12,455,254
Equity securities	33,077	-	-	38,583
Government debt securities	12,106,518	-	-	12,106,518
Other marketable securities	315,659	-	-	315,659
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	294,409	-	294,409
Forward transactions	-	14,165	-	14,165
Swap transactions	-	280,244	-	280,244
Financial liabilities for hedging purposes	-	129,728	-	129,728

No transfers have taken place between Level 1 and Level 2 in the current year.

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14. Explanations on consolidated business segments

The Parent Bank operates in Retail Banking, Corporate and Commercial Banking, International Banking sectors.

Corporate and Commercial Banking: to meet the financial needs of the customers', unique cash flow and financial solutions are provided to customers through loans, non-cash loans, foreign trade financing services and similar customized products. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

Retail and Enterprise Banking includes fund collection, installment commercial loans, business loans, noncash loans, consumer financing and credit cards. The Bank serves in the range of products areas of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long-term financing agreements with foreign group. Besides supplying syndicated loans and issue the Sukuk for the Group, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Group, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (forward, swap) with Group and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

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Selected balance sheet and income statement items according to segments:

Current Period 1 January 2020-31 December 2020	Retail Banking	Corporate and Commercial Banking	Treasury and international Banking	Unallocated	Bank's total operation
Operating income	3,100,377	8,515,534	1,234,829	-	12,850,740
Operating expenses (-)	4,462,239	2,098,580	711,817	3,334,548	10,607,184
Transfers between segments	2,372,885	(479,349)	(1,893,536)	-	-
Net operating income(loss)	1,011,023	5,937,605	(1,370,524)	(3,334,548)	2,243,556
Income from associates	-	-	-	20,930	20,930
Income (loss) before tax	1,011,023	5,937,605	(1,370,524)	(3,313,618)	2,264,486
Provision for taxation (-)	-	-	-	551,618	551,618
Net income for the period	1,011,023	5,937,605	(1,370,524)	(3,865,236)	1,712,868
Current Period					
31 December 2020					
Segment assets	29,924,797	43,516,111	72,523,747	-	145,964,655
Associates, subsidiaries and joint ventures	-	-	-	84,991	84,991
Undistributed assets	-	-	-	12,147,467	12,147,467
Total assets	29,924,797	43,516,111	72,523,747	12,232,458	158,197,113
Segment liabilities	105,235,906	21,636,217	16,987,622	-	143,859,745
Undistributed liabilities	-	-	-	6,306,554	6,306,554
Shareholders' equity	-	-	-	8,030,814	8,030,814
Total liabilities	105,235,906	21,636,217	16,987,622	14,337,368	158,197,113
Prior Period					
1 January 2019 – 31 December 2019					
Operating income	5,289,973	3,985,612	1,391,376	1,159,473	11,826,199
Operating expenses (-)	3,675,469	3,257,173	10,400	3,272,570	10,215,377
Transfers between segments	2,319,478	(462,292)	(1,857,186)	-	-
Net operating income(loss)	3,933,982	266,147	(476,210)	(2,113,097)	1,610,822
Income from associates	-	-	-	13,727	13,727
Income (loss) before tax	3,933,982	266,147	(476,210)	(2,099,370)	1,624,549
Provision for taxation (-)	-	-	-	348,156	348,156
Net income for the period	3,933,982	266,147	(476,210)	(2,447,526)	1,276,393
Prior Period					
31 December 2019					
Segment assets	19,680,015	35,203,430	50,268,046	-	105,151,491
Associates, subsidiaries and joint ventures	-	-	-	64,061	64,061
Undistributed assets	-	-	-	3,786,026	3,786,026
Total assets	19,680,015	35,203,430	50,268,046	3,850,087	109,001,578
Segment liabilities	73,909,898	14,083,077	9,251,721	-	97,244,696
Undistributed liabilities	-	-	-	4,564,009	4,564,009
Shareholders' equity	-	-	-	7,192,873	7,192,873
Total liabilities	73,909,898	14,083,077	9,251,721	11,756,882	109,001,578

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated assets:

1.1. Information regarding the cash assets and the Central Bank of Republic of Turkey:

1.1.1 Cash and balances with the Central Bank of Republic of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	630,548	3,011,244	613,156	1,838,246
The Central Bank of Republic of Turkey	512,354	19,967,199	1,155,591	14,498,131
Other (*)	1,525	988,100	-	1,111,168
Total	1,144,427	23,966,543	1,768,747	17,447,545

(*) As of 31 December 2020, precious metal account amounting to TL 988,021 (31 December 2019 - TL 1,111,144 and money in transit amounting to TL 1,604 (31 December 2019 - TL 24) are presented in this line

1.1.2 Balances with the Central Bank of Turkey:

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	499,584	1,493,876	730,347	3,201,221
Restricted time deposit	-	-	425,000	-
Unrestricted time deposit	12,770	18,473,323	244	11,296,910
Total	512,354	19,967,199	1,155,591	14,498,131

1.1.3 Explanations on mandatory provisions:

The Bank maintains required reserves at the CBRT for Turkish lira and foreign currency liabilities in accordance with the CBRT's Communiqué No. 2013/15 on the "Required Reserves". Required reserves can be kept in Turkish Lira, USD, EUR and standard gold according to the "Communiqué on Required Reserves" in the CBRT. Interest has been paid for required reserves kept in Turkish Lira since November 2014, and for required reserves kept in US Dollars since May 2015. As of 31 December 2020, the valid rates for Turkish lira reserve requirements are between 1% and 6% depending on the maturity structure (December 31 2019- 1% to 7% range) , the valid rates for foreign currency reserve requirements are between 5% and 21% depending on the maturity structure (December 31 2019- 5% to 21% range), valid rates for precious metal required reserves are between 16% and 22% depending on the maturity structure (December 31 2019- 5% to 21% range)

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1.2 Information on financial assets at fair value through profit and loss:

As of 31 December 2020, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2019 – None).

Positive differences related to marketable derivative financial assets:

	Current period		Prior period	
	TL	FC	TL	FC
Forward transactions	49,633	2,693	14,949	3,045
Swap transactions	78,913	330,367	3,821	160,191
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	128,546	333,060	18,770	163,236

1.3 Information on Banks:

1.3.1. Information on Banks:

	Current period		Prior Period	
	TL	FC	TL	FC
Banks	1,114,456	6,256,097	924,323	7,507,605
Domestic	1,113,965	113,981	924,294	3,771,051
Foreign	491	6,142,116	29	3,736,554
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	1,114,456	6,256,097	924,323	7,507,605

1.3.2 Information on foreign banks account:

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,649,966	1,550,026	-	-
USA and Canada	3,842,631	1,742,814	-	-
OECD Countries (*)	34,493	15,558	-	-
Off-shore Banking Regions	1,535	633	-	-
Other	613,982	427,552	-	-
Total	6,142,607	3,736,583	-	-

(*) EU countries, OECD countries other than the US and Canada

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

	Current period	Prior Period
Debt Securities	20,852,757	12,288,314
Quoted on stock exchange	20,852,757	12,288,314
Not quoted on stock exchange	-	-
Share certificates	90,887	180,226
Quoted on stock exchange	75,105	94,539
Not quoted on stock exchange	15,782	85,687
Impairment provision	(220,559)	(13,286)
Total	20,723,085	12,455,254

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1.5 Explanations on financial assets measured at amortized cost:

1.5.1 All types of loans and advances given to shareholders and employees of the Group:

	Current period		Prior period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	4,695	6,709	1,868	7,206
Corporate shareholders	-	6,677	-	7,190
Real person shareholders	4,695	32	1,868	16
Indirect loans granted to shareholders	54,992	6,632	780,512	723
Loans granted to employees	27,605	541	19,920	619
Total	87,292	13,882	802,300	8,548

1.5.2 Information on standart loans, loans underclose monitoring and restructured loans under close monitoring:

Current Period	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	67,420,988	4,813,370	2,615,066	-
Export Loans	4,967,766	230,900	-	-
Import Loans	1,971,303	87,512	-	-
Corporation Loans	33,990,065	3,495,756	2,533,424	-
Consumer Loans	12,754,463	298,219	62,118	-
Credit Cards	1,237,324	130,190	19,524	-
Loans given to financial sector	3,238,490	-	-	-
Other	9,261,577	570,793	-	-
Other Receivables	8,295	117,575	9,277	-
Total	67,429,283	4,930,945	2,624,343	-

Prior Period	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Loans	49,298,335	3,556,702	2,264,742	-
Export Loans	4,531,667	319,767	-	-
Import Loans	951,591	42,549	-	-
Corporation Loans	20,627,346	2,652,310	2,194,384	-
Consumer Loans	7,717,979	304,840	47,325	-
Credit Cards	950,450	117,001	23,033	-
Loans given to financial sector	8,820,174	-	-	-
Other	5,699,128	120,235	-	-
Other Receivables	2,697	15,292	11,199	-
Total	49,301,032	3,571,994	2,275,941	-

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Information on standart loans and loans under close monitoring and restructured loans under close monitoring regarding provision:

	Standard Loans Current Period (*)	Loans under close monitoring Current Period (*)	Standard Loans Prior Period	Loans under close monitoring Prior Period
12 Month Expected Credit Losses	1,179,791	-	488,598	-
Significant Increase in Credit Risk	-	1,744,593	-	996,886
Total	1,179,791	1,744,593	488,598	996,886

(*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 1,094.

