

**İstanbul Takas ve Saklama Bankası  
Anonim Şirketi**

**Interim unconsolidated financial statements at  
September 30, 2020 together with independent  
auditor's review report**

*(Convenience translation of publicly announced unconsolidated financial statements  
and Independent Auditor's Report originally issued in Turkish, See Note.I. of Section  
three.)*



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*Convenience Translation of the Review Report Originally Prepared and Issued in Turkish*

## **REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

To the Board of Directors of Istanbul Takas ve Saklama Bankası A.Ş:

### *Introduction*

We have reviewed the unconsolidated balance sheet of Istanbul Takas ve Saklama Bankası A.Ş. (the “Bank”) at September 30, 2020 and the related unconsolidated statement of income, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated November 1, 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (“BRSA”) and circulars and interpretations published by Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standard (“TAS”) 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation (together referred as “BRSA Accounting and Financial Reporting Legislation”). Our responsibility is to express a conclusion on these interim financial statements based on our review.

### *Scope of review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards of Turkey and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Istanbul Takas ve Saklama Bankası A.Ş. at September 30, 2020 and of the results of its operations and its cash flows for the nine-month period then ended in all material respects in accordance with the BRSA Accounting and Financial Reporting Legislation.

### *Other Matter*

The unconsolidated financial statements of the Bank as at 31 December 2019 and 30 September 2019 were audited and reviewed by another audit firm, which expressed an unqualified opinion and an unqualified conclusion in their reports issued on 5 March 2020 and 14 November 2019, respectively.



*Report on other regulatory requirements arising from legislation*

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VII, are not consistent with the reviewed unconsolidated interim financial statements and disclosures in all material respects.

*Additional paragraph for convenience translation to English:*

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

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



November 16, 2020  
Istanbul, Turkey

CONVENIENCE TRANSLATION OF PUBLICLY  
ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE I.B OF SECTION THREE

THE UNCONSOLIDATED FINANCIAL AUDIT REPORT OF  
İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AS OF 30 SEPTEMBER 2020

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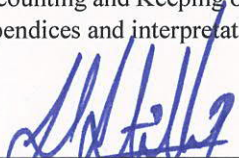
Web site of the Bank : [www.takasbank.com.tr](http://www.takasbank.com.tr)

E-mail for correspondence : [rap@takasbank.com.tr](mailto:rap@takasbank.com.tr)

The unconsolidated financial report for the nine month period ended prepared in accordance with the "Communiqué on the Financial Statements and Related Policies and Disclosures to be Publicly Announced" as regulated by the Banking Regulation and Supervision Agency, is consist of the section listed below:

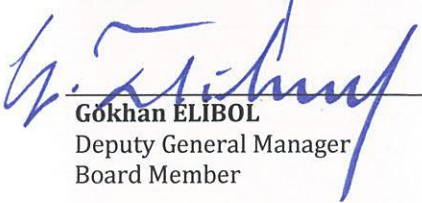
- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND DISCLOSURES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

  
Mehmet Hakan ATILLA  
Chairman of the Management  
Board

  
Ekrem Kerem KORUR  
Head of the  
Audit Committee

  
Hüseyin Melih AKOSMAN  
Member of the  
Audit Committee

  
Gökhan ELİBOL  
Deputy General Manager  
Board Member

  
Serkan AŞKAR  
Executive Vice President

  
Murat GÖRGÜN  
Director

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

Name-Surname/Title : Zülal Tarı / Chief Specialist  
Telephone Number : (0 212) 315 23 15  
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(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

SECTION ONE

GENERAL INFORMATION

I. Bank's establishment date, start-up statute, history about the changes in this mentioned statute:

The Bank was originally set up as a department of the Borsa İstanbul A.Ş. ("BİAŞ") (formerly "İstanbul Menkul Kıymetler Borsası") and reorganized under a separate company named İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. According to the decision made in 18th Ordinary Meeting of the Bank General Assembly dated 29 March 2013, title of the Bank has been changed into Istanbul Takas ve Saklama Bankası A.Ş. (Here in after referred to as "Takasbank" or the "Bank") and this title change was approved in 11 April 2013. The name of the Bank has been renovated as "Takasbank" or "Takas İstanbul" with the resolution of the ordinary general meeting dated 9 June 2017 and numbered 22.

II. Explanation about the Bank's capital structure, shareholders who directly or indirectly, solely or jointly undertake the management and control of the Bank, any changes in the period, and information on the Bank's risk group:

As of 30 September 2020 and 31 December 2019, the shareholders' structure and their respective ownerships are summarized as follows:

No	Name of Shareholders	Current Period			Prior Period		
		Paid in Capital	(%)	Number	Paid in Capital	(%)	Number
1	Borsa İstanbul A.Ş.	384,887	64.15	1	384,887	64.15	1
2	Tacirler Yatırım Menkul Değerler A.Ş.	30,000	5.00	1	29,516	4.92	1
3	Phillip Capital Menkul Değerler A.Ş.	30,000	5.00	1	28,423	4.74	1
4	Türkiye Garanti Bankası A.Ş.	29,685	4.95	1	29,685	4.95	1
5	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38	1	26,280	4.38	1
6	Türkiye İş Bankası A.Ş.	26,235	4.37	1	26,235	4.37	1
7	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	1	26,235	4.37	1
8	Other (Intermediary Institution)	26,577	4.43	25	28,638	4.77	25
9	Other (Banks)	20,101	3.35	8	20,101	3.35	8
<b>Total</b>		<b>600,000</b>	<b>100.00</b>	<b>40</b>	<b>600,000</b>	<b>100.00</b>	<b>40</b>

64.15% of the Bank's share belongs to BİAŞ. BİAŞ was established on the date of the entry into force of the Law to carry out stock market activities in accordance with Article 138 of the Capital Markets Law No. 6362, which was published in the Official Gazette on 30 December 2012 and entered into force. BİAŞ shall ensure that capital market instruments, foreign exchange and precious metals and precious stones and other contracts, documents and valuables deemed appropriate by the Capital Markets Board can be bought and sold in a transparent, effective, competitive, honest and stable environment easily and safely under the conditions of free competition markets, platforms and systems and other organized market places to facilitate the gathering of these orders and to determine and announce the prices that are formed and to establish and establish and maintain these and other stock exchanges or other market places is an institution with private legal entity established on the basis of the Capital Markets Law No. 6362 to manage and/or operate the markets of the stock exchanges.

*Dividend payment*

The General Assembly meeting was held on 21 April 2020. The Bank decided to pay a dividend of TL 285,000 to shareholders. The dividend payments were made on 4 May 2020.

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

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

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

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

Chairman and Members of the Board of Directors

Name Surname	Area of Responsibility	Education Status
Mehmet Hakan Atilla	Chairman	Gazi University / Faculty of Economics and Administrative Sciences / Department of Economics
Bekir Bayrakdar	Deputy Chairman of the Board	Istanbul University / Faculty of Political Science / International Relations
Gökhan Elibol	Deputy General Manager - Board Member - Credit Committee Member	Ankara University / Faculty of Political Sciences / Finance Beykent University / Faculty of Law / Law
Yusuf Karaloğlu(*)	Member (Chairman of the Credit Committee-Chairman of the Central Counterparty Risk Advisory Committee)	Uludağ University / Faculty of Economics and Administrative Sciences / Business Administration Erzincan University / Institute of Social Sciences / Public Law /Master
Hüseyin Melih Akosman	Member (Credit Committee Master Member - Corporate Governance Committee)	Marmara University / Faculty of Economics and Administrative Sciences / Business Administration Loyola University / Business Administration / Postgraduate
Suat Sarıgül	Member (Credit Committee Associate Member)	Hacettepe University / Accounting Gazi University / Faculty of Economics and Administrative Sciences / Business Administration Ankara Hacı Bayram Veli University / Institute of Social Sciences / Accounting / Postgraduate
Ekrem Kerem Korur	Member (Audit Committee Member-Corporate Governance Committee Credit Committee Member)	Istanbul University / Faculty of Economics / Economics (English)
Münevver Çetin	Member (Chairman of the Credit Committee)	Ankara University / Department of Economics Management Ankara University / Institute of Social Sciences / Educational Administration and Planning / Graduate Istanbul University / Institute of Social Sciences / Money and Monetary Policy / Postgraduate
Gülseren Topuz	Member ( Head of Corporate Governance Committee-ubstitute Member of Credit Committee-Central Counterparty Risk Advisory Committee Member)	Ankara University / Faculty of Economics / Economics Marmara University / Institute of Social Sciences / Statistics / Graduate Istanbul University / Institute of Social Sciences / Money and Monetary Policy / Postgraduate

\*At the General Assembly held on April 21, 2020, our Board Member Seyit Ahmet Işkın has resigned from office and Yusuf Karaloğlu has been appointed as a member of the board of directors.

General Manager and Assistant General Managers

Name Surname	Area of Responsibility	Education Status
Gökhan Elibol	Deputy General Manager - Board Member - Credit Committee Member	Ankara University / Faculty of Political Sciences / Finance Beykent University / Faculty of Law / Law
Serkan Aşkar	Vice President	Bogazici University / Faculty of Engineering / Electrical and Electronics University of Massachusetts / Faculty of Engineering / Electrical and Computing / Computer Systems / Graduate University of Massachusetts / Faculty of Engineering / Computer Systems / PhD



**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020**

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

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**IV. Information on the Bank's qualified shareholders:**

Shareholding in the Bank's shares, except BİAŞ, does not exceed 5% as stated in the Articles of Association of the Bank. 64.15% of the Bank belongs to BİAŞ. The Bank has no preferred shares as of 30 September 2020 (31 December 2019: None). The preferred shares belonging to BİAŞ grants to shareholders the right to nominate four candidates to be elected to the Board of Directors by the General Assembly).

<b>Name Surname/Business Name</b>	<b>Share Amount</b>	<b>Share Proportions</b>	<b>Paid-in Shares</b>	<b>Unpaid Shares</b>
BİAŞ	384,887	64.15%	384,887	-

**V. Information on the Bank's function and areas of activity:**

The main purpose of the Bank is to increase our country's market competitiveness by providing settlement and custody services, providing financial services, and performing all types of economic activities within the scope of the relevant legislation.

The areas of activity that are specified in the Bank's Articles of Association, in general, are as follows:

- Providing all financial services, and primarily central bartering services and central counterparty services, activity of settlement and custody, market management, establishing and making payments, transfer and reconciliation systems, and banking activities;
- Financial services related to international markets including all kinds of payments, transfers, settlements, custody, and reconciliation services;
- Performing judiciary activities and signing all agreements related to its subject, signing written contracts, notes, and miscellaneous notes, acquiring all kinds of rights and receivables and binding debts;
- Purchasing, manufacturing, constructing, acquiring in other ways, renting, partially or completely, selling when necessary, transferring and leasing, and establishing all kinds of real rights on moveable and immoveable goods or removing all kinds of moveable and immoveable goods as well as all kinds of rights associated with them;
- All kinds of loaning and borrowing required by its activities, in line with corporate management principles as determined by banking and capital market legislation, as well as providing and obtaining personal in cash or in kind guarantees such as sureties, pledges, mortgages, and enterprise pledges in its favour or in favour of others, and transferring or cancelling these;
- Exporting all types of capital market instruments within the framework of Capital Markets legislation;
- Establish partnerships with domestic and foreign organizations and join existing partnerships.

**VI. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the bank and its subsidiaries:**

None.

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AT 30 SEPTEMBER 2020

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

SECTION TWO

I. UNCONSOLIDATED BALANCE SHEET

ASSETS	Note	Reviewed Current Period			Restated Audited Prior Period		
		30 September 2020			31 December 2019		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		16,139,288	5,884,222	22,023,510	8,543,464	7,148,564	15,692,028
1.1 Cash and Cash Equivalents		16,135,617	5,883,561	22,019,178	8,501,028	7,147,903	15,648,931
1.1.1 Cash and Balances with Central Bank	I-(1)	144	-	144	840	-	840
1.1.2 Banks	I-(3)	16,131,565	5,883,561	22,015,126	8,491,461	7,147,903	15,639,364
1.1.3 Money Markets	I-(3)	29,764	-	29,764	29,338	-	29,338
1.1.4 Expected Loss Provision (-)	I-(3)	25,856	-	25,856	20,611	-	20,611
1.2 Financial Assets at Fair Value Through Profit or Loss	I-(2)	-	-	-	-	-	-
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	I-(4)	3,671	661	4,332	2,421	661	3,082
1.3.1 Government Debt Securities		-	-	-	-	-	-
1.3.2 Equity Instruments		3,671	661	4,332	2,421	661	3,082
1.3.3 Other Financial Assets		-	-	-	-	-	-
1.4 Derivative Financial Assets	I-(5)	-	-	-	40,015	-	40,015
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		-	-	-	40,015	-	40,015
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		1,171,719	1,470,302	2,642,021	383,765	467,720	851,485
2.1 Loans	I-(6)	170,702	-	170,702	157,493	-	157,493
2.2 Lease Receivables	I-(11)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Financial Assets Measured at Amortised Cost	I-(7)	1,001,558	1,470,302	2,471,860	226,569	467,720	694,289
2.4.1 Government Debt Securities		1,001,558	1,470,302	2,471,860	226,569	467,720	694,289
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Loss Provision (-)		541	-	541	297	-	297
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	I-(13)	-	-	-	-	-	-
3.1 Held for Sale Purpose		-	-	-	-	-	-
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		4,825	-	4,825	4,825	-	4,825
4.1 Investments in Associates (Net)		-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)		4,825	-	4,825	4,825	-	4,825
4.2.1 Unconsolidated Financial Subsidiaries		4,825	-	4,825	4,825	-	4,825
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>		9,086	-	9,086	11,243	24	11,267
<b>VI. INTANGIBLE ASSETS (Net)</b>		105,708	-	105,708	103,793	-	103,793
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		105,708	-	105,708	103,793	-	103,793
<b>VII. INVESTMENT PROPERTY (Net)</b>	I-(12)	34,275	-	34,275	34,275	-	34,275
<b>VIII. CURRENT TAX ASSET</b>		-	-	-	-	-	-
<b>IX. DEFERRED TAX ASSET</b>	I-(14)	2,087	-	2,087	-	-	-
<b>X. OTHER ASSETS</b>	I-(15)	65,543	291	65,834	36,428	459	36,887
<b>TOTAL ASSETS</b>		17,532,531	7,354,815	24,887,346	9,117,793	7,616,767	16,734,560

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AT 30 SEPTEMBER 2020

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

I. UNCONSOLIDATED BALANCE SHEET

LIABILITIES	Note	Reviewed Current Period			Restated Audited Prior Period		
		30 September 2020			31 December 2019		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED		-	-	-	-	-	-
II. FUNDS BORROWED	II-(2)	458,148	2,506,893	2,965,041	-	4,105,859	4,105,859
III. MONEY MARKETS DEBTS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS	II-(3)	14,614,045	4,809,505	19,423,550	7,125,133	3,080,293	10,205,426
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		14,614,045	4,809,505	19,423,550	7,125,133	3,080,293	10,205,426
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-(1)	-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES	II-(4)	2,033	-	2,033	2,323	24	2,347
X. PROVISIONS	II-(5)	70,168	-	70,168	61,088	-	61,088
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		14,964	-	14,964	15,952	-	15,952
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		55,204	-	55,204	45,136	-	45,136
XI. CURRENT TAX LIABILITY	II-(6)	44,310	-	44,310	43,570	-	43,570
XII. DEFERRED TAX LIABILITY		-	-	-	8,175	-	8,175
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	II-(7)	2,382,244	-	2,382,244	2,308,095	-	2,308,095
16.1 Paid-in capital		600,000	-	600,000	600,000	-	600,000
16.2 Capital Reserves		36,280	-	36,280	36,280	-	36,280
16.2.1 Share Premium		33,019	-	33,019	33,019	-	33,019
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserve		3,261	-	3,261	3,261	-	3,261
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(322)	-	(322)	(272)	-	(272)
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
16.5 Profit Reserves		1,364,284	-	1,364,284	1,033,296	-	1,033,296
16.5.1 Legal Reserves		164,767	-	164,767	108,468	-	108,468
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		1,196,873	-	1,196,873	922,184	-	922,184
16.5.4 Other Profit Reserves		2,644	-	2,644	2,644	-	2,644
16.6 Income or (Loss)		382,002	-	382,002	638,791	-	638,791
16.6.1 Prior Periods' Income or (Loss)		22,803	-	22,803	26,445	-	26,445
16.6.2 Current Period Income or (Loss)		359,199	-	359,199	612,346	-	612,346
16.7 Share Premium		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>17,570,948</b>	<b>7,316,398</b>	<b>24,887,346</b>	<b>9,548,384</b>	<b>7,186,176</b>	<b>16,734,560</b>

