

# **Kuveyt Türk Katılım Bankası Anonim Şirketi**

**Independent auditor's audit report,  
unconsolidated financial statements and notes for  
the year ended December 31, 2021**

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

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

## **REPORT ON UNCONSOLIDATED FINANCIAL INFORMATION**

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

### **A) Audit of Unconsolidated Financial Statements**

#### *1) Opinion*

We have audited the accompanying unconsolidated financial statements of Kuveyt Türk Katılım Bankası A.Ş. (the “Bank”) which comprise the unconsolidated statement of financial position as at December 31, 2021, and the unconsolidated statement of income, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the year then ended and notes to the unconsolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2021 and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards (“TFRS”) for those matters not regulated by the aforementioned regulations.

#### *2) Basis for Opinion*

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

#### *3) Key Audit Matter*

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

| Key Audit Matter  | How the matter is addressed in our audit   |
|---|--|
| Classification, measurement and impairment of financial assets within the scope of TFRS 9 “Financial Instruments” Standard and disclosures  |  |
| <p>As disclosed in footnote 1.5 of Section 3; the Bank measures expected credit losses for financial instruments by TFRS 9 “Financial Instruments Standards”. The rationale reasons for selecting TFRS 9 implementation and impairment of financial assets as key audit subject are as follows;</p> <ul style="list-style-type: none"> <li>- Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements</li> <li>- The applications TFRS 9 are complex and comprehensive</li> <li>- The classification of financial instruments based on the Bank’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows</li> <li>- Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses</li> <li>- The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9</li> <li>- Estimations and assumptions used in expected credit losses are new, important and complex</li> <li>- Complex and comprehensive disclosure requirements of TFRS 9.</li> </ul> | <p>Our audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> <li>- Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Bank's past performance, and local and global practices and notifications from regulatory authorities</li> <li>- Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists</li> <li>- Evaluation of the impact of Covid-19 outbreak on the staging of loans and macroeconomic variables used in the expected loan loss allowance calculations, together with its effect on the fair value calculations, important forecasts and assumptions.</li> <li>- Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices</li> <li>- Testing criteria used for determining the contractual cash flows including profit share payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Bank's business model</li> <li>- Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis</li> <li>- Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses</li> <li>- Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis</li> <li>- Evaluating the judgments and estimates used for the individually assessed financial assets.</li> <li>- Evaluating the necessity and accuracy of the updates made or required updates after the modeling process</li> <li>- Auditing of disclosures related to TFRS 9.</li> </ul> |

#### *4) Responsibilities of Management and Directors for the Unconsolidated Financial Statements*

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

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

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

#### *5) Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements*

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

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

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

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

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

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

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

**B) Report on Other Legal and Regulatory Requirements**

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period 1 January – 31 December 2021 are not in compliance with the TCC and the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

**Additional paragraph for convenience translation to English:**

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

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

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

Emre Çelik, SMMM  
Partner

9 February 2022  
Istanbul, Turkey

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**THE UNCONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.  
FOR THE YEAR ENDED 31 DECEMBER 2021**

Address of the Head Office : Büyükdere Cad. No: 129/1 34394 Esentepe Şişli / İSTANBUL  
Phone and facsimile number : 0212 354 11 11 - 0212 354 12 12  
Web page : www.kuveytturk.com.tr  
E-mail address : kuveytturk@kuveytturk.com.tr

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

- General Information About the Bank
- Unconsolidated Financial Statements of The Bank
- Explanations on Accounting Policies Applied In The Period
- Information on Financial Structure and Risk Management of The Bank
- Disclosures and Explanations On Unconsolidated Financial Statements
- Other Explanations
- Independent Auditors' Report

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

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Hamad Abdulmohsen AL-MARZOUQ  
Chairman of the Board of Directors

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Shadi Ahmad Yacoub ZAHARAN  
Chairman of the Audit  
Committee

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Nadir ALPASLAN  
Member of the Audit Committee

---

Mohamed Hedi MEJAI  
Member of the Audit  
Committee

---

Ufuk UYAN  
General Manager

---

Ahmet KARACA  
Chef Financial Officer

---

Mehmed Tahir KAPLAN  
Budget and Reporting Group  
Manager

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

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**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