1.5.3 Distribution of cash loans and other receivables according to their maturities:

Current Period	Standard Loans	Loans under close monitoring	
		Loans and Receivables Not Subject to Restructuring	Restructured
Short term loans	18,132,548	1,028,543	59,885
Medium and long term loans	49,296,735	3,902,402	2,564,458
Total	67,429,283	4,930,945	2,624,343

Prior Period	Standard Loans	Loans under close monitoring	
		Loans and Receivables Not Subject to Restructuring	Restructured
Short term loans	16,023,772	456,639	83,858
Medium and long term loans	33,277,260	3,115,355	2,192,083
Total	49,301,032	3,571,994	2,275,941

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1.5.4 Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards:

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	74,023	12,698,649	12,772,672
Housing Loans	17,783	10,717,815	10,735,598
Vehicle Loans	31,924	1,574,270	1,606,194
Consumer Loans	21,382	215,488	236,870
Other	2,934	191,076	194,010
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	172	314,708	314,880
Housing Loans	-	246,690	246,690
Vehicle Loans	172	41,060	41,232
Consumer Loans	-	26,958	26,958
Other	-	-	-
Retail Credit Cards-TL	545,977	70	546,047
With Installment	120,545	70	120,615
Without Installment	425,432	-	425,432
Retail Credit Cards-FC	3,340	-	3,340
With Installment	-	-	-
Without Installment	3,340	-	3,340
Personnel Loans-TL	1,985	25,263	27,248
Housing Loans	-	2,401	2,401
Vehicle Loans	466	15,844	16,310
Consumer Loans	1,519	7,018	8,537
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	13,761	21	13,782
With Installment	5,696	21	5,717
Without Installment	8,065	-	8,065
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	639,258	13,038,711	13,677,969

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1.5.4 Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards: (continued)

Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	75,033	7,726,981	7,802,014
Housing Loans	22,116	6,470,571	6,492,687
Vehicle Loans	31,568	963,169	994,737
Consumer Loans	20,214	219,628	239,842
Other	1,135	73,613	74,748
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	249,220	249,220
Housing Loans	-	216,395	216,395
Vehicle Loans	-	373	373
Consumer Loans	-	28,626	28,626
Other	-	3,826	3,826
Retail Credit Cards-TL	456,724	73	456,797
With Installment	98,257	73	98,330
Without Installment	358,467	-	358,467
Retail Credit Cards-FC	1,650	-	1,650
With Installment	1,650	-	1,650
Without Installment	-	-	-
Personnel Loans-TL	1,912	16,998	18,910
Housing Loans	-	1,410	1,410
Vehicle Loans	596	12,096	12,692
Consumer Loans	1,315	3,492	4,807
Other	1	-	1
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	11,025	60	11,085
With Installment	4,229	60	4,289
Without Installment	6,796	-	6,796
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without-installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	546,344	7,993,332	8,539,676

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1.5.5 Information on commercial installment loans and corporate credit cards:

Current Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	497,383	9,234,322	9,731,705
Business Loans	6,008	1,995,773	2,001,781
Vehicle Loans	405,890	4,705,779	5,111,669
Consumer Loans	85,485	2,532,770	2,618,255
Other	-	-	-
Commercial Installment Loans-FC Indexed	11,254	505,184	516,438
Business Loans	11,254	57,668	68,922
Vehicle Loans	-	11,001	11,001
Consumer Loans	-	436,515	436,515
Other	-	-	-
Commercial Installment Loans-FC	453,371	3,565,574	4,018,945
Business Loans	-	490,181	490,181
Vehicle Loans	2,194	112,901	115,095
Consumer Loans	-	-	-
Other	451,177	2,962,492	3,413,669
Corporate Credit Cards-TL	816,278	-	816,278
With Installment	307,667	-	307,667
Without Installment	508,611	-	508,611
Corporate Credit Cards-FC	7,591	-	7,591
With Installment	-	-	-
Without Installment	7,591	-	7,591
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,785,877	13,305,080	15,090,957
Prior Period	Short term	Medium and long term	Total
Commercial Installment Loans-TL	248,040	4,929,680	5,177,720
Business Loans	18,447	1,248,841	1,267,288
Vehicle Loans	194,640	2,385,462	2,580,102
Consumer Loans	34,953	1,295,377	1,330,330
Other	-	-	-
Commercial Installment Loans-FC Indexed	3,221	844,575	847,796
Business Loans	3,221	183,927	187,148
Vehicle Loans	-	71,904	71,904
Consumer Loans	-	588,744	588,744
Other	-	-	-
Commercial Installment Loans-FC	127,905	2,043,461	2,171,366
Business Loans	31,456	686,563	718,019
Vehicle Loans	96,449	81,449	177,898
Consumer Loans	-	-	-
Other	-	1,275,449	1,275,449
Corporate Credit Cards-TL	620,612	-	620,612
With Installment	207,219	-	207,219
Without Installment	413,393	-	413,393
Corporate Credit Cards-FC	340	-	340
With Installment	340	-	340
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1,000,118	7,817,716	8,817,834

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1.5.6. Allocation of loans by customers:

	Current period	Prior period
Public	396,326	560,472
Private	74,588,245	54,588,495
Total	74,984,571	55,148,967

1.5.7 Breakdown of domestic and foreign loans:

	Current period	Prior period
Domestic loans	69,932,474	46,697,875
Foreign loans	5,052,097	8,451,092
Total	74,984,571	55,148,967

1.5.8 Loans granted to subsidiaries and associates:

	Current period	Prior period
Loans granted directly to subsidiaries and associates	169	182
Loans granted indirectly to subsidiaries and associates	-	-
Total	169	182

1.5.9 Specific provisions for loans or default (Third Stage) provisions:

	Current period	Prior period
Loans and receivables with limited collectability	473,916	209,492
Loans and receivables with doubtful collectability	5,172	228,439
Uncollectible loans and receivables	2,045,229	1,119,658
Total	2,524,317	1,557,589

1.5.10 Information on non-performing loans (Net):

1.5.10.1 Information on Loans and Other Receivables Included in Loans under Follow-Up Account, Which are Restructured or Rescheduled

	III. Group Loans and Receivables with Limited Collectibilit	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period			
(Gross Amount Before Specific Provisions)	-	1,577	262,750
Restructured Loans and Receivables	-	1,577	262,750
Prior Period			
(Gross Amount Before Specific Provisions)	138	141,817	29,524
Restructured Loans and Receivables	138	141,817	29,524

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1.5.10.2 Information on the movement of total non-performing loans:

Current Period	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2019	250,407	318,133	1,541,141
Additions in the current period (+)	542,258	10,412	1,086,141
Transfers from other categories of non-performing loans (+)	-	197,258	471,969
Transfers to other categories of non-performing loans (-)	197,197	471,975	55
Collections in the current period (-)	44,897	42,636	286,911
Write offs (-)	-	-	250,456
Sold Portfolio (-) (*)	-	-	153,338
Corporate and commercial loans	-	-	153,338
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	550,571	11,192	2,408,491
Specific provisions (-)	473,916	5,172	2,045,229
Net balances on balance sheet	76,655	6,020	363,262

(*) The BRSA published in the official gazette on the date of 27 November 2019 of banks 'Loan classification and allowances the Regulation amending the regulation on principles and procedures for these to be allocated under the principal balance and the corresponding balance in 2020 they will get dull 403,794 follow TL deleted from the records. This process had a decreasing effect on the conversion rate by 0.47% in points.

Prior Period	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Ending balance of prior period 31.12.2018	142,629	310,520	732,691
Additions in the current period (+)	806,015	991,658	532,018
Transfers from other categories of non-performing loans (+)	100,972	677,421	1,374,788
Transfers to other categories of non-performing loans (-)	676,683	1,374,976	101,522
Collections in the current period (-)	112,153	129,774	189,767
Write offs (-)	10,373	156,716	807,067
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	250,407	318,133	1,541,141
Specific provisions (-)	209,492	228,439	1,119,658
Net balance at the balance sheet	40,915	89,694	421,483

(*) The BRSA published in the official gazette on the date of 27 November 2019 of banks 'Loan classification and allowances the Regulation amending the regulation on principles and procedures for these to be allocated under the principal balance and the corresponding balance in 2019 they will get dull 974,156 follow TL deleted from the records. This process had a decreasing effect on the conversion rate by 1.54% in points.

