

**İstanbul Takas ve Saklama Bankası
Anonim Şirketi**

**Unconsolidated year end financial statements for the
year ended 31 December 2020 together
with auditor's independent auditors' report thereon**

*(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 Independent Auditor's Report Originally Prepared and Issued in Turkish to English

Independent Auditors' Report

To the Board of Directors of İstanbul Takas ve Saklama Bankası Anonim Şirketi,

A) Report on the Audit of the Unconsolidated Financial Statements

1) Opinion

We have audited the unconsolidated financial statements of İstanbul Takas ve Saklama Bankası Anonim Şirketi ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2020 and the 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 for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

2) Basis for Opinion

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



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3) Key Audit Matters

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

Accounting for Fees and Commissions Received

Key audit matters	How the matter is addressed in our audit
<p>The Bank has a total amount of TL 446,501 revenue recognized as “fees and commissions received” in the statement of profit or loss and other comprehensive income for the period 1 January - 31 December 2020.</p> <p>The Bank’s revenue mainly consists of banking service revenues.</p> <p>Recognition of fees and commissions received was considered to be a key audit matter, due to the nature of the Bank’s operations, the variety of operations and the high volume of transactions in the process of determining the amount of fees and commissions and performing check clearing activities at the Bank.</p> <p>Explanations on the accounting policies and amounts of the Bank regarding “fees and commission income received” are included in the Notes of Section 3, Section VI and Section IV.</p>	<p>Our procedures performed for testing this area included below:</p> <p>Appropriateness of the accounting policies applied by the Bank management in accordance with the TFRS has been evaluated.</p> <p>Design, implementation and operating effectiveness of the internal controls on the recognition of fees and commissions received have been evaluated together with information systems specialists by understanding the Bank’s fee and commission process.</p> <p>Furthermore, the commission fee tariff was analyzed and expectations analysis for the banking commission income was performed.</p> <p>In order to verify that the revenue is appropriately recognized, supporting documents were received on the basis of transaction based selected samples and details of these transactions were tested.</p>

4) Other Matter

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

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

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

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

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



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6) Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

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

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

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



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B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code (“TCC”) No. 6102; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities for the period 1 January - 31 December 2020 are not in compliance with TCC and provisions of the Bank’s articles of association in relation to financial reporting.

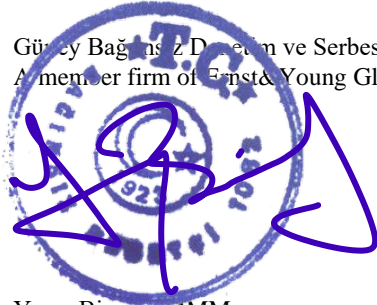
2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

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

Yaşar Bivas is the responsible auditor who conducted and finalized this independent audit.

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



Yaşar Bivas, SMMM
Partner

17 February 2021
İstanbul, Türkiye

**THE UNCONSOLIDATED FINANCIAL REPORT OF
İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AS AT AND THE YEAR ENDED OF
31 DECEMBER 2020**

Address of the Bank's Headquarters : Takasbank Genel Müdürlüğü
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Sarıyer 34467 İstanbul

Telephone of the Bank : (0 212) 315 25 25

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Web site of the Bank : www.takasbank.com.tr

E-mail for correspondence : rap@takasbank.com.tr


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

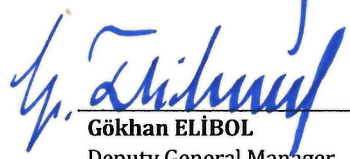
- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER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

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


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 : Murat GÖRGÜN/ Director
Telephone Number : (0 212) 315 20 32
Fax Number : (0 212) 315 22 34

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İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 31 December 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.	385,067	64.18	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 Vakıflar Bankası T.A.O.	26,235	4.37	1	26,235	4.37	1
7	Türkiye İş Bankası A.Ş.	26,235	4.37	1	26,235	4.37	1
8	Diğer (Araç kurum)	26,397	4.40	24	28,638	4.77	25
9	Diğer (Banka)	20,101	3.35	8	20,101	3.35	8
Total		600,000	100.00	39	600,000	100.00	40

64.18% 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.

Changes occurred for the period ended 31 December 2020:

Old Shareholder	New Shareholder	Share Amount	Ratio (%)	Description
Delta Menkul Değerler A.Ş.	Phillip Capital Menkul Değerler A.Ş.	1,577	0.26	Transfer
Delta Menkul Değerler A.Ş.	Tacirler Yatırım Menkul Değerler A.Ş.	484	0.08	Transfer
Delta Menkul Değerler A.Ş.	Osmanlı Yatırım Menkul Değerler A.Ş.	675	0.11	Transfer
Deutsche Securities Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	180	0.03	Transfer

Dividend payment

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

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 / Economics / Graduate
Bekir Bayraktar	Deputy Chairman of the Board	Istanbul University / Faculty of Political Science / International Relations / Graduate
Gökhan Elibol	Deputy General Manager - Board Member - Credit Committee Master Member	Ankara University / Institute of Social Sciences / Finance / Graduate Beykent University / Faculty of Law / Law / Graduate
Yusuf Karaloğlu ⁽¹⁾	Member (Credit Committee Associate Member-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 (Audit Committee Master Member - Corporate Governance Committee)	Marmara University / Faculty of Economics and Administrative Sciences / Business Administration / Graduate Loyola University / Business Administration / Postgraduate
Suat Sarıgül	Member (Credit Committee Master Member – Chairman of Pricing Committee)	Hacettepe University / Accounting / Undergraduate Gazi University / Faculty of Economics and Administrative Sciences / Business Administration / Graduate Ankara Hacı Bayram Veli University / Institute of Social Sciences / Accounting / Postgraduate
Ekrem Kerem Korur	Member (Chairman of Audit Committee- Pricing Committee Member)	Istanbul University / Faculty of Economics / Economics (English) / Graduate
Münevver Çetin	Member (Chairman of the Credit Committee)	Ankara University / Department of Economics Management / Undergraduate Ankara University / Institute of Social Sciences / Educational Administration and Planning / Graduate Istanbul University / Institute of Social Sciences / Money and Monetary Policy / PhD
Gülseren Topuz	Member (Head of Corporate Governance Committee-Substitute Member of Credit Committee-Central Counterparty Risk Advisory Committee Member)	Ankara University / Faculty of Economics / Economics / Graduate Marmara University / Institute of Social Sciences / Statistics / Postgraduate Istanbul University / Institute of Social Sciences / Money and Monetary Policy / Postgraduate

⁽¹⁾ 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 / Institute of Social Sciences / Finance / Graduate Beykent University / Faculty of Law / Law / Graduate
Serkan Aşkar	Vice President	Bogazici University / Faculty of Engineering / Electrical and Electronics / Undergraduate University of Massachusetts / Faculty of Engineering / Electrical and Computing / Computer Systems / Postgraduate University of Massachusetts / Faculty of Engineering / Computer Systems / PhD
Taşkın Öker ⁽¹⁾	Information Technologies Vice President	İstanbul University / Faculty of Engineering / Department of Electrical Electronics / Graduate

⁽¹⁾ Taşkın Öker, who served as the Director of Information Technologies on October 30, 2020, was appointed as Deputy General Manager.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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. 64.18% of the Bank belongs to BİAŞ. The Bank has no preferred shares as of 31 December 2020 (31 December 2019: None).

Name Surname/Business Name	Share Amount	Share Proportions	Paid-in Shares	Unpaid Shares
BİAŞ	385,067	64.18%	385,067	-

10% of the shares of Borsa İstanbul, main shareholder of Takasbank, were sold by Turkey Wealth Fund to QH Oil Investments LLC on 30/11/2020. As a result of the sale, the indirect shareholding of Turkey Wealth Fund in Takasbank's capital decreased from 60.47% to 54.05%.

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.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2020

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

SECTION TWO

I. UNCONSOLIDATED BALANCE SHEET

ASSETS	Note	Audited Current Period			Audited Prior Period Restated		
		31 December 2020			31 December 2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		18,119,439	4,364,896	22,484,335	8,543,464	7,148,564	15,692,028
1.1 Cash and Cash Equivalents		18,115,768	4,364,235	22,480,003	8,501,028	7,147,903	15,648,931
1.1.1 Cash and Balances with Central Bank	I-(1)	290	-	290	840	-	840
1.1.2 Banks	I-(3)	18,116,660	4,364,235	22,480,895	8,491,461	7,147,903	15,639,364
1.1.3 Money Markets	I-(3)	25,827	-	25,827	29,338	-	29,338
1.1.4 Expected Loss Provision (-)	I-(6)	27,009	-	27,009	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		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		1,122,738	1,411,751	2,534,489	383,765	467,720	851,485
2.1 Loans	I-(6)	99,886	-	99,886	157,493	-	157,493
2.2 Lease Receivables	I-(11)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Financial Assets Measured at Amortised Cost	I-(7)	1,023,303	1,411,751	2,435,054	226,569	467,720	694,289
2.4.1 Government Debt Securities		1,023,303	1,411,751	2,435,054	226,569	467,720	694,289
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Loss Provision (-)		451	-	451	297	-	297
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	I-(15)	-	-	-	-	-	-
3.1 Held for Sale Purpose		-	-	-	-	-	-
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		4,825	-	4,825	4,825	-	4,825
4.1 Investments in Associates (Net)	I-(8)	-	-	-	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	I-(9)	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)	I-(10)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)	I-(13)	10,296	-	10,296	11,243	24	11,267
VI. INTANGIBLE ASSETS (Net)	I-(14)	106,908	-	106,908	103,793	-	103,793
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		106,908	-	106,908	103,793	-	103,793
VII. INVESTMENT PROPERTY (Net)	I-(12)	35,730	-	35,730	34,275	-	34,275
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	I-(16)	-	-	-	-	-	-
X. OTHER ASSETS (NET)	I-(17)	209,206	2,447	211,653	36,428	459	36,887
TOTAL ASSETS		19,609,142	5,779,094	25,388,236	9,117,793	7,616,767	16,734,560

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

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2020

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

I. UNCONSOLIDATED BALANCE SHEET

LIABILITIES	Notes	Audited Current Period		Audited Prior Period Restated			
		31 December 2020		31 December 2019			
		TL	FC	TL	FC	TL	FC
I. FUNDS COLLECTED	II-(1)	-	-	-	-	-	-
II. FUNDS BORROWED	II-(3)	57,026	1,786,447	1,843,473	-	4,105,859	4,105,859
III. MONEY MARKETS DEBTS		203,020	-	203,020	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS	II-(4)	16,670,784	3,972,382	20,643,166	7,125,133	3,080,293	10,205,426
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		16,670,784	3,972,382	20,643,166	7,125,133	3,080,293	10,205,426
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-(2)	-	-	-	-	-	-
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-(5)	2,042	-	2,042	2,323	24	2,347
X. PROVISIONS	II-(6)	68,894	-	68,894	61,088	-	61,088
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		15,395	-	15,395	15,952	-	15,952
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		53,499	-	53,499	45,136	-	45,136
XI. CURRENT TAX LIABILITY	II-(7)	64,282	-	64,282	43,570	-	43,570
XII. DEFERRED TAX LIABILITY	II-(7)	912	-	912	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-(8)	2,562,447	-	2,562,447	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		(294)	-	(294)	(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)		562,177	-	562,177	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)		539,374	-	539,374	612,346	-	612,346
16.7 Share Premium		-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		19,629,407	5,758,829	25,388,236	9,548,384	7,186,176	16,734,560

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

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2020

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

II. OFF-BALANCE SHEET

OFF-BALANCE SHEET COMMITMENTS	Notes	Audited Current Period			Audited Prior Period		
		31 December 2020			31 December 2019		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		28,651,331	-	28,651,331	19,810,882	399,036	20,209,918
I. GUARANTEES AND WARRANTIES	III-(1)	28,063,370	-	28,063,370	18,946,779	-	18,946,779
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		28,063,370	-	28,063,370	18,946,779	-	18,946,779
1.9. Other Bank Acceptances		-	-	-	-	-	-
II. COMMITMENTS	III-(1)	587,961	-	587,961	414,703	-	414,703
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		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	449,400	399,036	848,436
3.1. Hedging Derivative Financial Instruments		-	-	-	449,400	399,036	848,436
3.1.1. Fair value hedge		-	-	-	449,400	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. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		4,652,173,747	9,395,379	4,661,569,126	4,149,948,286	998,823	4,150,947,109
IV. ITEMS HELD IN CUSTODY		4,617,130,394	-	4,617,130,394	4,112,181,981	-	4,112,181,981
4.1. Customer Fund and Portfolio Balances		1,959	-	1,959	1,832	-	1,832
4.2. Investment Securities Held in Custody	III-(1)	4,617,126,935	-	4,617,126,935	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		-	-	-	-	-	-
V. PLEDGES RECEIVED		35,043,353	9,395,379	44,438,732	37,766,305	998,823	38,765,128
5.1. Marketable Securities		17,395,948	9,395,379	26,791,327	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		17,647,405	-	17,647,405	18,715,165	-	18,715,165
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		4,680,825,078	9,395,379	4,690,220,457	4,169,759,168	1,397,859	4,171,157,027

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

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

III. STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS		Notes	Audited	Audited
			Current Period	Prior Period
			1 January 2020 -	1 January 2019 -
			31 December 2020	31 December 2019
				Restated
I.	INTEREST INCOME		515,931	732,323
1.1	Interest on Loans	IV-(1)	17,720	8,211
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks	IV-(1)	379,977	651,284
1.4	Interest Received from Money Market Transactions		-	37,881
1.5	Interest Received from Marketable Securities Portfolio	IV-(1)	116,760	33,997
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		116,760	33,997
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		1,474	950
II.	INTEREST EXPENSE	IV-(2)	61,340	184,720
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		50,209	184,636
2.3	Interest Expense on Money Market Transactions		10,825	-
2.4	Interest on Securities Issued		-	-
2.5	Lease Interest Expenses		306	84
2.6	Other Interest Expenses		-	-
III.	NET INTEREST INCOME (I - II)		454,591	547,603
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		403,113	279,622
4.1	Fees and Commissions Received		446,501	309,353
4.1.1	Non-cash Loans		38,497	34,166
4.1.2	Other	IV-(11)	408,004	275,187
4.2	Fees and Commissions Paid	IV-(12)	43,388	29,731
4.2.1	Non-cash Loans		-	-
4.2.2	Other		43,388	29,731
V.	DIVIDEND INCOME	IV-(3)	10,739	37,918
VI.	TRADING INCOME / LOSS (Net)	IV-(4)	14,678	69,017
6.1	Trading Gains/ Losses on Securities		-	13
6.2	Trading Gains/ Losses on Derivative Financial Instruments		(42,129)	33,902
6.3	Foreign Exchange Gains/ Losses		56,807	35,102
VII.	OTHER OPERATING INCOME	IV-(5)	6,767	24,290
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		889,888	958,450
IX.	EXPECTED CREDIT LOSS (-)	IV-(6)	26,050	5,962
X.	OTHER PROVISION EXPENSES (-)	IV-(7)	21,395	32,284
XI.	PERSONNEL EXPENSES (-)	IV-(7)	92,847	79,340
XII.	OTHER OPERATING EXPENSES (-)	IV-(7)	63,151	68,529
XIII.	NET OPERATING INCOME/ LOSS (VIII+...+XII)		686,445	772,335
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
	INCOME/ LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV.	INCOME/ LOSS ON NET MONETARY POSITION		-	-
XVII.	INCOME/ LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XIII+...+XVI)		686,445	772,335
XVIII.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	IV-(8)	(147,071)	(159,989)
18.1	Current Tax Provision		(154,328)	(145,852)
18.2	Deferred Tax Income Effect (+)		-	-
187.3	Deferred Tax Expense Effect (-)		7,257	(14,137)
XIX.	NET INCOME/ LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	IV-(9)	539,374	612,346
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XXII.	INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Income Effect (+)		-	-
23.3	Deferred Tax Expense Effect (-)		-	-
XXIV.	NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	IV-(10)	539,374	612,346
	Earnings / (Loss) Per Share in (Full TL)		0.8989	1.0206

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

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited	Audited
		Current Period	Prior Period
		1 January- 31 December 2020	1 January- 31 December 2019
I.	CURRENT PERIOD INCOME/LOSS	539,374	612,346
II.	OTHER COMPREHENSIVE INCOME	(22)	(1,181)
2.1	Not Reclassified Through Profit or Loss	(22)	(1,181)
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	(28)	(1,476)
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	6	295
2.2	Reclassified Through Profit or Loss	-	-
2.2.1	Foreign Currency Translation Differences	-	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	-	-
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	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	539,352	611,165

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED CHANGES IN SHAREHOLDERS'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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				Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI	Other	Profit Reserves	Prior Period 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								
Current Period																
1 January 2020-31 December 2020																
I. Prior Period End Balance	600,000	33,019	-	3,261	-	(272)	-	-	-	-	1,033,296	638,791	-	-	-	2,308,095
II. 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 (I+II)	600,000	33,019	-	3,261	-	(272)	-	-	-	-	1,033,296	638,791	-	-	-	2,308,095
IV. Total Comprehensive Income	-	-	-	-	-	(22)	-	-	-	-	-	-	539,374	-	-	539,352
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.1 Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	330,988	(615,988)	-	-	-	(285,000)
11.1 Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(285,000)	-	-	-	(285,000)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	330,988	(330,988)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+...+X+XI)	600,000	33,019	-	3,261	-	(294)	-	-	-	-	1,364,284	22,803	539,374	-	-	2,562,447

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

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED CHANGES IN SHAREHOLDERS'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