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

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

As of 31 December 2021, 62.24% of the Bank’s shares are owned by Kuwait Finance House located in Kuwait, 18.72% by Vakıflar Genel Müdürlüğü Mazbut Vakıfları, 9.00% by Wafra International Investment Company in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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

| Name                          | Title   | Date of Assignment | Date of Audit Committee Assignments | Audit Committee End Date | Educational Degree | Ownership Percentage |
|-------------------------------|---|--------------------|-------------------------------------|--------------------------|--------------------|----------------------|
| Hamad Abdulmohsen AL MARZOUQ  | Head of the BOD   | 25/06/2014         |                                     |                          | Master             | -                    |
| Shadi Ahmed Yacoub ZAHARAN    | Member of BOD and chairman of the audit committee             | 25/09/2020         | 04/11/2020                          |                          | Master             | -                    |
| Nadir ALPASLAN                | Vice President of BOD and member of Audit Committee           | 15/04/2011         | 24/12/2019                          |                          | Bachelor           | -                    |
| Salah A E AL MUDHAF           | Member of BOD   | 07/10/2019         |                                     |                          | Bachelor           | -                    |
| Burhan ERSOY                  | Member of BOD   | 18/06/2020         |                                     |                          | Bachelor           | -                    |
| Mohamed Hedi MEJAI            | Member of BOD and Audit Committee                             | 25/03/2021         | 04/05/2021                          |                          | Master             | -                    |
| Ahmad S A A AL KHARJİ         | Member of BOD   | 26/03/2014         | 24/09/2014                          | 09/09/2020               | Master             | -                    |
| Gehad Mohamed Elbendary ANANY | Member of BOD   | 25/09/2020         | 09/09/2020                          | 04/11/2020               | Bachelor           | -                    |
| Ufuk UYAN                     | Member of BOD and General Manager                             | 10/05/1999         |                                     |                          | Master             | 0.057%               |
| Ahmet KARACA                  | Assistant General Manager, Financial Control.                 | 12/07/2006         |                                     |                          | Master             | 0.001%               |
| Ahmet Süleyman KARAKAYA       | Assistant General Manager, Corporate and Commercial Banking   | 14/01/2003         |                                     |                          | Bachelor           | -                    |
| Bilal SAYIN                   | Assistant General Manager, Lending                            | 20/08/2003         |                                     |                          | Bachelor           | 0.004%               |
| İrfan YILMAZ                  | Assistant General Manager, Banking Services                   | 27/10/2005         |                                     |                          | Bachelor           | 0.017%               |
| Dr. Ruşen Ahmet ALBAYRAK      | Assistant General Manager, Treasury and International Banking | 05/05/2005         |                                     |                          | Doctorate          | 0.008%               |
| Nurettin KOLAÇ                | Assistant General Manager, Legal and Risk Follow Up           | 20/04/2010         |                                     |                          | Bachelor           | 0.001%               |
| Aslan DEMİR                   | Assistant General Manager, Strategy                           | 08/10/2012         |                                     |                          | Bachelor           | 0.006%               |
| Mehmet ORAL                   | Assistant General Manager, Retail Banking                     | 01/10/2012         |                                     |                          | Bachelor           | 0.005%               |
| Abdurrahman DELİPOYRAZ        | Assistant General Manager, SME Banking                        | 09/01/2015         |                                     |                          | Bachelor           | 0.005%               |
| Hüseyin Cevdet YILMAZ         | Head of Risk, Control and Compliance Group                    | 16/12/2003         |                                     |                          | Bachelor           | 0.001%               |

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.10% of the Bank’s share capital (31 December 2020 – 0.12%).

**4. Information on qualified shareholders**



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

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

As of 31 December 2021, the shares of parent shareholder of Bank, Kuwait Finance House (“KFH”) are 51.95% publicly traded; 24.08% of KFH belongs to Kuwait Investment Authority and 10.48% belongs to Public Authority for Minors Affairs.

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

The Bank’s field of operations includes corporate banking, international banking services, and retail banking and credit card services. The Bank’s core business is operating in accordance with the principles of interest-free banking as a participation bank by collecting funds through current and profit/loss sharing accounts and lending such funds to its customers.

As of 31 December 2021, the Bank is operating through 442 domestic branches (31 December 2020 – 435) with 6,133 employees (31 December 2020 – 6,000). Summary of some of the Bank’s operations described in the Articles of Association are as follows:

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

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

**6. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Bank and its subsidiaries**

None.