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1.5.10.3 Information on non-performing loans granted as foreign currency:

	Group III	Group IV	Group V
Current Period			
Ending balance of the current period	532,560	1	312,782
Provision amount (-)	458,800	-	253,025
Net balance at the balance sheet	73,760	1	59,757
Prior Period			
Ending balance of the current period	79,218	5,454	127,352
Provision amount (-)	48,407	4,640	69,392
Net balance at the balance sheet	30,811	814	57,960

1.5.10.4 Gross and net amounts of non-performing loans with respect to user groups:

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	76,655	6,020	363,262
Loans granted to real persons and legal entities (Gross)	550,571	11,192	2,408,491
Specific provision (-)	473,916	5,172	2,045,229
Loans to real persons and legal entities (Net)	76,655	6,020	363,262
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (net) 31.12.2019	40,915	89,694	421,483
Loans to real persons and legal entities (Gross)	250,407	318,133	1,541,141
Specific provision (-)	209,492	228,439	1,119,658
Loans to real persons and legal entities (Net)	40,915	89,694	421,483
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Parent Bank has collaterals such as cash, mortgages, pledges, and checks of customer issued for non-performing loans.

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1.5.10.5. Aging analysis of past due but not impaired financial assets per classes of financial instruments is as follows:

Current Period	Less than 30 days	31-60 days	61-90 Days (*)	Total
Loans and Receivables				
Corporate Loans	5,734,223	123,369	703,172	6,560,764
Retail Loans	259,740	36,192	58,781	354,713
Credit Cards	128,633	7,255	13,699	149,587
Total	6,122,596	166,816	775,652	7,065,064

(*) Based on the BRSA's decisions dated 17 March 2020 and numbered 8948 and dated 27 March 2020 and numbered 8970, the risks in the number of delay days of 90-180 days are presented in this line.

Prior Period	Less than 30 days	31-60 days	61-90 Days	Total
Loans and Receivables				
Corporate Loans	4,471,573	540,320	343,866	5,355,759
Retail Loans	153,578	127,256	71,308	352,142
Credit Cards	123,659	10,880	5,495	140,034
Total	4,748,810	678,456	420,669	5,847,935

1.5.10.6 Information on profit share accruals, discounts and valuation differences computed for non-performing loans and their provision:

The Parent Bank	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectibility	Loans and Other Receivables with Doubtful Collectibility	Uncollectible Loans and Other Receivables
Current Period (Net)	371	460	51,485
Profit share accruals, discount and valuation differences	4,485	865	319,370
Provision (-)	4,114	405	267,885

1.5.10.7. Main guidelines for liquidation process of uncollectible loans and other receivables:

Loans and other receivables, which were deemed uncollectible according to the "Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans" published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written off as per the decision of the Bank top management. Within 2019, non-performing loans amounting to TL 250,456 have been written-off (31 December 2019 – TL 974,156).

1.5.10.8 Information on the write-off policy:

The Group's write off policy is to write-off the loan receivables that have been already transferred to legal follow-up and fully provided for and for which there is no possibility of collection through legal process and for which there is no collateral. Such loans are written off as per the decision of top management.

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1.6 Information on other financial assets measured at amortised cost:

1.6.1 Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	6,499,810	3,212,924
Quoted on a Stock Exchange	6,203,203	2,859,381
Not Quoted	296,607	353,543
Impairment Provision (-)	1,094	767
Total	6,498,716	3,212,157

1.6.2 Movements of Other Financial Assets Measured at Amortized Cost During The Year

	Current Period	Prior Period
Opening Balance	3,212,924	485,068
Foreign Exchange Gain/Loss	1,353,136	-
Purchases During the Year	1,933,750	4,101,976
Disposals Through Sales and Redemptions	-	1,374,120
Impairment Provision (-)	1,094	767
Ending Balance	6,498,716	3,212,157

1.7 Information on investment in associates (Net):

1.7.1 The Parent Bank used a 1.49% ownership amounting to TL 7,659 (December 31, 2019 - TL 7,659) in Kredi Garanti Fonu A.Ş. - 33 TL), 390 TL (31 December 2019 - 390 TL) Swift shares, 15 TL (31 December 2019 - 15 TL), which is equal to 0.0035% ownership of Borsa İstanbul A.Ş. and JCR Avrasya Rating, A.S. TL 2,755 (December 31, 2019 - TL 0), which corresponds to a 2.86% ownership in, is followed in the financial assets account of which the fair value difference is reflected in other comprehensive income since the share ratio in these partnerships is less than 10% and there is no significant influence.

1.7.2 Information about investments in unconsolidated associates: None (31 December 2019 – None).

1.7.3 Information related to consolidated associates: None (31 December 2019 – None).

1.8 Information on subsidiaries (Net):

1.8.1 Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş and Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş does not confirm to the definition of financial subsidiary in accordance with “Regulation related to the Preparation of Consolidated Financial Statements by Banks” published in the Official Gazette No. 26340 dated 8 November 2006; hence this subsidiary has not been consolidated.

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1.8.2 Information on subsidiaries in the order presented in the above table:

	Title	Address (City/Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1	Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	İstanbul/Türkiye	99.99	99.99
2	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	İstanbul/Türkiye	75.00	83.26
3	KT Sukuk Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
4	KT Kira Sertifikaları Varlık Kiralama A.Ş.	İstanbul/Türkiye	100.00	100.00
5	KT Bank AG (*)	Frankfurt/Almanya	100.00	100.00
6	Architech Bilişim Sistemleri ve Pazarlama Tic A.Ş. (**)	İstanbul/Türkiye	100.00	100.00
7	KT Sukuk Company Limited (***)	George Town/Cayman Adaları	100.00	100.00
8	KT Portföy Yönetimi A.Ş.	İstanbul/Türkiye	100.00	100.00
9	Neova Sigorta A.Ş.	İstanbul/Türkiye	100.00	100.00

Information on subsidiaries in the order listed above:

	Total Assets	Equity	Total Fixed assets	Profit Share Income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair Value
1	44,865	43,291	-	-	-	13,859	2,711	-
2	166,892	120,017	4	-	-	6,155	2,688	-
3	661	649	-	-	-	11	139	-
4	6,428,262	310	-	-	-	17	113	-
5	6,394,924	1,273,954	13,683	-	-	7	(6)	-
6	65,057	50,915	5,305	-	-	32,887	13,018	-
7	2,668,149	2	-	-	-	-	-	-
8	25,448	22,854	284	-	-	10,169	6,734	-
9	3,069,268	582,138	14,459	-	-	166,389	110,835	-

(*) As of 31 December 2020, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These figures are shown per Turkish Commercial Law financial statements as at 31 December 2020.

(***) KT Sukuk Company Limited is established in Cayman Islands on 31 July 2015, for the need of a second subordinated loan at the Bank. According to relevant article of TFRS 10, it is described as a subsidiary.

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Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	23,680	23,680
Movements during the year	-	-
Purchases (*)	-	-
Transfers from subsidiaries (**)	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	23,680	23,680
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	610,120	445,754
Insurance Companies (*)	751,796	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	75,419	75,419
Total	1,437,335	521,173

(*) The Bank has obtained the necessary legal permissions as of 5 May 2020, Neova Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Sigorta A.Ş., which has purchased 78,864,212 shares by paying 745,860 TL with the purchase transaction, and 7% before sales increased its partnership share to 100% by owning all the shares.

Subsidiaries that are quoted on the stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,416
Quoted in Foreign Stock Exchange	-	-
Total	53,418	53,416

1.8.3 Information on capital adequacies of major subsidiaries:

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of December 31, 2020 is EUR 108,787,128 and the capital adequacy ratio are %24.1.

1.9 Information on joint ventures (business partnerships) (Net)

	Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*) (**)	50%	4,077,371	117,883	15,568	41,860	27,514

(**) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

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1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2,249,517	1,783,178	1,227,784	886,869
1 to 4 years	2,829,259	2,631,776	1,572,914	1,445,267
More than 4 years	622,145	596,042	384,461	375,384
Total	5,700,921	5,010,996	3,185,159	2,707,520

1.10.2 Net investments in finance leases:

	Current Period	Prior Period
Gross receivable from finance leases	5,700,921	3,185,159
Unearned finance lease income (-)	(689,925)	(477,639)
Unearned finance lease income (-)	-	-
Net receivable from finance leases	5,010,996	2,707,520

1.10.3 Information on finance lease contracts:

The Parent Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 52,668 are included in the non-performing loans in the balance sheet (31 December 2019 – TL 48,391).