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS  
AS OF 30 SEPTEMBER 2020

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

II. OFF-BALANCE SHEET

OFF-BALANCE SHEET COMMITMENTS	Note	Reviewed Current Period			Audited Prior Period		
		30 September 2020			31 December 2019		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>27,408,167</b>	-	<b>27,408,167</b>	<b>19,810,882</b>	<b>399,036</b>	<b>20,209,918</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>III-(1)</b>	<b>26,820,206</b>	-	<b>26,820,206</b>	<b>18,946,779</b>	-	<b>18,946,779</b>
1.1. Letters of Guarantee		-	-	-	-	-	-
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		-	-	-	-	-	-
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	-	-	-	-	-
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		-	-	-	-	-	-
1.7. Other Collaterals		-	-	-	-	-	-
1.8. Import Letter of Acceptance		26,820,206	-	26,820,206	18,946,779	-	18,946,779
1.9. Other Bank Acceptances		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>III-(1)</b>	<b>587,961</b>	-	<b>587,961</b>	<b>414,703</b>	-	<b>414,703</b>
2.1. Irrevocable Commitments		587,961	-	587,961	414,703	-	414,703
2.1.1. Asset Purchase and Sale Commitments		-	-	-	-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	3,750	-	3,750
2.1.4. Loan Granting Commitments		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		-	-	-	-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		587,961	-	587,961	410,953	-	410,953
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		-	-	-	<b>449,400</b>	<b>399,036</b>	<b>848,436</b>
3.1. Hedging Derivative Financial Instruments		-	-	-	449,400	399,036	848,436
3.1.1. Fair value hedge		-	-	-	440,400	399,036	848,436
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Foreign Net Investment Hedges		-	-	-	-	-	-
3.2. Trading Derivative Financial Instruments		-	-	-	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1. Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2. Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3. Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4. Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5. Securities Options-Buy		-	-	-	-	-	-
3.2.3.6. Securities Options-Sell		-	-	-	-	-	-
3.2.4. Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1. Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>4,557,057,477</b>	<b>9,564,075</b>	<b>4,566,621,552</b>	<b>4,149,948,286</b>	<b>998,823</b>	<b>4,150,947,109</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>4,524,648,576</b>	-	<b>4,524,648,576</b>	<b>4,112,181,981</b>	-	<b>4,112,181,981</b>
4.1. Customer Fund and Portfolio Balances		1,860	-	1,860	1,832	-	1,832
4.2. Investment Securities Held in Custody	<b>III-(1)</b>	4,524,645,216	-	4,524,645,216	4,112,178,649	-	4,112,178,649
4.3. Checks Received for Collection		-	-	-	-	-	-
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		1,500	-	1,500	1,500	-	1,500
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>32,408,901</b>	<b>9,564,075</b>	<b>41,972,976</b>	<b>37,766,305</b>	<b>998,823</b>	<b>38,765,128</b>
5.1. Marketable Securities		16,774,146	9,564,075	26,338,221	19,051,140	998,823	20,049,963
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		-	-	-	-	-	-
5.6. Other Pledged Items		15,634,755	-	15,634,755	18,715,165	-	18,715,165
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>4,584,465,644</b>	<b>9,564,075</b>	<b>4,594,029,719</b>	<b>4,169,759,168</b>	<b>1,397,859</b>	<b>4,171,157,027</b>

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



(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

III. STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS	Note	Reviewed	Restated	Reviewed	Restated
		Current Period	Prior Period	Current Period	Prior Period
		1 January 2020 - 30 September 2020	1 January 2019 - 30 September 2019	1 July 2020 - 30 September 2020	1 July 2019 - 30 September 2019
<b>I. INTEREST INCOME</b>		339,500	603,786	129,685	188,566
1.1 Interest on Loans		11,894	6,622	2,744	2,184
1.2 Interest Received from Reserve Requirements	IV-(1)	-	-	-	-
1.3 Interest Received from Banks	IV-(1)	248,418	538,850	88,358	175,897
1.4 Interest Received from Money Market Transactions		-	37,881	-	-
1.5 Interest Received from Marketable Securities Portfolio	IV-(1)	78,584	19,708	38,261	10,289
1.5.1 Financial Assets at Fair Value Through Profit or Loss		-	-	-	-
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-
1.5.3 Financial Assets Measured at Amortised Cost	IV-(1)	78,584	19,708	38,261	10,289
1.6 Financial Lease Income		-	-	-	-
1.7 Other Interest Income		604	725	322	196
<b>II. INTEREST EXPENSE</b>	IV-(2)	38,992	156,701	17,447	45,638
2.1 Interest on Deposits		-	-	-	-
2.2 Interest on Funds Borrowed		38,753	156,658	17,376	45,618
2.3 Interest Expense on Money Market Transactions		-	-	-	-
2.4 Interest on Securities Issued		-	-	-	-
2.5 Lease Interest Expenses		239	43	71	20
2.6 Other Interest Expenses		-	-	-	-
<b>III. NET INTEREST INCOME (I - II)</b>		300,508	447,085	112,238	142,928
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		272,503	208,139	104,100	70,344
4.1 Fees and Commissions Received		303,076	230,923	116,220	78,391
4.1.1 Non-cash Loans		25,972	26,111	10,246	7,660
4.1.2 Other	IV-(11)	277,104	204,812	105,974	70,731
4.2 Fees and Commissions Paid		30,573	22,784	12,120	8,047
4.2.1 Non-cash Loans		-	-	-	-
4.2.2 Other		30,573	22,784	12,120	8,047
<b>V. DIVIDEND INCOME</b>	IV-(3)	10,739	37,918	-	-
<b>VI. TRADING INCOME / LOSS (Net)</b>	IV-(4)	18,202	49,518	1,864	26,915
6.1 Trading Gains/ Losses on Securities		-	-	-	-
6.2 Trading Gains/ Losses on Derivative Financial Instruments		(11,329)	55,186	-	56,138
6.3 Foreign Exchange Gains/ Losses		29,531	(5,668)	1,864	(29,223)
<b>VII. OTHER OPERATING INCOME</b>	IV-(5)	5,686	21,621	1,058	2,349
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		607,638	764,281	219,260	242,536
<b>IX. EXPECTED CREDIT LOSS (-)</b>	IV-(6)	19,654	3,110	15,528	(3,849)
<b>X. OTHER PROVISION EXPENSES (-)</b>	IV-(7)	24,859	23,658	8,194	5,686
<b>XI. PERSONNEL EXPENSES (-)</b>	IV-(7)	62,496	56,928	20,067	18,705
<b>XII. OTHER OPERATING EXPENSES (-)</b>	IV-(7)	44,812	43,714	13,852	14,119
<b>XIII. NET OPERATING INCOME/ LOSS (VIII+...+XII)</b>		455,817	636,871	161,619	207,875
<b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-	-	-
<b>XV. INCOME/ LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-	-	-
<b>XVI. INCOME/ LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII. INCOME/ LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XIII+...+XVI)</b>		455,817	636,871	161,619	207,875
<b>XVIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	IV-(8)	(96,618)	(130,268)	(35,501)	(45,221)
18.1 Current Tax Provision		(106,867)	(113,451)	(35,207)	(33,435)
18.2 Deferred Tax Income Effect (+)		-	-	-	-
18.3 Deferred Tax Expense Effect (-)		10,249	(16,817)	(294)	(11,806)
<b>XIX. NET INCOME/ LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	IV-(9)	359,199	506,603	126,118	162,634
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
20.1 Income from Non-Current Assets Held for Resale		-	-	-	-
20.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3 Other Income from Discontinued Operations		-	-	-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
21.1 Expense from Non-Current Assets Held for Resale		-	-	-	-
21.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3 Other Expenses from Discontinued Operations		-	-	-	-
<b>XXII. INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-	-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1 Current Tax Provision		-	-	-	-
23.2 Deferred Tax Income Effect (+)		-	-	-	-
23.3 Deferred Tax Expense Effect (-)		-	-	-	-
<b>XXIV. NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-	-	-
25.1 Group's profit/loss		359,199	506,603	126,118	162,634
25.2 Minority shares profit/loss (-)		-	-	-	-
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	IV-(10)	359,199	506,603	126,118	162,634
Earnings / (Loss) Per Share in (Full TL)		0.5987	0.8445	0.2102	0.2711

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed	Restated Reviewed
	Current Period 1 January- 30 September 2020	Prior Period 1 January- 30 September 2019
<b>I.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>359,199</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>506,603</b>
<b>2.1</b>	<b>Not Reclassified Through Profit or Loss</b>	<b>(50)</b>
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	(63)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	13
<b>2.2</b>	<b>Reclassified Through Profit or Loss</b>	<b>-</b>
2.2.1	Foreign Currency Translation Differences	-
	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other	-
2.2.2	Comprehensive Income	-
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>359,149</b>
		<b>505,411</b>

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

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)  
 ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
 UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020  
 (Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

**V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Changes in shareholders' equity	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss		Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss		Total Equity Except from Minority Interest	Current Period Profit or (Loss)	Prior Period Profit or (Loss)	Profit Reserves	Income/expenses from revaluation and/or reclassification of financial assets measured at FVOCI	Translation differences	Defined benefit plans' actuarial gains/losses	Other	Total Equity	Minority Interest	Shareholders' Equity	
	Retrieved	Paid-in Capital	Share Premiums	Share Cancellation												Other Capital Reserves
<b>I. Current Period</b>																
1. January 2020-30 September 2020																
II. Prior Period End Balance	600,000		33,019		3,261						(172)					2,308,095
III. Corrections and Accounting Policy Changes Made																
2.1. Effects of Corrections																
2.2. Adjusted Beginning Balance (I+II)																
IV. Total Comprehensive Income	600,000		33,019		3,261			1,033,296			(272)					2,308,095
V. Capital Increase by Cash											(50)					359,149
VI. Capital Increase by Internal Sources																
VII. Paid-in capital inflation adjustment difference																
VIII. Convertible Bonds to Shares																
IX. Subordinated Debt Instruments																
X. Increase/Decrease by Other Changes																
XI. Profit Distribution																
XI.1 Dividends paid																
XI.2 Transfers to Reserves																
XI.3 Other																
Period-End Balance (III+IV+...+XI)	600,000		33,019		3,261			1,367,284			(322)					2,302,244

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



**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)  
 ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
 UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY  
 FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020  
 (Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)**

**V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

Restated Reviewed	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss				Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss				Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity	
	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined benefit plans' actuarial gains/losses	Other	Translation differences					Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI
Prior Period													
I. 1 January 2019-30 September 2019	600,000	33,019	-	3,261	-	909	-	-	-	606,526	501,770	-	1,745,485
II. Prior Period End Balance	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (H1)	600,000	33,019	-	3,261	-	909	-	-	-	606,526	26,445	-	26,445
IV. Total Comprehensive Income	-	-	-	-	-	(1,192)	-	-	-	-	528,215	-	1,771,930
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	505,411
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes	-	-	-	969	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	426,770	(501,770)	-	969
11.1 Dividends paid	-	-	-	-	-	-	-	-	-	-	(75,000)	-	(75,000)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	426,770	(426,770)	-	(75,000)
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+...+XI)	600,000	33,019	-	4,230	-	(283)	-	-	-	1,033,296	26,445	-	2,293,310

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

VI. STATEMENT OF CASH FLOWS

	Note	Reviewed	Reviewed
		Current Period	Prior Period
		1 January –	1 January –
		30 September 2020	30 September 2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating Profit/ (Loss) Before Changes in Operating Assets and Liabilities		773,213	463,138
1.1.1 Interest Received	IV-(1)	319,807	595,844
1.1.2 Interest Paid	IV-(2)	(38,844)	(158,396)
1.1.3 Dividend Received		10,739	37,918
1.1.4 Fees and Commissions Received		272,902	211,174
1.1.5 Other Income		5,686	21,621
1.1.6 Collections from Previously Written-off Loans and Other Receivables		-	-
1.1.7 Payments to Personnel and Service Suppliers	II-(5)	(63,825)	(58,123)
1.1.8 Taxes Paid	II-(6)	(89,007)	(157,677)
1.1.9 Other		355,755	(29,223)
1.2 Changes in Operating Assets and Liabilities		8,090,279	2,655,543
1.2.1 Net increase/decrease in Financial Assets at Fair Value Through Profit or Loss	I-(2)	-	-
1.2.2 Net (increase) / decrease in Due from Banks and Other Financial Institutions	I-(3)	(21,717)	803
1.2.3 Net (increase) / decrease in Loans	I-(5)	(12,940)	(13,644)
1.2.4 Net (increase) / decrease in Other Assets	I-(14)	1,227	28,606
1.2.5 Net increase / (decrease) in Bank Deposits		-	-
1.2.6 Net increase / (decrease) in Other Deposits		-	-
1.2.7 Net increase/decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.8 Net increase/(decrease) in Funds Borrowed	II-(2)	(1,140,966)	(548,839)
1.2.9 Net increase/(decrease) in Payables		-	-
1.2.10 Net increase/(decrease) in Other Liabilities		9,166,567	3,188,617
<b>I. Net Cash Provided from Banking Operations</b>		<b>8,765,384</b>	<b>3,118,681</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(1,680,417)</b>	<b>(657,367)</b>
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(1,666)	(1,648)
2.4 Disposals of Property and Equipment		-	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	I-(4)	(1,250)	-
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase of Financial Assets Measured at Amortised Cost	I-(6)	(3,229,312)	(645,302)
2.8 Sale of Financial Assets Measured at Amortised Cost		1,564,499	-
2.9 Other		(12,688)	(10,417)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>(299,279)</b>	<b>(53,429)</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		(285,000)	(75,000)
3.5 Payments for Leases		(239)	(43)
3.6 Other		(14,040)	21,614
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(431,913)</b>	<b>(22,440)</b>
<b>V. Net Decrease in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>6,353,775</b>	<b>2,385,445</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>15,660,042</b>	<b>11,579,206</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>I-(1)/(3)</b>	<b>22,013,817</b>	<b>13,964,651</b>

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.  
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020  
(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. Basis of Presentation**

*Presentation of financial statements*

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards (“TFRS”) published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and “Communiqué Pertaining to Public Disclosure of Risk Management in Banks” amendments to these Communiqués. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

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

*The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles*

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these financial statements.

*Additional paragraph for convenience translation to English:*

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

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

The Bank places its funds in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. For the purposes of maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in money markets. The most significant financing resources are guarantees of the members, short term placements and the shareholders’ equity of the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

The Bank has not any area of operations for which a return is achieved above the average rate of return.

The Bank carries transactions in securities and money markets. Accordingly, exchange rate and interest rate volatility are managed by matching its assets and liabilities. The Bank does not engage in derivative or structured products defined as off-balance sheet to provide balance sheet management or to make profit. The Bank does not have any transactions that cause liability or affect the net asset position negatively in other foreign currency transactions.

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

In the interim financial statements prepared as of September 30, 2020, it is aimed to update the financial information included in the most recent annual financial statements. Considering the magnitude of the economic changes due to COVID-19, in the coming periods, the Bank will update its relevant assumptions as necessary and revise the realizations of past estimates.

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

Investments in associates and subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Consolidated and Separate Financial Statements Standard” (“TAS 27”) and non-financial associates, subsidiaries are stated with their cost values at the financial statements after the provision for impairment deducted.

**IV. Explanations on Forward and Option Contracts and Derivative Instruments**

Bank’s derivative instruments mainly consist of swap transactions for hedging purposes. The Bank has no derivative financial instruments designated as hedging instruments or embedded derivative financial instruments.

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

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account “Derivative Financial Assets Measured at Fair Value Through Profit and Loss” or “Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income”; if the fair value difference is negative, it is disclosed in “Derivative Financial Liabilities Measured at Fair Value Through Profit and Loss” or “Derivative Financial Liabilities Measured at Fair Value Through Other Comprehensive Income”. Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under “trading income/loss” item in the income statement.