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

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	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	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 revaluation and/or reclassification of financial assets measured at FVOCI	Other	Profit Reserves	Prior Period Profit or (Loss)				Current Period Profit or (Loss)
Prior Period																
1 January 2019-31 December 2019																
I. Prior Period End Balance	600,000	33,019	-	3,261	-	909	-	-	-	-	606,526	501,770	-	-	-	1,745,485
II. Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	26,445	-	-	-	26,445
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	26,445	-	-	-	26,445
III. Adjusted Beginning Balance (I+II)	600,000	33,019	-	3,261	-	909	-	-	-	-	606,526	528,215	-	-	-	1,771,930
IV. Total Comprehensive Income	-	-	-	-	-	(1,181)	-	-	-	-	-	-	612,346	-	-	611,165
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	426,770	(501,770)	-	-	-	(75,000)
11.1 Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(75,000)	-	-	-	(75,000)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	426,770	(426,770)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+...+X+XI)	600,000	33,019	-	3,261	-	(272)	-	-	-	-	1,033,296	26,445	612,346	-	-	2,308,095

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

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

VI. STATEMENT OF CASH FLOWS

	Noted	Audited	Audited
		Current Period	Prior Period
		1 January –	1 January –
		31 December 2020	31 December 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit/ (Loss) Before Changes in Operating Assets and Liabilities		(431,511)	245,054
1.1.1 Interest Received		462,509	714,343
1.1.2 Interest Paid		(60,655)	(187,677)
1.1.3 Dividend Received		10,739	37,918
1.1.4 Fees and Commissions Received		446,274	308,948
1.1.5 Other Income		6,767	24,290
1.1.6 Collections from Previously Written-off Loans and Other Receivables		-	-
1.1.7 Payments to Personnel and Service Suppliers		(95,867)	(83,127)
1.1.8 Taxes Paid		(124,343)	(190,632)
1.1.9 Other		(1,076,935)	(379,009)
1.2 Changes in Operating Assets and Liabilities		7,494,624	4,269,097
1.2.1 Net increase/decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.2 Net (increase) / decrease in Due from Banks and Other Financial Institutions		(11,976)	20,441
1.2.3 Net (increase) / decrease in Loans		57,770	(142,379)
1.2.4 Net (increase) / decrease in Other Assets		(174,539)	9,608
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		(2,058,733)	683,402
1.2.9 Net increase/(decrease) in Payables		-	-
1.2.10 Net increase/(decrease) in Other Liabilities		9,682,102	3,698,025
I. Net Cash Provided from Banking Operations		7,063,113	4,514,151
B. CASH FLOWS FROM INVESTING ACTIVITIES		-	-
II. Net Cash Provided from Investing Activities		(936,776)	(692,699)
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		(5,675)	(3,811)
2.4 Disposals of Property and Equipment		-	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(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		(2,477,069)	(682,346)
2.8 Sale of Financial Assets Measured at Amortised Cost		1,564,499	6,000
2.9 Other		(17,281)	(12,542)
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net Cash Provided from Financing Activities		(271,566)	(60,029)
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		(306)	(84)
3.6 Other		13,740	15,055
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		970,724	319,424
V. Net Decrease in Cash and Cash Equivalents (I+II+III+IV)		6,825,495	4,080,847
VI. Cash and Cash Equivalents at Beginning of the Period		15,660,042	11,579,195
VII. Cash and Cash Equivalents at End of the Period	V-2	22,485,537	15,660,042

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

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited	Audited
	Current Period	Prior Period
	31 December 2020 ^(*)	31 December 2019
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1 CURRENT PERIOD PROFIT	686,445	776,380
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(147,071)	(160,392)
1.2.1 Corporate tax (income tax)	(154,328)	(145,852)
1.2.2 Withholding tax	-	-
1.2.3 Other taxes and duties	7,257	(14,540)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	539,374	615,988
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))^(d)]	539,374	615,988
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	285,000
1.6.1 To owners of ordinary shares	-	285,000
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of redeemed shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of redeemed shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	398,283
1.12 EXTRAORDINARY RESERVES	-	23,987
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of redeemed shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	0.8990	1.0206
3.2 TO OWNERS OF ORDINARY SHARES (%)	89.90	106.06
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDENDS PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(* The General Assembly is the authorized body of the Company regarding the distribution of the profit for the current period.

As of the date these financial statements were prepared, the Company's annual Ordinary General Assembly meeting has not been held yet.

(* According to the circular of BRSA, if there is an income balance as a result of netting of deferred tax assets and debts, deferred tax revenues are not subject to dividend distribution and capital increase.

(***) Previous period adjustments have not been reflected in the third section Note on other matters.

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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.

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

The Bank has started to apply TFRS 16 Leases standard (“TFRS 16”) in the accompanying financial statements starting from 1 January 2019.

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

The accounting policies and valuation principles used in the preparation of the financial statements, the regulation, notification, explanation and circulars issued by the BRSA regarding the accounting and financial reporting principles, and TFRS (all “BRSA Accounting and Financial Reporting Legislation”), which have been put into effect by the POA.

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 debt securities.

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.

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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.

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 Separate Financial Statements” (“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 can perform 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 income is accounted 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 BIST and on other 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 received are accrued on a monthly basis under other operating income.

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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 written off 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 recognized in the statement of profit or loss.

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 recognized to statement of profit or loss. “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 statement of profit or loss.

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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. 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 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)”.

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.

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 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)”.

ISTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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, 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 decision decision number 9312 dated 8 December 2020, this measure will be effective until June 30, 2021.

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

Tangible assets are depreciated with straight-line method. Tangible 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 and Auditing Standards Authority (POA). 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 assets are accounted for at cost less accumulated depreciation and impairment, if any.

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

Maintenance costs of tangible 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 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.

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 31 December 2020 is TL 8,785 (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 1 January – 31 December 2020, actuarial loss after deferred tax effect amounting to TL 28 (31 December 2019: TL 1,476 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 Taxations (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 3rd 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 Taxations (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, Derivatives Exchange Market, Electricity Market, BİAŞ Money Market and Precious Metals Market, BİAŞ Swap Market and over the counter derivative market (OTC), 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 Reportings

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 XIII 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

Investment property consist of the asset that held to earn rentals and/or for capital appreciation and recognized with cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Investment properties are recognized at its cost less any accumulated depreciation. Investment property is amortized by normal depreciation method and useful life basis. Gains and losses arising from disposal of an investment property or removal of a tangible asset are determined as the difference between the sales proceeds and the carrying amount of the asset and are included in the income statement.

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 31 December 2019 to be in compliance with the presentation of financial statements dated 31 December 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 31 December 2020, the Bank's right of use asset, which is classified in the tangible assets, is TL 3,204 and the lease liability is TL 2,042 as of 31 December 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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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 31.12.2019 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 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)
DEFERRED 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 the simple arithmetic average of buying exchange rates of the Central Bank for the last 252 days before the calculation date 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 2,512,824 TL (31 December 2019: TL 2,191,366), capital adequacy standard ratio is 23.46% (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 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
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	562,177	
Current Period Profit	539,374	
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	-	
Common Equity Tier 1 Capital Before Deductions	2,562,741	
Deductions from Common Equity Tier 1 Capital		
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	294	
Improvement costs for operating leasing	30	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	106,908	
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	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	112,057	
Total Common Equity Tier 1 Capital	2,450,684	

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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 ⁽¹⁾
ADDITIONAL TIER I CAPITAL	-	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
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 (-)	-	
Transition from the Core Capital to Continue to deduce Components	-	
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 Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity Tier I Capital+Additional Tier I Capital)	2,450,684	
TIER II CAPITAL		
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	62,140	
Tier II Capital Before Deductions	62,140	
Deductions From Tier II Capital	-	
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 (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	62,140	

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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 ⁽¹⁾
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,512,824	
Deductions from Total Capital	2,512,824	
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	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
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	-	
TOTAL CAPITAL		
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,512,824	
Total risk weighted amounts	10,712,864	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	22.88	
Tier I Capital Adequacy Ratio (%)	22.88	
Capital Adequacy Ratio (%)	23.46	
BUFFERS		
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 (%)	-	
Amounts below the Excess Limits as per the Deduction Principles		
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	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	62,140	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	62,140	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 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	-	

⁽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⁾ The previous period adjustments are not reflected in the Third Section XXVII. Other matters.

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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 ⁽¹⁾
Common Equity Tier 1 Capital		
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	-	
Common Equity Tier 1 Capital Before Deductions	2,285,564	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	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	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	108,942	
Total Common Equity Tier 1 Capital	2,176,622	

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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 ⁽¹⁾
Additional Tier 1 Capital	-	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital	-	
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier 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	-	
Items to be deducted from Tier I Capital during the Transition Period	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	2,176,622	
Tier 2 Capital		
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	
Tier 2 Capital Before Deductions	14,744	
Deductions From Tier 2 Capital	-	
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	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 ⁽¹⁾
Total Capital (The sum of Tier 1 and Tier 2 Capital)	2,191,366	
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	2,191,366	
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	-	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Total Capital		
Total Capital (Sum of Tier 1 and Additional Tier1)	2,191,366	
Total Risk Weighted Assets	9,316,545	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	23.36	
Tier 1 Capital Adequacy Ratio (%)	23.36	
Capital Adequacy Ratio (%)	23.52	
Buffers		
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 (%)	-	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	
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)	-	
Limits related to provisions considered in Tier 2 Calculation		
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	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

(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) The previous period adjustments are not reflected in the Third Section XXVII. Other matters.

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INFORMATION 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.

Explanations on reconciliation of balance sheet items with equity items:

The main difference between the amount of "Equity" given in the equity table and the amount of "Equities" in balance sheet arising from loans classified under stage I and stage II. The portion of the stage 1 and stage 2 provisions up to 1.25% of the amount subject to credit risk is considered as Additional Capital in the calculation of the "Equity" amount given in the equity table. Operating lease development costs, intangible assets and related deferred tax liabilities that are accounted for under Property, Plant and Equipment are considered in the calculation as "Assets Deducted from Capital" in the calculation of "Equity" amount.

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 Credit Risk

The Board of Management is responsible for Bank operations performed within the scope of credit risk management and these operations are performed in compliance with the “Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks” and the “Regulation on Measuring and Reviewing Capital Adequacy of Banks”. When calculating capital adequacy rates, the amount which is taken as a basis for credit risk and which is calculated via a standard method is considered.

The Bank also calculates counterparty credit risk for banking accounts due to reverse-repo transactions, and these amounts are taken into consideration in the amount used as a basis for credit risk.

The debtors of the cash and non-cash loans extended by the Bank are financial sector companies.

The Bank operates as a central counterparty in the Securities Lending Market, the Futures and Options Market, Borsa İstanbul Equity Market, Borsa İstanbul Debt Securities Market and BİAŞ Swap Market and over the counter derivative market (OTC), Borsa İstanbul Money Market and the liabilities in the related markets are also non-cash loans in terms of the Bank.

Credit transactions bear credit risk. This risk can be defined as the possibility that the members and guarantors who use the credit do not fulfil the liabilities defined in agreements and that they have undertaken beforehand in written form.

The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislation. Independently audited financial statements of the borrowers prepared as per the regulation of Capital Markets Board are examined for the loans extended. The credit limits are amended according to the financial positions of the companies and collaterals against loans are taken in accordance with the application principles for lending operations. After the financial analysis, investigation and other examinations performed on the companies applying for loans, loan limits are proposed to the Board of Directors for approval. Loan limits become effective after approved by the Board of Directors. Limit change requests are revised on a six monthly basis unless substantive changes occur in the financial positions of customers.

The Bank has not been exposed to credit risk since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short term, there is no specific need to enter into any transaction to decrease or terminate its credit exposure.

The Bank has no liquidated non-cash loans, restructured loans or long-term commitments.

The Bank has no lending and banking transactions in foreign countries.

The Bank calculates general provisions for credit risk and receives cash and/or cash equivalent collaterals.

As of the balance sheet date;

Number of cash loan customer	6	Loans
Number of non cash loan customers	132	Loans
Amount of general provisions for credit risks	122	TL
Amount of specific provisions for credits under follow-up	-	TL

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Total amount of incurred risks after offsetting transactions (before credit risk reduction), regardless of the credit risk reduction (deducting from provisions), and average amount of risks separated according to different risk classes and types for the related period:

Risk Classifications	Current Period Risk Amount	Average Risk Amount
Contingent and Non-Contingent Receivables from Central Governments and Central Banks	7,558,561	8,214,367
Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	37,340,951	30,827,665
Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	8,369,648	5,842,674
Contingent and Non-Contingent Corporate Receivables	-	-
Contingent and Non-Contingent Retail Receivables	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-
Past Due Loans	-	-
Higher-Risk Receivables Defined by BRSA	-	-
Marketable Securities Collateralized Mortgages	-	-
Securitization Exposures	-	-
Short-Term Receivables from Banks and Corporate	-	-
Other Receivables	795,347	688,760

Risk Classifications	Prior Period Risk Amount	Average Risk Amount
Contingent and Non-Contingent Receivables from Central Governments and Central Banks	8,322,381	6,560,800
Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-
Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	23,749,529	24,207,040
Contingent and Non-Contingent Corporate Receivables	3,818,613	4,662,123
Contingent and Non-Contingent Retail Receivables	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-
Past Due Loans	-	-
Higher-Risk Receivables Defined by BRSA	-	-
Marketable Securities Collateralized Mortgages	-	-
Securitization Exposures	-	-
Short-Term Receivables from Banks and Corporate	-	-
Other Receivables	581,771	437,106

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Geographical distribution of risk amounts decomposed as part of significant risk group

	Conditional and unconditional exposures to regional governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investments	Other Receivables	Total
Current Period																	
Domestic	7,558,561	-	-	-	-	37,106,658	8,369,648	-	-	-	-	-	-	-	-	795,347	53,830,214
European Union Countries	-	-	-	-	-	200,750	-	-	-	-	-	-	-	-	-	-	200,750
OECD Countries ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	33,543	-	-	-	-	-	-	-	-	-	-	33,543
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	7,558,561	-	-	-	-	37,340,951	8,369,648	-	-	-	-	-	-	-	-	795,347	54,064,507
Prior Period																	
Domestic	8,322,381	-	-	-	-	23,232,345	3,818,613	-	-	-	-	-	-	-	-	581,771	35,955,110
European Union Countries	-	-	-	-	-	516,302	-	-	-	-	-	-	-	-	-	-	516,302
OECD Countries ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	882	-	-	-	-	-	-	-	-	-	-	882
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	8,322,381	-	-	-	-	23,749,529	3,818,613	-	-	-	-	-	-	-	-	581,771	36,472,294

⁽¹⁾ OECD Countries excluding European countries, USA and Canada

⁽²⁾ Assets and liabilities that cannot be allocated on a consistent basis

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Risk profile by sector or counterparties

Current Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to International organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Investments similar to collective investment fund	Other receivables	TL	FC	Total
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining and Quarry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	37,340,951	8,369,648	-	-	-	-	-	-	-	39,931,505	5,779,094	45,710,599
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Telecom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	37,340,951	8,369,648	-	-	-	-	-	-	-	39,931,505	5,779,094	45,710,599
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other ⁽²⁾	7,558,561	-	-	-	-	-	-	-	-	-	-	-	-	795,347	8,353,908	-	8,353,908
Total	7,558,561	-	-	-	-	37,340,951	8,369,648	-	-	-	-	-	-	795,347	48,285,413	5,779,094	54,064,507

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III. Explanations Related to Credit Risk (Continued)

Risk profile by sector or counterparties

Prior Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to International organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Investments similar to collective investment fund	Other receivables	TL	FC	Total
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining and Quarry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	23,749,529	3,818,613	-	-	-	-	-	-	-	19,951,375	7,616,767	27,568,142
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Telecom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	23,749,529	3,818,613	-	-	-	-	-	-	-	19,951,375	7,616,767	27,568,142
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other ⁽²⁾	8,322,381	-	-	-	-	-	-	-	-	-	-	-	-	581,771	8,904,152	-	8,904,152
Total	8,322,381	-	-	-	-	23,749,529	3,818,613	-	-	-	-	-	-	581,771	28,855,527	7,616,767	36,472,294

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II. Explanations Related to Credit Risk (Continued)

Analysis of maturity-bearing exposures according to remaining maturities

Exposures Classifications-Current Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
1 Conditional and unconditional exposures to central governments or central banks	5,296,084	1,464,491	523,498	134,408	140,080
2 Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
3 Conditional and unconditional receivables from administrative units and noncommercial enterprises	-	-	-	-	-
4 Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
5 Conditional and unconditional exposures to international organisations	35,897,606	1,406,560	34,880	1,905	-
6 Conditional and unconditional exposures to banks and brokerage houses	5,798,883	1,703,752	867,013	-	-
7 Conditional and unconditional exposures to corporates	-	-	-	-	-
8 Conditional and unconditional retail exposures	-	-	-	-	-
9 Conditional and unconditional exposures secured by real estate property	-	-	-	-	-
10 Past due receivables	-	-	-	-	-
11 Receivables defined in high risk category by BRSA	-	-	-	-	-
12 Exposures in the form of bonds secured by mortgages	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-
14 Short term exposures and corporate exposures from banks and brokerage houses	-	-	-	-	-
15 Exposures in the form of collective investment undertakings	-	-	-	-	-
16 Other receivables	795,347	-	-	-	-
Total	47,787,920	4,574,803	1,425,391	136,313	140,080

Exposures Classifications-Prior Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
1 Conditional and unconditional exposures to central governments or central banks	7,840,363	443,849	38,169	-	-
2 Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
3 Conditional and unconditional receivables from administrative units and noncommercial enterprises	-	-	-	-	-
4 Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
5 Conditional and unconditional exposures to international organisations	-	-	-	-	-
6 Conditional and unconditional exposures to banks and brokerage houses	22,729,637	1,018,253	-	1,639	-
7 Conditional and unconditional exposures to corporates	2,821,260	767,764	229,589	-	-
8 Conditional and unconditional retail exposures	-	-	-	-	-
9 Conditional and unconditional exposures secured by real estate property	-	-	-	-	-
10 Past due receivables	-	-	-	-	-
11 Receivables defined in high risk category by BRSA	-	-	-	-	-
12 Exposures in the form of bonds secured by mortgages	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-
14 Short term exposures and corporate exposures from banks and brokerage houses	-	-	-	-	-
15 Exposures in the form of collective investment undertakings	-	-	-	-	-
16 Other receivables	581,771	-	-	-	-
Total	33,973,031	2,229,866	267,758	1,639	-

Information about the risk exposure categories:

The credit rating of Banks, intermediary institutions and other financial institutions are inspected via the Takasbank Internal Credit Evaluation System and credit or position limits based on the maximum nominal limits or value at risk limits, which can be assigned within the scope of banking or central counterparty actions are determined. The membership types of banks and intermediary institutions which will perform the transaction in the market, or the capital market instruments that are provided by the central counterparty service, are also determined by this system.