1.11 Information on derivative financial assets for hedging purposes: None. (31 December 2019 – None).

1.12. Explanations on Tangible Assets

Current Period	Buildings	Leased Tangible Assets (*)	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2019					
Cost	241,830	421,333	56,347	600,337	1,319,847
Accumulated Depreciation (-)	30,000	101,963	11,123	330,418	473,504
Net Book Value	211,830	319,370	45,224	269,919	846,343
Current Period: 31 December 2020					
Net book value at beginning of period	211,830	319,370	45,224	269,919	846,343
Additions	2,360	122,978	47,905	121,312	294,555
Disposals (-)	-	25,741	-	27,295	53,036
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment Losses (-)	-	-	-	1,095	1,095
Depreciation Expense (-)	7,822	103,902	17,081	33,880	162,685
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	244,190	518,570	104,252	693,259	1,560,271
Accumulated depreciation at the end of period (-)	37,822	205,865	28,204	364,298	636,189
Closing net book value	206,368	312,705	76,048	328,961	924,082

(*) Includes right-of-use assets acquired under TFRS 16.

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Prior Period	Buildings	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Prior Period: 31 December 2018					
Cost	235,182	7,957	47,229	449,014	739,382
Accumulated Depreciation (-)	22,323	3,616	1,121	255,135	282,195
Net Book Value	212,859	4,341	46,108	193,879	457,187
Current Period: 31 December 2019					
Net book value at beginning of period	212,859	4,341	46,108	193,879	457,187
Additions	6,696	429,060	9,118	147,711	592,585
Disposals (-)	48	15,684	-	1,534	17,266
Transfers to assets held for sale (-)	-	-	-	-	-
Transfer from assets held for sale	-	-	-	-	-
Impairment Losses (-)	-	-	-	-	-
Depreciation Expense (-)	7,677	98,347	10,002	70,137	186,163
Net foreign exchange difference arising from foreign subsidiaries (-)	-	-	-	-	-
Reversal of Impairment Losses	-	-	-	-	-
Cost at the end of period	241,830	421,333	56,347	595,191	1,314,701
Accumulated depreciation at the end of period (-)	30,000	101,963	11,123	325,272	468,358
Closing net book value	211,830	319,370	45,224	269,919	846,343

1.13. Explanations on Intangible Assets:

1.13.1. Gross carrying value and accumulated amortization balances at the beginning and at the end of the period:

	Current Period	Prior Period
Cost	396,455	375,197
Accumulated Amortization	(123,310)	(173,198)
Total (net)	273,145	201,999

1.13.2. Movements of intangible assets between the beginning and the end of the period:

	Current Period	Prior Period
Opening balance	201,999	200,765
Additions	176,494	110,600
Disposals (-), net	23,193	59,679
Depreciation amount (-)	82,155	49,687
Closing net book value	273,145	201,999

Intangible assets include computer software and program licenses which are purchased for banking systems.

1.14. Explanations on investment property:

	Current Period	Prior Period
Opening balance	37,646	29,671
Additions	39,970	9,277
Disposals (-), net	-	-
Depreciation amount (-)	159	1,302
Closing net book value	77,457	37,646

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1.15 Information on deferred tax asset

As of 31 December 2020, deferred tax is offset as TL 835,522 in the balance sheet. In accordance with the related regulations deferred tax asset calculated as of 31 December 2019 is TL 932,455 (31 December 2019 – TL 458,716) and deferred tax liability is TL 96,933 (31 December 2019 – TL 41,863 TL).

	Current period	Prior period
Reserve for employee benefits	48,263	41,047
Retirement pay liability	37,460	23,220
Deferred income	73,122	56,469
Impairment provision for subsidiaries, fixed assets and assets held for sale	1,281	2,523
Rediscounts for derivative instruments held for trading (net)	243,384	52,909
TFRS 9 Provisions	427,891	214,057
Precious metals valuation difference	-	1,454
Carry forward financial loss	73,642	43,503
Financial Loss From Decommissioning	812	-
Other	26,600	23,534
Deferred tax asset	932,455	458,716
Precious metal valuation difference	(23,908)	-
Tangible assets valuation differences	(12,842)	(9,665)
Financial assets valuation differences	(48,114)	(28,833)
Other	(12,069)	(3,365)
Deferred tax liability	(96,933)	(41,863)
Deferred tax asset (net)	835,522	416,853

(*) Since the Group is planning to generate a sufficient amount of taxable income to offset the financial losses in the future periods, a total of TL 73,642 deferred tax assets (31 December 2019: TL 43,503) have been recorded in the records.

Table of deferred tax asset movement:

	31 December 2020	31 December 2019
As of January 1	401,782	380,683
Effect Of Changes In Accounting Policies	15,071	12,439
Deferred tax (expense)/income	274,753	103,478
Deferred tax accounted under other comprehensive income	120,571	(79,747)
TFRS 9 opening effect	23,345	-
Deferred tax asset	835,522	416,853

1.16. Assets held for sale and assets of discontinued operations:

	Current Period	Prior Period
Opening balance	473,326	270,382
Additions	172,426	270,818
Transfer from tangible assets	-	-
Disposals (-), net	126,809	67,874
Transfer to tangible assets	-	-
Depreciation amount (-)	(144)	-
Impairment losses provision (-)	-	-
Closing net book value	519,087	473,326

1.17 Information on other assets:

As of balance sheet date, the Group's other assets amount to TL 10,037,261 (31 December 2019 – TL 2,283,185). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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SECTION FIVE

2. Explanations and notes related to consolidated liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected:

Current period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated	Total
								profit sharing accounts	
I. Real persons current accounts-TL	9,214,591	-	-	-	-	-	-	-	9,214,591
II. Real persons profit sharing accounts TL	-	6,461,888	8,497,859	508,942	-	729,392	956,849	22,604	17,177,534
III. Other current accounts-TL	5,029,690	-	-	-	-	-	-	-	5,029,690
Public sector	194,879	-	-	-	-	-	-	-	194,879
Commercial sector	4,783,318	-	-	-	-	-	-	-	4,783,318
Other institutions	39,576	-	-	-	-	-	-	-	39,576
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,917	-	-	-	-	-	-	-	11,917
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	11,614	-	-	-	-	-	-	-	11,614
Participation banks	303	-	-	-	-	-	-	-	303
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	602,957	989,697	42,390	-	312,745	109,333	2	2,057,124
Public sector	-	322	602	645	-	11,465	-	-	13,034
Commercial sector	-	530,069	841,232	33,935	-	287,086	108,842	2	1,801,166
Other institutions	-	72,504	147,843	7,810	-	14,186	491	-	242,834
Commercial and other institutions	-	62	-	-	-	8	-	-	70
Banks and participation banks	-	-	20	-	-	-	-	-	20
V. Real persons current accounts-FC	21,358,154	-	-	-	-	-	-	-	21,358,154
VI. Real persons profit sharing accounts-FC	-	6,979,266	8,866,523	1,111,289	-	2,284,117	2,464,048	4,205	21,709,448
VII. Other current accounts-FC	10,739,481	-	-	-	-	-	-	-	10,739,481
Commercial residents in Turkey	8,823,743	-	-	-	-	-	-	-	8,823,743
Commercial residents in Abroad	1,282,174	-	-	-	-	-	-	-	1,282,174
Banks and participation banks	633,564	-	-	-	-	-	-	-	633,564
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	628,905	-	-	-	-	-	-	-	628,905
Participation banks	4,659	-	-	-	-	-	-	-	4,659
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	745,772	1,656,288	107,516	-	177,058	123,297	-	2,809,931
Public sector	-	3	-	-	-	-	-	-	3
Commercial sector	-	670,072	1,404,349	34,838	-	30,766	58,728	-	2,198,753
Other institutions	-	32,466	91,760	72,666	-	145,794	64,569	-	407,255
Commercial and other institutions	-	43,231	160,179	12	-	498	-	-	203,920
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	28,025,054	5,342,933	2,559,094	379,540	-	281,184	10,713	90	36,598,608
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	74,366,970	20,132,816	22,569,461	2,149,677	-	3,784,496	3,664,240	26,901	126,694,561

There are no 7 days notification accounts of the Group.