**Explanations on Derivative Instruments for Hedging Purpose**

The Bank performs cross currency swap transactions in order to avoid changes in the fair value of fixed-rate financial instruments.

**V. Explanations on Interest Income and Expenses**

Interest is recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

**VI. Explanations on Fees and Commission Income and Expenses**

The Bank performs custody and settlement services for marketable securities, precious metals and other securities arising from purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the BİST and on other clearing, collateral management services, market operation, gold transfer, crowdfunding depository authority, biga platform and stock exchange markets, performs transfers, settlements and offsets between the accounts of securities intermediary companies and investors; performs procedures related to obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing marketable and other securities and additional financial services. On these operations, the Bank receives custody and service commission income from its customers. These fees and commissions are accrued on a monthly basis under other operating income.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Assets**

The Bank recognizes its financial assets as “Fair Value Through Profit or Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments. The Bank recognizes a financial asset or financial liability on its balance sheet only when it is party to the contractual provisions of the financial lease. The Bank derecognizes a financial asset only when the contractual rights to cash flows from the financial asset have expired or the financial assets have been transferred and the conditions for derecognition have been met. A financial liability (or part of a financial liability) is only recognized when the liability has expired; in other words, it is removed from the statement of financial position when the obligation specified in the contract is fulfilled, canceled or time out.

The Bank categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost” based on the matters below:

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

When the business model determined by the Bank management is changed, all financial assets affected by this change are reclassified. Reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, there no adjustment to earnings, losses (including impairment gain or loss) or interest received previously in the financial statements is made.

**a. Financial assets at fair value through profit or loss**

Financial assets at fair value through profit/loss are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

**b. Financial assets at fair value through other comprehensive income**

Financial assets are classified as fair value through other comprehensive income if the assets are being held in line with a business model that aims collection of contractual cash flows or sale of assets and additionally if the contractual terms of the financial asset lead to cash flows that solely include the payments of principal and interest on certain dates.

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

**c. Financial Assets Measured at Amortised Cost**

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Assets (Continued)**

**d. Loans**

Loans are financial assets which have fixed payment terms and are not traded in an active market.

The Bank provides cash loans to the brokerage houses at maximum one month maturity however mostly overnight maturity in order to provide efficiency and convenience in capital market transactions within the limits determined by the Board of Directors. Moreover, The Bank provides swap loan, which is a loan with a maximum maturity of O / N (overnight) provided to Borsa Istanbul Equity Market participants to meet the short-term fund needs that may arise during the completion of the requested collaterals in order to cover the risks arising from their positions in the market. Cash loans are classified under the heading “financial assets measured at amortized cost” in the context of “being held for the purpose of obtaining contractual cash flows” and “contractual cash flows representing interest only on principal and principal balance” criteria.

Loans recognized at cost and are valued at amortized cost using the effective interest method.

*Explanations on the Impairment of Financial Assets Recognition of Financial Statements of Expected Credit Losses*

In accordance with the “Regulation on Procedures and Principles for the Classification of Loans and Provisions to be Issued” published in the Official Gazette dated 22 June 2016 and numbered 29750, the Bank calculates the expected credit loss provision in accordance with TFRS 9 and indicates in its financial statements. Expected credit losses related to cash and cash equivalents under financial assets, other receivables, loans and non-cash loans are calculated and accounted.

Provisions provided by the Bank under TFRS 9; the expected credit loss provision amounts for 12 months and the expected credit loss provision amounts due to a significant increase in the credit risk of the borrower and the expected lifetime credit loss provisions for the default of the debts are considered as special provisions.

For non-impaired financial assets, the expected credit loss provision for twelve months is calculated and set aside for the initial recognition stage. For these financial assets, effective interest rate is used over the gross book value.

Although not available for the reporting period, the expected lifetime credit loss is calculated and set aside for non-impaired financial assets that have significant increase in credit risk after initial recognition. For these financial assets, effective interest rate is used over the gross book value.

The expected lifetime credit loss provision is calculated and set aside for financial assets that are purchased or created with impaired loans. For these financial assets, effective interest rate is applied through net book value.

The definition of default is included in the Communiqué on the calculation of the credit risk amount based on the internal rating approach. It is assumed that the debtor defaults in the event that the debtor is unable to fully pay the debts to the Bank without applying for collateral or if the debtor has delayed more than 90 days to fulfill his significant liabilities to the Bank.

Expected credit losses for financial assets, other receivables and loans under the title Cash and cash equivalents are recognized under “Expected loss reserves (-)” on the asset side of the balance sheet.

The expected credit loss provisions calculated for the transactions classified as non-cash loans due to the market where the Bank is the Central Opposite Party and the guarantor are listed under the “Other Provisions” heading on the liabilities of the balance sheet.

The total provision for credit losses under TFRS 9 is classified under “12 Months Expected Loss Equivalent- (First Stage)”. There is no allowance for credit losses classified under “Significant Increase in Credit Risk (Second Stage)”.

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Assets (Continued)**

**d. Loans (Continued)**

The basic principles for calculating the Bank "Expected credit loss provisions" are as follows:

- Information considered in the expected credit loss accounting should be reasonable, reliable and supportable.
- Country risk is also taken into account when calculating provisions for expected credit losses.
- Provision for loans can be higher than their loan-based counterparts, taking into account the size, type, currency, interest rate structure, borrowing sector, collaterals and similar concentrations over time, credit risk level and management.
- The approach used to assess expected credit losses is consistent with the bank's credit risk management.
- The information used should include the borrower-specific factors, the general economic conditions and the assessment of the effects of these factors and circumstances at the reporting date on the current and future periods. Potential sources of information include the Bank's credit disposal experience, internal or external credit ratings, reports and statistics.
- If the financial instrument is determined to have low credit risk at the reporting date, the Bank may assume that the credit risk in the financial instrument has not increased substantially since the first time it was recognized.

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 period for loans to be classified as non-performing loans shall be applied as 180 days according to assembly's resolution dated on March 17, 2020. This measure will be effective until December 31, 2020. In accordance with BRSA decision decision number 8970 dated 27 March 2020, It is allowed that a loss allowance for loans which have days past due between 30 to 90 and classified under Stage 1 at an amount equal to 12-month expected credit losses until 31 December 2020.

In accordance with BRSA decisions, The Bank has no any credit for such classification explained above.

**VIII. Explanations on Impairment of Financial Assets**

At each balance sheet date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets has suffered an impairment and whether it meets the classification requirements in accordance with TFRS 9. The Bank determines the amount of the impairment if such indicator exist as mentioned. Related accounting policy is explained in footnote VII.

**IX. Explanations on Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, no offsetting is made with respect to financial assets and liabilities.

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

Repurchase agreements are classified as their purposes on the securities portfolio and evaluated by the principals of the portfolio which they belong to. The Bank has no repurchase transaction as of the balance sheet date.

Receivables from reverse repurchase agreements are accounted for under "Receivables from Reverse Repurchase Agreements" account in the balance sheet. The difference between purchase and sale price determined by these agreements is accrued over the life of agreements according to effective interest rate method.

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XI. Explanations on Assets Held for Sale and Discontinued Operations**

Assets which satisfy to be classified as held for sale are measured by the lower of carrying value and fair value less costs to sell and these assets are not amortized; and are separately presented in the financial statements. For an asset (or else the group of assets) to be classified as held for sale; the asset should be ready for immediate sale in frequently seen and accustomed terms and the probability of sale should be high. For the probability of sale to be high, appropriate level of management should have made a plan for the sale of the asset (or else the group of assets) and a program should have been initiated in order to determine buyers as well as complete the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized 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 the possibility of making significant changes or cancelling the plan is low. Certain events and conditions may extend the duration of completion of sale to more than one year.

If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets). A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

A discontinued operation is a part of a bank classified as held for sale or held for sale. The results of discontinued operations are presented separately in statement of profit or loss.

The Bank has no assets held for sale as of the balance sheet date. The Bank has no discontinued operations during the period.

**XII. Explanations on Goodwill and Other Intangible Assets**

As of the balance sheet date, there is no goodwill in the accompanying un-consolidated financial statements of the Bank.

The intangible assets which have been bought before 1 January 2005 are amortized based on historical cost which has been revised according to inflation effects dated 31 December 2004 and the items which have been bought in the following dates are amortized based on purchase cost with the allocation of accumulated depreciation and impairments. The intangible assets are amortized based on straight line amortization regarding useful life periods. The amortization method and period are revised periodically every year.

Intangible assets of the Bank are basically software license costs. Useful lives of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over five years and depreciation rate is proportional with period for those with certain leasing period. Economic useful lives determined are in accordance with the criteria stated in the Turkish Accounting Standards-TAS 38-Intangible Assets. Computer programs widely used in the Bank are generated within the Bank by the personnel of the Bank and the expenses related to those assets are not capitalized. Computer software is only purchased in case of urgent need and special projects.

Within the scope of the agreement made between Borsa İstanbul and NASDAQ, new BISTECH technology, which was developed under Borsa İstanbul's processing system; data distribution; index calculation; market surveillance; reporting systems; and also the Bank's swap and risk management systems, has a useful life of 20 years.



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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. Explanations on Tangible Assets

Tangible fixed assets are initially recognized at acquisition cost and any other cost incurred so as to get the fixed asset ready for use.

Tangible fixed assets are depreciated with straight-line method. Tangible fixed assets are depreciated with the rates determined by the Ministry of Finance based on useful lives. These useful lives are in line with the criteria stated in "TAS 16 - Tangible Assets" released by Turkish Accounting Standards Board. Depreciation Rates for Tangible Fixed Assets are as following:

	Estimated Useful Life (Year)	Depreciation Rate
Buildings	50	2%
Furniture, Fixture and Office Equipment	4 - 15	6,67-25%
Other Tangible Fixed Assets	2 - 16	6,67-50%

Tangible fixed assets are accounted for at cost less accumulated depreciation and impairment, if any.

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

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed. There are no pledges, mortgages or other restrictions on the tangible fixed assets.

XIV. Explanations on Leasing Transactions

The Bank measures the operational lease liabilities based on the present value of the lease payments that have not been paid at the date lease is actually started, in accordance with TFRS 16. Lease payments are discounted by using the Bank's alternative incremental borrowing rate.

After the date lease actually started, the Bank increases book value to reflect the interest on lease liability, decreases book value to reflect lease payments that is made and remeasures to reflect the changes made in lease or revised fixed lease payments.

The interest on the lease liability for each period of the lease term, is the amount calculated by charging a fixed periodic interest rate on remaining balance of lease liability.

After the date lease actually started, net book value of lease liability is increased by reflecting the interest on lease liability, decreased by reflecting lease payments that is made and remeasures to reflect the changes made in lease or revised fixed lease payments.

The Bank applies a discount rate that reflects the changes in the interest rate in a scenario where the Bank used purchase option at the initial lease term.

The Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate for a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The Bank decreases carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. Explanations on Provisions and Contingent Liabilities**

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

Provisions on financial statements, if an existing obligation resulting from past events, it is probable that the obligation will be met and the obligation can be reliably measured. Provisions are calculated based on the Bank management’s best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to the fair value where the effect is material.

**XVI. Explanations on Liabilities Regarding Employee Benefits**

Obligations related to employment termination and vacation rights “Turkey Accounting Standards Regarding Employee Benefits” (“TAS 19”) are accounted for in accordance with the provisions.

*Defined Benefit Plans*

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No: 19 “Turkish Accounting Standard on Employee Benefits”.

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

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are audited annually. The carrying value of provision for employee termination benefits as of 30 September 2020 is TL 8,644 (31 December 2019: TL 7,389).

Communiqué on “Turkish Accounting Standard (TAS 19) about Benefits for Employee (No: 9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2013 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 30 September 2020, actuarial gain after deferred tax effect amounting to TL 63 (30 September 2019: TL 1,490 actuarial loss) was classified as “Other Capital Reserves”.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on Taxation**

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit at enacted tax rates, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized as taxable profit.

The carrying amount of a deferred tax asset shall be reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled is recognized in income statement as income or expense. Deferred tax that relates to items that are recognized directly in equity, in the same or a different period, is recognized directly in equity. Deferred tax assets and liabilities are netted off.

The current taxes payable and advance taxes are offset since they relate to each other.

The Bank has adjusted its statutory financial statements with inflation accounting as of 1 January 2004 in accordance with Law No. 298. Some modifications have been made in the tax legislation with Law 4842 published in the Official Gazette number 25088 on 24 April 2003. Under these modifications, investment and development banks, which are not allowed to accept deposit, are allowed to deduct loan loss provisions from the tax base in accordance with item 2 of the article 20 of Banking Law and the amendment introduced by the article 35 of the Law numbered 4842.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. Explanations on Taxation (Continued)

*Current Tax*

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, council of ministers has the authority to decrease this ratio to 20% from 22%. The Bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which were not accrued on time because of the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 5rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. Explanations on Taxation (Continued)**

Deferred tax is calculated on the tax rates applicable in the period when assets are made or liabilities are fulfilled or on those which are almost certain to be effective; and it is recorded as income or expense in the income statement. Moreover, deferred tax is recognised directly on equity accounts if it is related to the assets directly associated with the equity in the same or another period. Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Bank calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled.

**XVIII. Additional Explanations on Funds Borrowed**

The Bank has not issued any convertible bonds.

The Bank has not also issued any borrowing instruments.

*Cash Warrants Received*

BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Leveraged call-put transactions and Over The Counter Derivatives Market, BİAŞ Money Market and Precious Metals Market, BİAŞ Swap Market, cash warrant amounts are tracked in asset side under banks account, in liability side under various liabilities account. These funds provide creditor members not to be affected in case debtor members may undergo cash default. Cash warrant mechanisms are created in order to provide continuous cash flow in the market by tracking payments to be made in time and in full amounts.

**XIX. Explanations on Issuance of Equity Securities**

The Bank does not have any shares issued in the current period.

**XX. Explanations on Acceptances**

The Bank performs acceptances with its customers simultaneously and follows them in off balance sheet liabilities.

The Bank has no acceptances that have been included as a liability against an asset.

**XXI. Explanations on Government Incentives**

There are no government incentives utilized by the Bank as of the balance sheet date.

**XXII. Explanations on Segment Reporting**

Operational segment is distinguishable section of the Bank that has different characteristics from other operational segments per earning and conducts the presentation of service group, associated bank products or a unique product. Reporting on operating segments is disclosed in Note VIII in Section Four.

**XXIII. Related Parties**

For the purpose of these financial statements, shareholders, key management personnel and board members associated with companies controlled by their families and themselves or affiliated companies, associates and joint ventures are referred to as related parties in accordance with TAS 24 - Related Party Disclosures.

**XXIV. Cash and Cash Equivalents**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXV. Investment Properties**

Property, and land and buildings held for the purpose of earning rent or appreciation or for both, rather than being used in the production of goods and services or sold for administrative purposes or during the normal course of business are classified as “investment property”. Bank is valued Investment Properties with fair value method in accordance with the Turkish Accounting Standard 40 (TAS 40) “Investment Property”. Any gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they are incurred.

**XXVI. Reclassifications**

Some reclassifications were made on statement of financial position dated 31 December 2019 and profit or loss statement, profit or loss and other comprehensive income statement, statement of changes in shareholders’ equity and cash flow dated 30 September 2019 to be in compliance with the presentation of financial statements dated 30 September 2020.

**Explanations on TFRS 16 Leases standards**

The Bank has put TFRS 16 Leases standard into use starting from January 2019 for operational leasing transactions that the Bank is a counterparty. For the transactions the Bank is lessee, the Bank used the model the standard projects except for the low value assets and short term leasings (1 year or less).

TFRS 16 Leases standard removes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the present accounting of finance leases which is balance sheet based, singular accounting model. For lessors, the accounting stays almost the same. The Bank has started to apply the TFRS 16 Leases standard as of January 1, 2019. As of 30 September 2020, the Bank’s right of use asset, which is classified in the tangible assets, is TL 2,932 and the lease liability is TL 2,033 as of 30 September 2020.