There are no financial assets, the maturity or contract conditions of which are revised again (31 December 2019: None).

Details on the Bank's overdue depreciated financial assets are provided in the fifth chapter, first part, and footnote Note 5 of the report.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations Related to Credit Risk (Continued)

Exposures by risk weights:

Risk Weights – Current Period	0%	10%	20%	50%	75%	100%	150%	Deductions from Equity
Exposures before credit risk mitigation	2,693,201	-	47,686,921	2,889,065	-	795,320	-	-
Exposures after credit risk mitigation	13,972,097	-	37,060,441	2,236,649	-	795,320	-	-

Risk Weights – Prior Period	0%	10%	20%	50%	75%	100%	150%	Deductions from Equity
Exposures before credit risk mitigation	190,431	-	27,317,352	8,382,776	-	581,735	-	-
Exposures after credit risk mitigation	9,911,558	-	17,597,864	8,381,137	-	581,735	-	-

Informations in terms of major sectors and type of counterparties:

None.

Information related to impairment and loan loss provisions

Current Period	Opening Balance	Charge for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific Provisions	21,346	9,175	-	-	30,521
General Provisions	-	-	-	-	-

Prior Period	Opening Balance	Charge for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific Provisions	15,384	5,962	-	-	21,346
General Provisions	1,574	-	(1,574)	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IV. Explanations Related to Market Risk

The Bank's market risk management operations are conducted in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing Capital Adequacy of Banks" and within the scope of the responsibility of the Board of Directors.

In the in-balance sheet and off-balance sheet accounts, interest and currency risks that arise from the fluctuations of the positions held by the Bank in financial markets are measured. When calculating capital adequacy rates, the amount which is taken as a basis for market risk, which is calculated using the standard method shown in the table below, is taken into consideration.

Information on market risk

	Current Period	Prior Period
(I) Capital Requirement against General Market Risk - Standard Method	-	-
(II) Capital Requirement against Specific Risks - Standard Method	-	-
Capital requirement against Specific Risks of Securitisation Positions – Standard Method	-	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	1,621	2,524
(IV) Capital Requirement against Commodity Risks - Standard Method	-	-
(V) Capital Requirement against Exchange Risks - Standard Method	-	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	-	-
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	-	-
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	1,621	2,524
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)	20,263	31,550

Average Market Risk Table for the Market Risk Calculated by the End of the Month in the Period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	-	-	-	-	-	-
Equity risk	-	-	-	-	-	-
Foreign exchange risk	2,518	3,687	609	2,158	3,208	453
Commodity risk	-	-	-	-	-	-
Swap risk	-	-	-	-	-	-
Option risk	-	-	-	-	-	-
Counterparty credit risk	-	-	-	-	-	-
Total Value at Risk	2,518	3,687	609	2,158	3,208	453

Information on counterparty credit risk:

The Bank has no counterparty credit risk for purchase and sell accounts as of 31 December 2020 (31 December 2019: None).

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations Related to the Operational Risk

The Bank's market operational risk management activities are conducted in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing the Capital Adequacy of Banks" and within the scope of the responsibility of the Board of Directors. When calculating the capital adequacy rates, the amount which is taken as a basis for operational risk is calculated using the basic indicator approach method. Balance subject to operational risk is calculated by considering gross income of prior three fiscal years 2019, 2018 and 2017. The amount subject to Operational Risk for the current period is TL 1,366,869 (31 December 2019: TL 993,119 TL).

a) Operational risk amount is measured by basic indicator approach on a yearly basis.

b) In case of basic indicator approach is used, information in below table should be used:

Current Period	31 December 2017	31 December 2018	31 December 2019	Total / Total number of years	Rate (%)	Total
Gross Income	470,222	758,583	958,185	728,997	15	109,350
Amount subject to operational risk (Total*12.5)						1,366,869
Prior Period	31 December 2016	31 December 2017	31 December 2018	Total / Total number of years	Rate (%)	Total
Gross Income	360,185	470,222	758,583	529,663	15	79,450
Amount subject to operational risk (Total*12.5)						993,119

c) The Bank is not using standard method.

d) The Bank is not using alternative execution in standard method.

e) The Bank is not using advanced measurement method.

V. 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. 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. However, obligations subject to required reserve have been changed with the Notification on Required Reserves No. 2013/15, and since the obligations specified in the new notification are not available in the Bank, no required reserve is established in the CBRT.

The Bank calculated a net long foreign exchange of TL 20,265 (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 EURO	1 GBP	100 JPY
Current Exchange Rate on Balance Sheet Date	7.3405	9.0079	9.9438	7.0930
1 st Business Day's Current Exchange Rate	7.4063	9.0697	9.9761	7.1273
2 nd Business Day's Current Exchange Rate	7.4738	9.1370	10.1008	7.2026
3 rd Business Day's Current Exchange Rate	7.5517	9.2037	10.2230	7.2793
4 th Business Day's Current Exchange Rate	7.6190	9.2948	10.3333	7.3353
5 th Business Day's Current Exchange Rate	7.6321	9.3030	10.2284	7.3617
Simple arithmetic averages for last 31 days	7.7211	9.3842	10.3464	7.4181

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations Related to Currency Risk (Continued)

Information on the foreign currency risk of the Bank:

Current Period	EURO	USD	Other	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with The Central Bank of the Republic of Turkey	-	-	-	-
Banks	2,036,386	2,295,076	32,773	4,364,235
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	586,879	824,872	-	1,411,751
Hedging derivative financial assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	105	2,342	-	2,447
Total Assets	2,624,031	3,122,290	32,773	5,779,094
Liabilities				
Bank deposits	-	-	-	-
Foreign currency deposits	-	-	-	-
Money market funds	-	-	-	-
Funds provided from other financial institutions	1,017,893	768,554	-	1,786,447
Securities issued	-	-	-	-
Funds	1,597,284	2,342,447	32,651	3,972,382
Hedging derivative financial liabilities	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	2,615,177	3,111,001	32,651	5,758,829
Net Balance Sheet Position	8,854	11,289	122	20,265
Net Off-Balance Sheet Position				
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-
Prior Period				
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
Net Balance Sheet Position	411,167	18,732	692	430,591
Net Off-Balance Sheet Position				
Financial derivative assets	399,036	-	-	399,036
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations Related to Currency Risk (Continued)

Information on the foreign currency risk of the Bank (continued)

Exposure to currency rate risk

The Bank is mainly exposed to currency risk in EUR, USD and other currencies. The following table shows the Bank's sensitivity to the 10% increase and decrease in the related currencies. The relevant rate indicates the possible change in the exchange rate of the Bank's management.

This analysis is based on the assumption that all other variables, especially interest rates, remain stable.

	Current Period			Prior Period		
	EURO	USD	Other	EUR	USD	Other
Change in net asset value when the TL depreciated by 10% against the related FX	885	1,129	12	41,117	1,873	69
Change in net asset value when the TL gains 10% against the related FX	(885)	(1,129)	(12)	(41,117)	(1,873)	(69)

VI. 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. In addition, derivatives are used for hedging purposes.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Interest Rate Risk

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⁽²⁾	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	-	-	-	-	-	290	290
Banks	21,342,898	876,368	-	-	-	234,620	22,453,886
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	25,827	-	-	-	-	-	25,827
Financial assets at fair value through other comprehensive income	-	-	-	-	-	4,332	4,332
Loans	99,764	-	-	-	-	-	99,764
Financial assets measured at amortised cost	-	1,646,439	648,208	140,078	-	-	2,434,725
Other assets ⁽¹⁾	695	-	-	-	-	368,717	369,412
Total Assets	21,469,184	2,522,807	648,208	140,078	-	607,959	25,388,236
Liabilities							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	203,020	-	-	-	-	-	203,020
Miscellaneous payables	4,573,770	-	-	-	-	16,069,396	20,643,166
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	1,843,395	-	-	-	-	78	1,843,473
Other liabilities ⁽²⁾	-	-	-	-	-	2,698,577	2,698,577
Total Liabilities	6,620,185	-	-	-	-	18,768,051	25,388,236
Balance sheet long position	14,848,999	2,522,807	648,208	140,078	-	-	18,160,092
Balance sheet short position	-	-	-	-	-	(18,160,092)	(18,160,092)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
Total Position	14,848,999	2,522,807	648,208	140,078	-	(18,160,092)	-

⁽¹⁾ Explanations of other assets and other liabilities are provided below.

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. 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⁽²⁾	Total
Assets							
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 ⁽¹⁾	40,483	-	-	-	-	190,579	231,062
Total Assets	14,833,406	648,739	539,947	-	-	712,468	16,734,560
Liabilities							
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 ⁽¹⁾	-	-	-	-	-	2,423,275	2,423,275
Total Liabilities	7,227,516	-	-	-	-	9,507,044	16,734,560
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	-	-	-	-	-	-	-
Net Position	7,605,890	648,739	539,947	-	-	(8,794,576)	-

⁽¹⁾ Explanations of other assets and other liabilities are provided below.

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

Other Assets	Current Period	Prior Period
Intangible assets	166,530	6,763
Investment properties	106,908	103,793
Custody services comission rediscount	38,242	22,465
Tangible assets	35,730	34,275
Miscellaneous receivables	10,296	11,267
Temporary accounts	6,760	7,566
Subsidiaries	4,825	4,825
Deferred tax asset	121	93
Stationary supplies	-	-
Derivative transaction discount	-	40,015
Total	369,412	231,062
Other Liabilities	Current Period	Prior Period
Shareholder's equity	2,562,447	2,308,095
Provisions	68,894	51,745
Current tax liability	65,194	61,088
Lease liabilities	2,042	2,347
Total	2,698,577	2,423,275

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Interest Rate Risk (Continued)

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

Current Period End Balance	EURO	USD	TL
Assets			
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-
Due from other banks	2.64	3.16	18.03
Financial assets at fair value through profit and loss	-	-	-
Money market placements	-	-	15.27
Financial assets at fair value through other comprehensive income	-	-	-
Loans	-	-	20.15
Financial assets measured at amortized cost	2.32	4.10	11.54
Liabilities			
Bank deposits	-	-	-
Other deposits	-	-	-
Money market borrowings	-	-	15.00
Funds	-	-	17.98
Securities issued	-	-	-
Funds borrowed	0.01	0.19	3.36

Prior Period End Balance	EURO	USD	TL
Assets			
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	-	-	-
Loans	-	-	10.68
Financial assets measured at amortized cost	2.20	9.33	22.12
Liabilities			
Bank deposits	-	-	-
Other deposits	-	-	-
Money market borrowings	-	-	10.50
Securities issued	-	-	-
Funds borrowed	0.01	1.67	-

Interest rate risk on banking accounts:

Type of Currency	Shock Applied (+/- x basis point)	Gains/ (Losses)	Gains/Equity (Losses)/Equity
TRY	(+) 500 bp	5,543	0.22
TRY	(-) 400 bp	(4,728)	(0.18)
EUR	(+) 200 bp	(390)	(0.02)
EUR	(-) 200 bp	390	0.02
USD	(+) 200 bp	250	0.01
USD	(-) 200 bp	(250)	(0.01)
Total (of negative shocks)		(4,587)	(0.18)
Total (of positive shocks)		5,403	0.21

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VII. Equity share position risk in banking accounts

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

VIII. 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 over the counter derivative market (OTC)*, 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 fourth paragraph of Article 4 of the Regulation on the Calculation of Liquidity Coverage Rate of Banks, consolidated and unconsolidated total liquidity coverage ratio cannot be lower than 100 percent and consolidated and unconsolidated total liquidity coverage ratio in foreign currency cannot be lower than 80 percent and in accordance with Provisional Article I of the Regulation, the total and foreign currency liquidity coverage rates to be applied until 1 January 2019 are governed by the Board of Directors, with the appropriate opinion of the Central Bank of the Republic of Turkey.

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.

Ratios throughout the period are as below:

	Current Period (%)	Prior Period (%)
Period Average	221	181
Highest	253	212
Lowest	200	164

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. 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 Year d Over	Undistributed⁽¹⁾	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	290	-	-	-	-	-	290
Banks	234,620	21,342,898	876,368	-	-	-	22,453,886
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	-	25,827	-	-	-	-	25,827
Fair value with changes in other comprehensive income	4,332	-	-	-	-	-	4,332
Loans	-	99,764	-	-	-	-	99,764
Financial assets measured at amortized cost	-	-	1,646,439	648,208	140,078	-	2,434,725
Other assets ⁽¹⁾	-	695	-	-	-	368,717	369,412
Total Assets	239,242	21,469,184	2,522,807	648,208	140,078	-	25,388,236
Liabilities							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Funds borrowed	-	1,843,395	-	-	-	78	1,843,473
Money market borrowings	-	203,020	-	-	-	-	203,020
Securities issued	-	-	-	-	-	-	-
Funds	16,069,396	4,573,770	-	-	-	-	20,643,166
Other liabilities	2,042	21,483	-	62,847	-	2,612,205	2,698,577
Total Liabilities	16,071,438	6,641,668	-	62,847	-	2,612,283	25,388,236
Current Period Liquidity (Gap)/surplus	(15,832,196)	14,827,516	2,522,807	585,361	140,078	-	(2,243,566)
Prior Period							
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
Liquidity Gap	(6,564,227)	7,592,543	648,739	491,594	-	(2,168,649)	-

⁽¹⁾ 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.

⁽²⁾ Includes expected loss provisions.

Securitization positions:

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

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. 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 4.35% (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 ⁽¹⁾	Prior Period ⁽¹⁾
Assets on the balance sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	27,207,408	16,466,473
(Assets deducted from core capital)	(111,317)	(108,997)
Total risk amount for assets on the balance sheet	27,096,091	16,357,476
Derivative financial instruments and credit derivatives		
Renewal cost of derivative financial instruments and loan derivatives	-	855,322
Potential credit risk amount of derivative financial instruments and loan derivatives	-	-
Total risk amount of derivative financial instruments and loan derivatives	-	855,322
Financing transactions with securities or goods warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	-	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	-	-
Off-the-balance sheet transactions		
Gross nominal amount of the off-balance sheet transactions	27,746,232	19,301,267
(Adjustment amount arising from multiplying by the credit conversion rate)	-	-
Total risk amount for off-balance sheet transactions	27,746,232	19,301,267
Capital and total risk		
Tier 1 capital	2,383,680	2,143,457
Total risk amount	54,842,323	36,514,066
Leverage ratio		
Leverage ratio (%)	4.35	5.87

⁽¹⁾ The amounts in the table are calculated by using the quarterly average amounts.

Credit risk mitigation techniques

The Bank does not perform in-and off-balance sheet netting. The Bank’s cash credit transactions consist of loans extended to intermediary firms. Equity securities, treasury bills, government bonds, a letter of guarantee, investment fund participation certificates and cash blockage collateral may be obtained for extended cash credits.

Takasbank Money Market (TMM) transactions are regarded as non-cash loans due to the guarantorship of the Bank in TMM. In the Futures Option Market (VIOP), the Borsa Istanbul Money Market, the Borsa Istanbul Equity Market, the Borsa Istanbul Debt Securities Market and the BİAŞ Swap Market and over the counter derivative market (OTC), due to the Bank being the counterparty, transactions are considered as non-cash loans and services are provided within the scope of guarantees.

Cash (TL, USD, EUR), guarantee letter, treasury bills, government debt securities, investment bond participation certificates, shares traded on the stock market and determined by Takasbank, Euro bonds, bank bonds and bills issued by the Ministry of Treasury and Finance, lease certificates issued by Hazine Müsteşarlığı Varlık Kiralama A.Ş., gold that can be traded on stock market are considered as collateral in Takasbank Money Market (TMM).

Cash (TL, US dollar, Euro, GBP), government domestic debt securities, Euro bonds (USD / EUR) issued by the Ministry of Treasury and Finance, Hazine Müsteşarlığı Varlık Kiralama A.Ş. lease certificates issued by the company, gold standard in the stock exchange, fund participation shares attached to the Stock Umbrella Fund, Borrowing Instruments Umbrella Fund related fund participation shares, Mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities. Stocks in BIST 100 index and Borsa İstanbul A.Ş. shares are given as collateral.

Cash (TL, USD, EUR, GBP), government domestic debt stock, as transaction collateral in VIOP, Euro bonds issued by the Ministry of Treasury and Finance, shares in BIST 100 index, fund participation shares affiliated to the Stock Umbrella Fund, fund participation shares of debt instruments umbrella fund, Undersecretariat of Treasury Varlık Kiralama A.Ş. Gold, mortgage-backed securities, mortgage-backed securities, asset-backed securities, and asset-backed securities are purchased.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

Credit risk mitigation techniques (continued)

Cash (TL, USD, EUR, GBP), government debt securities, lease certificates issued by Hazine Müsteşarlığı Varlık Kiralama A.Ş., share certificates in BIST 100 index, investment bond participation certificates, share umbrella fund shares, debt instruments umbrella fund shares, guarantee letter and gold that can be traded in stock market are considered as collateral in Borsa İstanbul Equity Market and Borsa İstanbul Debt Securities Market.