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Prior period	Demand	Up to 1 month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	7,951,114	-	-	-	-	-	-	-	7,951,114
II. Real persons profit sharing accounts-TL	-	7,232,001	11,223,102	725,113	-	610,209	911,230	22,190	20,723,845
III. Other current accounts-TL	4,390,638	-	-	-	-	-	-	-	4,390,638
Public sector	200,309	-	-	-	-	-	-	-	200,309
Commercial sector	4,146,563	-	-	-	-	-	-	-	4,146,563
Other institutions	32,529	-	-	-	-	-	-	-	32,529
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	11,237	-	-	-	-	-	-	-	11,237
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	10,913	-	-	-	-	-	-	-	10,913
Participation banks	324	-	-	-	-	-	-	-	324
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	592,927	1,108,842	103,271	-	235,942	60,845	-	2,101,827
Public sector	-	373	68	611	-	3,046	-	-	4,098
Commercial sector	-	546,923	1,007,502	79,737	-	225,544	59,133	-	1,918,839
Other institutions	-	44,940	100,133	22,873	-	7,312	457	-	175,715
Commercial and other institutions	-	691	1,121	50	-	40	1,255	-	3,157
Banks and participation banks	-	-	18	-	-	-	-	-	18
V. Real persons current accounts-FC	12,896,518	-	-	-	-	-	-	-	12,896,518
VI. Real persons profit sharing accounts-FC	-	5,792,299	9,758,724	1,405,912	-	1,516,213	1,822,399	1,803	20,297,350
VII. Other current accounts-FC	6,032,043	-	-	-	-	-	-	-	6,032,043
Commercial residents in Turkey	4,547,539	-	-	-	-	-	-	-	4,547,539
Commercial residents in Abroad	1,216,989	-	-	-	-	-	-	-	1,216,989
Banks and participation banks	267,515	-	-	-	-	-	-	-	267,515
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	267,170	-	-	-	-	-	-	-	267,170
Participation banks	345	-	-	-	-	-	-	-	345
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	593,559	2,356,951	97,624	-	114,694	66,878	-	3,229,706
Public sector	-	10	-	-	-	-	-	-	10
Commercial sector	-	520,552	2,112,990	35,707	-	45,383	50,331	-	2,764,963
Other institutions	-	41,158	152,018	61,908	-	68,914	16,461	-	340,459
Commercial and other institutions	-	31,831	84,336	9	-	397	-	-	116,573
Banks and participation banks	-	8	7,607	-	-	-	86	-	7,701
IX. Precious metal funds	5,757,301	2,444,094	1,846,409	207,182	-	113,344	4,703	61	10,373,094
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	37,027,614	16,654,880	26,294,028	2,539,102	-	2,590,402	2,866,055	24,054	87,996,135

There are no 7 days notification accounts of the Group.

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2.1.2 Information's on current and profit share accounts that are in the scope of Saving Deposit/Saving Deposit Insurance Fund:

2.1.2.1 Current and Participation Accounts Attributable to Real Entities/Persons under the Guarantee of Saving Deposit Insurance Fund Exceeding the Limit of the Deposit Insurance Fund:

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current period	Prior period	Current period	Prior period
Real persons current and profit sharing accounts that are not subject to commercial activities				
TL accounts	15,907,330	17,752,145	10,483,445	10,782,495
FC accounts	33,522,314	16,294,727	40,073,387	24,484,448
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real persons and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 150,000 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

2.1.2.2 If the headquarters of the Bank is abroad and the deposit account in its Turkish branch is in the scope of the insurance policy in the country of the headquarter of the Bank is founded, it should be explained:

The headquarters of the Parent Bank is in Turkey.

2.1.2.3 Current and Profit Share Accounts of the real persons who are not in the scope of Saving Deposits Insurance Fund:

The Parent Bank has no current or profit sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the current and profit sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first degree relatives.

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	11,651	9,044
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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2.2 Information on derivative financial liabilities held for trading:

Derivative financial liabilities held for trading:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	23,081	2,927	13,191	974
Swap transactions	1,367,405	283,393	116,499	163,745
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1,390,486	286,320	129,690	164,719

2.3. Information on funds borrowed:

2.3.1 Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	129,343	38,870	160,847	172,998
From Foreign Banks, Institutions and Funds	45,929	4,990,179	-	113,380
Total	175,272	5,029,049	160,847	286,378

2.3.2 Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	175,272	3,914,835	160,847	286,378
Medium and Long-Term	-	1,114,214	-	-
Total	175,272	5,029,049	160,847	286,378

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2.3.3 Explanations related to the concentrations of the Parent Bank’s major liabilities:

There is no risk concentration of the Parent Bank’s current and profit-sharing accounts.

2.4. Information on securities issued

None

2.5 Information on other liabilities and miscellaneous payables:

As of 31 December 2020, other liabilities amount to TL 1,410,151 (31 December 2019 – TL 1,111,061), miscellaneous payable amount to TL 783,731 (31 December 2019 - TL 388,179), both of them do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (net):

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	147,042	137,379	124,506	87,233
1 to 4 years	253,354	165,644	294,798	169,220
More than 4 years	127,183	46,271	139,376	97,598
Total	527,579	349,294	558,680	354,051

The Participation Bank used FTP (Fund Transfer Pricing) rates as an alternative borrowing rate of profit at 1 January 2019. Relevant ratios are revised and revised in 2-week periods after 1 January 2019. The change in Participation Bank payments uses an unmodified discount rate unless the variable profit share rate is related. If the change in the lease payments results from variable profit share rates (LIBOR, EURIBOR), the lessee will use a revised discount rate reflecting changes in the profit share rate.

2.6.1. Information on the changes in agreements and new obligations originating from these changes:

None (31 December 2019 – None).

2.6.1.1. Information on Financial Lease Obligations

None (31 December 2019 – None).

2.6.1.2 Information on Operational Leases:

The leasing transactions, in which all risks and benefits of the leased asset are held by the lessor, are classified as operational leases. Such transactions consist of rent contracts of branches which may be cancelled by declaration.

There are no significant commitments regarding the changes at the operational lease agreements.

The payments related with operational leases are recognized as expense in the income statement during the period of the agreement in equal installments.

2.7 Information on hedging derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedge	-	-	-	-
Cash flow hedge	-	-	-	129,728
Hedge of net investment in foreign operations	-	-	-	-
Total	-	-	-	129,728

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2.8 Information on provisions:

2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2020, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 3 (31 December 2019 – TL 5) and TL 87 for leasing receivables (31 December 2019 – TL 192) is offset against loans and receivables.

2.8.2 Information on other provisions:

	Current Period	Prior Period
Non-Cash Loans That Are Not Converted Into Cash	440,411	422,274
Special Provisions for non-cash loans	165,538	127,145
General Provisions for non-cash loans	447,552	150,934
Provision for Profits will be Allocated to Participation Accounts	3,237	2,332
Other (*)	109,796	96,212
Total	1,166,534	798,897

(*) The other item is the amounting regarding TL 35,525 (December 31, 2019 - TL 27,573) for litigation, TL 100 (31 December 2019 - TL 6,500) for the expense provision and TL 70,786 (31 December 2019 - TL 60,976) is the amount for impairment loss.

2.8.3 Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 189,033 (31 December 2019 – TL 116,242), vacation pay liability amounting to TL 2,714 (31 December 2019 – TL 712), performance premium amounting to TL 145,178 (31 December 2019 – TL 124,414), retirement bonuses on payment of TL 86,659 (31 December 2019 – TL 63,437), committee fee amounting to TL 12,321 (31 December 2019 – TL 12,321) and other fees amounting to TL 243 (31 December 2019 – TL 196).

Under the Turkish Labor Law, the parent Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire.

The amount payable consists of one month's salary limited to a maximum of TL 6,730.15 (full amount) (31 December 2019 – TL 6,379.86 (full amount)) for each year of service. The liability is not funded, as there is no funding requirement.

The reserve has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of its employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	12.10	16.30
Inflation rate (%)	8.00	12.00
Salary increase rate (%)	25.00	13.00

Movements in the reserve for employment termination benefits during period are as follows:

	Current Period	Prior Period
Balance at the beginning of the period	116,242	83,002
Effect Of Changes In Accounting Policies	6,506	3,816
Provisions recognized during the period	30,769	29,510
Paid during the period	(4,704)	(7,319)
Actuarial loss / gain	40,220	7,233
Balances at the end of the period	189,033	116,242

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2.9 Explanations on tax liability:

2.9.1 Explanations on current tax liability:

2.9.1.1 Information on tax provisions: TL 389,870 (31 December 2019-TL 255,397)

2.9.1.2 Information on taxes payable:

	Current Period	Prior Period
Taxation of marketable securities	26,382	39,489
Taxation of immovable property	969	1,796
Banking Insurance Transaction Tax (BITT)	30,458	29,327
Foreign Exchange Transaction Tax	23,676	4,532
Value Added Tax Payable	2,792	2,663
Income tax deducted from wages	15,010	12,624
Other	1,679	4,059
Total	100,966	94,490

2.9.1.3 Information on premiums (*):

	Current Period	Prior Period
Social Insurance Premiums-Employee	8,626	7,430
Social Insurance Premiums-Employer	9,270	8,000
Unemployment insurance-Employee	617	532
Unemployment insurance-Employer	1,484	1,263
Other	-	-
Total	19,997	17,225

(*) Included in sundry creditors line item on the balance sheet.

2.9.1.4 Information on deferred tax liability: None (31 December 2019 - None).

2.10 Information on payables related to assets held for sale:

None (31 December 2019 – None).