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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- II. Unconsolidated Statement of Off-Balance Sheet Items
- III. Unconsolidated Statement of Income Statement (Profit and Loss Statement)
- IV. Unconsolidated Statement of Income/Expense and Other Comprehensive Income
- V. Unconsolidated Statement of Changes in Shareholders' Equity
- VI. Unconsolidated Statement of Cash Flows
- VII. Unconsolidated Statement of Profit Distribution Table

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2021**  
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)*

**1. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)**

|              |   |           | Audited<br>Current Period<br>31.12.2021 |                    |                    | Audited<br>Prior Period<br>31.12.2020 |                   |                    |
|--------------|---|-----------|---|--------------------|--------------------|---------------------------------------|-------------------|--------------------|
|              | ASSETS  | Note      | TL                                      | FC                 | Total              | TL                                    | FC                | Total              |
| <b>I.</b>    | <b>FINANCIAL ASSETS (Net)</b>   |           | <b>23,975,789</b>                       | <b>101,993,815</b> | <b>125,969,604</b> | <b>17,678,002</b>                     | <b>41,874,104</b> | <b>59,552,106</b>  |
| <b>1.1.</b>  | <b>Cash and Cash Equivalents</b>  |           | <b>5,403,971</b>                        | <b>74,571,274</b>  | <b>79,975,245</b>  | <b>1,170,297</b>                      | <b>29,286,305</b> | <b>30,456,602</b>  |
| 1.1.1.       | Cash and Balances with Central Bank   | (5.1.1.)  | 5,384,058                               | 60,071,258         | 65,455,316         | 1,144,427                             | 23,503,483        | 24,647,910         |
| 1.1.2.       | Banks   | (5.1.3.)  | 20,571                                  | 14,502,373         | 14,522,944         | 26,317                                | 5,783,150         | 5,809,467          |
| 1.1.3.       | Money Markets   |           | -                                       | -                  | -                  | -                                     | -                 | -                  |
| 1.1.4.       | Expected Credit Loss (-)  |           | 658                                     | 2,357              | 3,015              | 447                                   | 328               | 775                |
| <b>1.2.</b>  | <b>Financial Assets at Fair Value Through Profit or Loss</b>                                    |           | <b>1,233,834</b>                        | <b>10,951,814</b>  | <b>12,185,648</b>  | <b>996,392</b>                        | <b>6,843,055</b>  | <b>7,839,447</b>   |
| 1.2.1.       | Government Debt Securities  |           | 395,925                                 | 10,639,682         | 11,035,607         | 315,651                               | 6,735,347         | 7,050,998          |
| 1.2.2.       | Equity Instruments  |           | -                                       | -                  | -                  | -                                     | -                 | -                  |
| 1.2.3.       | Other Financial Assets  |           | 837,909                                 | 312,132            | 1,150,041          | 680,741                               | 107,708           | 788,449            |
| <b>1.3.</b>  | <b>Financial Assets at Fair Value Through Other Comprehensive Income</b>                        | (5.1.4.)  | <b>16,287,493</b>                       | <b>15,877,864</b>  | <b>32,165,357</b>  | <b>15,382,767</b>                     | <b>5,412,306</b>  | <b>20,795,073</b>  |
| 1.3.1.       | Government Debt Securities  |           | 16,083,932                              | 15,622,265         | 31,706,197         | 15,299,606                            | 5,190,032         | 20,489,638         |
| 1.3.2.       | Equity Instruments  |           | 7,602                                   | 75,285             | 82,887             | 8,056                                 | 40,405            | 48,461             |
| 1.3.3.       | Other Financial Assets  |           | 195,959                                 | 180,314            | 376,273            | 75,105                                | 181,869           | 256,974            |
| <b>1.4.</b>  | <b>Derivative Financial Assets</b>  |           | <b>1,050,491</b>                        | <b>592,863</b>     | <b>1,643,354</b>   | <b>128,546</b>                        | <b>332,438</b>    | <b>460,984</b>     |
| 1.4.1.       | Derivative Financial Assets at Fair Value Through Profit or Loss                                | (5.1.2.)  | 1,050,491                               | 592,863            | 1,643,354          | 128,546                               | 332,438           | 460,984            |
| 1.4.2.       | Derivative Financial Assets at Fair Value Through Other Comprehensive Income                    | (5.1.11.) | -                                       | -                  | -                  | -                                     | -                 | -                  |
| <b>II.</b>   | <b>FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)</b>                                     | (5.1.5.)  | <b>57,550,517</b>                       | <b>62,034,113</b>  | <b>119,584,630</b> | <b>50,885,111</b>                     | <b>28,668,356</b> | <b>79,553,467</b>  |
| <b>2.1.</b>  | <b>Loans</b>  |           | <b>59,228,283</b>                       | <b>52,212,308</b>  | <b>111,440,591</b> | <b>52,228,515</b>                     | <b>21,814,537</b> | <b>74,043,052</b>  |
| <b>2.2.</b>  | <b>Leasing Receivables</b>  | (5.1.10.) | <b>3,238,260</b>                        | <b>8,687,675</b>   | <b>11,925,935</b>  | <b>2,360,266</b>                      | <b>2,650,730</b>  | <b>5,010,996</b>   |