In Borsa İstanbul Stock Market and Borsa İstanbul Borrowing Instruments Market, cash TL, convertible foreign currency (USD, EUR, GBP), government domestic debt securities and Hazine Müsteşarlığı Varlık Kiralama A.Ş. Lease certificates issued by Euro bonds issued by the Ministry of Treasury and Finance, shares in BIST 100 index, Fund participation shares attached to the Stock Umbrella Fund, Borrowing Instruments Fund participation shares attached to the Umbrella Fund, Gold in the Stock Market Standard, Mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities, Borsa İstanbul A.Ş. shares are accepted as collateral.

Cash (TL, USD, EUR, GBP) as transaction collateral in OTC, government domestic debt stock, Euro bond issued by the Ministry of Treasury and Finance, Hazine Müsteşarlığı Varlık Kiralama A.Ş. Lease certificates issued by the Company, domestic debt securities issued by Germany and the USA, and mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities.

At the end of each day, Takasbank evaluates the collaterals at the prices stated below. In consequence of guarantee valuation carried out every day, in the event that the depreciation of the guarantees exceeds the limits determined by the Bank, a margin call is made to ensure that the guarantees are brought to the level of the initial guarantee.

- a) Shares are valued by taking into account the weighted average price emerging in the last session of the BİAŞ share market on the day of the valuation for day-end valuations. If no transaction has been performed in the stock exchange, the arithmetic average of the best purchase and sale orders in the last session is used. If no best purchase or best sale order exists then the weighted average price of the last session in which a transaction was performed is used.
- b) Government bonds, treasury bills and lease certificates are valued based on the theoretical price determined by using the “Takasbank yield curve” on the day of valuation. If these prices cannot be obtained, then the daily values of government debt securities determined by the CRBT are used as indicators.
- c) Cash amounts in foreign currency are valued based on the foreign exchange buying rate determined by the CRBT for the day after the valuation.
- d) Mutual funds are valued based on the price announced on the day of valuation.
- e) Euro bonds are valued based on the Bloomberg Generic Price (BGP). If this price cannot be obtained, then the Euro bonds are valued by the theoretical price to be found by Takasbank.
- f) Bank bills and bonds are valued based on the theoretical price determined by Takasbank.
- g) The lease certificates are valued based on the theoretical price determined by Takasbank on the day of valuation. If these prices cannot be obtained, lease certificates are valued based on the indicative daily values of the lease certificates determined by the CBRT.
- h) Gold is valued based on the USD / ONS price for the T + 0 value in the last session of the Borsa İstanbul Precious Metals and Precious Stones Market and the price calculated by using the CBRT foreign exchange rate. If the transaction has not taken place, gold is valued based on the weighted average price of the previous session.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

Credit risk mitigation techniques (continued)

Collaterals in terms of risk categories:

Exposure classifications – Current Period	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	2,693,174	4,865,387	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	31,204,274	6,136,677	-	-
Conditional and unconditional corporate receivables	8,092,816	276,832	-	-
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional secured mortgage receivables	-	-	-	-
Past due receivables	-	-	-	-
Receivables in high risk category defined by BRSA	-	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	795,347	-	-	-
Total	42,785,611	11,278,896	-	-

Exposure classifications – Prior Period	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	8,322,381	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	23,749,529	9,721,127	-	-
Conditional and unconditional corporate receivables	3,818,613	-	-	-
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional secured mortgage receivables	-	-	-	-
Past due receivables	-	-	-	-
Receivables in high risk category defined by BRSA	-	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	581,771	-	-	-
Total	36,472,294	9,721,127	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. 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 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.

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 March 2016 are given in this section. The following tables, which should be given in six months periods in accordance with the related communiqué, have not been presented as of 31 December 2019 because the standard approach is used in the calculation of Bank’s capital adequacy and there are no credit derivatives and securitization position.

- 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
- Quantitative information to be made public for banks using internal model approach
- Internal model approach for trading account
- Comparison of VaR estimates with profit / loss
- IRB - Credit risk exposures by portfolio and PD range
- IRB (specialized lending and equities under the simple risk weight method)
- IRB (specialized lending and equities under the simple risk weight method)
- IRB - Retrospective test of default probabilities in each risk class
- Change table of RWA under IRB approach
- CVA capital charge
- IRB – CCR exposures by portfolio and PD scale
- Credit Derivatives
- Exposures to central counterparties
- Securitization exposures in the banking book
- Securitization exposures in the trading book
- Securitization exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor
- Securitization exposures in the banking book and associated capital requirements – bank acting as investor

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk management objectives and policies

1. Risk management approach and risk weighted amounts

1.1. Bank's risk management approach

a) How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board:

The Bank's activities basically consist of settlement, custody, collateral management, banking, central counterparty services (CCP), treasury operations and other transactions executed at the markets operated by the Bank. The risks exposed due to these activities are credit risk, market risk, operational risk, liquidity risk and interest rate risk in the banking book. Risks arising from information technologies and business continuity are evaluated in the operational risk framework. Capital is also allocated by the Bank to the covered risks under central counterparty general business risk with respect to CCP.

With respect to information technologies risks, development of indicators such as business disruptions, compliance to service level agreements of support service providers etc. are monitored by Risk Management Department and reported to Executive Management. However, actions suggested for risks that are aligned with or above the operational risk appetite, and their key risk indicators are monitored by Internal Control and Compliance Department, and reported to Executive Management by the Risk Management Department.

Specific significance is attributed to business continuity risks as a possible disruption in services provided by the Bank align with its structure and operations, may be to the extent of affecting entire capital markets. Effectiveness and its compliance with international standards of the Bank's business continuity management system and information security management system operations have been registered within this scope ISO 22301- Business Continuity Management System Certificate and ISO 27001- Information Security Management System Certificate were received by the Bank. In determining the risk profile, the risk factors and relationship between them that the Bank may be sensitive due to its structure and operations, are taken into account. Risk appetites have been set by the Bank Board of Directors for the entire risk exposure, and risk limits and signal values have been established based on general and critical risk types to control the current risk profile, which is in turn to prevent exceeding overall risk appetite and risk appetites based on risk types determined by the Board of Directors. The development of the risk limits and signal values are monitored regularly by the Risk Management Department and reported to Executive Management.

The Bank's risk appetite is reviewed according to results of internal capital adequacy assessment process (ICAAP) at least once a year, risk limits and signal values determined in terms of general and risk types are reviewed according to the changes in market conditions and Bank's strategies. The review process is conducted to determine if the limits are significant and sufficient with respect to risks and the Bank's risk appetite. The primary responsibility for the review of limits, and overseeing that the risks assumed by the Bank are within the risk limits and monitored by the Executive Management lies with the Board of Directors.

Signal value overflows are reported via e-mail by the Risk Management Department to the Audit Committee, Senior Management and unit managers who perform the respective process at the management of the business line. If the overflows occur in the allocated risk appetites and risk limits, written information is provided to the Audit Committee by the Risk Management Department to notify the Senior Management and Board of Directors ensuring that the necessary measures to be taken.

In the markets, where the Bank provides CCP service, there are trade limits allocated to members in order to limit risks of the members against the Bank. The maximum risk limits are determined using the shareholder's equity and/or ratings issued by the internal rating and assessment system of the Bank. Risk limits can be set over nominal open position amounts or another indicator (e.g. value at risk) that measures member risks, such as initial margin. Along with this, there are also liquidity risk, credit risk and concentration risk limits based on markets, where CCP service is provided.

Credit risk exposure of the Bank by the reason of the CCP service is monitored by comparing existing (deposited) margin with the required margin. Concentration risk is monitored to based on the ratio of required margin level for each member to total margin requirement in the respective market, and the limit is monitored on daily basis by the Central Counterparty Department of the Bank. However, if in any market the ratio of the risks belonging to members outside the top 3, to total risk doesn't exceed a certain rate (if the market does not have enough depth) and/or, if there are members that use less than a certain ratio of the allocated limit in the respective market, the limit cannot be applied.

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IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts

1.1 Bank's risk management approach

- a) **How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board (continued):**

If concentration limits are exceeded by any member, the member may be prevented from taking an additional position, the member may be demanded for additional trade margin, and its trade limits may be reduced until the end of a period to be set with the approval of the General Manager of the Bank and if required with the decision of Board of Directors.

It is essential that the ratio of the sum of liquid trade margins of the top 2 members with highest risk at each market, where the Bank is CCP, liquid assets in the respective market's guarantee fund and the highly liquid assets that the Bank allocates and commits from its own capital, to the risk amount of these members is not below a certain limit.

- b) **The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function):**

Duties, authorities and responsibilities within the scope of risk management system are performed by Executive Management in accordance with the legislation and by all the units of the Bank as part of the framework of communiqués, procedures and directives. It is mandatory to ensure that risk management policy and implementing procedures adapt to the changing conditions. The Board of Directors assesses regularly the sufficiency of such policy and implementing procedures and makes the necessary changes. Bank Senior Management is jointly and Board Members are severally responsible for the design and its application within the Bank of ICAAP. ICAAP Report and Stress Test Report are prepared in coordination with Risk Management Department with the participation of all respective units, and the results of the reports are used in the Bank's decision-making processes.

Three line of defence approach that comprising of business line management, central risk management function and independent review, is employed in risk management. Accordingly;

- Under the management of the business line, risks arising from product and services provided by each unit of the Bank, employed process, human resource and systems are determined, process and sub-process based risks and controls are defined, and Senior Management is informed ensuring that appropriate actions are taken.
- Central risk management function is facilitated by establishing risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Risk Management Department, Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and if necessary international practices in an effective and adequate manner at first line, as "secondary phase protection" element. Such activities and their control periods are determined annually in Internal Control List. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting in an independent and impartial manner within the organization. During audit activities, first of all, compliance of Bank activities with the regulation, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached risk management and risk control targets or not, and on effectiveness and efficiency of risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

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IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (continued)

1.1. Bank's risk management approach (continued)

- b) The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function):**

The assumed risks due to CCP activities are managed within a comprehensive risk management framework. The framework of this risk management has been determined within the scope of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation. The respective regulation regulates a detailed risk management framework such as membership types and trade limits, margining and guarantee fund, stress tests, risk management practices, model security and back tests, the position of internal system units activities in CCP risk management framework, risk mitigation methods and crisis management tools. Such activities are performed by the Central Counterparty Department within the Bank's organization structure.

The Bank has established a CCP Risk Advisory Committee designated to submit opinion to Board of Directors on CCP regulations and management of CCP risks and relevant matters. The Committee consists of CCP member representatives, representatives CCP members' legal entity clients and independent members of Takasbank Board of Directors and chaired by one of the independent member of Board of Directors. At Risk Advisory Committee, matters that may affect CCP's risk management such as change in risk models used in CCP risk management, default procedures, membership admission criteria, settlement of new type of capital market instruments or usage of insurance or external resource use in the transactions are discussed.

The Bank allocates capital for covered risk exposed due to CCP services in order to prevent systemic risk and also determines the committed capital from the remaining capital. In stress tests conducted as part of CCP application, it is assessed whether the available margins, guarantee funds and resources consisting of allocated and committed capital at markets where the Bank is CCP are large enough to meet the fund requirements of default of 2 members with the highest risk under extreme market conditions. At the same time, models used to calculate initial margin at CCP markets and confidence levels are analysed by the Bank via back tests. Stress test and back test results and recommended measures if exist, are reported on quarterly basis through internal system units to the Board of Directors and to the Capital Markets Board by the CCP Department.

- c) Channels to communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions):**

At least, in order for creating a Bank-wise risk culture through the framework of operational risk management established by the Bank in accordance with Takasbank Operational Risk Management Procedure; Risk Management Department consult on management of risk exposure by the through mutual negotiations with all the risk and control officer or process owners at workshop studies, training documents are sent to the Bank personnel and if required training is provided and operational risk policy and procedures are announced to the relevant Bank staff.

The Bank's risk and control self-assessment process involves assessment of the impacts, possibilities and controls of risks that Bank processes are exposed to, and appropriate actions for risks aligned with or above the Bank's operational risk appetite.

During self-assessment studies, in coordination with Risk Management Department and Internal Control and Compliance Department, sub-processes risks and controls established against these risks are reviewed and updated by holding mutual negotiations with all units. Risks belonging to all units are also screened by Internal Audit Department and Internal Control and Compliance Department for the usage of audit and control activities.

Procedures and principles have been regulated regarding promptly and adequately execution of activities that shall be carried out pursuant to The Bank, Organization and Duties Instruction, Banking Law, Capital Markets Law and provisions of other relevant legislations, determination of the organizational structure and role and realm of authority of the units and facilitation of coordination among units.

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IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (continued)

1.1. Bank's risk management approach (continued)

c) Channels to communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions) (continued)

At least, in order for creating a Bank-wise risk culture through the framework of operational risk management established by the Bank in accordance with Takasbank Operational Risk Management Procedure; Risk Management Department consult on management of risk exposure by the through mutual negotiations with all the risk and control officer or process owners at workshop studies, training documents are sent to the Bank personnel and if required training is provided and operational risk policy and procedures are announced to the relevant Bank staff.

Pursuant to Takasbank Risk Management Communiqué, signal value overflows are reported to the Audit Committee Senior Management and unit managers whose performing the respective process at the business line management via e-mail by the Risk Management Department. In addition to this, if an overflows occur in the allocated risk appetites and risk limits, written information is provided to the Audit Committee by the Risk Management Department to notify the Senior Management and Board of Directors ensuring that the necessary measures are taken. Also Banking Ethical Principles that was published by the BRSA has been adopted by the Bank's personnel and the Takasbank Code of Ethics Instruction has been approved by the Board of Directors.

In the Asset Liability Committee meeting held with the participation of Senior Management, relevant unit managers and Risk Management Department Manager on monthly basis, a consultation is held on the Bank's entire operations and it is ensured that necessary action is taken.

Details of ICAAP process established at the Bank and stress test procedure and principles are provided in the Takasbank ICAAP Instruction and Takasbank Stress Test Program Policy and Implementation Procedures respectively.

d) The scope and main features of risk measurement systems:

Systems, which may be applied in a reliable and integrate with the operations, have been built to measure quantifiable risk exposure of the Bank and assess non-quantifiable risks, procedures and principles are provided in the communiqué and procedures which are endorsed by the Board of Directors.

Board of Directors and Senior Management evaluate assumptions underlying the used models and their limitations, data sources used to measure risks and adequacy and suitability of implementation procedures. Accuracy and reliability of risk measurement methodologies, methods or models are determined by using actual results via back tests. To reflect the changing market conditions, methodologies, methods and models used in risk measurement are updated periodically.

In all risk analysis and assessments as part of principle of proportionality first and second pillar risks are taken into account. Credit risk (counterparty credit risk is included), market risk and operational risk which are part of the first pillar risk measured and reported periodically according to standardised approach, standard method and basic indicator approach respectively and reported pursuant to Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations. Also, credit risk that the Bank is exposed to due to guarantees provided under CCP activities and the transactions causing this risk, are measured under legal credit risk capital requirement. Second pillar risks are assessed within the scope of ICAAP.

Value at market risk and internal market risk capital requirement are calculated on daily basis by using internal method which is determined in the Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations, and the loss amount that the portfolio may be exposed to is reported to Senior Management via stress tests and scenario analysis.

Legal risk, reputational risk, strategic risk, business continuity risk, information technologies risk and risks arising from critical stakeholders and subsidiaries, which may affect the Bank's operations and reputation, are considered as operational risk. As part of operational risk, all quantifiable and non-quantifiable risks are addressed in the Operational Risk Database, and losses, which are quantifiable, and reflected to booking records as expenses are addressed in the Operational Risk Loss Database.

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IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.1. Bank's risk management approach (continued)

d) The Scope and main features of risk measurement systems:

Risk assessment is conducted in coordination with Risk Management Department with all the respective units by the Bank in the considering of the entire risk exposure before new product and services are offered. In addition to this, also Risk Analysis Report and Technical Adequacy Report are prepared in accordance with the Communiqué Regarding Banks Receiving Support Service and Takasbank Support Service Purchasing Procedure before support service purchasing contract is signed by the Bank or service contract with the support service provider is renewed and then are submitted for Board of Directors approval annexed to the Audit Committee Assessment Report.

e) Explanations about the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure:

The Banks establishes extensive reporting systems and prepares reports to be used in the management of risk exposure, processes involving determination of strategies and decision-making. The reports prepared should at the least include information such as;

- Risk analysis results and development,
- Results of stress tests and scenario analysis are intended to respective risk type and the whole of the Bank,
- Whether there was an overflows of risk limits and signal values,
- Assumptions underlying risk assessment process, parameters and constraints regarding the used models and any changes in these,
- Risk mitigation techniques and risk transfer strategies

The Bank ensures that measurement, assessment, monitoring, stress test and scenario analysis studies aligned with operational structure and complexity are carried out with respect to risk management and the respective results are reported regularly. It is ensured that the reports are submitted at regular intervals to the Board of Directors and via Senior Management to the units responsible for occurrence and monitoring of risk.

f) Qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management):

A stress test program has been built by the Bank to measure that the risks and fragilities may arise from adverse development pertain to the Bank or come to light in economic and financial environment under stress, the procedures and principles related to the process have been provided in the Takasbank Stress Test Program Policy and Implementation Procedures. Stress tests are designed in coherence with the Bank's risk appetite and strategy and with a forward-looking perspective and include risk mitigating management actions.

Risk concentrations existing in different areas are revealed upon application of partial stress test for certain portfolio and/or critical risk types affecting the bank. Holistic stress tests targeting the entire Bank, employed in capital and liquidity planning, are carried out with the participation of all the relevant units of the Bank and in coordination with Risk Management Department in the context of ICAAP at least once a year, and sent to BRSA following Board of Directors approval with ICAAP report. The Bank takes into account stress tests that carried out under ICAAP, scenario analysis and their results in creating budget, strategic plan, fund management strategy and policies. In the stress tests apply fundamentally scenarios such as the increase in interest rates and downgrade of sovereign rating are tackled.