2.11 Information on subordinated loans:

	Current Period		Prior Period	
	TP	YP	TP	YP
From Domestic Banks	-	-	-	-
From Other Domestic Institutions	-	-	-	-
From Foreign Banks	-	-	-	-
From Other Foreign Institutions	-	4,590,265	-	3,380,983
Total	-	4,590,265	-	3,380,983

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2.12 Information on shareholders' equity:

2.12.1 Presentation of paid-in capital:

	Current Period	Prior Period
Common shares	4,600,000	4,000,000
Preference shares	-	-
Repurchased shares amount (*)	(4,869)	(4,234)
Total	4,595,131	3,995,766

(*) It represents the Parent Bank's acquisition of its own shares as a result of the Bank's shareholders not using their right of preference according to the commitment made in the capital increase in the Bank.

2.12.2 Amount of Paid-in Capital, Disclosure on whether the parent Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital:

Registered capital system is not applied in the Bank.

2.12.3 Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period:

Date for Increase	Increased Amount	Cash	Retained Earnings for Increased
30-Mar-20	600,000	-	600,000

The Parent Bank has made a capital increase of 600,000 TL in accordance with the decision numbered 7 at the ordinary general assembly meeting held on 26 March 2020. 599,611 TL of the capital increase has been covered by the Bank's profit in 2019, and 389 TL of this amount that it was covered by the profit of the period obtained under Law No. 5746 and transferred to other reserves in 2019.

2.12.4 Information on share capital increases from capital reserves during the current period:

None

2.12.5 Possible effect of estimations made for the Group's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

Based on the evaluation made considering the Group's prior and current period indicators related to net profit share and commission income, it is observed that the Bank continues its operations profitably.

2.12.6 Summary of privileges given to shares representing the capital: None. (31 December 2019- None)

2.12.7 Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	(81,130)	94,206	136,954	82,154
Foreign Exchange Difference	-	-	-	-
Total	(81,130)	94,206	136,954	82,154

(*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as "Government Debt Securities" and "Other Marketable Securities" under financial assets at fair value through other comprehensive income in the balance sheet.

2.13 Information on minority shares:

31 December 2020 – 30,004 TL. (31 December 2019; 28,461TL)

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3. Explanations and notes related to off-balance sheet contingencies and commitments

3.1. Explanations on off-balance sheet accounts:

3.1.1 Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 31 December 2020 amounts to TL 3,503,366 (31 December 2019 – TL 2,656,398); payment commitments for cheque books amounts to TL 1,372,786 (31 December 2019 – TL 1,305,235).

3.1.2 Types and amounts of probable losses and obligations arising from off-balance sheet items including below items:

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

As of 31 December 2020, the Group has guarantees and surety ships constituting of TL 9,588,633 (31 December 2019 – TL 9,708,470) of letters of guarantee; TL 40,996 (31 December 2019 – TL 55,035) of acceptances and TL 1,685,022 (31 December 2019 – TL 1,374,009) of letters of credit. Also, banks has other acceptances amounting to TL 546,682 (31 December 2019 – TL 465,592).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies:

There are no other than those explained in 3.1.2.1

3.1.3 Total amount of non-cash loans:

	Current period	Prior period
Non-cash loans given against cash loans	33,229	-
With original maturity of 1 year or less	33,229	-
With original maturity of more than 1 year	-	-
Other non-cash loans	11,828,104	11,603,253
Total	11,861,333	11,603,253

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3.1.4. Sectorial risk concentration of non-cash loans:

	Current Period			
	TP	%	YP	%
Agriculture	75,932	1.02	29,596	0.67
Farming and stockbreeding	38,954	0.52	21,670	0.49
Forestry	36,978	0.50	7,926	0.18
Fishery	-	0.00	-	0.00
Manufacturing	1,426,416	19.10	1,467,734	33.39
Mining and quarrying	338,206	4.53	421,851	9.60
Production	774,486	10.37	1,006,187	22.89
Electricity, Gas, Water	313,724	4.20	39,696	0.90
Construction	3,036,920	40.68	603,648	13.73
Services	2,346,149	31.43	1,466,554	33.36
Wholesale and Retail Trade	1,314,073	17.60	729,169	16.59
Hotel, Food and Beverage Services	103,682	1.39	22,615	0.51
Transportation and Telecom.	475,975	6.38	363,945	8.28
Financial Institutions	18,502	0.25	226,343	5.15
Real Estate and Renting Services	52,713	0.71	27,995	0.64
Self-Employment Type Services	272	0.00	-	0.00
Educational Services	19,695	0.26	1,237	0.03
Health and Social Services	361,237	4.84	95,250	2.17
Other	579,894	7.77	828,490	18.85
Total	7,465,311	100.00	4,396,022	100.00

	Prior Period			
	TP	%	YP	%
Agriculture	68,479	1.03	51,421	1.04
Farming and stockbreeding	38,634	0.58	35,958	0.72
Forestry	29,622	0.45	15,463	0.31
Fishery	223	0.00	-	0.00
Manufacturing	1,270,772	19.14	1,171,799	23.61
Mining and quarrying	297,536	4.48	328,922	6.63
Production	658,204	9.91	809,325	16.30
Electricity, Gas, Water	315,032	4.74	33,552	0.68
Construction	2,694,124	40.58	1,231,633	24.81
Services	1,875,473	28.25	1,624,067	32.72
Wholesale and Retail Trade	1,137,190	17.13	733,830	14.78
Hotel, Food and Beverage Services	117,951	1.78	19,622	0.40
Transportation and Telecom.	482,266	7.26	529,429	10.67
Financial Institutions	19,270	0.29	248,354	5.00
Real Estate and Renting Services	22,379	0.34	9,874	0.20
Self-Employment Type Services	267	0.00	-	0.00
Educational Services	37,913	0.57	2,523	0.05
Health and Social Services	58,237	0.88	80,435	1.62
Other	730,490	11.00	884,995	17.83
Total	6,639,338	100.00	4,963,915	100.00

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3.1.5. Non-cash loans classified under Group I and II :

Current Period	Group I		Group II	
	TP	YP	TP	YP
Letters of Guarantee	6,724,723	2,551,225	268,049	44,636
Bills of Exchange and Bank Acceptances	4,503	34,535	1,000	958
Letters of Credit	14,424	1,649,067	-	21,531
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	409,241	94,070	43,371	-
Total	7,152,891	4,328,897	312,420	67,125

Prior Period	Group I		Group II	
	TP	YP	TP	YP
Letters of Guarantee	6,002,392	3,383,830	290,549	31,699
Bills of Exchange and Bank Acceptances	8,296	46,489	250	-
Letters of Credit	7,481	1,327,653	3,086	35,789
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	326,920	138,455	364	-
Total	6,345,089	4,896,427	294,249	67,488

3.2. Financial derivative instruments:

	Trading Derivatives
	Current Period
Foreign Currency Related Derivative Transactions (I):	84,075,081
Currency Forwards-Purchases, sales	2,735,214
Currency Swaps-Purchases, sales	81,339,867
Currency Futures	-
Currency Options-Purchases, sales	-
Interest Rate Related Derivative Transactions (II):	-
Interest rates forwards-Purchase, sales	-
Interest rates swaps-Purchases, sales	-
Interest rates options-Purchases, sales	-
Interest rates futures-Purchases, sales	-
Other Trading Derivatives (III)	12,274,248
A.Total Trading Derivatives (I+II+III)	96,349,329
Hedging Derivatives	-
Fair value hedges	-
Cash flow hedges	-
Foreign currency investment hedges	-
B. Total Hedging Derivatives	-
Total Derivatives Transactions (A+B)	96,349,329

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	Trading Derivatives
	Prior Period
Foreign Currency Related Derivative	
Foreign Currency Related Derivative Transactions (I):	55,226,604
Currency Forwards-Purchases, sales	1,754,813
Currency Swaps-Purchases, sales	53,471,791
Currency Futures	-
Currency Options-Purchases, sales	-
Interest Rate Related Derivative Transactions(II):	-
Interest rates forwards-Purchase, sales	-
Interest rates swaps-Purchases, sales	-
Interest rates options-Purchases, sales	-
Interest rates futures-Purchases, sales	-
Other Trading Derivatives (III)	30,797
A.Total Trading Derivatives (I+II+III)	55,257,401
	-
Hedging Derivatives	-
Fair value hedges	-
Cash flow hedges	2,451,906
Foreign currency investment hedges	-
B. Total Hedging Derivatives	2,451,906
Total Derivatives Transactions (A+B)	57,709,307

The Group enters into short-term swap transactions based on its market expectations and cash flow. These transactions are generally short-term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2020, the Group has commitments to buy TL 786,085, USD 3,290,068,000, EUR 71,021,000, GBP 44,126,000, SAR 56,279,000, 54,078,000 RUB in return of selling commitments of TL 24,397,571, USD 530,027,000, EUR 2,268,647,000, GBP 29,000 and RUB 38,805,000 (As of 31 December 2019, the Bank has commitments to buy TL 8,040,623, USD 3,247,425,000, EUR 44,093,000, GBP 500,000 and MYR 800,000,000 in return of selling commitments of TL 235,975, USD 1,361,961,000, EUR 3,031,284,000, GBP 515,000 and RUB 25,360,000)

3.3. Credit derivatives and risk exposures on credit derivatives:

None.