| <b>2.3.</b>  | <b>Other Financial Assets Measured At Amortized Cost</b>  | (5.1.6.)  | <b>-</b>                                | <b>4,798,614</b>   | <b>4,798,614</b>   | <b>-</b>                              | <b>5,931,297</b>  | <b>5,931,297</b>   |
| 2.3.1.       | Government Debt Securities  |           | -                                       | 4,798,614          | 4,798,614          | -                                     | 5,931,297         | 5,931,297          |
| 2.3.2.       | Other Financial Assets  |           | -                                       | -                  | -                  | -                                     | -                 | -                  |
| <b>2.4.</b>  | <b>Expected Credit Loss (-)</b>   |           | <b>4,916,026</b>                        | <b>3,664,484</b>   | <b>8,580,510</b>   | <b>3,703,670</b>                      | <b>1,728,208</b>  | <b>5,431,878</b>   |
| <b>III.</b>  | <b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)</b> | (5.1.16.) | <b>240,891</b>                          | <b>-</b>           | <b>240,891</b>     | <b>519,087</b>                        | <b>-</b>          | <b>519,087</b>     |
| 3.1.         | Held For Sale   |           | 240,891                                 | -                  | 240,891            | 519,087                               | -                 | 519,087            |
| 3.2.         | Related to Discontinued Operations  |           | -                                       | -                  | -                  | -                                     | -                 | -                  |
| <b>IV.</b>   | <b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>                               |           | <b>1,481,015</b>                        | <b>-</b>           | <b>1,481,015</b>   | <b>1,481,015</b>                      | <b>-</b>          | <b>1,481,015</b>   |
| <b>4.1.</b>  | <b>Investments in Associates (Net)</b>  | (5.1.7.)  | <b>-</b>                                | <b>-</b>           | <b>-</b>           | <b>-</b>                              | <b>-</b>          | <b>-</b>           |
| 4.1.1.       | Associates Valued Based on Equity Method  |           | -                                       | -                  | -                  | -                                     | -                 | -                  |
| 4.1.2.       | Unconsolidated Associates   |           | -                                       | -                  | -                  | -                                     | -                 | -                  |
| <b>4.2.</b>  | <b>Investment in Subsidiaries (Net)</b>   | (5.1.8.)  | <b>1,461,015</b>                        | <b>-</b>           | <b>1,461,015</b>   | <b>1,461,015</b>                      | <b>-</b>          | <b>1,461,015</b>   |
| 4.2.1.       | Unconsolidated Financial Subsidiaries   |           | 1,437,335                               | -                  | 1,437,335          | 1,437,335                             | -                 | 1,437,335          |
| 4.2.2.       | Unconsolidated Non-Financial Subsidiaries   |           | 23,680                                  | -                  | 23,680             | 23,680                                | -                 | 23,680             |
| <b>4.3.</b>  | <b>Investment in Joint Ventures (Net)</b>   | (5.1.9.)  | <b>20,000</b>                           | <b>-</b>           | <b>20,000</b>      | <b>20,000</b>                         | <b>-</b>          | <b>20,000</b>      |
| 4.3.1.       | Joint Ventures Valued Based on Equity Method  |           | 20,000                                  | -                  | 20,000             | 20,000                                | -                 | 20,000             |
| 4.3.2.       | Unconsolidated Joint Ventures   |           | -                                       | -                  | -                  | -                                     | -                 | -                  |
| <b>V.</b>    | <b>TANGIBLE ASSETS (Net)</b>  | (5.1.12.) | <b>1,221,027</b>                        | <b>1,571</b>       | <b>1,222,598</b>   | <b>1,161,631</b>                      | <b>1,173</b>      | <b>1,162,804</b>   |
| <b>VI.</b>   | <b>INTANGIBLE ASSETS (Net)</b>  | (5.1.13.) | <b>248,173</b>                          | <b>14</b>          | <b>248,187</b>     | <b>190,532</b>                        | <b>-</b>          | <b>190,532</b>     |
| 6.1.         | Goodwill  |           | -                                       | -                  | -                  | -                                     | -                 | -                  |
| 6.2.         | Other   |           | 248,173                                 | 14                 | 248,187            | 190,532                               | -                 | 190,532            |
| <b>VII.</b>  | <b>INVESTMENT PROPERTIES (Net)</b>  | (5.1.14.) | <b>-</b>                                | <b>-</b>           | <b>-</b>           | <b>24,987</b>                         | <b>-</b>          | <b>24,987</b>      |
| <b>VIII.</b> | <b>CURRENT TAX ASSETS</b>   |           | <b>-</b>                                | <b>-</b>           | <b>-</b>           | <b>-</b>                              | <b>-</b>          | <b>-</b>           |
| <b>IX.</b>   | <b>DEFERRED TAX ASSETS</b>  | (5.1.15.) | <b>1,713,575</b>                        | <b>-</b>           | <b>1,713,575</b>   | <b>748,336</b>                        | <b>-</b>          | <b>748,336</b>     |
| <b>X.</b>    | <b>OTHER ASSETS</b>   | (5.1.17.) | <b>1,321,031</b>                        | <b>2,286,729</b>   | <b>3,607,760</b>   | <b>790,979</b>                        | <b>8,267,002</b>  | <b>9,057,981</b>   |
|              | <b>TOTAL ASSETS</b>   |           | <b>87,752,018</b>                       | <b>166,316,242</b> | <b>254,068,260</b> | <b>73,479,680</b>                     | <b>78,810,635</b> | <b>152,290,315</b> |