On 5 June 2020, Public Oversight Accounting and Auditing Standards Authority made amendments on TFRS 16 “Leases” standard by publishing “Concessions Regarding COVID-19” on Lease Payments - “TFRS 16 Leases”. With this amendment, Lessee has been granted an exemption from not being able to evaluate whether the privileges, which are recognized due to COVID-19 in the lease payments, have been made in the lease.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVII. Explanations on Other Matters

While the Bank has accounted "Investment Properties" at cost, it is decided to account it at fair value within the framework of TAS 40- "Investment Properties" in the current period. Due to this accounting change, the valuation policy change regarding investment properties, was applied in accordance with "TAS 8-Accounting Policies, Changes in Accounting Estimates and Errors", and the previous period financial statements were restated. The effects of these adjustments to the financial statements as of 30.09.2020, 31.12.2019, 30.09.2019 and 31.12.2018 are given below.

	Previously Announced 31.12.2018	Effect of Change in Accounting Policy	Restated Value
INVESTMENT PROPERTY (Net)	9,187	29,443	38,630
DEFERRED TAX ASSET	8,662	(2,998)	5,664
TOTAL ASSETS	11,795,183	26,445	11,821,628
PRIOR PERIODS' INCOME/(LOSS)	501,770	26,445	528,215
	Previously Announced 30.09.2019	Effect of Change in Accounting Policy	Restated Value
INVESTMENT PROPERTY (Net)	8,957	29,673	38,630
DEFERRED TAX ASSET	14,878,333	29,673	14,908,006
TOTAL ASSETS	7,811	3,043	10,854
PRIOR PERIODS' INCOME/(LOSS)	-	26,445	26,445
OTHER OPERATING EXPENSES (-)	(43,945)	231	(43,714)
DEFERED TAX INCOME EFFECT (-)	(16,771)	(46)	(16,817)
NET PROFIT / LOSS FOR THE PERIOD	506,418	185	506,603
	Previously Announced 31.12.2019	Effect of Change in Accounting Policy	Restated Value
INVESTMENT PROPERTY (Net)	8,880	25,395	34,275
TOTAL ASSETS	16,709,165	25,395	16,734,560
DEFERRED TAX DEBT	5,583	2,592	8,175
PRIOR PERIODS' INCOME/(LOSS)	-	26,445	26,445
OTHER OPERATING EXPENSES (-)	(64,484)	(4,045)	(68,529)
DEFERED TAX INCOME EFFECT (-)	(14,540)	403	(14,137)
NET PROFIT / LOSS FOR THE PERIOD	615,988	(3,642)	612,346

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders' Equity

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 provision 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. The bank did not apply this incentive.

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks".

The Bank's current period equity capital is TL 2,327,420 (31 December 2019: TL 2,191,366), capital adequacy standard ratio is 22.36% (31 December 2019: 23.52%). The Bank's capital adequacy standard ratio is above the minimum rate defined by legislation.

Summary information related to the capital shareholders' equity:

	Current Period	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	600,000	
Share issue premiums	33,019	
Reserves	1,367,545	
Gains recognized in equity as per TAS	-	
Profit	382,002	
Current Period Profit	359,199	
Prior Period Profit	22,803	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2,382,566</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	322	
Improvement costs for operating leasing	35	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	105,708	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	4,825	
<b>Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital</b>		
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>110,890</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2,271,676</b>	



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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

	Current Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
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 (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Common Equity Tier I Capital+Additional Tier I Capital)</b>	2,271,676	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	55,744	
<b>Tier II Capital Before Deductions</b>	55,744	
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	55,744	

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

	Current Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2,327,420</b>	
<b>Deductions from Total Capital</b>	<b>2,327,420</b>	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the 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 Three Years	-	
Other items to be defined by the BRSA	-	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	<b>-</b>	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
<b>TOTAL CAPITAL</b>	<b>-</b>	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,327,420	
Total risk weighted amounts	10,410,603	
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	21.82	
Tier 1 Capital Adequacy Ratio (%)	21.82	
Capital Adequacy Ratio (%)	22.36	
<b>BUFFERS</b>		
Bank specific total Common Equity Tier 1 Capital requirement (%)	2.5	
a) Capital conservation buffer requirement (%)	2.5	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of 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	-	
Portion of the total of 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	-	
Remaining Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	55,744	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	55,744	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
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	-	

<sup>(1)</sup> "The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the Provisional Articles of the "Regulation on Shareholders' Equity of Banks".

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

	Prior Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Common Equity Tier 1 Capital</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	600,000	
Share Premium	33,019	
Reserves	1,036,557	
Gains Recognized in Equity as per TAS	-	
Profit	615,988	
Current Period Profit	615,988	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2,285,564</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	272	
Leasehold Improvements on Operational Leases	53	
Goodwill netted off deferred tax liability	-	
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights	103,792	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences net of related tax liability	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law Article 56 4th paragraph	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital amount above 10% threshold	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions amount above 10% threshold of Tier 1 Capital	-	
Mortgage servicing rights amount above 10% threshold of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences amount above 10% threshold, net of related tax liability	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy	-	
Ratios of Banks 2nd article temporary second paragraph	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity amount above 10% threshold	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	4,825	
<b>Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital</b>	<b>-</b>	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>108,942</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2,176,622</b>	

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

	Prior Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Additional Tier 1 Capital</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier 1 Capital before deductions</b>	-	-
<b>Deductions from Additional Tier 1 Capital</b>		
Bank's direct or indirect investment on its own Tier 1 Capital	-	-
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier 1 Capital which are compatible with the article 7 of the regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other Items Determined by BRSA	-	-
<b>Items to be deducted from Tier 1 Capital during the Transition Period</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	-
The amount to be deducted from Additional Tier 1 Capital (-)	-	-
<b>Total Deductions from Additional Tier 1 Capital</b>	-	-
<b>Total Additional Tier 1 Capital</b>	-	-
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	2,176,622	-
<b>Tier 2 Capital</b>		
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	14,744	-
<b>Tier 2 Capital Before Deductions</b>	14,744	-
<b>Deductions From Tier 2 Capital</b>		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	-
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	-
Other Items Determined by BRSA (-)	-	-
<b>Total Deductions From Tier 2 Capital</b>	-	-
<b>Total Tier 2 Capital</b>	14,744	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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

	Prior Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Total Capital (The sum of Tier 1 and Tier 2 Capital)</b>	<b>2,191,366</b>	
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	<b>2,191,366</b>	
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	-	
Other items to be defined by the BRSA	-	
<b>Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period</b>	<b>-</b>	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
<b>Total Capital</b>	<b>2,191,366</b>	
<b>Total Risk Weighted Assets</b>	<b>9,316,545</b>	
<b>Capital Adequacy Ratios</b>		
Common Equity Tier 1 Capital Adequacy Ratio (%)	23.36	
Tier 1 Capital Adequacy Ratio (%)	23.36	
Capital Adequacy Ratio (%)	23.52	
<b>Buffers</b>		
Total buffer requirement (a+b+c)	2.5	
a) Capital conservation buffer requirement (%)	2.5	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemically important banks buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	-	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
<b>Limits related to provisions considered in Tier 2 Calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	14,744	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	14,744	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

- (1) The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the provisional articles of the "Regulation on Shareholders' Equity of Banks".
- (2) Previous period financial statements of the Bank have been rearranged and the related explanation is in the third part XXVII. Explanations on other matters are included in the note. The amendment made in the financial statements is not reflected in the statement of I. Equity Items.

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**INFORMATI ON ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

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

**Information on addition debt instruments to shareholders' equity calculating:**

None.

**Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:**

The evaluation period for internal capital adequacy in the Bank has been designed within in accordance with the principle of proportionality and is consistent with the Guidelines on ISEDES Report and Guidelines on Stress Tests To Be Used By Banks For Capital and Liquidity Planning which is published by the Banking Regulation and Supervision Agency, and with the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process (ISEDES) which entered into effect upon being published in Official Gazette No. 29057 dated 11 July 2014.

The Bank is in compliance with the said regulation and good practice guidelines in line with its small-scale structure, task environment, and requirements. In accordance with ISEDES, it is aimed for the Bank to internally determine a level of capital which covers the risks it has faced or is likely to face and to continue its operations with capital above that level. Maximum attention is paid to the ISEDES processes so that they are implemented with a long-term view and are risk focused, internalized within the Bank and that its consequences are used in the decision-making process.

Evaluations of the Bank's capital and liquidity adequacy are done from a risk-based perspective, considering the strategic plan, three-year budget projections, bank policies on capital adequacy, liquidity and funding, risk measurement outcomes for risks that the company is exposed to ISEDES and stress test reports. Within this scope, activities performed and services provided by the Bank are considered.

The Bank determines its capital level in such a way that it is above the minimum level and legal ratios required by the legal regulations of the Banking Regulation and Supervision Agency, and so that it is able to continue all its operations. Also, scenario analyses, and particular, plenary, and reverse-stress tests are done in order to measure the effects of parameters that affect the financial power of the Bank at the capital level. In addition, via sensitivity analyses, primary and secondary structural block risks that the Bank is exposed to are determined within the scope of the proportionality principle.

The Bank takes stress tests, scenario analyses, risk appetites, the capital plan, the strategic plan and budget, the emergency and unexpected situation action plan for various risks, and other issues deemed necessary into consideration, and calculates and establishes a capital planning buffer, which is designed to prevent the capital adequacy level from becoming lower than the internal and legal minimum capital adequacy over the next three years as a result of possible negative situations and losses. The capital planning buffer is determined by considering worst case scenarios. However, the legal capital adequacy ratio determined by the BRSA as at least 12% and the ratio of the internal capital requirement calculated under the stress test are compared. The larger of these ratios is considered as the target ratio and it is evaluated whether the current capital adequacy ratio of the Bank is above the target rate.

According to the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks", the ISEDES report and the Stress Test report are prepared annually with the participation of all relevant units of the Bank and the coordination of the Risk Management Unit. These reports are approved by the Board of Management or the Bank after being examined.

The senior management of the Bank and members of the Board of Management are jointly responsible for designing ISEDES and its implementation within the Bank. All units of the Bank execute their duties, authorities, and responsibilities which are within the scope of ISEDES in accordance with their own regulations. The inspection report regarding the data, systems, and processes is prepared by the Internal Audit Unit, and the validation report regarding the models and/or methods that are used for risk measurement within the scope of the internal capital adequacy calculation is prepared by the Internal Control and Compliance Unit.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Currency Risk

The Bank is subject to the reserve requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Derivatives Market, Debt Securities Market, Electricity Market, Precious Metals Market, BİAŞ Money Market, Share Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of brokerage firms, banks and other financial institutions except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. Therefore, the Bank performs its obligations in two-weekly periods in ratios designated in blocked accounts of the Central Bank of Turkey. The foreign currency amounts, kept due to the reserve requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities.

The Bank calculated a net long foreign exchange of TL 38,417 (31 December 2019: TL 31,555) for the net position between assets and liabilities in foreign currency, and recognised it in the amount basis to market risk.

Recognizing FX transactions of the Bank, the risk management policy that is also regarded in TL transactions is used and asset liability is managed so as not to be exposed to foreign exchange risk in transactions that affect FX assets and liabilities.

The Bank's foreign CBRT exchange bid rates as of the date of the financial statements and five working days prior to that date:

Current Period	1 USD	1 EUR	1 GBP	100 JPY
Current Exchange Rate on Balance Sheet Date	7.8080	9.1281	10.0309	7.3748
1 <sup>st</sup> Business Day's Current Exchange Rate	7.7507	9.0268	9.9373	7.3389
2 <sup>nd</sup> Business Day's Current Exchange Rate	7.5546	8.8050	9.6166	7.1495
3 <sup>rd</sup> Business Day's Current Exchange Rate	7.6630	8.9277	9.7419	7.2550
4 <sup>th</sup> Business Day's Current Exchange Rate	7.6570	8.9590	9.7185	7.2715
5 <sup>th</sup> Business Day's Current Exchange Rate	7.6251	8.9553	9.7466	7.2755
Simple arithmetic averages for last 30 days	7.5078	8.8608	9.7385	7.0947

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Currency Risk (Continued)

Information on the foreign currency risk of the Bank:

Current Period	EURO	USD	Other	Total
<b>Assets</b>				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with The Central Bank of the Republic of Turkey	-	-	-	-
Banks	2,559,932	3,297,355	26,274	5,883,561
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	661	-	-	661
Loans	-	-	-	-
Investments in associates, subsidiaries and joint ventures	-	-	-	-
Financial assets measured at amortised cost	597,913	872,389	-	1,470,302
Hedging derivative financial assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	261	30	-	291
<b>Total Assets</b>	<b>3,158,767</b>	<b>4,169,774</b>	<b>26,274</b>	<b>7,354,815</b>
<b>Liabilities</b>				
Bank deposits	-	-	-	-
Foreign currency deposits	-	-	-	-
Money market funds	-	-	-	-
Funds provided from other financial institutions	883,600	1,623,293	-	2,506,893
Securities issued	-	-	-	-
Funds	2,270,683	2,512,673	26,149	4,809,505
Hedging derivative financial liabilities	-	-	-	-
Other liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>3,154,283</b>	<b>4,135,966</b>	<b>26,149</b>	<b>7,316,398</b>
<b>Net Balance Sheet Position</b>	<b>4,484</b>	<b>33,808</b>	<b>125</b>	<b>38,417</b>
<b>Net Off-Balance Sheet Position</b>				
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-
<b>Prior Period</b>				
Total assets	4,161,721	3,448,817	6,229	7,616,767
Total liabilities	3,750,554	3,430,085	5,537	7,186,176
<b>Net Balance Sheet Position</b>	<b>411,167</b>	<b>18,732</b>	<b>692</b>	<b>430,591</b>
<b>Net Off-Balance Sheet Position</b>				
Financial derivative assets	399,036	-	-	399,036
Financial derivative liabilities	-	-	-	-
Non-cash loans	399,036	-	-	399,036
	-	-	-	-



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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations Related to Interest Rate Risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyses. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

To evaluate its funding resources, the Bank enters into foreign currency and TL depot transactions, repurchase agreements, time and demand deposit transactions and foreign exchange transactions with the Central Bank of Turkey or other banks. The related transactions undertaken by the Fund Management Department are made with the banks having transaction limits designated by the Board of Directors under the regulations set out in "Treasury Transaction Limits".

Other than securities guaranteed or issued by the Turkish Treasury, the Bank includes Government Debt Securities and debt securities issued by public banks in its portfolio during the year 2020. The Bank does not undertake any liability due to using derivative financial instruments attributable to its transactions in evaluating its funding resources.

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

End of Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(2)</sup>	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	-	-	-	-	-	144	144
Banks <sup>(2)</sup>	18,495,406	2,887,358	-	-	-	606,506	21,989,270
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	29,764	-	-	-	-	-	29,764
Financial assets at fair value through other comprehensive income	-	-	-	-	-	4,332	4,332
Loans <sup>(3)</sup>	170,495	-	-	-	-	-	170,495
Financial assets measured at amortised cost <sup>(4)</sup>	-	-	2,191,189	280,337	-	-	2,471,526
Other assets <sup>(1)</sup>	30,643	-	-	-	-	191,172	221,815
<b>Total Assets</b>	<b>18,726,308</b>	<b>2,887,358</b>	<b>2,191,189</b>	<b>280,337</b>	<b>-</b>	<b>802,154</b>	<b>24,887,346</b>
<b>Liabilities</b>							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	-	-	-	-	-	-	-
Miscellaneous payables	5,313,346	-	-	-	-	14,110,204	19,423,550
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	2,965,038	-	-	-	-	3	2,965,041
Other liabilities <sup>(2)</sup>	-	-	-	-	-	2,498,755	2,498,755
<b>Total Liabilities</b>	<b>8,278,384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,608,962</b>	<b>24,887,346</b>
Balance sheet long position	10,447,924	2,887,358	2,191,189	280,337	-	-	15,806,808
Balance sheet short position	-	-	-	-	-	(15,806,808)	(15,806,808)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>10,447,924</b>	<b>2,887,358</b>	<b>2,191,189</b>	<b>280,337</b>	<b>-</b>	<b>(15,806,808)</b>	<b>-</b>

<sup>(1)</sup> Explanations of other assets and other liabilities are provided below.

<sup>(2)</sup> Expected credit loss provisions recognized under TFRS 9 are presented in the "Non-interest bearing" column.

<sup>(3)</sup> Expected credit loss provisions recognized under TFRS 9 are presented in the "Up to 1 Month" column.