3.4. Contingent liabilities and assets:

In accordance with decision of the Bank's Board of Directors numbered 1117 and dated 21 June 2011, recoverable foreign currency loan granting commitments to real and legal persons and who do not have the unconditional right to utilize these commitment has been translated into Turkish Lira and no longer followed as foreign currency commitments.

3.5. Explanations on custodian and intermediary services:

None.

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3.6. Summary Information on the Parent Bank's Rating by the International Rating Institutions

Fitch Rating's Ekim 2020	Notes
Long-Term Issuer Default Rating	B+
Short-Term Issuer Default Rating	B
Local Currency Long-Term Issuer Default Rating	BB-
Local Currency Short-Term Issuer Default Rating	B
Financial Capacity Ratio	b+
Support Rating	4

4. Explanations and notes related to the statement of consolidated income

4.1 Information on profit share income:

4.1.1 Information on profit share received from loans:

	Current period		Prior period	
	TL	FC	TL	FC
Profit share on loans	5,250,272	1,033,495	5,264,646	812,938
Short term loans	1,117,394	200,101	1,466,189	185,252
Medium and long-term loans	4,085,874	831,630	3,763,974	627,302
Profit share on non-performing loans	47,004	1,764	34,483	384
Premiums received from resource utilization support fund	-	-	-	-
Total	5,250,272	1,033,495	5,264,646	812,938

4.1.2 Information on profit share received from banks:

	Current period		Prior period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	102,242	98	89,826	529
Foreign Banks	60,698	66,551	78,818	177,591
Branches and head office abroad	-	342	-	1,245
Total	162,940	66,991	168,644	179,365

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4.1.3 Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TP	YP	TP	YP
Financial Assets at Fair Value Through Profit or Loss	114,454	228,084	45,654	50,540
Financial Assets at Fair Value Reflected in Other				
Comprehensive Income	1,772,260	349,355	325,767	339,397
Financial Assets Valued Over Amortized Cost	51,580	186,632	67,844	78,732
Total	1,938,294	764,071	439,265	468,669

4.1.4 Information on profit share income received from associates and subsidiaries:

	Current Period	Prior Period
Profit share income received from associates and subsidiaries	180	-

4.2 Information on profit share expenses:

4.2.1 Information on the profit share given to the loans used:

	Current period		Prior period	
	TL	FC	TL	FC
Banks	23,948	35,557	16,893	27,333
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	22,052	4,506	16,893	9,997
Foreign banks	1,896	31,051	-	17,336
Branches and head office abroad	-	-	-	-
Other Institutions	-	337,447	-	227,877
Total	23,948	373,004	16,893	255,210

4.2.2 Profit share expense given to associates and subsidiaries:

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	1,034	4,913

4.2.3 Profit share expense paid to securities issued:

31 December 2020; 365,387 TL (1 January – 31 December 2019: 581,094).

4.3 Information on dividend income:

	Current Period	Prior Period
Fair Value Through Profit or Loss FV	-	-
Available for Sale Financial Assets	-	-
Other	68	2,841
Total	68	2,841

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4.4 Distribution of profit share on funds based on maturity of funds:

Current period		Profit Sharing Accounts						Accumulated profit-sharing accounts	Total
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year			
TL	-								
Collected funds from banks through current and profit share accounts	-	1	-	-	-	-	-	1	
Real person's non-trading profit sharing account	552,292	816,805	51,283	-	61,964	93,576	1,358	1,577,278	
Public sector profit sharing account	25	27	54	-	39	-	-	145	
Commercial sector profit sharing account	47,506	91,317	4,310	-	1,795	1,324	-	146,252	
Other institutions profit sharing account	5,484	12,324	967	-	440	115	-	19,330	
Total	605,307	920,474	56,614	-	64,238	95,015	1,358	1,743,006	
FC									
Banks	15	559	27	-	-	-	-	601	
Real person's non-trading profit sharing account	42,018	81,687	9,074	-	10,000	14,125	25	156,929	
Public sector profit sharing account	-	-	-	-	-	-	-	-	
Commercial sector profit sharing account	3,869	11,087	384	-	410	53	-	15,803	
Other institutions profit sharing account	387	1,395	111	-	63	-	-	1,956	
Precious metal accounts	8,614	6,313	845	-	791	-	-	16,563	
Total	54,903	101,041	10,441	-	11,264	14,178	25	191,852	
Grand Total	660,210	1,021,515	67,055	-	75,502	109,193	1,383	1,934,858	
Prior period		Profit Sharing Accounts						Accumulated profit-sharing accounts	Total
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year			
TL									
Collected funds from banks through current and profit share accounts	-	219	-	-	-	-	-	219	
Real person's non-trading profit sharing account	825,585	1,288,963	75,265	-	46,544	54,866	2,676	2,293,899	
Public sector profit sharing account	29	107	44	-	8	-	-	188	
Commercial sector profit sharing account	58,721	108,077	14,944	-	2,063	1,719	-	185,524	
Other institutions profit sharing account	6,951	13,437	1,748	-	409	194	-	22,739	
Total	891,286	1,410,803	92,001	-	49,024	56,779	2,676	2,502,569	
FC									
Banks	60	2,352	-	-	-	-	-	2,412	
Real person's non-trading profit sharing account	113,282	206,442	28,191	-	17,894	17,748	61	383,618	
Public sector profit sharing account	-	14	-	-	-	-	-	14	
Commercial sector profit sharing account	10,126	61,996	2,902	-	299	269	-	75,592	
Other institutions profit sharing account	876	9,161	88	-	135	-	-	10,260	
Precious metal accounts	18,747	17,513	2,005	-	933	-	-	39,198	
Total	143,091	297,478	33,186	-	19,261	18,017	61	511,094	
Grand Total	1,034,377	1,708,281	125,187	-	68,285	74,796	2,737	3,013,663	

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4.5 Information on trading income/loss (Net):

	Current period	Prior period
Net	847,844	1,328,159
Income	61,984,441	37,499,390
Gain on capital market transactions	74,885	46,127
Gain on derivative financial instruments	5,905,668	2,782,732
Foreign exchange profit	56,003,888	34,670,531
Losses (-)	(61,136,597)	(36,171,231)
Losses on capital market transactions	(29,857)	(14,011)
Losses on derivative financial instruments	(8,116,336)	(2,317,929)
Foreign exchange losses	(52,990,404)	(33,839,291)

4.6 Information on other operating income:

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Bank.

	Current Period	Prior Period
Reversal of prior period provisions	1,688,050	1,217,576
Income from sale of assets	69,847	70,497
Revenues from real estates sold under the lease certificate.	-	-
Income from the real estate sales' gains by rent certificates	8,052	3,050
Other Income	53,408	639,254
Total	1,819,357	1,930,377

4.7 Provisions for loan losses and other receivables of the Bank:

	Current Period(*)	Prior Period
Expected Credit Loss	3,240,522	2,640,410
12 month expected credit loss (Stage 1)	731,099	166,823
Significant increase in credit risk (Stage 2)	807,415	387,889
Non-performing loans (Stage 3)	1,702,008	2,085,698
Marketable Securities Impairment Expense	22,488	611
Financial Assets at Fair Value through Profit or Loss	22,488	611
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	302,730	67,951
Total	3,565,740	2,708,972

(*) Includes the provisions in the "Other Provision Expenses" line in the Income Statement.

(**) Includes free provisions that can be allocated from profit to be distributed to participation accounts according to provisions regulation.

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4.8 Information on other operating expenses:

	Current Period	Prior Period
Provision for retirement pay liability (*)	26,065	22,191
Depreciation expenses of tangible assets	1,095	-
Impairment expenses of tangible assets	162,685	191,309
Depreciation expenses of intangible assets	-	-
Depreciation expenses of assets held for sale	82,155	49,687
Other operating expenses	-	-
Lease Expenses Regarding TFRS 16 Exemptions	493,978	406,124
Rent expenses	14,204	12,215
Maintenance expenses	92,209	94,788
Advertisement expenses	46,007	48,723
Communication expenses	64,681	53,690
Heating, electricity and water expenses	26,048	27,332
Cleaning expenses	8,688	7,646
Vehicle expenses	9,328	11,120
Stationery expenses	10,437	10,118
Other expenses	222,376	140,492
Losses on sales of assets	344	1,125
Deposit insurance fund expenses	320,386	179,892
Other	1,251,379	1,163,871
Total	2,338,087	2,014,199

(*) Includes the provisions in the "Personnel Expenses" line in the Income Statement.