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2021**  
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)*

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

|         |   |            | Audited<br>Current Period<br>31.12.2021 |                    |                    | Audited<br>Prior Period<br>31.12.2020 |                    |                    |
|---------|---|------------|---|--------------------|--------------------|---------------------------------------|--------------------|--------------------|
|         | LIABILITIES   | Note       | TL                                      | FC                 | Total              | TL                                    | FC                 | Total              |
| I.      | FUNDS COLLECTED   | (5.2.1.)   | 57,295,682                              | 154,809,707        | 212,105,389        | 33,499,285                            | 88,673,699         | 122,172,984        |
| II.     | FUNDS BORROWED  | (5.2.3.)   | 4,795,462                               | 3,526,512          | 8,321,974          | 2,868,946                             | 8,719,946          | 11,588,892         |
| III.    | MONEY MARKETS   |            | 6,495,137                               | -                  | 6,495,137          | 185,225                               | -                  | 185,225            |
| IV.     | SECURITIES ISSUED (Net)   |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| V.      | FINANCIAL LIABILITIES AT FAIR VALUE<br>THROUGH PROFIT OR LOSS   |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| VI.     | DERIVATIVE FINANCIAL LIABILITIES  |            | 192,898                                 | 65,015             | 257,913            | 1,390,486                             | 286,320            | 1,676,806          |
| 6.1.    | Derivative Financial Liabilities at Fair Value Through<br>Profit or Loss                                | (5.2.2.)   | 192,898                                 | 65,015             | 257,913            | 1,390,486                             | 286,320            | 1,676,806          |
| 6.2.    | Derivative Financial Liabilities at Fair Value Through<br>Other Comprehensive Income                    | (5.2.6.)   | -                                       | -                  | -                  | -                                     | -                  | -                  |
| VII.    | LEASE PAYABLES  | (5.2.5.)   | 342,556                                 | 9,819              | 352,375            | 340,115                               | 3,910              | 344,025            |
| VIII.   | PROVISIONS  | (5.2.7.)   | 1,443,840                               | 998,535            | 2,442,375          | 1,170,443                             | 400,358            | 1,570,801          |
| 8.1.    | Restructuring Provision   |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| 8.2.    | Reserves For Employee Benefits  |            | 570,937                                 | 1,367              | 572,304            | 418,183                               | 659                | 418,842            |
| 8.3.    | Insurance For Technical Provision (Net)   |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| 8.4.    | Other Provisions  |            | 872,903                                 | 997,168            | 1,870,071          | 752,260                               | 399,699            | 1,151,959          |
| IX.     | CURRENT TAX LIABILITIES   | (5.2.8.1.) | 1,158,997                               | -                  | 1,158,997          | 348,052                               | -                  | 348,052            |
| X.      | DEFERRED TAX LIABILITIES  |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| XI.     | LIABILITIES FOR PROPERTY AND<br>EQUIPMENT HELD FOR SALE AND RELATED<br>TO DISCONTINUED OPERATIONS (Net) | (5.2.9.)   | -                                       | -                  | -                  | -                                     | -                  | -                  |
| 11.1.   | Held For Sale   |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| 11.2.   | Related to Discontinued Operations  |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| XII.    | SUBORDINATED DEBT INSTRUMENTS   | (5.2.10.)  | -                                       | 8,100,496          | 8,100,496          | -                                     | 4,590,265          | 4,590,265          |