In the stress tests conducted under CCP application, it is evaluated whether the resources consisting of margins available in case of default for the Bank's use at CCP markets, guarantee fund and portions of allocated and committed capital are large enough to meet the fund requirement that shall arise in case of default of 2 members with the highest risks under extreme market conditions. In addition to this, the models used in calculation of initial margin at CCP markets, and sufficiency of confidence levels are analysed by the Bank with back tests. Stress test and back test results and if exist, recommended measures are reported on quarterly basis through internal system units to the Board of Directors and by the CCP department to the Capital Markets Board.

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IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.1. Bank's risk management approach (continued)

g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants:

Bank operations basically consist of settlement, custody, collateral management, banking, central counterparty services and treasury operations and other transactions executed at the markets operated by the Bank. The risk exposure due to these operations are credit risk, market risk, operational risk, liquidity risk and interest rate risk in the banking book. Information technologies risks and business continuity risks are considered as operational risk. Capital is also allocated by the Bank to covered risks under central counterparty general business risk with respect to CCP.

The Bank manages its risks ensuring that they remain over/under the minimum/maximum limits in all the governing legal regulations and below the risk appetites endorsed by the Board of Directors based on overall risk and risk types. The Bank has determined signal values under risk limits based on overall risk and risk type, and early warning systems in the name of controlling current risk profile to avoid overflows of overall risk appetite and risk appetites based on risk types endorsed by the Board of Directors and such values are monitored regularly by the Risk Management Department.

Within the scope of Takasbank Restructuring Plan endorsed by the Bank's Board of Directors, required actions are taken by Executive Management to reduce the risk levels that the Bank is exposed to, aforesaid plan is reviewed at least once a year in coordination with Risk Management Department with participation of all related units of the Bank.

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IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (continued)

1.1. Bank's risk management approach (continued)

g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants (continued):

In reducing credit risk level, the Bank may take into account besides risk mitigant effect of collaterals, risk mitigation techniques such as insurance or derivative products for hedging risks. In addition to this, while using margins, guarantee fund contribution shares, and Takasbank resources that may be resorted to in the default event of CCP members pursuant to Article 36 of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation, the following priority order should be followed:

- Collaterals in the accounts of the defaulted CCP member itself or in the customer accounts under itself where a deficit of collateral occurs,
- The deposited guarantee fund contribution share of the defaulted CCP member,
- Compensations to be made from insurance policies, if any,
- Allocated capital of Takasbank for covered risks,
- Deposited guarantee fund contributions of the other CCP members,
- Additional guarantee fund contributions which may be requested from the CCP members,
- Commitment made from the remaining capital of Takasbank.

In article 46 and 73 of 6362 no Capital Markets Law, it is legislated that clearing and custody agencies may request collateral from investment institutions and investors under investment services and activities, assets in guarantee fund, established with collaterals kept with clearing agencies to overcome clearing risks, cannot be seized or pledged even for public claims, cannot be included into bankruptcy estate and precautionary measure cannot be exercised over them. This situation legally leaves collaterals provided to the Bank by the members out of bankruptcy and acts as a credit mitigant on the credit risk that the Bank may be exposed to.

The Bank's fund management strategy has been created to avoid any liquidity problem, ensure optimization of risk-return balance, invest resources at the utmost efficiency rates by taking reasonable level of risk and in line with this strategy treasury operations are executed with banks to whom limit has been allocated by the Board of Directors. Only Government Debt Securities are issued by the Ministry of Treasury and Finance of Turkey may be purchased for the Bank's securities portfolio. In addition to this derivate instruments may also be used for hedging purposes.

Actions suggested for risks aligned with or above operational risk appetite and key risk indicators are monitored by Internal Control and Compliance Department and reported by Risk Management Department to Executive Management. Moreover, operational risk losses, process and sub-process risks are monitored periodically. The operational risks that the Bank is/may be exposed to covered to a large extent by purchasing insurance policies.

It is assessed by the Senior Management whether risks shall be accepted or not for risks aligned with or above the Bank's operational risk appetite, for uncontrollable risks and risks that cannot be mitigated, and whether the level of activity in such line of business shall be reduced or not or entirely terminated or not and submitted to the approval of Board of Directors.

Distribution of the Bank's asset and liability items are based on certain currencies and maturity/repricing period, liquidity deficit/surplus, resources that may be generated during possible liquidity crisis situations and free shareholders' equity level are monitored regularly.

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IX. Risk management objectives and policies (Continued)

1. Risk management approach and risk weighted amounts (continued)

1.2 Overview of Risk Weighted Amounts

	Risk Weighted Amounts		Minimum Capital
	Current Period	Prior Period	Current Period
Credit risk (excluding counterparty credit risk)	9,325,723	8,269,870	746,058
Standardised approach	9,325,723	8,269,870	746,058
Internal rating-based approach			
Counterparty credit risk	10	22,006	1
Standardised approach for counterparty credit risk	10	22,006	1
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	20,263	31,550	1,621
Standardised approach	20,263	31,550	1,621
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	-	-	-
Total	10,712,864	9,316,545	857,029

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IX. Risk Management Objectives and Policies (Continued)

2. Linkages between financial statements and regulatory exposures

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

Current Period	Carrying values of items in accordance with TAS				
	Carrying values under scope of regulatory consolidation	Subject of credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	290	290	-	-	-
Banks	22,453,886	22,480,895	-	4,364,235	-
Receivables from money markets	25,827	-	25,827	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Financial assets at fair value through other comprehensive income	4,332	4,332	-	661	-
Financial assets at fair value thorough amortized cost	2,434,725	2,435,054	-	1,411,751	-
Derivative financial assets	-	-	-	-	-
Loans (net)	99,764	99,886	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	4,825	-	-	-	4,825
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	10,296	10,266	-	-	30
Intangible assets (net)	106,908	-	-	-	106,908
Investment properties (net)	35,730	35,730	-	-	-
Tax assets	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-
Other assets	211,653	211,653	-	2,447	-
Total assets	25,388,236	25,278,106	25,827	5,779,094	111,763
Liabilities					
Deposits	-	-	-	-	-
Loans	1,843,473	-	-	1,786,447	-
Debt to money markets	203,020	-	-	-	-
Debt securities in issue	-	-	-	-	-
Funds	20,643,166	-	-	3,972,382	-
Derivative financial liabilities	-	-	-	-	-
Factoring debts	-	-	-	-	-
Other liabilities	-	-	-	-	-
Debts from leasing transactions	2,042	-	-	-	-
Provisions	68,894	-	-	-	-
Tax liability	64,282	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	912	-	-	-	-
Subordinated loans	-	-	-	-	-
Equity	2,562,447	-	-	-	294
Total liabilities	25,388,236	-	-	5,758,829	294

Banks subject to credit risk are included in the market risk column as the foreign currency denominated in financial assets and other assets items whose fair value differences are reflected in other comprehensive income are exposed to foreign exchange risk.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

3. Linkages between financial statements and regulatory exposures

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

Prior Period	Carrying values of items in accordance with TAS				
	Carrying values under scope of regulatory consolidation	Subject of credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	840	840	-	-	-
Banks	15,618,315	15,639,364	-	7,147,903	-
Receivables from money markets	29,338	-	29,338	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Financial assets at fair value through other comprehensive income	3,082	3,082	-	661	-
Financial assets at fair value thorough amortized cost	694,289	694,289	-	467,720	-
Derivative financial assets	-	-	-	-	-
Loans (net)	157,290	157,493	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	4,825	-	-	-	4,825
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	40,015	-	40,015	-	-
Tangible assets (net)	11,267	11,214	-	24	53
Intangible assets (net)	103,793	-	-	-	103,793
Investment properties (net)	8,880	8,880	-	-	-
Tax assets	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-
Other assets	37,325	37,325	-	459	-
Total assets	16,709,165	16,552,487	69,353	7,616,767	108,671
Liabilities					
Deposits	-	-	-	-	-
Loans	4,105,859	-	-	4,105,859	-
Debt to money markets	-	-	-	-	-
Debt securities in issue	-	-	-	-	-
Funds	10,205,426	-	-	3,080,293	-
Derivative financial liabilities	-	-	-	-	-
Factoring debts	-	-	-	-	-
Other liabilities	-	-	-	-	-
Debts from leasing transactions	2,347	-	-	24	-
Provisions	61,088	-	-	-	-
Tax liability	49,153	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated loans	-	-	-	-	-
Equity	2,285,292	-	-	-	273
Total liabilities	16,709,165	-	-	7,186,176	273

⁽¹⁾ The previous period adjustments are not reflected in the third section note on other matters.

Banks subject to credit risk are included in the market risk column as the foreign currency denominated in financial assets and other assets items whose fair value differences are reflected in other comprehensive income are exposed to foreign exchange risk.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

2. Linkages between financial statements and regulatory exposures (continued)

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

Asset carrying value amount under scope of regulatory consolidation – Current Period	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-
Total net amount under regulatory scope of consolidation	-	-	-	-
Off-balance sheet amounts	-	-	-	-
Differences in valuations	28,651,331	28,651,331	-	-
Differences due to different netting rules(except placed row 2)	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to prudential filters	-	-	-	-
Exposure amounts considered for regulatory purposes	-	-	-	-
Asset carrying value amount under scope of regulatory consolidation	54,110,597	54,064,507	25,827	20,263

Asset carrying value amount under scope of regulatory consolidation – Prior Period	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-
Total net amount under regulatory scope of consolidation	-	-	-	-
Off-balance sheet amounts	-	-	-	-
Differences in valuations	19,773,482	19,733,482	-	-
Differences due to different netting rules(except placed row 2)	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to prudential filters	-	-	-	-
Exposure amounts considered for regulatory purposes	-	-	-	-
Asset carrying value amount under scope of regulatory consolidation	36,577,187	36,472,294	73,343	31,550

2.2 Explanations of differences between accounting and Regulatory exposure amounts in accordance with TAS:

a) Banks explain the origins of any significant differences between the amounts in columns a and b on B1.

There are no significant differences. As there is no difference according to the explanation of the regulation, the table has been filled by merging with the respective column.

b) Banks explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in B2.

c) In accordance with the implementation of the guidance on prudent valuation (Regulation on Measurement and Evaluation of Capital Adequacy of Banks Annex 3) banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include: -Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. - Description of the independent price verification process. -Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure

3.1 General information about credit risk

3.1.1 General qualitative information about credit risk

a) How the business model translates into the components of the bank's credit risk profile:

Loan transactions bear the possibility of borrower member or guarantors' inability to perform their obligations that they have committed and undertaken in writing and as per the agreements, meaning credit risk.

The Bank's cash loan transactions consist of loans offered to brokerage houses. Additionally, cash loans may also be offered to members, who are unable to perform their cash obligation at Turkey Electronic Fund Trading Platform on effective date, meaning defaulted members. As the Bank acts as a guarantor in the mutual obligations of members at Takasbank Money Market, these transactions are considered as non-cash loan according to banking regulation. The Bank acts as CCP at Security Lending Market, Futures and Options Market and Borsa Istanbul Money Market, Borsa İstanbul Debt Securities and Borsa İstanbul Debt Securities Market and BİAŞ Swap Market and over the counter derivative market (OTC), obligations in these markets are also of noncash loans.

In addition to this, the Bank may also be exposed to credit risk due to treasury transactions executed as part of fund management operations and transactions executed under the Bank's collateral management functions.

b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits:

Credit risk appetite has been determined by the Bank's Board of Directors taking into account concentration in cash and noncash loan transactions of the Bank that are subject to credit risk. The Bank's credit risk appetite is reviewed at least once a year. In addition to this, to control risk in question, limit and signal values have been set by the Board of Directors to avoid overflow of credit risk appetite and these limits are monitored on daily basis by Risk Management Department.

Audit Committee, Senior Management and unit managers performing the respective process at the management of the business lines are notified by the Risk Management Department via email when the signal value is reached. If the allocated credit risk limits and credit risk appetite is exceeded, written information is provided to the Audit Committee by the Risk Management Department to notify Senior Management and Board of Directors ensuring that required measures are taken.

Credit risk limits and signal values are reviewed according to market conditions and changes in the Bank's strategies, and the review process is handled to determine if limits are significant and sufficient against risks and the Bank's credit risk appetite. The supervisory responsibility regarding reviewing of credit risk limits and overseeing that risks assumed by the Bank are within risk limits and for monitoring by the Executive Management belongs to the Board of Directors.

The Bank has trade limits that allocated to members at markets, where the Bank acts as CCP, to limit members' risks against the Bank. In determining maximum risk limits are used with shareholders' equity and/or ratings issued by the Bank's internal rating and assessment system are used. Risk limits may be set over nominal open position amounts or another indicator such as initial margin that measures member risks (for instance value at risk). In addition, there is also concentration risk limit determined based on CCP markets and in this regard the ratio of required margin for each member to the total requirement at the market is monitored on daily basis by CCP Department.

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IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (Continued)

3.1 General information about credit risk (continued)

3.1.1 General qualitative information about credit risk (continued)

c) Structure and organisation of the credit risk management and control function:

In credit risk management three line of defence consisting of business line management, central risk management function and independent review, is used. Accordingly;

- Under the management of the business line, process and sub-process based risks and controls are defined by Derivatives Clearing and Settlement Team, Debt Securities Clearing and Settlement Team, Treasury and Credits Departments, Markets Department and Central Counterparty Department, and Senior Management is informed ensuring that appropriate actions are taken.
- Central risk management function is facilitated by establishing credit risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Risk Management Department, Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and where necessary compliant with international practices in an effective and adequate manner at first line, as “secondary phase protection” element. Such activities and their control periods are determined annually in Internal Control List. Furthermore, Internal Control and Compliance Department and
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting in an independent and impartial manner within the organization. During audit activities, first of all, compliance of Bank activities with the regulation, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached credit risk management and risk control targets or not, and on effectiveness and efficiency of credit risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, credit risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

Roles, authorities and responsibilities as part of credit risk management are performed by the Executive Management in line with the governing regulation, and by all of the Bank’s units subject to their own communiqué, procedure and directives.

In cases where credit risk limit and signal values are overflowed, and members fail to perform their obligations at markets, where CCP service is provided by the Bank, required actions are put into effect by Executive Management in accordance with Takasbank Restructuring Plan. In particular for CCP activities, liquidity risk is related to credit risk and in this regard in terms of cashing in margins liquidity risk is evaluated specifically and at the same time restructuring tools include actions against liquidity crunch that the Bank may face due to the CCP service it provides. These action are chosen as to minimize financial risk that the Bank faces, and at the same time to have minimal negative impact on the market, and systemic risk is evaluated in terms of providing assurance to the market, and its impacts on member/clients.

An authorized CCP Risk Advisory Committee has been established by the Bank to provide advice to the Board of Directors on CCP risks management related issues, in such committee matters, which may affect CCP’s risk management such as changes in risk models used in CCP risk management, default procedures, member admission criteria, settlement of new type of capital market instrument or use of insurance or external resources in transactions, are discussed.

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IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (Continued)

3.1 General information about credit risk (continued)

3.1.1 General qualitative information about credit risk (continued)

d) Relationships between the credit risk management, risk control, compliance and internal audit functions:

Credit risk related to operations are maintained by business lines with a perspective focused on risk. At the first line of defence; credit risk is managed through the existence of an effective and strong collateral mechanism and allocation of appropriate limits. In determining credit or position limits to be allocated to financial institutions and membership types of members, who shall execute trades at CCP markets or CCP- enabled capital market instruments, ratings resulting from internal credit rating and assessment system study and representing credit worthiness of the financial institutions and their strength to serve their existing or future commitments to the Bank, are used after such limits entry into force following Board of Directors approval.

Credit worthiness of the members is monitored by the Bank at regular intervals, and credit limits are updated according to the changes in the members' financial structures. Continuous and transaction basis execution of limits, risk and collateral controls in electronic environment for minimizing operational errors.

Liquid and/or almost liquid collaterals are obtained during credit allocation in accordance with communiqué, procedures, and directives were prepared by Derivatives Clearing and Settlement Team, Share and Debt Securities Clearing and Settlement Department, Credits Department, Markets Department and Central Counterparty Department. The collaterals are valued at the end of each day, and valuation coefficient are used in the calculation of non-cash collateral values to avoid any impairment and liquidity problem while cashing in collaterals whenever required.

In article 46 and 73 of 6362 no Capital Markets Law, it is legislated that clearing and custody agencies may request collateral from investment institutions and investors under investment services and activities, assets in guarantee fund, established with collaterals kept with clearing agencies to overcome clearing risks, cannot be seized or pledged even for public claims, cannot be included into bankruptcy estate and precautionary measure cannot be exercised over them. In this regard, collaterals entrusted to Takasbank are taken under legal protection and this situation creates a risk mitigating effect for the Bank's credit risk exposure.

In all CCP markets ensure that members perform their obligations promptly and in full to Takasbank, it is essential that risks are measured in an effective manner and monitored. In this regard;

- Initial margin level is calculated at regular intervals to include the recently experiences financial volatilities and monitored continuously in considering of market conditions and revised when required.
- Guarantee fund size is created used confidence levels, which describe very strong financial volatilities but of low possibility.
- Trade margin sufficiency should be followed to the extent of intraday price movement and position changes.
- Trade margins, guarantee fund contributions shares, sufficiency of resources allocated and committed from the Bank capital to CCP risks are followed at regular intervals via stress tests.
- Financial strength of members is monitored continuously and their trades are limited via established limits in light of financial strength.

The Bank, Incorporation Central Counterparty Regulation regulates a detailed risk management framework such as membership types and trade limits, margining and guarantee fund, stress tests, risk management applications, model security and back test, position of internal system units activities within CCP risk management framework, risk mitigation methods and crisis management tools.