<sup>(4)</sup> Expected credit loss provisions recognized under TFRS 9 are presented in the "3-12 Month" column.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations Related to Interest Rate Risk (Continued)

End of Previous Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(2)</sup>	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	-	-	-	-	-	840	840
Banks	14,606,295	494,491	-	-	-	517,967	15,618,753
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	29,338	-	-	-	-	-	29,338
Financial assets available-for-sale	-	-	-	-	-	3,082	3,082
Loans	157,290	-	-	-	-	-	157,290
Held-to-maturity investments	-	154,248	539,947	-	-	-	694,195
Other assets <sup>(1)</sup>	40,483	-	-	-	-	190,579	231,062
<b>Total Assets</b>	<b>14,833,406</b>	<b>648,739</b>	<b>539,947</b>	<b>-</b>	<b>-</b>	<b>712,468</b>	<b>16,734,560</b>
<b>Liabilities</b>							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	-	-	-	-	-	-	-
Miscellaneous payables	3,121,657	-	-	-	-	7,083,769	10,205,426
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	4,105,859	-	-	-	-	-	4,105,859
Other liabilities <sup>(1)</sup>	-	-	-	-	-	2,423,275	2,423,275
<b>Total Liabilities</b>	<b>7,227,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,507,044</b>	<b>16,734,560</b>
Balance sheet long position	7,605,890	648,739	539,947	-	-	-	8,794,576
Balance sheet short position	-	-	-	-	-	(8,794,576)	(8,794,576)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
<b>Net Position</b>	<b>7,605,890</b>	<b>648,739</b>	<b>539,947</b>	<b>-</b>	<b>-</b>	<b>(8,794,576)</b>	<b>-</b>

<sup>(1)</sup> Explanations of other assets and other liabilities are provided below.

<sup>(2)</sup> Expected credit loss provisions recognized under TFRS 9 are presented in the "Non-interest bearing" column.

Other Assets	Current Period	Prior Period
Intangible assets	105,708	103,793
Investment properties	34,275	34,275
Custody services comission rediscount	30,745	22,465
Tangible assets	9,086	11,267
Miscellaneous receivables	29,541	6,763
Temporary accounts	5,399	7,566
Subsidiaries	4,825	4,825
Deferred tax asset	2,087	-
Stationary supplies	149	93
Derivative transaction discount	-	40,015
<b>Total</b>	<b>221,815</b>	<b>231,062</b>
Other Liabilities	Cari Dönem	Önceki Dönem
Shareholder's equity	2,382,244	2,308,095
Provisions	70,168	51,745
Current tax liability	44,310	61,088
Lease liabilities	2,033	2,347
<b>Total</b>	<b>2,498,755</b>	<b>2,423,275</b>

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations Related to Interest Rate Risk (Continued)

Interest rate risk on banking accounts:

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity (Losses)/Equity
TRY	(+) 500 bp	11,957	0.50
TRY	(-) 400 bp	(9,770)	(0.41)
EUR	(+) 200 bp	2,418	0.10
EUR	(-) 200 bp	(2,418)	(0.10)
USD	(+) 200 bp	144	0.01
USD	(-) 200 bp	(144)	(0.01)
<b>Total (of negative shocks)</b>		<b>(12,332)</b>	<b>(0.52)</b>
<b>Total (of positive shocks)</b>		<b>14,520</b>	<b>0.61</b>

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

Current Period End Balance	EUR	USD	JPY	TL
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-
Due from other banks	0.97	2.44	-	11.95
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	10.06
Financial assets at fair value through other comprehensive income	-	-	-	-
<b>Loans</b>				
Financial assets measured at amortized cost	2.32	4.10	-	11.52
<b>Liabilities</b>				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	-
Funds	-	-	-	11.19
Securities issued	-	-	-	-
Funds borrowed	0.01	0.20	-	11.65
<b>Prior Period End Balance</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-
Due from other banks	0.72	2.70	-	11.38
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	9.66
Financial assets available-for-sale	-	-	-	-
<b>Loans</b>				
Financial assets measured at amortized cost	2.20	9.33	-	22.12
<b>Liabilities</b>				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Funds	-	-	-	10.50
Securities issued	-	-	-	-
Funds borrowed	0.01	1.67	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

**IV. Equity share position risk in banking accounts**

As of 30 September 2020, the Bank has no equity share position risk arising from the equity share and banking accounts (31 December 2019: None).

**V. Explanations Related to Liquidity Risk**

The Bank pays attention to work under guarantees and committed to keeping most of its TL funds in liquid to meet the risks arising from transactions with Takasbank Money Market, Debt Securities Market, Futures and Options Market, Securities Lending Market, BIST Money Market, Share Market, BİAŞ Swap Market and other transactions.

The Bank's main liquidity management strategy is effectively handling of all Money Market Instruments and this instruments' potential risks have influence upon the Bank's balance sheet. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank is significantly liquid and is a fund provider in the Over-the-Counter Money Market and CB Interbank markets. Turkish Lira and foreign currency sales transactions with banks are done within the limits determined by the Board of Directors and the compliance of these transactions with limit conditions are controlled by the Internal Control and Legal Compliance Unit periodically.

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank's short and long-term liquidity needs are met by internal and external resources.

Cash warrants that are received for cash flows of the Bank, amounts that are kept in its equities and members' free accounts, BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, BİAŞ Swap Market, Borsa Istanbul Money Market, Precious Metals Market, Leveraged call-put transactions are made use of in Over-the-Counter Market with other banks via overnight repo in order to manage liquidity risk.

The Bank manages its liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, by being able to close short positions and by being able to fund loan requirements.

Liquidity position is assessed and managed considering the market-wide and Bank-specific factors. The most important scenario among these scenarios is to maintain the ratio of net liquid assets/payables to clients in limits.

According to the Decree of the Banking Regulation and Supervision Board dated 24 December 2015 and numbered 6613, for development and investment banks, it has been decided to apply the total and foreign currency liquidity adequacy ratios related to the first and second maturity brackets according to the first paragraph of Article 13 of the Regulation Regarding the Measurement and Evaluation of Banking Liquidity Adequacy and to continue to report to the Authority.

According to the fifth section of Article 4 of the Regulation on the Calculation of Liquidity Cover Ratio of Banks, it was decided that the ratio of consolidated and unconsolidated total and foreign currency liquidity coverage ratios shall be zero percentage.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations Related to Liquidity Risk (Continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Undistributed <sup>(1)</sup>	Total
<b>Assets</b>								
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	144	-	-	-	-	-	-	144
Banks	606,506	18,495,406	2,887,358	-	-	-	-	21,989,270
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Money market placements	-	29,764	-	-	-	-	-	29,764
Fair value with changes in other comprehensive income	4,332	-	-	-	-	-	-	4,332
Loans <sup>(2)</sup>	-	170,495	-	-	-	-	-	170,495
Financial assets measured at amortized cost	-	-	-	2,191,189	280,337	-	-	2,471,526
Other assets <sup>(1)</sup>	-	30,643	-	-	-	-	191,172	221,815
<b>Total Assets</b>	<b>610,982</b>	<b>18,726,308</b>	<b>2,887,358</b>	<b>2,191,189</b>	<b>280,337</b>	<b>-</b>	<b>191,172</b>	<b>24,887,346</b>
<b>Liabilities</b>								
Bank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds borrowed	-	2,965,038	-	-	-	-	3	2,965,041
Money market borrowings	-	-	-	-	-	-	-	-
Securities issued	-	-	-	-	-	-	-	-
Funds	14,110,204	5,313,346	-	-	-	-	-	19,423,550
Other liabilities	2,033	11,354	35,207	14,964	-	-	2,435,197	2,498,755
<b>Total Liabilities</b>	<b>14,112,237</b>	<b>8,289,738</b>	<b>35,207</b>	<b>14,964</b>	<b>-</b>	<b>-</b>	<b>2,435,200</b>	<b>24,887,346</b>
<b>Current Period Liquidity (Gap)/surplus</b>	<b>(13,501,255)</b>	<b>10,436,570</b>	<b>2,852,151</b>	<b>2,176,225</b>	<b>280,337</b>	<b>-</b>	<b>(2,244,028)</b>	<b>-</b>
<b>Prior Period</b>								
Total assets	521,889	14,832,968	648,739	539,947	-	-	191,017	16,734,560
Total liabilities	7,086,116	7,240,425	-	48,353	-	-	2,359,666	16,734,560
<b>Liquidity Gap</b>	<b>(6,564,227)</b>	<b>7,592,543</b>	<b>648,739</b>	<b>491,594</b>	<b>-</b>	<b>-</b>	<b>(2,168,649)</b>	<b>-</b>

<sup>(1)</sup> Accounts that constitute the balance sheet assets such as fixed assets, participation and subsidiaries, prepaid expenses, receivables for follow up those are required to maintain banking operations and are not convertible to cash in short term period are recorded into this account.

<sup>(2)</sup> Expected credit loss provisions recognized under TFRS 9 are presented in the "Up to 1 Month" column.

<sup>(3)</sup> Expected credit loss provisions recognized under TFRS 9 are presented in the "3-12 Month" column.

**Securitization positions:**

The Bank does not apply securitisation as of 30 September 2020 (31 December 2019: None).

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Leverage Ratio:

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

The leverage ratio calculated by the Bank in accordance with the "Regulation on Measurement and Assessment of Leverage of Banks" is 4.39% (31 December 2019: 5.87%). This ratio is above the minimum ratio and the regulation stipulates the minimum leverage ratio as 3%. The increase in the off-balance sheet transactions is the main reason for the change in the leverage ratio compared to the previous period.

b) Leverage ratio:

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>Assets on the balance sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	24,980,498	16,466,473
(Assets deducted from core capital)	(111,039)	(108,997)
<b>Total risk amount for assets on the balance sheet</b>	<b>24,869,459</b>	<b>16,357,476</b>
<b>Derivative financial instruments and credit derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	-	855,322
Potential credit risk amount of derivative financial instruments and loan derivatives	-	-
<b>Total risk amount of derivative financial instruments and loan derivatives</b>	<b>-</b>	<b>855,322</b>
<b>Financing transactions with securities or goods warranties</b>		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	-	-
Risk amount arising from intermediated transactions	-	-
<b>Total risk amount of financing transactions with securities or goods warranties</b>	<b>-</b>	<b>-</b>
<b>Off-the-balance sheet transactions</b>		
Gross nominal amount of the off-balance sheet transactions	25,780,417	19,301,267
(Adjustment amount arising from multiplying by the credit conversion rate)	-	-
<b>Total risk amount for off-balance sheet transactions</b>	<b>25,780,417</b>	<b>19,301,267</b>
<b>Capital and total risk</b>		
Tier 1 capital	2,225,215	2,143,457
<b>Total risk amount</b>	<b>50,649,876</b>	<b>36,514,066</b>
<b>Leverage ratio</b>		
Leverage ratio (%)	4.39	5.87

<sup>(1)</sup> The amounts in the table are calculated by using the quarterly average amounts.

VII. Risk management objectives and policies

The purpose of the risk management system is to define, measure, track, and report the risks, through policies, implementing procedures, and limitations identified to track, control, and, when necessary, change the risk-gain structure of future cash flows of the Bank and therefore the nature and level of its activities.

The purpose of the internal capital adequacy assessment process (ISEDES) is to internally determine the capital level which is adequate to compensate for the risks that the Bank is or is likely to be exposed to and to enable the Bank to continue its operations with capital above this level.

When establishing and implementing the Risk Management System and ISEDES, the proportionality principle is considered, in accordance with BRSA legislation and good practice guidelines.

The general risk policy of the Bank is to perform its activities taking manageable, controllable, and reasonable risks, which maintain the balance between income and expenses. The Bank manages its risks in such a way that they stay above the minimum and below the maximum levels stated in the regulations published by the BRSA and below the risk appetite confirmed by the Board of Directors.

The risk capacity of the Bank is decided in accordance with its capital adequacy policy. When doing capital and liquidity planning, the current and under-stress liquidity requirements of the Bank as well as its risk appetite and capacity, are considered together.

The fund management strategy of the Bank is designed to avoid any liquidity problems, to sustain optimization of the risk-income balance, and to obtain maximum benefits from resources while taking a reasonable level of risk.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Risk management objectives and policies (Continued)

The footnotes and related explanations prepared in accordance with the Communiqué on “Public Disclosures related with Banks’ Risk Management Regulations” published in Official Gazette No. 29511 on 23 October 2015 and entered into force as of 31 Mart 2016 are given in this section. The following tables, which should be given in quarterly periods in accordance with the related communiqué, have not been presented as of 30 September 2020 as the standard approach is used in the calculation of Bank’s capital adequacy.

- The Change Table of Risk Weighted Assets (RWA) under the Internal Grading Based (IGB) approach
- RWA changes for Counterparty Credit Risk under the Internal Capital Method
- The market risk RWA change table, according to the internal model approach

a) Overview of Risk Weighted Amounts

	Risk Weighted Amounts		Minimum Capital
	Current Period	Prior Period	Current Period
Credit risk (excluding counterparty credit risk)	9,005,319	8,269,870	720,425
Standardised approach	9,005,319	8,269,870	720,425
Internal rating-based approach	-	-	-
Counterparty credit risk	2	22,006	-
Standardised approach for counterparty credit risk	2	22,006	-
Internal model method	-	-	-
Basic risk weight approach to internal models equity position in the banking account	-	-	-
Investments made in collective investment companies-look through approach	-	-	-
Investments made in collective investment companies-mandate-based approach	-	-	-
Investments made in collective investment companies-1250% weighted risk approach	-	-	-
Settlement risk	-	-	-
Securitization exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	38,413	31,550	3,073
Standardised approach	38,413	31,550	3,073
Internal model approaches	-	-	-
Operational risk	1,366,869	993,119	109,350
Basic Indicator approach	1,366,869	993,119	109,350
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-	-
Floor adjustments	-	-	-
<b>Total</b>	<b>10,410,603</b>	<b>9,316,545</b>	<b>832,848</b>

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations on Segment Reporting

The Bank operates mainly in clearing-operation, custody, loans and treasury.

<b>Current Period</b>	<b>Custody, Clearing and Operation</b>	<b>Loans and MM</b>	<b>Treasury Transactions</b>	<b>Other</b>	<b>Total</b>
Cash and Balances with Central Bank	-	-	144	-	144
Financial Assets At Fair Value Through Profit/Loss (Net)	-	-	-	-	-
Banks	-	-	21,989,270	-	21,989,270
Money Markets	-	-	-	29,764	29,764
Financial Assets At Fair Value Through Other Comprehensive Income	-	-	4,332	-	4,332
Loans <sup>(1)</sup>	-	170,495	-	-	170,495
Financial Assets At Fair Value Through Amortized Cost	-	-	2,471,526	-	2,471,526
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4,825	-	4,825
Tangible Assets (Net)	-	-	-	9,086	9,086
Intangible Assets (Net)	-	-	-	105,708	105,708
Investment Properties (Net)	-	-	-	34,275	34,275
Tax Assets	-	-	-	2,087	2,087
Other Assets	30,742	-	-	35,092	65,834
<b>Total Assets</b>	<b>30,742</b>	<b>170,495</b>	<b>24,470,097</b>	<b>216,012</b>	<b>24,887,346</b>
Funds Borrowed	-	-	2,965,041	-	2,965,041
Debts to the Money Markets	-	-	-	-	-
Funds	16,645,899	978,461	-	1,799,190	19,423,550
Lease Liability	-	-	-	2,033	2,033
Derivative Financial Liability	-	-	-	-	-
Provisions	-	22,505	-	47,663	70,168
Tax Liability	-	-	-	44,310	44,310
Shareholder's Equity	-	-	-	2,382,244	2,382,244
<b>Total Liabilities</b>	<b>16,645,899</b>	<b>1,000,966</b>	<b>2,965,041</b>	<b>4,275,440</b>	<b>24,887,346</b>

(1) It includes Expected Credit Loss allocated under IFRS 9.