| 12.1.   | Loans   |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| 12.2.   | Other Debt Instruments  |            | -                                       | 8,100,496          | 8,100,496          | -                                     | 4,590,265          | 4,590,265          |
| XIII.   | OTHER LIABILITIES   | (5.2.4.)   | 1,843,584                               | 2,533,167          | 4,376,751          | 1,289,708                             | 528,460            | 1,818,168          |
| XIV.    | SHAREHOLDERS' EQUITY  | (5.2.11.)  | 10,531,507                              | (74,654)           | 10,456,853         | 7,904,654                             | 90,443             | 7,995,097          |
| 14.1.   | Paid-in Capital   |            | 4,595,131                               | -                  | 4,595,131          | 4,595,131                             | -                  | 4,595,131          |
| 14.2.   | Capital Reserves  |            | 25,124                                  | -                  | 25,124             | 25,124                                | -                  | 25,124             |
| 14.2.1. | Share Premiums  |            | 23,250                                  | -                  | 23,250             | 23,250                                | -                  | 23,250             |
| 14.2.2. | Share Cancellation Profits  |            | 1,874                                   | -                  | 1,874              | 1,874                                 | -                  | 1,874              |
| 14.2.3. | Other Capital Reserves  |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| 14.3.   | Other Accumulated Comprehensive Income or Loss<br>That Will Not Be Reclassified Through Profit or Loss  |            | (52,112)                                | -                  | (52,112)           | (51,258)                              | -                  | (51,258)           |
| 14.4.   | Other Accumulated Comprehensive Income or Loss<br>That Will Be Reclassified Through Profit or Loss      |            | 49,331                                  | (74,654)           | (25,323)           | (87,218)                              | 90,443             | 3,225              |
| 14.5.   | Profit Reserves   |            | 3,359,858                               | -                  | 3,359,858          | 1,970,146                             | -                  | 1,970,146          |
| 14.5.1. | Legal Reserves  |            | 355,870                                 | -                  | 355,870            | 284,943                               | -                  | 284,943            |
| 14.5.2. | Statutory Reserves  |            | -                                       | -                  | -                  | -                                     | -                  | -                  |
| 14.5.3. | Extraordinary Reserves  |            | 2,936,850                               | -                  | 2,936,850          | 1,617,135                             | -                  | 1,617,135          |
| 14.5.4. | Other Profit Reserves   |            | 67,138                                  | -                  | 67,138             | 68,068                                | -                  | 68,068             |
| 14.6.   | Profit or Loss  |            | 2,554,175                               | -                  | 2,554,175          | 1,452,729                             | -                  | 1,452,729          |
| 14.6.1. | Prior Years' Profits or Losses  |            | 52,448                                  | -                  | 52,448             | 52,448                                | -                  | 52,448             |
| 14.6.2. | Current Period Net Profit or Loss   |            | 2,501,727                               | -                  | 2,501,727          | 1,400,281                             | -                  | 1,400,281          |
| 14.7.   | Minority Shares   | (5.2.12.)  | -                                       | -                  | -                  | -                                     | -                  | -                  |
|         | <b>TOTAL LIABILITIES AND EQUITY</b>   |            | <b>84,099,663</b>                       | <b>169,968,597</b> | <b>254,068,260</b> | <b>48,996,914</b>                     | <b>103,293,401</b> | <b>152,290,315</b> |