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IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (Continued)

3.1 General information about credit risk (continued)

3.1.1 General qualitative information about credit risk (continued).

**d) Relationships between the credit risk management, risk control, compliance and internal audit functions:
(Continued)**

In the second line of defence; within the scope of Takasbank Risk Management Communiqué the Bank manages credit risk by taking into account credit risk appetite, credit risk limits, signal values that set under early warning system, partial and holistic stress test and scenario analysis and internal capital adequacy assessment process. Measurement, monitoring, limit, stress test and scenario analysis studies are conducted at the bank by Risk Management Department subject to principle of proportionality and in alignment with the volume, nature and complexity of the operations in the three line of defence. It is essential that to reveal the credit risk that the Bank may face, risk measurement and monitoring activities are performed and the results are taken into consideration in the Bank's strategic decision-making processes. Furthermore, Internal Control and Compliance Department must control transaction of units that may cause credit risk, in line with legal regulations and internal regulation. Such control activities and control periods of the operations are determined annually in the Internal Control List. In addition to the related studies, Internal Control and Compliance Department and Internal Audit Department perform studies related to the Management Statement.

In the third line of defence, operations of these units are audited periodically by the Internal Audit Department, which inspects and audits on behalf of the Board of Directors. As an element, which has the ability to act independently and impartially within the organization, Internal Audit Department provides extensive assurance to Board of Directors and Senior Management. Audit provides assurance as to whether first and second lines of defence have reached credit risk management and risk control targets or not, on governance, credit risk management and effectiveness and efficiency of the designed controls. Factors such as the general effectiveness and efficiency of activities, the protection of assets, the reliability and robustness of reporting processes, the framework of credit risk management and internal control, operations units and their functions, infrastructure, asset management and information technology are included in the scope of the assurance reported to the Board of Directors and Senior Management. In this regard, the compliance of Bank's activities with the legislation, internal strategies, policies, principles and targets are examined.

Pursuant to article 46, paragraph 2 of The Bank Incorporation Central Counterparty Regulation is titled "Infrastructure of internal systems and information technologies" the soundness of the Bank's risk management and information technology infrastructures are audited semi-annually and the final report is sent to Capital Markets Board. In addition to this, subject to article 12 of again the respective regulation is titled "General obligations of CCP members" the task of overseeing and auditing whether CCP members serve their obligation or not, has been assigned to Takasbank, and the members must ensure the continuity of essential internal control, risk management and internal audit mechanisms to be a party to this service at CCP markets or CCP capital market instruments. In this regard on-site CCP member audits are conducted by Internal Audit Department.

e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors:

The report containing credit risk based amount (including counterparty credit risk based amount as well) calculated according to standardised approach on monthly basis pursuant to Communiqué on Measurement and Assessment of Banks' Capital Adequacy and their sub-regulations, and the progress of credit risk appetite, credit risk limit and signal values and credit risk concentrations, are reported by Risk Management Department on daily basis to the Senior Management, monthly basis to the Audit Committee and Senior Management and on quarterly basis to the Executive Management.

Stress Test Report containing credit risk stress test and scenario analysis results, and ICAAP report are submitted to Executive Management annually by the Risk Management Department, and reported to the BRSA. In addition, adequacy of model employed in calculation of initial margin at CCP markets, and confidence level are analysed with back tests by the Bank. Results of stress tests and back tests performed by CCP Department, and if there are, suggested measures, are reported on quarterly basis via internal system units to the Board of Directors.

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IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (Continued)

3.1 General information about credit risk (continued)

3.1.2 Credit quality of assets:

Default represents the non-performing loans that recognized first paragraph of fifth article of Regulation on Identification and Provision against Non-Performing Loans and Other Receivables.

Current Period	a		b		c	d
	Gross amount valued in accordance with					
	TMS					
	Defaulted	Non-defaulted exposures		Provisions	Net values (a+b-c)	
Loans	-	99,886		122	99,764	
Debt securities	-	2,435,054		329	2,434,725	
Off-balance sheet exposures	-	28,651,331		31,619	28,619,712	
Total	-	31,186,271		32,070	31,154,201	

Prior Period	a		b		c	d
	Gross amount valued in accordance with					
	TMS					
	Defaulted	Non-defaulted exposures		Provisions	Net values (a+b-c)	
Loans	-	157,493		203	157,290	
Debt securities	-	694,289		94	694,195	
Off-balance sheet exposures	-	19,733,482		14,744	19,718,738	
Total	-	20,585,264		15,041	20,570,223	

3.1.3 Changes in stock of default loans and debt securities

	Current Period	Prior Period
Defaulted loans and debt securities at end of the previous reporting period	-	1,574
Loans and debt securities defaulted since the last reporting period	-	-
Receivables back to non-defaulted status	-	-
Amounts written off	-	(1,574)
Other changes	-	-
Defaulted loans and debt securities at end of the reporting period	-	-

3.1.4 Additional disclosure related to the credit quality

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

None.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this. 100% provision is allocated for the above mentioned receivable.

None.

c) Description of methods used for determining impairments: The bank’s own definition of a restructured exposure: The Bank does not have restructured receivables.

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

None.

The respective amount is classified under non-performing loans.

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

None.

f) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry: None.

g) Ageing analysis of accounting past-due exposures: None.

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XI. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (continued)

3.1 Credit Risk Disclosure

3.1.4 Additional disclosure related to the credit quality

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

There is no restructured receivable.

3.2 Credit risk mitigation

3.2.1 Qualitative disclosure requirements related to credit risk mitigation techniques

a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on and off-balance sheet netting.

On-balance sheet and off-balance sheet nettings are not applied at the Bank.

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

Trade margins and guarantee funds include trade and membership collaterals received at markets where service is provided, guarantee funds and assets kept by the Bank due to collateral agency service and invested by the Bank at best effort. Under the best performance effort criteria framework minimize credit risk, the method involving depositing at the outset CBRT with state banks and large scale banks, are chosen. In determining investment maturities, the collateral or guarantee fund structure of markets, where service is provided, and those markets' needs to use, are taken into account. Best efforts within the framework of performance criteria, the credit primarily for the purpose of minimizing the risk to public banks, including the CBRT and the methods of large-scale lending to banks is selected. For the determination of investment terms, the needs of the markets served for collateral, guarantee fund or Borsa İstanbul Swap Market foreign exchange liabilities regarding the structure and usage of the foreign currency amounts (USD, Euro) deposited to Takasbank one day before.

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

In credit risk mitigation, cash collateral and Government Debt Securities issued by the Ministry of Treasury and Finance of Turkey considered as liquid assets are used as collateral.

3.2.2 Credit risk mitigation techniques

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	99,764	-	-	-	-	-	-
Debt securities	2,434,725	-	-	-	-	-	-
Total	2,534,489	-	-	-	-	-	-
Of which defaulted	-	-	-	-	-	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	157,196	-	-	-	-	-	-
Debt securities	694,289	-	-	-	-	-	-
Total	851,485	-	-	-	-	-	-
Of which defaulted	-	-	-	-	-	-	-

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XI. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (continued)

3.3 Credit risk under standardised approach

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

a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period:

As of 31 December 2019, in the calculation of the Bank's credit risk based amount, "Fitch Ratings" and "Japan Credit Rating Agency / (JCR)" and "Islamic International Rating Agency / (IIRA)" ratings are used for determining risk weights for "Receivables from Central Governments or Central Banks" risk class. Export credit agency ratings are not used by the Bank.

b) The asset classes for which each ECAI or ECA is used:

External credit ratings are used by the Bank for "Receivables from Central Governments or Central Banks" risk class. Export credit agency ratings are not used by the Bank.

c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book:

In credit risk based amount calculation of the Bank, external credit ratings are not used except for the "Receivables from Central Governments or Central Banks" risk class.

d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply):

External credit rating agency ratings that are not on the organization's matching table, are not used.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

XI. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (continued)

3.3 Credit risk under standardised approach

3.3.2 Credit risk exposure and credit risk mitigation techniques

Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Risk classes	On-balance sheet amount	Off-balance sheet amount
<i>Risk classes</i>						
Exposures to sovereigns and their central banks	2,323,249	369,925	2,323,249	5,235,312	-	0.0%
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	22,882,541	18,998,576	22,882,541	14,458,410	6,399,473	68.6%
Exposures to corporates	-	8,694,869	-	8,369,648	2,130,940	22.9%
Retail exposures	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other exposures	207,386	587,961	207,386	587,961	795,320	8.5%
Equity share investments	-	-	-	-	-	-
Total	25,413,176	28,651,331	25,413,176	28,651,331	9,325,732.7	100.0%

Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Risk classes	On-balance sheet amount	Off-balance sheet amount
<i>Risk classes</i>						
Exposures to sovereigns and their central banks	537,738	60,392	537,738	7,784,643	203,868	2.5%
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	16,034,006	15,439,774	16,034,006	7,715,523	6,520,071	78.6%
Exposures to corporates	-	3,818,613	-	3,818,613	986,203	11.9%
Retail exposures	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other exposures	167,068	414,703	167,068	414,703	581,735	7.0%
Equity share investments	-	-	-	-	-	-
Total	16,738,812	19,733,482	16,738,812	19,733,482	8,291,876	100.0%

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XI. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (continued)

3.3 Credit risk under standardised approach

3.3.3 Receivables by Risk Classes and Risk Weights

Current Period:

Asset Classes / Risk Weights	0%	10%	20%⁽¹⁾	50%⁽¹⁾	%75	%100⁽¹⁾	%150	%200	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
Exposures to central governments or central banks	7,558,561	-	-	-	-	-	-	-	-	7,558,561
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and banks	6,136,677	-	30,675,547	528,727	-	-	-	-	-	37,340,951
Exposures to corporates	276,832	-	6,384,894	1,707,922	-	-	-	-	-	8,369,648
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equity shares	-	-	-	-	-	-	-	-	-	-
Other assets	27	-	-	-	-	795,320	-	-	-	795,347
Total	13,972,097	-	37,060,441	2,236,649	-	795,320	-	-	-	54,064,507

⁽¹⁾ Means unrated receivables.

Prior Period:

Asset Classes / Risk Weights	0%	10%	20%⁽¹⁾	50%⁽¹⁾	%75	%100⁽¹⁾	%150	%200	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
Exposures to central governments or central banks	7,914,646	-	-	407,735	-	-	-	-	-	8,322,381
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and banks	1,996,876	-	14,520,851	7,231,802	-	-	-	-	-	23,749,529
Exposures to corporates	-	-	3,077,013	741,600	-	-	-	-	-	3,818,613
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equity shares	-	-	-	-	-	-	-	-	-	-
Other assets	36	-	-	-	-	581,735	-	-	-	581,771
Total	9,911,558	-	17,597,864	8,381,137	-	581,735	-	-	-	36,472,294

⁽¹⁾ Means unrated receivables.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

4. Qualitative Disclosure Related to Counterparty Credit Risk

Transactions subject to counterparty credit risk are considered as credit risk. These transactions consist of reverse repo transactions executed on behalf of closed brokerage houses depending on assignment by CMB.

Performance of The Bank's operation within the limits of legal and internal capital limits and below the credit risk appetite established by the Board of Directors, constitutes credit risk policy of the Bank.

4.1 Analysis of counterparty credit risk (CCR) exposure by approach

Current Period	Replacement cost	Potential future exposure	EEPE⁽¹⁾	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardised approach-CCR (for derivatives)	-	-		1.4	-	-
Internal model method (derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, for long time swap transactions with credit securities transactions)						
Simple approach for credit risk mitigation(repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					51	10.2
Comprehensive approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					-	-
Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions of swaps and risk exposure for credit securities transactions					-	-
Total						10.2

⁽¹⁾ Effective Expected Positive Exposure

Prior Period	Replacement cost	Potential future exposure	EEPE⁽¹⁾	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardised approach-CCR (for derivatives)	-	-		1.4	-	-
Internal model method (derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, for long time swap transactions with credit securities transactions)						
Simple approach for credit risk mitigation(repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					44,023	22,006
Comprehensive approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					-	-
Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions of swaps and risk exposure for credit securities transactions					-	-
Total						22,006

⁽¹⁾ Effective Expected Positive Exposure

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IX. Risk Management Objectives and Policies (Continued)

4. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

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

Current period:

Risk Weight/Regulatory portfolio	0%	10%	20% ⁽¹⁾	50% ⁽¹⁾	75%	100%	150%	Others	Total credit exposure
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	51	-	-	-	-	-	51
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertaking	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	51	-	-	-	-	-	51

⁽¹⁾ It expresses the non-rated receivables.

Prior period:

Risk Weight/Regulatory portfolio	0%	10%	20% ⁽¹⁾	50% ⁽¹⁾	75%	100%	150%	Others	Total credit exposure
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	18	44,005	-	-	-	-	44,023
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertaking	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	18	44,005	-	-	-	-	44,023

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IX. Risk Management Objectives and Policies (Continued)

4. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

4.3 Collaterals for counterparty credit risk

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Sovereign debts- domestic	-	-	-	-	25,776	-
Sovereign debts -other	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	25,776	-

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Sovereign debts- domestic	-	-	-	-	29,320	-
Sovereign debts -other	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	29,320	-

4.4 Credit derivatives

None (31 December 2019: None).

4.5 Central counterparty risk

None (31 December 2019: None).

5. Securitization Disclosures

Since the Bank does not have any securitization, the relevant tables and explanations that should be prepared within the scope of “Communiqués on Public Disclosure of Risk Management of Banks” are not given.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

6. Market Risk Disclosures

6.1 Qualitative disclosure requirements related to market risk

a) Strategies and processes of the bank: this must include an explanation of Bank management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.

Market risk is defined as the loss that the Bank's on-balance and off-balance sheet positions may be exposed to in the context of FX risk and interest rate risk arising from movements on market prices.

The Bank's fund management strategy has been devised in alignment with the objectives to avoid any liquidity issue, ensure optimization on the risk-return balance and invest resources at highest return rates by taking reasonable level of risk. It is essential that fund management operations remain within legal limits and is executed in light of the Bank's market risk appetite and market risk limits and signal values.

In accordance with the fund management strategy in effect, treasury operations are executed with banks to whom limits have been allocated by the Board of Directors and largely with state owned banks, only highly liquid government debt securities are issued by the Ministry of Treasury and Finance of Turkey are purchased for the Bank's securities portfolio. Nevertheless, derivative products may be used for hedging purposes. In the balance sheet composition, it is shown attention to match of asset and liability by the maturity and currency.

Capital requirement is calculated for FX risk over foreign currency on-balance sheet and off-balance sheet net position amounts. Market risk is measured by the Bank with standard method, subject to the Communiqué on Measurement and Assessment of Banks' Capital Adequacy and the points as per its sub-regulations.

Value at market risk and internal capital requirement for market risk are calculated on daily basis to inform Senior Management, using internal method specified in Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its subregulations. Moreover, with respect to market risk, partial stress tests are conducted on daily and monthly basis, whereas holistic stress tests and scenario analyses are executed on annually basis, and FX net general position/shareholders' equity standard ratio trend is followed.

Market risk appetite has been determined by the Board of Directors and is reviewed at least once a year. Moreover, to control market risk, market risk limit and signal value have been established by the Board of Directors to avoid overflows of the market risk appetite. Market risk limit is monitored on daily basis by Risk Management Department.

Audit Committee, Senior Management and unit managers performing the respective process at the management of the business lines are notified by the Risk Management Department via email when the signal value is reached. If the allocated market risk limit and market risk appetite is exceeded, written information is provided to the Audit Committee by the Risk Management Department to notify Senior Management and Board of Directors ensuring that required measures are taken.

Details regarding risk management activities and actions performed under market risk, take part in the Takasbank Restructuring Plan endorsed by the Board of Directors.

b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.

In market risk management three-line of defence approach consisting of business line management, central risk management function and independent review is used. Accordingly;

- Under the management of the business line, process and sub-process based risks and controls are defined by Treasury Management Team and Payment and Transfer Services Department, and Senior Management is informed ensuring that appropriate actions are taken.

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IX. Risk Management Objectives and Policies (Continued)

6. Market Risk Disclosures (Continued)

6.1 Qualitative disclosure requirements related to market risk (continued)

- Central risk management function is facilitated by establishing market risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and where necessary compliant with international practices in an effective and adequate manner at first line, as “secondary phase protection” element. Such activities and their control periods are determined annually in the Internal Control List. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting independently and impartially within the organization. During audit activities, primarily compliance of the Bank activities with the regulations, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached market risk management and risk control targets or not, and on effectiveness and efficiency of market risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, market risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

Market risk related to operations are maintained by business lines with a perspective focused on risk. At the first line of defence; distribution of the Bank portfolio based on maturity and instrument and market developments are monitored constantly by Fund Management Team and Executive Management, the strategy in question is reviewed at least once a year in light of the Bank’s business and trade volume and area of activity. Segregation of duties principle is applied at authority and responsibility level in front office and back office practices.

To be able to manage effectively market risk exposure arising from CCP operations, in determining collateral valuation coefficients at the outset market risk and the risk exposure that shall be faced during conversion of collateral to cash are taken into account, variation margins are calculated on daily basis and settlement prices are set in a healthy manner. Position and margins are valued at intraday and end of day market prices, thus margin-risk balance is monitored by CCP Department close to real-time.

At the second line of defence; within the Takasbank Risk Management Communiqué framework, the Bank manages market risk by taking into account market risk appetite, established market risk limit, signal value determined within the scope of early warning system and internal capital requirement. Moreover, on daily basis the portfolio’s value at risk is calculated; the amount of loss that the portfolio may face in the utmost adverse market conditions is calculated using partial and holistic stress tests and scenario analyses monitored by internal capital requirement calculation, and results are reported on daily and monthly basis to Senior Management, quarterly and annually basis to Executive Management.