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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations on Segment Reporting (Continued)

Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Cash and Balances with Central Bank	-	-	840	-	840
Financial Assets At Fair Value Through Profit/Loss (Net)	-	-	-	-	-
Banks	-	-	15,618,753	-	15,618,753
Money Markets	-	-	-	29,338	29,338
Available-For-Sale Financial Assets (Net)	-	-	3,082	-	3,082
Loans	-	157,290	-	-	157,290
Held-to-Maturity Securities (Net)	-	-	694,195	-	694,195
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4,825	-	4,825
Tangible Assets (Net)	-	-	-	11,267	11,267
Intangible Assets (Net)	-	-	-	103,793	103,793
Investment Properties (Net)	-	-	-	34,275	34,275
Tax Assets	-	-	-	-	-
Other Assets	22,466	-	40,015	14,421	76,902
<b>Total Assets</b>	<b>22,466</b>	<b>157,290</b>	<b>16,361,272</b>	<b>193,532</b>	<b>16,734,560</b>
Funds Borrowed	-	-	4,105,859	-	4,105,859
Debts to the Money Market	-	-	-	-	-
Miscellaneous Payables	9,039,157	226,547	-	939,722	10,205,426
Other Liabilities	-	-	-	2,347	2,347
Provisions	-	22,505	-	38,583	61,088
Tax Liability	-	-	-	51,745	51,745
Shareholder's Equity	-	-	-	2,308,095	2,308,095
<b>Total Liabilities</b>	<b>9,039,157</b>	<b>249,052</b>	<b>4,105,859</b>	<b>3,340,492</b>	<b>16,734,560</b>

(1)It includes Expected Credit Loss allocated under IFRS 9.  
(2)Treasury transactions included Derivative financial assets

The Bank operates mainly in clearing-operation, custody, loans and treasury.

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	12,498	288,010	-	300,508
Net fees and commissions income and other operating income	246,531	25,972	-	-	272,503
Dividend income	-	-	10,739	-	10,739
Trading profit/loss	-	-	18,202	-	18,202
Other operating receivables	-	-	-	5,686	5,686
Impairment provision for loans and other receivables	-	19,654	-	-	19,654
Other operating expenses	-	-	-	(132,167)	(132,167)
<b>Profit before taxes</b>	<b>246,531</b>	<b>18,816</b>	<b>316,951</b>	<b>(126,481)</b>	<b>455,817</b>
Tax provision	-	-	-	(96,618)	(96,618)
<b>Net profit for the period</b>	<b>246,531</b>	<b>18,816</b>	<b>316,951</b>	<b>(223,099)</b>	<b>359,199</b>

Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	7,347	439,738	-	447,085
Net fees and commissions income and other operating income	182,028	26,111	-	-	208,139
Dividend income	-	-	37,918	-	37,918
Trading profit/loss	-	-	49,518	-	49,518
Other operating receivables	-	-	-	21,621	21,621
Impairment provision for loans and other receivables	-	3,110	-	-	3,110
Other operating expenses	-	-	-	(124,300)	(124,300)
<b>Profit before taxes</b>	<b>182,028</b>	<b>30,348</b>	<b>527,174</b>	<b>(102,679)</b>	<b>636,871</b>
Tax provision	-	-	-	(130,268)	(130,268)
<b>Net profit for the period</b>	<b>182,028</b>	<b>30,348</b>	<b>527,174</b>	<b>(232,947)</b>	<b>506,603</b>

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Assets

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

1.a) Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	58	-	36	-
CBRT	86	-	804	-
Other	-	-	-	-
<b>Total</b>	<b>144</b>	<b>-</b>	<b>840</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	86	-	804	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
<b>Total</b>	<b>86</b>	<b>-</b>	<b>804</b>	<b>-</b>

1.c) Information on required reserves:

In accordance with the Official Statement numbered 2013/15 about Required Reserves, liabilities that are subject to required reserves have been changed. Required reserves are not kept in the Central Bank of Turkey as the liabilities stated in the newly announced Official Statement are lacked in the Bank.

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

2.a) Information on government debt securities: None (31 December 2019: None).

2.b) Information on marketable securities representing the Bank's share: None (31 December 2019: None).

2.c) Information on other financial assets: None (31 December 2019: None).

3. Information on Banks

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	16,131,565	5,277,423	8,491,461	6,630,719
Foreign	-	606,138	-	517,184
Branches and overseas head office	-	-	-	-
<b>Total</b>	<b>16,131,565</b>	<b>5,883,561</b>	<b>8,491,461</b>	<b>7,147,903</b>

As of 30 September 2020, an expected loss amounting to TL 25,856 has been allocated to the Banks account (December 31, 2019: TL20,611).

3.b) Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	587,980	516,302	-	-
USA, Canada	18,158	882	-	-
OECD countries	-	-	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>606,138</b>	<b>517,184</b>	<b>-</b>	<b>-</b>

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

3.c) Information on receivables from money markets

The details about the receivables from Money Markets are as below:

	Current Period	Prior Period
Reverse repo belongs to closed member cash balance	29,764	29,338
Receivables from Central Bank	-	-
<b>Total</b>	<b>29,764</b>	<b>29,338</b>

As of September 30, 2020, an expected loss amounting to TL 0.2 has been allocated to receivables from money markets (December 31, 2019: TL 1).

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

4.a) Information on equity instruments:

Name	Current Period			Prior Period	
	Acquired On	Amount	Ratio (%)	Amount	Ratio (%)
S.W.I.F.T.SCRL	24.04.2009	339	0.02	339	0.02
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	03.01.2011	637	4.12	637	4.12
SASE - Sarajevo Menkul Kıymetler Borsası	18.05.2011	322	5.00	322	5.00
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	29.07.2011	210	10.50	210	10.50
Borsa İstanbul A.Ş.	31.05.2013	324	0.15	324	0.15
Türkiye Ürün İhtisas Borsası A.Ş. (Tübaş)	25.07.2018	2,500	5.00	1,250	5.00
<b>Total</b>		<b>4,332</b>		<b>3,082</b>	

	Current Period	Prior Period
<b>Debt securities</b>	-	-
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	-	-
<b>Share certificates</b>	<b>4,332</b>	<b>3,082</b>
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	4,332	3,082
Impairment provision(-)	-	-
<b>Total</b>	<b>4,332</b>	<b>3,082</b>

5. Information on derivative financial assets:

a) i. Information on derivative financial assets at fair value through profit or loss:

	Current Period		Prior Period	
	TR	FC	TR	FC
Swap transactions	-	-	40,015	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>40,015</b>	<b>-</b>

a) ii. Information on derivative financial assets at fair value through other comprehensive income: None (31 December 2019: None).

6. Information on loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	151,894	9,451,711	154,942	1,200,782
Corporate shareholders	151,894	9,451,711	154,942	1,200,782
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	-	-
<b>Total</b>	<b>151,894</b>	<b>9,451,711</b>	<b>154,942</b>	<b>1,200,782</b>

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on loans (Continued)

b) Information on loans with standard qualifications and close monitoring followed by restructured loans:

Cash Loans	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	Refinanced
<b>Current Period</b>			Revised Contract Terms	
Non-specialized loans	170,702	-	-	-
Business loans	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	170,702	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Other	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>170,702</b>	-	-	-

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans (Total)	Revised contract terms Restructure for extending the payment plan	Loans (Total)	Revised contract terms Restructure for extending the payment plan
<b>Prior Period</b>				
Non-specialized loans	157,493	-	-	-
Working capital loans	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	157,493	-	-	-
Foreign loans	-	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Precious metal credit	-	-	-	-
Other	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>157,493</b>	-	-	-

c) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards: None (31 December 2019: None).

d) Information on commercial loans with instalments and corporate credit cards: None (31 December 2019: None).

e) Loans according to borrowers:

	Current Period	Prior Period
Private	170,702	157,493
Public	-	-
<b>Total</b>	<b>170,702</b>	<b>157,493</b>

f) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	170,702	157,493
Foreign loans	-	-
<b>Total</b>	<b>170,702</b>	<b>157,493</b>

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on loans (Continued):

g) Loans granted to subsidiaries and associates: None (31 December 2019: None).

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

	Current Period	Prior Period
Uncollectable loans and receivables	-	-
Loans and receivables with limited collectability	-	-
Loans and receivables with doubtful collectability	-	-
<b>Total</b>	-	-

i.) Information on non-performing loans (Net) (Continued):

i.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:  
None (31 December 2019: None).

i.2) Information on movement of non-performing loans:

	Group III Loans and Receivables With Limited Collectability	Group IV Loans and Receivables With Doubtful Collectability	Group V Uncollectible Loans and Receivables
Current period end balance	-	-	-
Additions during the period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections during the period (-)	-	-	-
Write-offs (-)	-	-	-
Given	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	-
Provision (-)	-	-	-
<b>Net Balances on Balance Sheet</b>	-	-	-

	Group III Loans and Receivables With Limited Collectability	Group IV Loans and Receivables With Doubtful Collectability	Group V Uncollectible Loans and Receivables
Prior period end balance	-	-	-
Additions during the period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections during the period (-)	-	-	-
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	-
Specific provision (-)	-	-	-
<b>Net Balances on Balance Sheet</b>	-	-	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on loans (Continued):

i) Information on non-performing loans (Net) (Continued):

i.3) Information on foreign currency non-performing loans and other receivables: None (31 December 2019: None).

i.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

None (31 December 2019: None).

j) Expected loss provision:

	Current Period		Prior Period	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month expected credit losses	207	-	297	-
Significant increase in credit risk	-	-	-	-
<b>Total</b>	<b>207</b>	<b>-</b>	<b>297</b>	<b>-</b>

k) Information on write-off policy: Not prepared according to the 25th provisional clause of "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements".

7. Information on financial assets measured at amortised cost:

7.a) i. Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Government bonds	2,036,031	628,252
Treasury bills	-	66,037
Other public sector debt instruments	435,829	-
<b>Total</b>	<b>2,471,860</b>	<b>694,289</b>

7.a) ii. Information on government debt instruments:

	Current Period	Prior Period
Debt securities		
Quoted on a stock exchange	2,471,860	694,289
Not quoted on a stock exchange	2,471,860	694,289
Impairment provision (-)	-	-
<b>Total</b>	<b>2,471,860</b>	<b>694,289</b>

7.a) iii. Movement of financial assets measured at amortised cost:

	Current Period	Prior Period
Beginning balance	694,289	-
Foreign currency differences on monetary assets	-	-
Purchases during year	3,229,312	682,346
Disposals through sales and redemptions <sup>(1)</sup>	(1,564,499)	(6,000)
Impairment provision (-)	-	-
Effect of valuation <sup>(2)</sup>	112,758	17,943
<b>Closing Balance</b>	<b>2,471,860</b>	<b>694,289</b>

<sup>(1)</sup> All of disposals through sales and redemptions amount is from redemptions.

<sup>(2)</sup> Includes interest accruals change.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

7. Information on financial assets measured at amortised cost (Continued):

7.b) Information on expected credit loss provisions for financial assets

	Current Period	Prior Period
Other Financial Assets Measured by Amortized Cost	334	94
	334	94

7.c) Information on other financial assets: None. (31 December 2019: None).

8. Information on investments in associates (Net):

8.a) Information on consolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2019: None).

8.b) Information on the unconsolidated associates: None (31 December 2019: None).

8.c) Explanations of consolidated associates: None (31 December 2019: None).

8.d) Information on sector information on consolidated associates: None (31 December 2019: None).

8.e) Consolidated associates which are quoted on the stock exchange: None (31 December 2019: None).

9. Information on subsidiaries (Net):

9.a) Information on the unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage- If different voting percentage (%)	Bank risk group's share percentage (%)
Merkezi Kayıt Kuruluşu A.Ş.	Istanbul / Türkiye	28.57	65

Total Assets <sup>(1)</sup>	Shareholder's Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profits / Losses	Fair Value
178,728	124,932	30,005	5,764	1,588	28,080	32,000	-

<sup>(1)</sup> Current period financial statements are obtained from unreviewed financial statements prepared as of 30 September 2020 in accordance with the TAS.

9.b) Information on the consolidated subsidiaries:

i. Information on the consolidated subsidiaries: None (31 December 2019: None).

ii. Information on movement of consolidated subsidiaries: None (31 December 2019: None).

iii. Sectorial information on the consolidated subsidiaries: None (31 December 2019: None).

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

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

10. Information on entities under common control (joint ventures): None (31 December 2019: None).

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

12. Information on investment property:

As of 30 September 2020, the Bank's investment property amounting to TL 34,275 (31 December 2019: TL 34,275).

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

None (31 December 2019: None).

14. Explanations on deferred tax asset:

Deferred tax assets and liabilities are netted off as deferred tax liability in the balance sheet liabilities and explanations on deferred tax asset / liability for the current and previous period are given in Note II.6 of Section Five.

15. Information on other assets:

Other assets exceed 10% of the balance sheet total (excluding off balance sheet commitments). The details of other assets are presented below.

Allocation of other assets:

	Current Period	Prior Period
Custody and fee accruals	30,744	22,466
VIOP guarantees	28,878	6,461
Prepaid expenses	5,399	7,488
Cash guarantees given	185	252
Other	479	127
Stationary supplies	149	93
<b>Total</b>	<b>65,834</b>	<b>36,887</b>



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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities

1. Information on derivative financial liabilities:

- a) i. Information on derivative financial liabilities at fair value through profit or loss: None (31 December 2019: None).  
a) ii. Derivative financial liabilities at fair value through other comprehensive income: None (31 December 2019: None).

2. Information on funds borrowed:

- a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From domestic banks and institutions	458,148	2,506,893	-	4,105,859
From foreign banks, institutions and funds	-	-	-	-
<b>Total</b>	<b>458,148</b>	<b>2,506,893</b>	<b>-</b>	<b>4,105,859</b>

- b) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	458,148	2,506,893	-	4,105,859
Medium and long-term	-	-	-	-
<b>Total</b>	<b>458,148</b>	<b>2,506,893</b>	<b>-</b>	<b>4,105,859</b>

- c) Additional explanation related to the concentrations of the Bank's major liabilities:

Bank's liabilities include taxes payables and other payables and cash collaterals, guarantee funds which members give for different markets.

3. Information on funds:

- a) Information on borrowers' funds: None (31 December 2019: None).

- b) Information on other funds:

The breakdown of funds which is the main liabilities of the Bank is as below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash collaterals	13,710,693	3,755,857	6,893,305	2,415,950
Members' receivables	397,830	1,053,648	189,274	664,343
Capital Markets Board Share	-	-	-	-
Partners' Dividend Receivables	-	-	-	-
Expense accruals	2,250	-	1,741	-
Other <sup>(1)</sup>	503,272	-	40,813	-
	<b>14,614,045</b>	<b>4,809,505</b>	<b>7,125,133</b>	<b>3,080,293</b>

<sup>(1)</sup> Amounting of other consists of pool and guarantee fund accounts.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

4. Explanations on financial lease liabilities (net):

- a) Explanation on finance lease payables: None (31 December 2019: None).  
b) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	3,755	2,033	3,239	2,347
More than 4 years	-	-	-	-
<b>Total</b>	<b>3,755</b>	<b>2,033</b>	<b>3,239</b>	<b>2,347</b>

5. Information on provisions:

- a) Information on employee termination benefits and unused vacation accrual:

Under Turkish Labour Law, the Bank is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. The provision for employment termination benefits of the Bank is calculated over the TL 7,117.17 (31 December 2019: TL 6,379.86) (full TL) which is the maximum amount of employment termination benefits.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The main assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 30 September 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the balance sheet date have been calculated assuming an annual inflation rate of 8.00% and interest rate 12.20% and a discount rate of 3.89% (31 December 2019: 7.9% inflation rate, 3.5% discount rate). The estimated rate of severance pay amount which is not paid and to be held in the bank as a result of optional leavings are also considered.

	Current Period	Prior Period
Total liabilities of employee terminations (Undiscounted)	14,583	12,861
Provision for employee termination (Presented in financial statements)	8,644	7,389
The ratio of provision to undiscounted total liabilities (%)	59.27	57.45

As of 30 September 2020, the Bank provided a reserve of TL 6,320 (31 December 2019: TL 8,563) for the unused vacation which classified under Reserve for Employee Benefits in the financial statements.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

5. Information on provisions (Continued):

a.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	7,389	5,640
Paid during the year	(126)	(1,389)
Actuarial (gain)/loss	63	1,476
Charge for the year	1,318	1,662
Service charge	656	752
Interest charge	662	910
<b>Total</b>	<b>8,644</b>	<b>7,389</b>

a.2) The reserve for employee benefits:

	Current Period	Prior Period
Unused vacation provision	6,320	8,563
<b>Total</b>	<b>6,320</b>	<b>8,563</b>

b) Information on other provisions:

b.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2019: None).

b.2) Breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Expected credit losses <sup>(1)</sup>	28,902	14,744
Provisions for CMB's Share Fee <sup>(2)</sup>	13,568	15,797
Provision for legal claims	3,191	3,592
Provision for premiums	9,543	11,003
<b>Total</b>	<b>55,204</b>	<b>45,136</b>

<sup>(1)</sup> Consists of 12 months expected credit loss provisions for non-cash loans.