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 31 DECEMBER 2021**

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

**2. STATEMENT OF OFF-BALANCE SHEET ITEMS**

|         |  |          | Audited<br>Current Period<br>31.12.2021 |             |               | Audited<br>Prior Period<br>31.12.2020 |             |             |
|---------|--|----------|---|-------------|---------------|---------------------------------------|-------------|-------------|
|         |  | Note     | TL                                      | FC          | Total         | TL                                    | FC          | Total       |
| A.      | COMMITMENTS AND CONTINGENCIES (I+II+III)                     |          | 70,491,068                              | 83,837,236  | 154,328,304   | 86,652,466                            | 78,342,083  | 164,994,549 |
| I.      | GUARANTEES AND WARRANTIES                                    | (5.3.1.) | 8,925,813                               | 8,467,832   | 17,393,645    | 7,470,036                             | 4,393,458   | 11,863,494  |
| 1.1.    | Letters of Guarantee   |          | 8,069,532                               | 3,777,053   | 11,846,585    | 6,997,497                             | 2,593,297   | 9,590,794   |
| 1.1.1.  | Guarantees Subject to State Tender Law                       |          | 267,372                                 | 19,827      | 287,199       | 210,252                               | 41,900      | 252,152     |
| 1.1.2.  | Guarantees Given For Foreign Trade Operations                |          | 445,301                                 | 49,329      | 494,630       | 408,225                               | 60,079      | 468,304     |
| 1.1.3.  | Other Letters of Guarantee                                   |          | 7,356,859                               | 3,707,897   | 11,064,756    | 6,379,020                             | 2,491,318   | 8,870,338   |
| 1.2.    | Bank Loans   |          | 1,044                                   | 112,639     | 113,683       | 5,503                                 | 35,493      | 40,996      |
| 1.2.1.  | Import Letter of Acceptances                                 |          | 1,044                                   | 112,639     | 113,683       | 5,503                                 | 35,493      | 40,996      |
| 1.2.2.  | Other Bank Acceptances                                       |          | -                                       | -           | -             | -                                     | -           | -           |
| 1.3.    | Letters of Credit  |          | 13,942                                  | 4,507,178   | 4,521,120     | 14,424                                | 1,670,598   | 1,685,022   |
| 1.3.1.  | Documentary Letters of Credit                                |          | -                                       | 1,979,005   | 1,979,005     | -                                     | 756,822     | 756,822     |
| 1.3.2.  | Other Letters of Credit                                      |          | 13,942                                  | 2,528,173   | 2,542,115     | 14,424                                | 913,776     | 928,200     |
| 1.4.    | Guaranteed Refinancing                                       |          | -                                       | -           | -             | -                                     | -           | -           |
| 1.5.    | Endorsements   |          | -                                       | -           | -             | -                                     | -           | -           |
| 1.5.1.  | Endorsements to the Central Bank of Turkey                   |          | -                                       | -           | -             | -                                     | -           | -           |
| 1.5.2.  | Other Endorsements   |          | -                                       | -           | -             | -                                     | -           | -           |
| 1.6.    | Other Guarantees   |          | 841,295                                 | 70,962      | 912,257       | 452,612                               | 94,070      | 546,682     |
| 1.7.    | Other Warrantees   |          | -                                       | -           | -             | -                                     | -           | -           |
| II.     | COMMITMENTS  | (5.3.1.) | 58,403,340                              | 4,958,958   | 63,362,298    | 54,000,945                            | 2,301,565   | 56,302,510  |
| 2.1.    | Irrevocable Commitments                                      |          | 9,395,400                               | 4,958,958   | 14,354,358    | 6,228,351                             | 2,301,565   | 8,529,916   |
| 2.1.1.  | Forward Asset Purchase and Sales Commitments                 |          | 1,340,797                               | 4,958,958   | 6,299,755     | 776,146                               | 2,301,565   | 3,077,711   |
| 2.1.2.  | Share Capital Commitment to Associates and Subsidiaries      |          | -                                       | -           | -             | -                                     | -           | -           |
| 2.1.3.  | Loan Granting Commitments                                    |          | 1,007,332                               | -           | 1,007,332     | 555,059                               | -           | 555,059     |
| 2.1.4.  | Securities Underwriting Commitments                          |          | -                                       | -           | -             | -                                     | -           | -           |
| 2.1.5.  | Commitments For Reserve Deposits Requirements                |          | -                                       | -           | -             | -                                     | -           | -           |
| 2.1.6.  | Payment Commitments For Checks                               |          | 1,750,116                               | -           | 1,750,116     | 1,372,786                             | -           | 1,372,786   |
| 2.1.7.  | Tax and Fund Liabilities From Export Commitments             |          | -                                       | -           | -             | -                                     | -           | -           |
| 2.1.8.  | Commitments For Credit Card Expenditure Limits               |          | 5,278,441                               | -           | 5,278,441     | 3,503,366                             | -           | 3,503,366   |
| 2.1.9.  | Commitments For Credit Cards and Banking Services Promotions |          | 957                                     | -           | 957           | 3,237                                 | -           | 3,237       |
| 2.1.10. | Receivables From Short Sale Commitments                      |          | -                                       | -           | -             | -                                     | -           | -           |
| 2.1.11. | Payables For Short Sale Commitments                          |          | -                                       | -           | -             | -                                     | -           | -           |