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IX. Risk Management Objectives and Policies (Continued)

6. Market Risk Disclosures (Continued)

6.1 Qualitative disclosure requirements related to market risk (continued)

In addition to the controls performed in the first line of defence, operations of the respective units are also controlled based on risk during certain periods by Internal Control and Compliance Department in second line of defence in terms of compliance with legal regulations and internal regulations. And in third line of defence operations of these units are audited periodically by Internal Audit Department inspecting and auditing on behalf of the Board of Directors. As an element, which is capable of acting independently and impartially within the organization, Internal Audit Department provides extensive assurance to the Board of Directors and Senior Management. The audit provides assurance as to whether the first and second lines of defences have reached market risk management and risk control targets or not, and on governance, market risk management and effectiveness/efficiency of designed controls. Usually elements such as effectiveness and efficiency of operations, protection of assets, reliability and soundness of reporting processed, market risk management and internal control framework, operational units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management. In this regard relevance of Bank operations to the regulations, internal strategies, policies, principles and targets, is reviewed.

c) Scope and nature of risk reporting and/or measurement systems:

Market risk is measured on monthly basis according to standard method in accordance with Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations, and reported to the BRSA. In addition to this market risk based amount, internal market risk capital requirement and market risk limit are calculated on daily basis to inform the Senior Management, by using the internal method as per the respective Communiqué and its sub-regulations, and the results are reported by the Risk Management Department to Senior Management, and the respective unit managers.

Reports containing information regarding the Bank's market risk based amount, market risk appetite and market risk limit and signal value conformity levels, treasury operations, FX net general position/shareholders' equity standard ratio trend and market risk internal model outcomes are reported by the Risk Management Department on monthly basis to the Audit Committee and Senior Management, and on quarterly basis to the Executive Management. Back tests are conducted to establish that conceptual soundness of the employed internal model and all critical risks are embodied in the model, and the results are reported to the Executive Management. Moreover, partial stress tests performed by Risk Management Department with respect to market risk are reported on daily basis to the Senior Management, and operational unit managers in charge of risk, and on monthly basis to the Executive Management.

Furthermore, Stress Test Report containing market risk holistic stress test and scenario analyses results and ICAAP report are submitted annually to the Executive Management by the Risk Management Department, and following approval by the Board of Directors, reported to the BRSA.

	Risk Weighted Amount	
	Current Period	Prior Period
Outright products		
Interest rate risk (general and specific)	-	-
Equity risk (general and specific)	-	-
Foreign exchange risk	20,263	31,550
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitization	-	-
Total	20,263	31,550

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

6. Market Risk Disclosures (Continued)

6.1 Qualitative disclosure requirements related to market risk (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 March 2016 are given in this section. The following tables, which should be given in six months periods in accordance with the related communiqué, have not been presented as of 31 December 2020 as the standard approach is used in the calculation of Bank’s capital adequacy:

-Internal model method for trading account

-Comparison with profit/loss and VaR estimated

X. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

The estimated fair value of funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the banks, money market placements, and funds borrowed from other financial institutions and sundry creditors reflect their fair values since they are short-term.

The table below shows the book value and the fair value of the financial assets and liabilities.

	Book Value	Fair Value
	31 December 2020	31 December 2020
Financial Assets	25,045,994	25,040,026
Financial assets at fair value through profit/loss	-	-
Money market placements	25,827	25,827
Banks	22,480,895	22,480,895
Financial assets at fair value through other comprehensive income	4,332	4,332
Financial assets at fair value through amortized cost	2,435,054	2,429,086
Loans	99,886	99,886
Financial Liabilities	22,689,659	22,689,659
Bank deposits	-	-
Other deposits	-	-
Payables to money market	203,020	203,020
Funds borrowed from other financial institutions	1,843,473	1,843,473
Securities issued	-	-
Other liabilities	20,643,166	20,643,166
	Book Value	Fair Value
	31 December 2019	31 December 2019
Financial Assets	16,523,566	16,525,245
Financial assets at fair value through profit/loss	-	-
Money market placements	29,338	29,338
Banks	15,639,364	15,639,364
Financial assets at fair value through other comprehensive income	3,082	3,082
Financial assets at fair value through amortized cost	694,289	695,968
Loans	157,493	157,493
Financial Liabilities	14,311,285	14,311,285
Bank deposits	-	-
Other deposits	-	-
Payables to money market	-	-
Funds borrowed from other financial institutions	4,105,859	4,105,859
Securities issued	-	-
Other liabilities	10,205,426	10,205,426

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)

Fair value classifications is as follows:

Level 1: Registered in active markets price for identical assets or liabilities (unadjusted)

Level 2: Other than published prices included within Level 1, either directly (by price) or indirectly (derived from price) observable datas in terms of assets or liabilities

Level 3: Not based on observable market data in relation to assets or liabilities

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	-	-	4,332	4,332
Government Bonds	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Financial Derivative Assets for Trading	-	-	4,332	4,332
Financial Liabilities	-	-	-	-
Financial Derivative Liabilities Held for Cash	-	-	-	-
Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	-	40,015	3,082	43,097
Government Bonds	-	-	-	-
Available-For-Sale Financial Assets	-	-	3,082	3,082
Financial Derivative Assets for Trading	-	40,015	-	40,015
Financial Liabilities	-	-	-	-
Financial Derivative Liabilities Held for Cash	-	-	-	-
Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-

The Bank has assessed that the costs of financial assets whose fair value difference representing the share in the capital is reflected in other comprehensive income best reflect the fair values of the related assets. The fair value of the related assets has been determined as Level 3.

XI. Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions

The Bank carries out trading, custody, management and advisory services on others' behalf and account.

Off balance sheet contingencies and commitments table, TL 1,959 (31 December 2019: TL 1,832) consists of sales and securities which are traded on BİAŞ. Under the fiduciary transactions agreement, there are no transactions carried out with other financial institutions and there are no financial services rendered directly in this context.

According to the Articles of Association of the Bank, the services and operations of the Bank are performing the custody of the securities, precious metals and other securities and the clearing and settlement of cash and security commitments arising from the purchases and sales on stock exchanges. The Bank also provides settlement and custody services for Derivatives Exchange Market, Electricity Market and Leveraged Trading Operations. Related to above mentioned transactions, the total amount of guarantees obtained from Bank's customers comprising treasury bills, government bonds, letter of guarantees and stocks are listed below.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

XII. Explanations on Segment Reporting

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

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Undistributed	Total
Cash and Balances with Central Bank	-	-	290	-	290
Financial Assets At Fair Value Through Profit/Loss (Net)	-	-	-	-	-
Banks	-	-	22,453,886	-	22,453,886
Money Markets	-	-	-	25,827	25,827
Financial Assets At Fair Value Through Other Comprehensive Income	-	-	4,332	-	4,332
Loans	-	99,764	-	-	99,764
Financial Assets At Fair Value Through Amortized Cost	-	-	2,434,725	-	2,434,725
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4,825	-	4,825
Tangible Assets (Net)	-	-	-	10,296	10,296
Intangible Assets (Net)	-	-	-	106,908	106,908
Investment Properties (Net)	-	-	-	35,730	35,730
Tax Assets	-	-	-	-	-
Other Assets	38,241	-	-	173,412	211,653
Total Assets	38,241	99,764	24,898,058	352,173	25,388,236
Funds Borrowed	-	-	1,843,473	-	1,843,473
Debts to the Money Markets	-	-	203,020	-	203,020
Funds	18,263,027	1,019,370	-	1,360,769	20,643,166
Lease Liability	-	-	-	2,042	2,042
Derivative Financial Liability	-	-	-	-	-
Provisions	-	31,288	-	37,606	68,894
Tax Liability	-	-	-	65,194	65,194
Shareholder's Equity	-	-	-	2,562,447	2,562,447
Total Liabilities	18,263,027	1,050,658	2,046,493	4,028,058	25,388,236
Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Undistributed	Total
Cash and Balances with Central Bank	-	-	840	-	840
Financial Assets At Fair Value Through Profit/Loss (Net)	-	-	-	-	-
Banks	-	-	15,618,315	-	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
Total Assets	22,466	157,290	16,382,321	193,532	16,734,560
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
Total Liabilities	9,039,157	249,052	4,105,859	3,340,492	16,734,560

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

XIII. Explanations on Segment Reporting

The Bank operates mainly in the areas of clearing-operation, custody service, credit and treasury transactions.

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	19,194	435,397	-	454,591
Net fees and commissions income and other operating income	364,616	38,497	-	-	403,113
Dividend income	-	-	10,739	-	10,739
Trading profit/loss	-	-	14,678	-	14,678
Other operating receivables	-	-	-	6,767	6,767
Impairment provision for loans and other receivables	-	26,050	-	-	26,050
Other operating expenses ⁽¹⁾	-	-	-	(177,392)	(177,392)
Profit before taxes	364,616	31,641	460,814	(170,626)	686,445
Tax provision	-	-	-	(147,071)	(147,071)
Net profit for the period	364,616	31,641	460,814	(317,697)	539,374

Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	9,162	538,441	-	547,603
Net fees and commissions income and other operating income	245,456	34,166	-	-	279,622
Dividend income	-	-	37,918	-	37,918
Trading profit/loss	-	-	69,017	-	69,017
Other operating receivables	-	-	-	24,290	24,290
Impairment provision for loans and other receivables	-	5,962	-	-	5,962
Other operating expenses	-	-	-	(180,153)	(180,153)
Profit before taxes	245,456	37,366	645,376	(155,863)	772,335
Tax provision	-	-	-	(159,989)	(159,989)
Net profit for the period	245,456	37,366	645,376	(315,852)	612,346

⁽¹⁾ Personnel expenses are included in the other operating expenses.

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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
CBRT	263	-	804	-
Cash/foreign currency	27	-	36	-
Other	-	-	-	-
Total	290	-	840	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	263	-	804	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Toplam	263	-	804	-

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	18,116,660	4,129,942	8,491,461	6,630,719
Foreign	-	234,293	-	517,184
Branches and overseas head office	-	-	-	-
Total	18,116,660	4,364,235	8,491,461	7,147,903

As of 31 December 2020, the Expected Loss Provision balance reserved for the Banks account is TL 27.009. (31 December 2019: 20.611 TL)

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)
Explanations Related to the Assets (Continued)

I.

3. Information on Banks (continued)

3.b) Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	200,750	516,302	-	-
USA, Canada	33,543	882	-	-
OECD countries	-	-	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
Total	234,293	517,184	-	-

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	25,827	29,338
Receivables from Central Bank	-	-
Total	25,827	29,338

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

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

4.a) Information on equity instruments:

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

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

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	-
Toplam	-	-	40,015	-

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	84,877	11,228,460	154,942	1,200,782
<i>Corporate shareholders</i>	84,877	11,228,460	154,942	1,200,782
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	-	-
Total	84,877	11,228,460	154,942	1,200,782

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on Loans

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 Revised Contract Terms	Restructured Refinanced
Current Period				
Non-specialized loans	99,886	-	-	-
Business loans	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	99,886	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Other	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Total	99,886	-	-	-

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring		
	Loans (Total)	Revised contract terms	Loans (Total)	Restructure for extending the payment plan	Prior Period
Prior Period					
Non-specialized loans	15,493	-	-	-	-
Working capital loans	-	-	-	-	-
Export loans	-	-	-	-	-
Import loans	-	-	-	-	-
Loans given to financial sector	15,493	-	-	-	-
Foreign loans	-	-	-	-	-
Consumer loans	-	-	-	-	-
Credit cards	-	-	-	-	-
Precious metal credit	-	-	-	-	-
Other	-	-	-	-	-
Specialized loans	-	-	-	-	-
Other receivables	-	-	-	-	-
Total	15,493	-	-	-	-

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	99,886	157,493
Public	-	-
Total	99,886	157,493

f) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	99,886	157,493
Foreign loans	-	-
Total	99,886	157,493

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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	-	-
Total	-	-

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	Group IV	Group V
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	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 (-)	-	-	-
Net Balances on Balance Sheet	-	-	-

	Group III	Group IV	Group V
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior period end balance	-	-	1,574
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 (-)	-	-	1,574
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	-
Specific provision (-)	-	-	-
Net Balances on Balance Sheet	-	-	-

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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:

	Group III	Group IV	Group V
	Loans and receivables with doubtful collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Current period (net)	-	-	-
Loans to real persons and legal entities (gross)	-	-	-
Provision amount (-)	-	-	-
Loans to real persons and legal entities (net)	-	-	-
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	-	-	-
Loans to real persons and legal entities (gross)	-	-	-
Provision amount (-)	-	-	-
Loans to real persons and legal entities (net)	-	-	-
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (gross)	-	-	-
Provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-
	Group III	Group IV	Group V
	Loans and receivables with doubtful collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
Prior period (net)	-	-	-
Loans to real persons and legal entities (gross)	-	-	-
Specific provision amount (-)	-	-	-
Loans to real persons and legal entities (net)	-	-	-
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-
Prior period (net)	-	-	-
Loans to real persons and legal entities (gross)	-	-	-
Specific provision amount (-)	-	-	-
Loans to real persons and legal entities (net)	-	-	-
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
Banks (net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
Other loans and receivables (net)	-	-	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

6. Information on loans (Continued):

j) Expected credit losses:

	Current Period		Prior Period	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month expected credit losses	122	-	203	-
Significant increase in credit risk	-	-	-	-
Total	122	-	203	-

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	2,024,239	628,252
Treasury bills	410,815	66,037
Other public sector debt instruments	-	-
Total	2,435,054	694,289

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

	Current Period	Prior Period
Debt securities	2,435,054	694,289
<i>Quoted on a stock exchange</i>	2,435,054	694,289
<i>Not quoted on a stock exchange</i>	-	-
Impairment provision (-)	-	-
Total	2,435,054	694,289

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	2,477,069	682,346
Disposals through sales and redemptions ⁽¹⁾	(1,564,499)	(6,000)
Impairment provision (-)	-	-
Effect of valuation ⁽²⁾	828,195	17,943
Total	2,435,054	694,289

⁽¹⁾ All of disposals through sales and redemptions amount is from redemptions.

⁽²⁾ Includes interest accruals change.

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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	329	94
Total	329	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.	İstanbul / Türkiye	28.57	65

Total Assets ⁽¹⁾	Shareholder's Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profits / Losses	Fair Value
207,011	139,245	31,144	9,804	1,865	42,232	32,000	-

⁽¹⁾ Current period financial statements are obtained from unreviewed financial statements prepared as of 31 December 2020 in accordance with the TAS.

	31 December 2020	31 December 2019
Paid-in capital	36,000	36,000
Legal reserves	23,715	22,295
Other reserves	45,527	30,947
Profit/loss	35,568	25,336
<i>Prior periods profit/loss</i>	(6,664)	(6,664)
<i>Current period net profit/loss</i>	42,232	32,000
Intangible Assets (-)	(15,204)	(12,952)
Total Core Capital	125,606	101,626
Supplementary Capital	-	-
Capital	125,606	101,626
Net Usable Equity	125,606	101,626

There is no assessment of subsidiaries' internal capital adequacy. Paid capital is indicated in the main agreement of the Bank as Turkish Liras and registered in the trade registry. Legal reserves are the reserve funds which are indicated in the Turkish Trade Act's (numbered 6762) 467.dam's first paragraph and second paragraph's third subparagraph, and 467.dam and accounted from related year's profit.

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I. Explanations Related to the Assets (Continued)

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

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).

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 31 December 2020, the Bank's investment property amounting to TL 35,730 (31 December 2019: TL 34,275).

13. Information on tangible assets

	Prior Year			Closing Year
	31 December 2019	Additions	Disposals	31 December 2020
Cost:				
Real Estate	-	-	-	-
Vehicles	-	-	-	-
Other	27,756	4,220	(160)	31,816
Total Cost	27,756	4,220	(160)	31,816

	31 December 2019	Charge for the Year	Disposals	31 December 2020
Accumulated Depreciation:				
Real Estate	-	-	-	-
Vehicles	-	-	-	-
Other	(16,489)	(5,078)	47	(21,250)
Total Accumulated Depreciation	(16,489)	(5,078)	47	(21,250)
Net Book Value	11,267	(858)	(113)	10,296

	Prior Year			Closing Year
	31 December 2018	Additions	Disposals	31 December 2019
Cost:				
Real Estate	-	-	-	-
Vehicles	237	-	(237)	-
Other	24,389	3,811	(444)	27,756
Total Cost	24,626	3,811	(681)	27,756

	31 December 2018	Charge for the Year	Disposals	31 December 2019
Accumulated Depreciation:				
Real Estate	-	-	-	-
Vehicles	(237)	-	237	-
Other	(12,542)	(4,372)	425	(16,489)
Total Accumulated Depreciation	(12,779)	(4,372)	662	(16,489)
Net Book Value	11,847	(561)	(19)	11,267

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**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

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

13. Information on tangible assets (Continued)

- a) If impairment amount on individual asset booked or reversed in the current period is material for the overall financial statements:
- Reason and conditions for booking or reversing impairment: The details for reason and conditions for booking or reversing impairment are given in note (12.b) of the report.
 - Amount of impairment booked or reversed in the financial statements: The details for amount recorded or reversed impairment in the financial statements are given in part (12.b) of the Report.
- b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: There is no material impairment provision set or cancelled in the current period:

None (31 December 2019: None).

There is no impairment accounted related to property and equipment in the current period (31 December 2019: None).

- c) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None (31 December 2019: None).