<sup>(2)</sup> According to the related article of the Bank's Capital Markets Law, the board share to be paid to the Capital Markets Board in 2020 consists of an expense accrual (CMB Board Share).

	Current Period	Prior Period
Provisions for cases beginning balance	3,592	3,894
Additions	529	1,386
Payments (-)	(930)	(885)
Cancellations (-)	-	(803)
<b>Provisions for cases year end</b>	<b>3,191</b>	<b>3,592</b>

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

5. Information on provisions (Continued):

- c) Liabilities Resulting from Retirement Benefits: None (31 December 2019: None).
- c.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2019: None).
- c.2) Liabilities resulting from all kinds of pension funds, foundations, which provide post-retirement benefits for the employees: None (31 December 2019: None).

6. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate tax:

	Current Period	Prior Period
Provision for corporate taxes	106,866	145,852
Prepaid taxes (-)	71,660	113,451
<b>Corporate Income Tax Payable</b>	<b>35,206</b>	<b>32,401</b>

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	35,206	32,401
Taxation on securities	2,173	4,390
Banking insurance transaction tax (BITT)	3,428	3,410
Value added tax payable	31	119
Other	1,788	1,718
<b>Total</b>	<b>42,626</b>	<b>42,038</b>

a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employer	740	714
Social security premiums-employee	785	673
Unemployment insurance-employer	53	97
Unemployment insurance-employee	106	48
<b>Total</b>	<b>1,684</b>	<b>1,532</b>

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

6. Explanations on taxes payable: (Continued)

b) Explanations on deferred tax liabilities:

Distribution of deferred tax assets / (liabilities):

	Current Period		Prior Period	
	Accumulated Temporary Differences	Deferred tax asset / (liability)	Accumulated Temporary Differences	Deferred tax asset / (liability)
Provisions for severance pay	8,644	1,729	7,389	1,478
Allowance provision	6,320	1,390	8,563	1,884
CMB Board share provision - other provision	13,568	2,985	15,797	3,475
Internal yield and market value differences of dibs of financial asset measured by amortized products	(1,666)	(367)	1,500	330
TFRS 9 provision for expected losses	55,744	12,264	36,090	7,940
Lawsuits and bonus	12,734	2,801	14,595	3,211
Interest accruals	341	75	21	5
TFRS 16 Leases	(755)	(166)	34	7
<b>Deferred tax asset</b>	<b>94,930</b>	<b>20,711</b>	<b>83,989</b>	<b>18,330</b>
Differences between the book value of fixed assets and tax value	79,738	18,624	87,642	17,702
Financial instruments value difference – from swap transactions	-	-	40,015	8,803
<b>Deferred tax liability</b>	<b>79,738</b>	<b>18,624</b>	<b>127,657</b>	<b>26,505</b>
<b>Deferred tax asset / (liability), net</b>		<b>2,087</b>		<b>(8,175)</b>

Deferred tax asset transaction table :

	Current Period	Prior Period
Previous period balance	(8,175)	5,664
Deferred tax income / (expense)	10,249	(14,137)
Deferred tax recognized under equity	13	298
<b>Deferred tax asset</b>	<b>2,087</b>	<b>(8,175)</b>

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

7. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock <sup>(1)</sup>	600,000	600,000
Preferred stock	-	-

(1) As of 30 September 2020, the Bank has totally 6,000,000,000 issued share certificates.

	Current Period	Prior Period
Reserve Fund Reserved in accordance with the General Assembly Decision	1,196,873	922,184
Retained earnings	-	-
Accumulated Losses	-	-
Foreign Currency Capital Exchange Difference	-	-
<b>Total</b>	<b>1,196,873</b>	<b>922,184</b>

b) **Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank if so, and amount of registered share capital ceiling:** Registered share capital system is not applied as of the balance sheet date (31 December 2019: Not applied).

c) **Other information on the share of capital increased through capital contributions performed during the current period and capital funds:** None (31 December 2019: None).

d) **Information on share capital increases from capital reserves during the current period:** None (31 December 2019: None).

e) **Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:** None (31 December 2019: None).

f) **Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:**

Due to the Bank's liquid position and good relations with other banks, the Bank has the means to provide low cost financing and place it in domestic market which leads to profits. In parallel with this, if similar circumstances will occur in the future, it can be predicted that profitability will increase and this will improve the equity of the Bank with retained profits.

g) **Information on marketable securities valuation reserve:**

None (31 December 2019: None).

h) **Information on past year profit distribution:**

At the General Assembly meeting held on 21 April 2020, it was decided to pay dividends of TL 285,000 to the shareholders.

Dividend payments have been made on 04 May 2020.

i) **Information on minority shares:**

None (31 December 2019: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on off-balance sheet liabilities:

- a) Nature and amount of irrevocable loan commitments: None (31 December 2019: None).
- b) Possible losses and commitments related to off-balance sheet items including items listed below:
- b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits: There are no non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits as of the balance sheet date.

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	-	-
Other non-cash loans <sup>(1)</sup>	26,820,206	18,946,779
<b>Total Non-Cash Loans</b>	<b>26,820,206</b>	<b>18,946,779</b>

<sup>(1)</sup> Guarantees given to Takasbank Money Market, Securities Lending Market, Debt Securities Market, BİAŞ Money Market, Share Market and Futures and Options Market, Swap Market.

- b.2) Guarantees, temporary guarantees, collateral and other warranties: None (31 December 2019: None).

b.3) Explanation of irrevocable commitments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for Debt Instruments Market (Bank is central counterparty services)	211,188	-	143,714	-
Capital commitment for Stock Exchange (Bank is central counterparty services)	86,227	-	121,022	-
Capital commitment for Swap Market (Bank is central counterparty services)	267,511	-	81,501	-
Capital commitment for Derivatives Market (Bank is central counterparty services)	4,713	-	32,758	-
Subordinates and joint ventures capital contribution commitments	15,749	-	26,474	-
Capital commitment for Lending Market (Bank is central counterparty services)	2,544	-	3,782	-
Capital commitment for Money Market (Bank is central counterparty services (CCP))	29	-	1,702	-
<b>Total</b>	<b>587,961</b>	<b>-</b>	<b>410,953</b>	<b>-</b>

c) Information related to Non-Cash Loans:

Information related to Non-Cash Loans: As the Bank functions as a bridge between seller and buyer in money market operations in which bank has a market maker role and guarantees that the debts will be paid, bank follows the risks which occurred in this market in non-cash loans accounts.

The limits are defined for the members and it is required to have continued guarantees. A limit is set for members for Takasbank Money Market, Loan Share Market, Share Market, Futures and Options Market (VIOP), BİAŞ Money Market and Debt Securities Market there is a continuing guarantee for these limits. These mentioned guarantees are hold in bank as defined credit limits' multiples according to their liquidity.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

d) Information related to Allocations

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital allocation for Stock Exchange (Bank is central counterparty services)	29,392	-	57,264	-
Capital allocation for Lending Market (Bank is central counterparty services)	867	-	1,790	-
Capital allocation for Money Market (Bank is central counterparty services (CCP))	10	-	805	-
Subordinates and joint ventures capital contribution allocations	5,368	-	12,526	-
Capital allocation for Debt Instruments Market (Bank is central counterparty services)	71,989	-	68,001	-
Capital allocation for Swap Market (Bank is central counterparty services)	91,187	-	38,564	-
Capital allocation for Derivatives Market (Bank is central counterparty services)	1,607	-	15,500	-
<b>Total</b>	<b>200,420</b>	<b>-</b>	<b>194,450</b>	<b>-</b>

d) Information related to Guarantees:

Total valued market collateral in markets where the Bank is central counterparty is TL 30,544,539 (31 December 2019: TL 23,316,676), the total of the valuated guarantee fund is TL 2,130,456 (31 December 2019: TL 2.815.303).

e) Information related to investment securities held in custody:

The investment securities held in custody, TL 4,524,645,216 (31 December 2019: TL 4,112,178,649) of the TL 4,524,419,502 (31 December 2019: TL 4,111,952,280) balance of investment securities held in custody are investment funds as the other TL 225,714 (31 December 2019: TL 226,369) balance consists of share certificate held in custody.



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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on interest on loans:

a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	11,894	-	6,622	-
Medium/long-term loans	-	-	-	-
Interest on loans under follow-up	-	-	-	-
Premiums received from resource utilisation support fund	-	-	-	-
<b>Total</b>	<b>11,894</b>	<b>-</b>	<b>6,622</b>	<b>-</b>

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	500
Domestic banks	181,690	66,728	406,526	131,824
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>181,690</b>	<b>66,728</b>	<b>406,526</b>	<b>132,324</b>

c) Interest received from marketable securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets at fair value through other comprehensive income	-	-	-	-
From financial assets measured at amortised cost	53,802	24,782	12,719	6,989
<b>Total</b>	<b>53,802</b>	<b>24,782</b>	<b>12,719</b>	<b>6,989</b>

d) Information on interest income received from associates and subsidiaries:

None (30 September 2019: None).

e) Other information:

None (30 September 2019: None).

2. Information on interest expense

a) Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	29,682	9,071	121,366	35,292
<i>The Central Bank of Turkey</i>	-	-	-	-
<i>Domestic banks</i>	29,682	9,071	121,366	35,292
<i>Foreign banks</i>	-	-	-	-
<i>Branches and head office abroad</i>	-	-	-	-
<i>Other financial institutions</i>	239	-	43	-
<b>Total</b>	<b>29,921</b>	<b>9,071</b>	<b>121,409</b>	<b>35,292</b>

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

2. Information on interest expense (Continued)

b) Information on interest expense to associates and subsidiaries:

None (30 September 2019: None).

c) Information on interest expense to marketable securities issued:

None (30 September 2019: None).

d) Distribution of interest expense on deposits based on maturity of deposits:

None (30 September 2019: None).

3. Information on dividend income:

	Current Period	Prior Period
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	355	276
Other	10,384	37,642
<b>Total</b>	<b>10,739</b>	<b>37,918</b>

4. Information on net trading income:

	Current Period	Prior Period
<b>Income</b>	<b>75,697</b>	<b>258,468</b>
Gains on capital market operations	-	-
Gains on derivative financial instruments	-	57,085
Foreign exchange gains	75,697	201,383
<b>Losses (-)</b>	<b>(57,495)</b>	<b>(208,950)</b>
Losses on capital market operations	-	-
Losses on derivative financial instruments	(11,329)	(1,899)
Foreign exchange losses	(46,166)	(207,051)
<b>Total (Net)</b>	<b>18,202</b>	<b>49,518</b>

5. Information on other operating income:

	Current Period	Prior Period
Provisions no longer required	5,238	21,038
Collection of prior year expenses	283	316
Income from sales of the assets	16	247
Other income	149	20
<b>Total</b>	<b>5,686</b>	<b>21,621</b>

In the fifth section and fourth part Note 11, details of sub-accounts of balances that are grouped under "Others" section that constitute at minimum 20% of the balances under "Other" section are included if the accounted under "Other" section excludes 10% of the total balance of the Income Statement.

Information about the factors that affect the Bank's profit materially and including new developments and the amount and quality of extraordinary accounts: None (30 September 2019: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Explanations on Banks' expected credit loss:

	Current Period	Prior Period
Expected credit loss	19,654	3,110
12 month expected credit loss (Stage 1)	19,654	3,110
Significant increase in credit risk (Stage 2)	-	-
Non-performing loans (Stage 3)	-	-
Marketable securities impairment expense	-	-
Financial assets at fair value through profit/loss	-	-
Financial assets at fair value through other comprehensive income	-	-
Impairment provision for associates, subsidiaries and joint ventures	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Other	-	-
<b>Total</b>	<b>19,654</b>	<b>3,110</b>

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses <sup>(1)</sup>	62,496	56,928
Intangible amortization expenses	1,318	1,222
Tangible amortization expenses	-	-
Provisions for termination indemnities	-	-
Deficit provision for pension funds	3,763	3,480
Tangible impairment expenses	-	-
Intangible impairment expenses	-	-
Impairment losses on goodwill	10,773	8,275
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment losses on assets to be disposed	-	-
Depreciation expenses on assets to be disposed	-	-
Impairment losses on assets held for sale	-	-
Other operating expenses	26,861	25,168
-Leasing expenses related to TFRS 16 exceptions <sup>(2)</sup>	3,126	3,452
-Advertisement expenses	278	251
-Repair and maintenance expenses	1,051	944
-Other expenses	22,406	20,521
Loss on sale of assets	-	8
Other <sup>(3)</sup>	26,956	29,219
<b>Total</b>	<b>132,167</b>	<b>124,300</b>

<sup>(1)</sup> "Personnel Expenses", which is a separate item in the profit or loss statement, is also included table above.

<sup>(2)</sup> 30 September 2020 amounts include all operating lease expenses.

<sup>(3)</sup> Other operating expenses consists of provisions for capital market board's share fee, legal claims, unused vacation and other.

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on continued and discontinued operations from tax provisions:

a) The Bank presents deferred tax asset and the resulting deferred tax benefit in its financial statements.

	Current Period	Prior Period
Current income tax charge	(106,867)	(113,451)
Deferred tax charge	10,249	(16,817)
<b>Total</b>	<b>(96,618)</b>	<b>(130,268)</b>

b) Deferred tax on temporary differences:

	Current Period	Prior Period
Provisions for capital market board's share fee	(490)	(653)
Provision for employee termination	251	385
Unused vacation provision	(494)	388
Provision for legal claims and premium	(410)	(228)
TFRS 9 - Provisions for expected credit losses	4,324	(3,698)
Difference between internal rate of return and market value of government debt securities measured at amortised cost	(697)	1,024
Derivative financial assets	8,803	(11,409)
Difference between book value and tax value of fixed assets	(923)	(2,351)
Interest accruals	70	20
Deferred tax expense recognized under equity	(13)	(298)
Financial Leasing_TFRS16	(172)	3
Financial Instruments - Swap transactions	-	-
Other	-	-
<b>Total</b>	<b>10,249</b>	<b>(16,817)</b>

9. Information on net profit/loss from continued and discontinued operations:

As of 30 September 2020, net profit after tax of the Bank is TL 359,199 (30 September 2019: TL 506,603).

10. The explanations on net income / loss for the period:

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding Bank's performance for the period: None (30 September 2019: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: There is no effect of changes in accounting estimates on income statement for the current period (30 September 2019: None).
- c) Profit/loss attributable to minority shares: There is no profit or loss attributable to minority shares as of the balance sheet date (30 September 2019: None).

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

	Current Period	Prior Period
<b>Other fees and commissions</b>		
Service commissions	86,813	50,492
VIOP commissions	64,207	61,386
Commissions on options exchange	59,656	37,995
Customer account maintenance commissions	25,491	23,812
Other	22,982	14,868
Transfer commissions	8,865	8,553
Bank transfer transaction	9,090	7,706
<b>Total</b>	<b>277,104</b>	<b>204,812</b>

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and notes related to risk group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of the period	-	-	154,942	1,200,782	-	-
Balance at end of the period	-	-	151,894	9,451,711	-	-
Interest and commission income	9,863	-	21,172	8,214	3,920	-

b) Prior Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of the period <sup>(1)</sup>	-	-	16,374	3,964,840	-	-
Balance at end of the period <sup>(1)</sup>	-	-	154,942	1,200,782	-	-
Interest and commission income	2,011	-	11,541	8,131	2,974	1,739

<sup>(1)</sup> 31 December 2019 amounts are expressed.

c) Information on related party deposits balances: None (31 December 2019: None).

d) Information on forward and option agreements and other similar agreements made with related parties: None (31 December 2019: None).