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

Income before tax amounting to TL 2,264,486 increased by 39,39% as compared to the prior period (1 January - 31 December 2019 – TL 1,624,549). Income before tax includes TL 6,535,122 (1 January - 31 December 2019 – TL 3,813,719) net profit share income and TL 261,839 (1 January - 31 December 2019 – TL 368,932) net fees and commission income. Other operating expense amount is TL 2,312,022 (1 January - 31 December 2019 – TL 1,992,008).

4.10 Information on tax provision for continued and discontinued operations:

Current period tax provision for the period amounting to TL 836,371 (1 January-31 December 2019 - TL 451,634), deferred tax income of TL 187,277 (1 January-31 December 2019 - TL 205,627) and TL 462,030 (1 January-31 December 2019 - TL 309,105) deferred tax income is recognized.

4.11 Information on net income/loss from continued and discontinued operations:

There is no income or loss for discontinued operation in net operating income after tax.

4.12 Information on net income/loss:

4.12.1 The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period: As of 31 December 2020, net profit share income is TL 6,535,122 (1 January-31 December 2019 – TL 3,813,719), net fees and commission income is TL 261,839 (1 January-31 December 2019 – TL 368,932).

4.12.2 Effect of changes in accounting estimates on income statement for the current and, if any for subsequent periods:

None (1 January – 31 December 2019 – None).

4.12.3 Profit/Loss attributable to minority interest:

	Current Period	Prior Period
Profit/(Loss) attributable to minority interest	(33,270)	2,452

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4.13 Details of sub accounts comprising at least 20% of other items in income statement, exceeding 10% of total income statement:

As of 31 December 2020, other fees and commissions received is TL 725,542 (1 January - 31 December 2019 – TL 643,870), TL 147,028 of this amount is related with credit card fees and commissions (1 January - 31 December 2019 – TL 197,886) and TL 118,516 of this amount is related with POS machine commissions (1 January – 31 December 2019 – TL 142,735).

As of 31 December 2020, other fees and commissions given is TL 588,668 (1 January - 31 December 2019 – TL 441,401), TL 111,537 (1 January - 31 December 2019 – TL 167,123) of this amount is related with POS clearing commissions and installation expenses, TL 38,445 (1 January - 31 December 2019 – TL 26,590) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and Disclosures Related to Statement of Consolidated Equity

- 5.1** There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements. Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.
- 5.2** In the current year, the Parent Bank made dividend payments amounting to TL 7,280 to members of Board of Directors. In the General Assembly meeting held in 26 March 2020 it has been decided that TL 56,220 would be transferred to legal reserves, TL 446,338 would be transferred to extraordinary reserve, TL 389 would be transferred to other reserves and TL 600,000 would be transferred to paid up capital.

6. Explanations and Disclosures Related to Statement of Cash Flows

6.1. Information on consolidated cash and cash equivalents:

- 6.1.1.** Components of cash and cash equivalents and accounting policy applied in their determination:

“Cash” is defined as cash in vault and foreign currency cash, cash in transit, checks purchased, unrestricted amount in the Central Bank and demand deposits in Banks. “Cash equivalents” is defined as money market placements, investments in securities and time deposits in banks with original maturity less than three months.

- 6.1.1.1.** Cash and cash equivalents at the beginning of the period:

	Current Period
Cash	19,216,292
Cash in TL/foreign currency, others	3,200,843
Demand deposits at banks	16,015,449
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	19,216,292
	Prior Period
Cash	7,214,008
Cash in TL/foreign currency, others	2,145,124
Demand deposits at banks	5,068,884
Cash Equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	7,214,008

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

	Current Period
Cash	13,995,430
Cash in TL/foreign currency, others	13,995,430
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	13,995,430
	Prior Period
Cash	20,412,202
Cash in TL/foreign currency, others	20,412,202
Demand deposits at banks (up to 3 months)	-
Cash equivalents	-
Interbank money markets	-
Time deposits at banks	-
Marketable securities	-
Total cash and cash equivalent	20,412,2020

6.2. Cash and cash equivalent items which are restricted for the usage of the Parent Bank by legal or other limitations:

None (31 December 2019 – None).

6.3. Explanations on other items in the cash flow statement:

“Other items” amounting to TL (2,332,109) (1 January-31 December 2019: TL (3,991,471)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 2,473,519 (1 January-31 December 2019: TL 2,666,305) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL (9,559,006) (1 January-31 December 2019: TL (6,527,612)) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

6.4. Effects of the change in foreign currency rates on cash and cash equivalents:

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 5,637,262 as of 31 December 2020 (31 December 2019 – TL 1,704,243). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

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7. Explanations and notes related to risk group of the Parent Bank:

7.1 The volume of transactions related to the risk group of the Parent Bank, the loans and funds collected which have not been completed at the end of the period and the income and expenses related to the period:

Current period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	182	18,827	1,868	7,206	780,512	723
Balance at end of period	169	16,291	4,695	6,709	54,992	6,632
Profit share and commission income	-	180	258	85	5,263	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

Prior period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	35	13,666	1,034	398	204,988	520
Balance at end of period	182	18,527	1,868	7,206	780,512	723
Profit share and commission income	-	-	145	-	10,066	1,531

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

7.1.1 Information on current and profit sharing accounts of the Parent Bank's risk group:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Current period	Current period	Current Period	Current period	Current period
Current and profit sharing accounts						
Balance at beginning of period	54,178	34,808	151,321	35,032	137,061	255,239
Balance at end of period	24,405	54,178	58,677	151,321	203,570	137,061
Profit share expense	1,034	4,913	852	2,281	271	38,300

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

7.1.2 Forward and option agreements and other similar agreements with the risk group of the Parent Bank:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Transactions at Fair Value through Profit or Loss						
Balance at beginning of period	-	-	607,498	287,483	-	-
Balance at end of period	-	-	716,065	607,498	-	-
Total Profit / Loss	-	-	(13,619)	(2,006)	-	-
Hedging Transactions						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

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7.1.2 Information on loans received from the Parent Bank's risk group:

Risk group of the Group	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Borrowings						
Balance at beginning of period	-	-	68,696	802,108	-	-
Balance at end of period	-	-	1,481,347	68,696	-	-
Profit share expense	-	-	41	41,221	-	-

7.1.2.1 Information on subordinated loans used by the Parent Bank from the risk group:

The amount of US \$ 1,450,000 (full balance) of the subordinated contribution capital (Tier-II) sukuk in the amount of US \$ 350,000,000 (full balance) made by the Bank on 17/02/2016, to Kuwait Finance House; The part of the amount of USD 50,000,000 (full balance) belongs to Islamic Development Bank.

All of the subordinated additional tier-I capital (Tier-I) sukuk amounting to USD 200,000,000 (full balance) made by the Bank on 16/07/2019 and USD 50,000,000 (full balance) made by the Bank on 28/09/2020) The subordinated Tier-I Sukuk is entirely owned by Kuwait Finance House.

7.2 Information on remunerations provided to top management:

As of 1 January - 31 December 2020, the Group has paid TL 69,370 to top management (1 January - 31 December 2019 TL 53,253).

8. Domestic, foreign and off-shore branches or equity investments and foreign representative offices

8.1. Domestic and foreign branches and representative offices:

	Number of Branches	Number of Employees			
Domestic branches (*)	434	4,071			
			Country		
Foreign representative offices	-	-	-	Total Assets (Thousands, TL)	Legal Capacity (USD)
Foreign bank	1	109	Germany	6,394,925	82,375,957
Off-shore branches	1	3	Bahrain (**)	4,709,510	-
Foreign branches	-	-	-	-	-

(*) The personnel working at Headquarters, Operation Center and Region quarters are not included in the domestic branches personnel number.

(**) Bahrain Branch is controlled by the Central Bank of Bahrain and the total of Assets is 4,709,510 Turkish lira as of 31 December 2020.

8.2. Opening or closing of domestic and foreign branches and representative offices and significant changes in organizational structure

In 2020, 4 new domestic branches (2019-16 branches) were opened and 0 domestic branch was closed (2019-1 branch).

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9. Significant events and matters arising subsequent to balance sheet date

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 13, 2021 with a nominal value of TL 800,000 thousand and a maturity of 72 days with a cost of 17.75%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 21, 2021 with a nominal value of TL 300,000 thousand and a maturity of 36 days with a cost of 16.77%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 27, 2021 with a nominal value of TL 400,000 thousand and a maturity of 84 days with a cost of 17.26%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 29, 2021 with a nominal value of TL 300,000 thousand and a maturity of 90 days with a cost of 17.26%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 08, 2021 with a nominal value of TL 130,000 thousand and a maturity of 81 days with a cost of 16.77%

Parent Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 10, 2021 with a nominal value of TL 200,000 thousand and a maturity of 70 days with a cost of 17.16%

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SECTION SIX

OTHER EXPLANATIONS

- 1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet:** None.

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

- 1. Explanations audit report:**

The consolidated financial statements have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated 3 March 2021 is presented preceding the financial statements.

- 2. Notes and disclosures prepared by the independent auditor:** None.