14. Information on intangible assets:

	Prior Year		Disposals	Current Year	
	31 December 2019	Additions		31 December 2020	
Cost:					
Leasehold improvements	-	-	-	-	-
Other intangible assets	136,004	17,281	-	-	153,285
Total Cost	136,004	17,281	-	-	153,285
		Charge for the			
	31 December 2019	Year	Disposals	31 December 2020	
Accumulated Amortization:					
Leasehold improvements	-	-	-	-	-
Other intangible assets	(32,211)	(14,166)	-	-	(46,377)
Total Accumulated Amortization	(32,211)	(14,166)	-	-	(46,377)
Net Book Value	103,793	3,115	-	-	106,908
	Prior Year		Disposals	Current Year	
	31 December 2018	Additions		31 December 2019	
Cost:					
Leasehold improvements	-	-	-	-	-
Other intangible assets	123,462	12,653	(111)	-	136,004
Total Cost	123,462	12,653	(111)	-	136,004
		Charge for the			
	31 December 2018	Year	Disposals	31 December 2019	
Accumulated Amortization:					
Leasehold improvements	-	-	-	-	-
Other intangible assets	(20,965)	(11,246)	-	-	(32,211)
Total Accumulated Amortization	(20,965)	(11,246)	-	-	(32,211)
Net Book Value	102,497	1,407	(111)	-	103,793

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Information on intangible assets (continued)

- a) Disclosures for book value, description and remaining useful life for a specific intangible asset that is material to the financial statements: None (31 December 2019: None).
- b) Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition: None (31 December 2019: None).
- c) The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition: None (31 December 2019: None).
- d) The book value of intangible assets that are pledged or restricted for use: None (31 December 2019: None).
- e) Amount of purchase commitments for intangible assets: None (31 December 2019: None).
- f) Information on revalued intangible assets according to their types: None (31 December 2019: None).
- g) Amount of total research and development expenses recorded in income statement within the period if any: None (31 December 2019: None).
- h) Positive or negative consolidation goodwill on entity basis: None (31 December 2019: None).
- i) Information on goodwill: None (31 December 2019: None).
- j) Movements on goodwill in the current period: None (31 December 2019: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations Related to the Assets (Continued)

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

None (31 December 2019: None).

16. Explanations on deferred tax:

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 7 of Section Five.

17. 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
VIOP guarantees	163,866	6,461
Custody and fee accruals	38,242	22,466
Prepaid expenses	6,760	7,050
Cash guarantees given	213	252
Stationary supplies	121	93
Other	2,451	565
Total	211,653	36,887

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities

1. Explanations on deposits:

- a) Information on maturity structure of deposits: The Bank is not authorized to accept deposits.
- b) Information on saving deposits under the guarantee of saving deposit insurance: The Bank is not authorized to accept deposits.
- c) Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Turkey are under the guarantee of saving deposit insurance in that country abroad: The Bank's head office is in Turkey.
- d) Saving deposits not guaranteed by insurance: The Bank is not authorized to accept deposits.

2. 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).

3. Informations 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	57,026	1,786,447	-	4,105,859
From foreign banks, institutions and funds	-	-	-	-
Total	57,026	1,786,447	-	4,105,859

- b) Information on money markets debts:

	Current Period		Prior Period	
	TL	FC	TL	FC
TCMB	203,020	-	-	-
Total	203,020	-	-	-

- c) Maturity analysis of Funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	57,026	1,786,447	-	4,105,859
Medium and long-term	-	-	-	-
Total	57,026	1,786,447	-	4,105,859

- d) 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.

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4. 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	15,767,450	3,401,097	6,893,305	2,415,950
Members' receivables	300,369	571,285	189,274	664,343
Capital Markets Board Share	-	-	-	-
Partners' Dividend Receivables	-	-	-	-
Expense accruals	4,652	-	1,741	-
Other ⁽¹⁾	598,313	-	40,813	-
	16,670,784	3,972,382	7,125,133	3,080,293

⁽¹⁾ Amounting of other consists of pool and guarantee fund accounts.

5. 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	3,891	2,042	3,239	2,347
More than 4 years	-	-	-	-
Total	3,891	2,042	3,239	2,347

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. 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 31 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the balance sheet date have been calculated assuming an annual inflation rate of 9,5% and interest rate 13.6% and a discount rate of 3.74% (31 December 2019: 7.9% inflation rate, 11.7% 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)	14,638	12,861
Provision for employee termination (Presented in financial statements)	8,785	7,389
The ratio of provision to undiscounted total liabilities (%)	60.02	57.45

As of 31 December 2020, the Bank provided a reserve of TL 6,610 (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)

6. 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	(453)	(1,389)
Actuarial (gain)/loss	28	1,476
Charge for the year	1,821	1,663
<i>Service charge</i>	908	753
<i>Interest charge</i>	913	910
Total	8,785	7,389

a.2) The reserve for employee benefits:

	Current Period	Prior Period
Unused vacation provision	6,610	8,563
Total	6,610	8,563

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
Provisions for CMB’s Share Fee ⁽¹⁾	31,619	14,744
Expected credit losses ⁽²⁾	18,937	15,797
Provision for premiums	2,943	3,592
Provision for legal claims	-	11,003
Total	53,499	45,136

⁽¹⁾ According to the related article of the Bank’s Capital Markets Law, the board share to be paid to the Capital Markets Board in 2019 consists of an expense accrual (CMB Board Share).

⁽²⁾ Consists of 12 months expected credit loss provisions for non-cash loans.

	Current Period	Prior Period
Provisions for cases beginning balance	3,592	3,894
Additions	735	1,386
Payments (-)	(1,384)	(885)
Cancellations (-)	-	(803)
Provisions for cases year end	2,943	3,592

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II. Explanations and Notes Related to Liabilities (Continued)

6. 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).

7. Explanations on taxes payable:

- a) Information on current tax liability:

- a.1) Corporate tax:

	Current Period	Prior Period
Provision for corporate taxes	154,328	145,852
Prepaid taxes (-)	106,876	113,451
Corporate Income Tax Payable	47,452	32,401

- a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	47,452	32,401
Taxation on securities	3,423	4,390
Banking insurance transaction tax (BITT)	7,129	3,410
Value added tax payable	86	119
Other	4,243	1,718
Total	62,333	42,038

- a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employer	909	714
Social security premiums-employee	857	673
Unemployment insurance-employer	122	97
Unemployment insurance-employee	61	48
Total	1,949	1,532

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II. Explanations and Notes Related to Liabilities (Continued)

7. 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	8,785	1,757	7,389	1,478
Vacation pay liability	6,610	1,322	8,563	1,884
CMB Board share provision - other provision	18,937	3,787	15,797	3,475
Difference between fair value and amortised costs of financial assets measured at amortised costs	(11,236)	(2,247)	1,500	330
TFRS 9 provision for expected losses	62,139	12,428	36,090	7,940
Lawsuits and bonus	2,943	589	14,595	3,211
Interest accruals	16	3	21	5
TFRS 16 Leases	190	38	34	7
Deferred tax asset	88,384	17,677	83,989	18,330
Differences between the book value of fixed assets and tax value	92,947	18,589	87,642	17,702
Financial instruments value difference – from swap transactions	-	-	40,015	8,803
Deferred tax liability	92,947	18,589	127,657	26,505
Deferred tax liability		(912)		(8,175)

Deferred tax asset transaction table :

	Current Period	Prior Period
Previous period balance	(8,175)	5,664
Deferred tax income / (expense)	7,257	(14,137)
Deferred tax recognized under equity	6	298
Deferred tax asset	(912)	(8,175)

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

8. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock ⁽¹⁾	600,000	600,000

⁽¹⁾ As of 31 December 2020, the Bank has totally 6,000,000,000 issued share certificates

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 preferred shares:

As of 31 December 2020, the Bank has no preferred shares (31 December 2019: None).

h) Information on marketable securities valuation reserve:

None (31 December 2019: None).

i) Information on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	1,196,873	922,184
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Capital Exchange Difference	-	-
Total	1,196,873	922,184

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

8. Information on Shareholders' Equity:

j) 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.

k) 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 ⁽¹⁾	28,063,370	18,946,779
Total Non-Cash Loans	28,063,370	18,946,779

⁽¹⁾ Guarantees given to Takasbank Money Market, Securities Lending Market, Debt Securities Market, BİAŞ Money Market, Share Market and Futures and Options Market, Swap Market and over the counter derivative market (OTC)

Information on sectorial risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural								
Farming and Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-
Mining and Quarry	-	-	-	-	-	-	-	-
Manufacturing Industry	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	28,063,370	100	-	-	18,946,779	100	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Transportation and	-	-	-	-	-	-	-	-
Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	28,063,370	100	-	-	18,946,779	100	-	-
Real Estate and Renting	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	28,063,370	100	-	-	18,946,779	100	-	-

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

1. Information on off-balance sheet liabilities (continued):

Information on Group I and II non-cash loans:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans	28,063,370	-	-	-
Letters of Guarantee	-	-	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issuance	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	28,063,370	-	-	-

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

b.3) Explanation of irrevocable commitments:

Associates and Subsidiary Capital Affiliate Commitments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for the BAP Market (to the Bank Central Counterparty)	-	-	3,750	-
Total	-	-	3,750	-

Explanation of irrevocable commitments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for Swap Market (Bank is central counterparty services)	267,511	-	81,501	-
Capital commitment for Debt Instruments Market (Bank is central counterparty services)	211,188	-	143,714	-
Capital commitment for Derivatives Market (Bank is central counterparty services)	86,227	-	121,022	-
Capital commitment for Stock Exchange (Bank is central counterparty services)	15,749	-	26,474	-
Capital commitment for the OTC Market (Bank is central counterparty services)	4,713	-	32,758	-
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	-
Total	587,961	-	410,953	-

Disclosure of Allocations:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for Swap Market (Bank is central counterparty services)	91,187	-	38,564	-
Capital commitment for Debt Instruments Market (Bank is central counterparty services)	71,989	-	68,001	-
Capital commitment for Derivatives Market (Bank is central counterparty services)	29,392	-	57,264	-
Capital commitment for Stock Exchange (Bank is central counterparty services)	5,368	-	12,526	-
Capital commitment for the OTC Market (Bank is central counterparty services)	1,607	-	15,500	-
Capital commitment for Lending Market (Bank is central counterparty services)	867	-	1,790	-
Capital commitment for Money Market (Bank is central counterparty services (CCP))	10	-	805	-
Total	200,420	-	194,450	-

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on off-balance sheet liabilities (continued):

Explanation related to Guarantees

The total valuation of the market collateral in the markets where the Bank is the Central Counterparty is TL 33,267,874 Thousand (31 December 2019: TL 23,316,676), the total of the valued guarantee fund is TL 2,305,378 (31 December 2019: TL 2,815,303).

c) 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. Takasbank, as central counterparty services, guarantees market transactions in securities lending market, BİAŞ money market, and forward and options market.

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, and Derivatives Exchange Market and there is a continuing guarantee for these limits. These mentioned guarantees are hold in bank as defined credit limits' multiples according to their liquidity.

d) Information related to investment securities held in custody: the investment securities held in custody, TL 4,617,126,935 (31 December 2019: TL 4,112,178,649) of the TL4,616,901,220 (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	17,720	-	8,211	-
Medium/long-term loans	-	-	-	-
Interest on loans under follow-up	-	-	-	-
Premiums received from resource utilisation support fund	-	-	-	-
Total	17,720	-	8,211	-

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	500
Domestic banks	273,938	106,039	490,095	160,689
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Total	273,938	106,039	490,095	161,189

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	82,182	34,578	23,210	10,787
Total	82,182	34,578	23,210	10,787

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

None (31 December 2019: None).

e) Other information:

None (31 December 2019: None).

2. Information on interest expense

a) Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	50,695	10,339	140,325	44,311
The Central Bank of Turkey	-	-	-	-
Domestic banks	50,695	10,339	140,325	44,311
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Other financial institutions	306	-	84	-
Total	51,001	10,339	140,409	44,311

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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 (31 December 2019: None).

c) Information on interest expense to marketable securities issued:

None (31 December 2019: None).

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

None (31 December 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 (MKK)	10,384	37,642
Toplam	10,739	37,918

4. Information on net trading income:

	Current Period	Prior Period
Income	130,157	335,508
Gains on capital market operations	-	13
Foreign exchange gains	127,193	288,153
Gains on derivative financial instruments	2,964	47,342
Losses (-)	(115,479)	(266,491)
Losses on capital market operations	-	-
Foreign exchange losses	(70,386)	(253,051)
Losses on derivative financial instruments	(45,093)	(13,440)
Total (Net)	14,678	69,017

5. Information on other operating income:

	Current Period	Prior Period
Provisions no longer required	4,804	23,416
Collection of prior year expenses	287	383
Income from sales of the assets	16	251
Other income	1,660	240
Total	6,767	24,290

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 (31 December 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	26,050	5,962
12 month expected credit loss (Stage 1)	26,050	5,962
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	-	-
Expected credit loss	-	-
Total	26,050	5,962

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses ⁽¹⁾	92,847	79,340
Intangible amortization expenses	1,821	1,662
Tangible amortization expenses	-	-
Provisions for termination indemnities	-	-
Deficit provision for pension funds	5,078	4,372
Tangible impairment expenses	-	-
Intangible impairment expenses	-	-
Impairment losses on goodwill	14,166	11,246
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	38,643	44,313
-Leasing expenses related to TFRS 16 exceptions ⁽²⁾	4,137	4,529
-Advertisement expenses	367	329
-Repair and maintenance expenses	2,653	3,458
-Other expenses	31,486	35,997
Loss on sale of assets	18	11
Other ⁽³⁾	24,820	39,209
Toplam	177,393	180,153

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

⁽²⁾ 31 December 2020 amounts include all operating lease expenses.

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

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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	(154,328)	(145,852)
Deferred tax charge	7,257	(14,137)
Total	(147,071)	(159,989)

b) Deferred tax on temporary differences:

	Current Period	Prior Period
Provisions for capital market board's share fee	312	304
Provision for employee termination	279	350
Unused vacation provision	(562)	334
Provision for legal claims and Premium	(2,622)	437
TFRS 9 - Provisions for expected credit losses	4,488	(3,448)
Difference between internal rate of return and market value of government debt securities measured at amortised cost	(2,577)	304
Derivative financial assets	8,803	(8,803)
Difference between book value and tax value of fixed assets	(888)	(3,331)
Interest accruals	(2)	5
Deferred tax expense recognized under equity	(6)	(295)
Valuation of financial assets	32	6
Total	7,257	(14,137)

Tax reconciliation:

	Current Period	Prior Period
Profit before tax	686,445	772,335
Corporate tax rate	%22	%22
Calculated tax	(151,018)	(169,914)
Additions	101,891	64,075
Deductions	(97,945)	(54,150)
Tax expense	(147,071)	(159,989)

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

As of 31 December 2020, net profit after tax of the Bank is TL 539,374 (31 December 2019: TL 612,346).

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 (31 December 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 (31 December 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 (31 December 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)

- 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
Other fees and commissions		
Service commissions	130,028	73,811
Commissions on options exchange	104,317	76,917
Custody commissions	85,000	51,760
Customer account maintenance commissions	33,750	30,846
Transfer commissions	12,453	10,351
Bank transfer transactions	11,207	11,591
Other	31,249	19,911
Total	408,004	275,187

- 12. Information on Group I and II non-cash loans:**

	Current Period	Prior Period
Central Securities depository commissions	13,107	8,220
BIST commissions	11,617	9,574
Electronic fund transfer commissions	2,913	2,502
Other commissions	15,751	9,435
Fees and commissions expense	43,388	29,731

- a) Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods:**

None. (31 December 2019: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Notes Related To Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency Exchange rates on cash and cash equivalents:

“Other items” amounting to TL 1,076,935 (31 December 2019: TL (379,009)) in “Operating profit before changes in operating assets and liabilities” consist of personnel expenses, dividend income, trading gain or losses and other operating expenses.

“Net increase/decrease in other liabilities” amounting to TL 9,682,102 (31 December 2019: TL 3,698,025) in “Changes in operating assets and liabilities” consists of changes in sundry creditors and other liabilities. “Net increase/decrease in other assets” with a total amount of TL (174,539) (31 December 2019: TL (9,608)) consists of changes in sundry debtors and other assets.

The effect of changes in foreign currencies on cash and cash equivalents is TL 970,724 (31 December 2019: TL 319,424).

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

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flows statement:

Beginning of the Period	31 December 2020	31 December 2019
Cash	840	79,037
Cash in TL/Foreign Currency	36	60
Central Bank - Unrestricted amount	804	78,977
Other	-	-
Cash equivalents	15,668,702	11,530,101
Banks	15,639,364	10,884,838
Money market placements	29,338	645,263
Total Cash and Cash Equivalents	15,669,542	11,609,138
Accruals (-)	(9,500)	(29,943)
Total cash and cash equivalents in cash flow statement	15,660,042	11,579,195
Closing of the Period	31 December 2020	31 December 2019
Cash	290	840
Cash in TL/Foreign Currency	27	36
Central Bank - Unrestricted amount	263	804
Other	-	-
Cash equivalents	22,506,722	15,668,702
Banks	22,480,895	15,639,364
Money market placements	25,827	29,338
Total Cash and Cash Equivalents	22,507,012	15,669,542
Accruals (-)	(21,475)	(9,500)
Total cash and cash equivalents in cash flow statement	22,485,537	15,660,042

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VI. 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	-	-	84,877	11,228,460	-	-
Interest and commission income	14,965	-	29,904	11,598	6,031	-

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 ⁽¹⁾	-	-	16,374	3,964,840	-	-
Balance at end of the period ⁽¹⁾	-	-	154,942	1,200,782	-	-
Interest and commission income	3,483	-	14,265	10,760	54	2,190

⁽¹⁾ 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:

a) 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).

b) 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).

c) 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).

d) Transactions accounted for under the equity method: None (31 December 2019: None).

e) 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).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Notes on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-Shore Branches

1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:

	Number	Employees			Total Asset	Capital
			Country			
Domestic branches	1	288				
Rep-offices abroad	-	-		-		
Branches abroad	-	-		-	-	-
Off-shore branches	-	-		-	-	-

2. Explanations on branch and agency openings or closings and on substantial change in the organization of the Bank:

None.

VIII. Explanations and Notes Related To Subsequent Events

None.

VII. Other Explanations

None.

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SECTION SIX

INDEPENDENT AUDITORS' REPORT

I. Explanations on the Independent Auditors' Report

The unconsolidated financial statements for the twelve month period ended 31 December 2020 were reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A member firm of Ernst & Young Global Limited) and Independent Auditors' Report dated February 17, 2020 is presented in the introduction of this report.

II. Other Footnotes and Explanations Prepared by Independent Auditor

None.