2. Disclosures for the risk group of the bank:

- The relations of the bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not: None (31 December 2019: None).
- Besides the structure of relationship, nature of the transaction, amount and ratio to the volume of transactions, amount of major items and ratio to all items, pricing policies and other factors: None (31 December 2019: None).
- In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: None (31 December 2019: None).
- Transactions accounted for under the equity method: None (31 December 2019: None).
- Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees and management contracts: None (31 December 2019: None).

VI. Explanations and Notes Related To Subsequent Events

None.

VII. Other Explanations

None.

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ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

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**SECTION SIX**

**INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT**

**I. Explanations on the Independent Auditor's Review Report**

The unconsolidated financial statements for the nine month period ended 30 September 2020 were reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A member firm of Ernst & Young Global Limited) and Auditors' Review Report dated November 16, 2020 is presented in the introduction of this report.

**II. Other Footnotes and Explanations Prepared by Independent Auditor**

None.

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)**

**ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**SECTION SEVEN**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT**

**Evaluation of the Chairman of the Board of Directors for the Period**

The most prominent indicator of the pressure created by the global pandemic, which left its mark on the period we are in and left a deep impression on the lives of millions of people, has been the shrinkage in the gross domestic product of the countries. Especially in the second quarter of 2020, record-breaking contractions were seen in economies and many countries tried to prevent economic contraction with interest rate cuts. On the other hand, support programs especially asset purchases, liquidity supports and loan programs were implemented for the sectors and households, affected by the pandemic.

Although the impact of the pandemic on economies was restrained by the emergency measures packages of the monetary and financial authorities, the disruption of capital flows put the capital markets, especially in developing countries, to a difficult test. Although signs of partial recovery are observed in the third quarter with the measures taken and normalization steps, uncertainties regarding the course of the pandemic remain.

On the other hand, the constraints we are faced with due to the pandemic have enabled us to quickly adopt different ways of working, learning and connecting. Although this crisis brings significant difficulties for both people and economies, the measures taken with determination and on time have paved the way for us to come out of this process with as little impact as possible.

With the business continuity plans implemented in the context of the pandemic, our activities continued effectively. The health and safety of our employees is protected by the measures taken at work and work from home alternately.

In this period, Takasbank, which became an important financial infrastructure institution with the services it offers to the money and capital markets of our country, focused on the deepening of the markets and the management of financial risks as in previous periods. Under a strong financial structure, projects have been implemented in line with our strategic goals, in particular increasing the quality of service and contributing to the deepening and development of the markets as an important component of the Borsa Istanbul Group.

Our projects and initiatives aimed at developing and diversifying the services offered for the markets, especially the central counterparty service, are carried out in line with the demands of the sector and taking into account the needs of our country. Efforts to strengthen our technological infrastructure continued in this period as well, in order to manage operational risks arising from data processing and to continue providing Takasbank services in a fast, efficient and uninterrupted manner.

With strategic point of view and effective management policies, our Bank has made a pre-tax profit of 455.8 million TL as of September 30, 2020, its asset size has reached 24.9 billion TL and its equity has reached 2.4 billion TL.

Including this period when our country and the whole world struggle with the pandemic and the negative economic effects it creates, our business continuity will be maintained thanks to our preparedness against risks and our technical competence and new products and services will continue to be developed in harmony with Group companies. On behalf of myself and our Board of Directors, I would like to thank all of our stakeholders, especially our employees and managers, who have a share in the successful performance of our Bank, which continues its services effectively and continuously.

**Mehmet Hakan ATILLA**

Chairman of the Board of Directors

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**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**Evaluation of the CEO for the Period**

In the nine months of 2020 in which our country and the whole world are struggling with epidemic diseases and the negative economic effects it creates, Takasbank has continued to work for the development of Turkish capital markets and demonstrated a successful performance.

In the nine months of 2020, due to the increase in market transaction volumes and the expansion in Takasbank's service profile, fee and commission income increased significantly above the budget projections and the realizations in the same period of the previous year, reaching 303.1 million TL and pre-tax profit was realized as 455.8 million TL. As of September 30, 2020, Takasbank's asset size reached 24.9 billion TL, equity reached 2.4 billion TL and total cash collateral size reached 17.4 billion TL.

Takasbank has continued its activities without interruption in all markets to which it provides service. As of the nine months of 2020, transactions at the total amount of 13,624 billion TL have been conducted in Borsa İstanbul (BİAŞ) Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market, where 33.2 billion TL of them constitutes private sector bond transactions. For the transactions conducted in the market; cash settlement at the amount of 1,884 billion TL and securities settlement with a market value of 7,153 billion TL have been executed in the Takasbank system as a result of multilateral netting process. In BİAŞ Swap Market, bilateral transactions at the total amount of 3,234 billion TL have been conducted of which 415 billion is USD and 66 billion is EUR. In BİAŞ Equities Market, transactions at the total amount of 4,132 billion TL have been conducted and 162 billion TL cash settlement and 556 billion TL securities settlement transactions have been concluded by Takasbank. As of September 30, 2020 the number of open positions in the Futures and Options Market was 13.6 million, and the amount of open positions was 36.1 billion TL.

The trading volume in Takasbank Money Market as one of the markets operated by Takasbank was 453 billion TL and the number of total transactions was 155,036 in the the nine months of 2020. The daily average trading volume was 2.4 billion TL and the average transaction size was occurred as 2.9 million TL. In the Securities Lending Market, 271 different type of securities were traded during the the nine months of 2020, 2.3 billion transactions were conducted in total and the trading volume was realized as 11.9 billion TL. In Turkey Electronic Fund Trading Platform (TEFAS), the trading volume for the first quarter was 125 billion TL and the number of traded funds was realized as 256. The daily average trading volume was 671 million TL, the number of institutions conducting trades was 76.

With regard to the private pension fund services; the fund asset value of 404 private pension investment funds was 159.3 billion TL as of September 30, 2020. At the same period, total fund asset value of 668 investments funds reached TL 133.8 billion and total fund asset value of 12 securities investment trusts reached 613.6 million TL. Daily average of the cash credit service provided by Takasbank to the brokerage houses is 145 million TL in this period.

In the first half of 2020, Takasbank has continued its development efforts to deepen markets and manage financial risks within the framework of its vision of "contributing to the development of markets with reliable and efficient post-trade services".

During this period in which our country and the whole world are struggling with epidemic diseases and the negative economic effects it creates, I would like to thank our employees and everyone who contributed to financial and operational success of Takasbank

Best regards,

**Gökhan ELİBOL**

Deputy General Manager

Board Member



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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

Bank's Historical Development

The Bank which was originally established as a department of the Borsa İstanbul Inc. ("BİAŞ") and started its operations under the name of İMKB Takas ve Saklama A.Ş. on 12 July 1991 has been transformed to a non-deposit taking bank on 8 August 1995 with the name of İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.) upon the resolution of the Council of Ministers No. 95/6551 published in the Official Gazette dated 23 March 1995. In its 18th Ordinary General Assembly dated 29 March 2013, the title of the Bank has been changed to İstanbul Takas ve Saklama Bankası A.Ş. (İstanbul Settlement and Custody Bank Inc.)

Shareholding Structure

Takasbank's paid-in capital is 600 million TL. The Bank has 40 shareholders, and BİAŞ has 64.15%, 11 banks have 17.04% and 28 brokerage houses have 18.81% shares in its capital.

Shareholder Name	Paid-in Capital (Thousand)	Capital ratio (%)
Borsa İstanbul A.Ş.	384,887	64.15
Phillip Capital Menkul Değerler A.Ş.	30,000	5.00
Tacirler Menkul Değerler A.Ş.	30,000	5.00
Türkiye Garanti Bankası A.Ş.	29,685	4.95
Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38
Türkiye İş Bankası A.Ş.	26,235	4.37
Türkiye Vakıflar Bankası T.A.O.	26,235	4.37
Other (Brokerage)	26,577	4.43
Other (Bank)	20,101	3.35
<b>Total</b>	<b>600,000</b>	<b>100</b>

Names and Shares of the Real or Legal Persons having more than 10% of the capital:

Business Name	Share Amount (Thousand TL)	Ratio (%)
Borsa İstanbul A.Ş.	384,887	64.15

Share transfers of the shareholders within the reporting period:

Old Shareholder	New Shareholder	Paid-in-Capital (Thousand TL)	Percentage (%)
Delta Menkul Değerler A.Ş.	Phillip Capital Menkul Değerler A.Ş.	1,577	0.26
Delta Menkul Değerler A.Ş.	Tacirler Yatırım Menkul Değerler A.Ş.	484	0.08
Delta Menkul Değerler A.Ş.	Osmanlı Yatırım Menkul Değerler A.Ş.	675	0.11

Branch and Personnel Information

The Bank has a total of 290 employees and does not have any branches. The Bank is operating as Head Office.

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

Board of Directors, Auditors, CEO and Executive Vice Presidents

Chairman and Members of the Board of Directors	
Name Surname	Area of Responsibility
Mehmet Hakan Atilla	President
Bekir Bayrakdar	Vice President
Gökhan Elibol	Deputy General Manager - Board Member - Credit Committee Permanent Member
Yusuf Karaloğlu (*)	Member (Central Counterparty Risk Advisory Committee Chair-Credit Committee Substitute Member)
Hüseyin Melih Akosman	Member (Audit Committee Member- Corporate Governance Committee Member)
Suat Sarıgül	Member (Credit Committee Permanent Member-Remuneration Committee Chair)
Ekrem Kerem Korur	Member (Audit Committee Chair - Remuneration Committee Member)
Münevver Çetin	Member (Credit Committee Chair)
Gülseren Topuz	Member (Corporate Governance Committee Chair- Credit Committee Substitute Member - Central Counterparty Risk Advisory Committee Member)

CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Gökhan Elibol	Deputy General Manager - Board Member - Credit Committee Permanent Member
Serkan Aşkar	Executive Vice President - Central Counterparty and Financial Services

\* At the General Assembly held on April 21, 2020, Seyit Ahmet Işkın, a member of the Board of Directors, left his post and Yusuf Karaloğlu was elected as a board member.

Information Related to Transactions the Bank Performs Conducts with its Risk Group

As part of the transactions conducted with the risk group to which Takasbank belongs, the transactions executed with the Bank's major shareholder Borsa Istanbul and those conducted with the institutions in which the members of the Board of Directors of our Bank serve as general manager or board member are taken into account.

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Venture) (Thousand TL)		Direct and indirect shareholders of the Bank (Thousands of TL)		Other real persons and legal entities included in the risk group (Thousand TL)	
	Cash	Non-Cash	Cash	Non-Cash	Non-Cash	Cash
Loans and Other Receivables						
Opening Balance at the Beginning of the Period	-	-	154,942	1,200,782	-	-
Closing Balance at the end of the Period	-	-	151,894	9,451,711	-	-
Received Interest and Commission Income	9,863	-	21,172	8,214	3,920	-

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	30 September 2020
Financial Assets (net)	22,023,510
Cash and Cash Equivalents	22,019,178
Cash and Balances with Central Bank	144
Banks	22,015,126
Money Markets	29,764
Expected Loss Reserves (-)	25,856
Financial Assets at Fair Value Through Other Comprehensive Income	4,332
Derivative Financial Assets	-
Financial Assets Measured at Amortised Cost (net)	2,642,021
Loans	170,702
Other Financial Assets Measured at Amortised Cost	2,471,860
Expected Credit Losses (-)	541
Investments in Associates, Subsidiaries and Joint Ventures	4,825
Tangible Assets (net)	9,086
Intangible Assets and Goodwill (net)	105,708
Investment Properties (net)	34,275
Current Tax Assets	-
Deferred Tax Assets	2,087
Other Assests	65,834
<b>Total Assets</b>	<b>24,887,346</b>
LIABILITIES (Thousand TL)	30 September 2020
Loans Received	2,965,041
Funds	19,423,550
Other	19,423,550
Derivative Financial Liabilities	-
Lease Payables	2,033
Provisions	70,168
Provision for Employee Benefits	14,964
Other Provisions	55,204
Current Tax Liabilities	44,310
Deferred Tax Liability	-
Shareholders` Equity	2,382,244
<b>Total Liabilities</b>	<b>24,887,346</b>
Statement of Profit or Loss(Thousand TL)	30 September 2020
Interest Income	339,500
Interest Expense (-)	38,992
Net Interest Income/Expense	300,508
Net Fees and Commission Income/Expense	272,503
Dividend Income	10,739
Net Trading Income/Losses	18,202
Other Operating Income	5,686
Total Operating Profit	607,638
Expected Credit Losses (-)	19,654
Other Provisions (-)	24,859
Personnel Expenses (-)	62,496
Other Operating Expenses	44,812
Net Operating Profit/Loss	455,817
Provision for Taxes (-)	(96,618)
<b>Net profit/loss</b>	<b>359,199</b>
Financial Ratios	30 September 2020
Operating Income / Total Assets	1.83
Shareholders Equity / Total Assets	9.57
Operating Income / Shareholders Equity	19.13
Net interest revenue / Operating revenue	49.46

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SECTION SEVEN (Continued)

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

ASSETS (Thousand TL)	31 December 2019
Financial Assets (Net)	15,692,028
Cash and Cash Equivalents	15,648,931
Cash Values and Central Bank	840
Banks	15,639,364
Receivables From Money Markets	29,338
Expected Loss Reserves (-)	20,611
Financial Assets at Fair Value Through Other Comprehensive Income	3,082
Derivative Financial Assets	40,015
Financial Assets Measured by Amortized Cost (Net)	851,485
Credits	157,493
Other Financial Assets Measured by Amortized Cost	694,289
Expected Loss Reserves (-)	297
Partnership Investments	4,825
Property, Plant and Equipment (Net)	11,267
Intangible Assets (Net)	103,793
Investment Properties (Net)	34,275
Current Tax Asset	-
Deferred Tax Asset	-
Other Assets	36,887
<b>Total Assets</b>	<b>16,734,560</b>
LIABILITIES (Thousand TL)	31 December 2019
Loans Received	4,105,859
Funds	10,205,426
Other	10,205,426
Derivative Financial Assets	-
Lease Payables	2,347
Provisions	61,088
Provision for Employee Benefits	15,952
Other Provisions	45,136
Current Tax Liabilities	43,570
Deferred Tax Liability	8,175
Shareholders' Equity	2,308,095
<b>Total Liabilities</b>	<b>16,734,560</b>
Statement of Profit or Loss (Thousand TL)	30 September 2019
Interest Income	603,786
Interest Expense (-)	156,701
Net Interest Income/Expense	447,085
Net Fees and Commission Income/Expense	208,139
Dividend Income	37,918
Net Trading Income/Losses	49,518
Other Operating Income	21,621
Total Operating Profit	764,281
Expected Credit Losses (-)	3,110
Other Provisions (-)	23,658
Personnel Expenses (-)	56,928
Other Operating Expenses	43,714
Net Operating Profit/Loss	636,871
Provision for Taxes (-)	(130,268)
<b>Net Income/(Loss)</b>	<b>506,603</b>
Financial Ratios	30 September 2019
Operating Income / Total Assets	4.27
Shareholders Equity / Total Assets	15.48
Operating Income / Shareholders Equity	28.91
Net Interest Revenue / Operating Revenue	58.50

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**SECTION SEVEN (Continued)**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

The size of the balance sheet which was 16,734,560 thousand TL at the end of 2019 reached 24,887,346 thousand TL as of end-September 2020. The banks account representing the highest amount in the assets increased by 41% and realized as 22,015,126 thousand TL.

While the funds item holding the most important place in the liabilities of the Bank was 10,205,426 thousand TL at the end of the previous year, it increased by 90% and reached 19,423,550 thousand TL. Loans received item decreased by 28% to 2,965,041 thousand TL.

As of the end of third quarter of 2020, the Bank has a pre-tax profit of 455,817 thousand TL and after-tax profit of 359,199 thousand TL.

An interest income of 339,500 thousand TL is earned as of end-September 2020, where 248,418 thousand TL interest is collected from the banks, 78,584 thousand TL interest is collected from the securities and 11,894 thousand TL is collected from the loans and 604 thousand TL results from other interest income. Total interest expense for this period was realized as 38,992 thousand TL.

The Bank earned 303,076 thousand TL commission income as a result of the services it provides and paid 30,573 thousand TL commission for its Turkish Lira and foreign currency denominated transactions. As of end-September 2020, net fee and commission income was realized as 272,503 thousand TL.