| 2.1.12. | Other Irrevocable Commitments                                |          | 17,757                                  | -           | 17,757        | 17,757                                | -           | 17,757      |
| 2.2.    | Revocable Commitments  |          | 49,007,940                              | -           | 49,007,940    | 47,772,594                            | -           | 47,772,594  |
| 2.2.1.  | Revocable Loan Granting Commitments                          |          | 49,007,940                              | -           | 49,007,940    | 47,772,594                            | -           | 47,772,594  |
| 2.2.2.  | Other Revocable Commitments                                  |          | -                                       | -           | -             | -                                     | -           | -           |
| III.    | DERIVATIVE FINANCIAL INSTRUMENTS                             | (5.3.2.) | 3,161,915                               | 70,410,446  | 73,572,361    | 25,181,485                            | 71,647,060  | 96,828,545  |
| 3.1     | Derivative Financial Instruments Held For Risk Management    |          | -                                       | -           | -             | -                                     | -           | -           |
| 3.1.1   | Fair Value Hedges  |          | -                                       | -           | -             | -                                     | -           | -           |
| 3.1.2   | Cash Flow Hedges   |          | -                                       | -           | -             | -                                     | -           | -           |
| 3.1.3   | Hedge of Net Investment in Foreign Operations                |          | -                                       | -           | -             | -                                     | -           | -           |
| 3.2     | Held For Trading Transactions                                |          | 3,161,915                               | 70,410,446  | 73,572,361    | 25,181,485                            | 71,647,060  | 96,828,545  |
| 3.2.1   | Forward Foreign Currency Buy/Sell Transactions               |          | 2,116,860                               | 3,507,510   | 5,624,370     | 1,083,945                             | 2,130,485   | 3,214,430   |
| 3.2.1.1 | Forward Foreign Currency Buy Transactions                    |          | 1,426,726                               | 1,522,070   | 2,948,796     | 785,976                               | 843,754     | 1,629,730   |
| 3.2.1.2 | Forward Foreign Currency Sell Transactions                   |          | 690,134                                 | 1,985,440   | 2,675,574     | 297,969                               | 1,286,731   | 1,584,700   |
| 3.2.2   | Other Forward Buy/Sell Transactions                          |          | 1,045,055                               | 66,902,936  | 67,947,991    | 24,097,540                            | 69,516,575  | 93,614,115  |
| 3.3     | Other  |          | -                                       | -           | -             | -                                     | -           | -           |
| B.      | CUSTODY AND PLEDGES SECURITIES (IV+V+VI)                     |          | 667,226,247                             | 348,895,558 | 1,016,121,805 | 478,587,067                           | 203,218,899 | 681,805,966 |
| IV.     | ITEMS HELD IN CUSTODY  |          | 20,834,179                              | 34,556,759  | 55,390,938    | 13,171,821                            | 20,387,564  | 33,559,385  |
| 4.1.    | Customers' Securities Held                                   |          | -                                       | -           | -             | -                                     | -           | -           |
| 4.2.    | Investment Securities Held in Custody                        |          | 5,719,656                               | 4,866,680   | 10,586,336    | 3,145,487                             | 7,054,819   | 10,200,306  |
| 4.3.    | Checks Received for Collection                               |          | 13,271,444                              | 2,766,870   | 16,038,314    | 8,485,888                             | 1,082,506   | 9,568,394   |
| 4.4.    | Commercial Notes Received for Collection                     |          | 1,843,079                               | 545,230     | 2,388,309     | 1,540,446                             | 312,851     | 1,853,297   |
| 4.5.    | Other Assets Received for Collection                         |          | -                                       | -           | -             | -                                     | -           | -           |
| 4.6.    | Assets Received for Public Offering                          |          | -                                       | -           | -             | -                                     | -           | -           |
| 4.7.    | Other Items Under Custody                                    |          | -                                       | -           | -             | -                                     | -           | -           |
| 4.8.    | Custodians   |          | -                                       | 26,377,979  | 26,377,979    | -                                     | 11,937,388  | 11,937,388  |
| V.      | PLEDGED ITEMS  |          | 646,380,429                             | 314,183,181 | 960,563,610   | 465,403,607                           | 182,743,974 | 648,147,581 |
| 5.1.    | Marketable Securities  |          | 401,159                                 | -           | 401,159       | 149,465                               | -           | 149,465     |
| 5.2.    | Guarantee Notes  |          | 101,097                                 | 5,361,650   | 5,462,747     | 101,128                               | 2,996,008   | 3,097,136   |
| 5.3.    | Commodity  |          | 22,137,974                              | 669,993     | 22,807,967    | 14,297,126                            | 913,904     | 15,211,030  |
| 5.4.    | Warranty   |          | -                                       | -           | -             | -                                     | -           | -           |
| 5.5.    | Properties   |          | 165,337,287                             | 6,452,977   | 171,790,264   | 147,051,571                           | 3,715,371   | 150,766,942 |
| 5.6.    | Other Pledged Items  |          | 458,402,912                             | 301,698,561 | 760,101,473   | 303,804,317                           | 175,118,691 | 478,923,008 |
| 5.7.    | Pledged Items-Depository                                     |          | -                                       | -           | -             | -                                     | -           | -           |
| VI.     | ACCEPTED GUARANTEES AND WARRANTIES                           |          | 11,639                                  | 155,618     | 167,257       | 11,639                                | 87,361      | 99,000      |
|         | TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)                       |          | 737,717,315                             | 432,732,794 | 1,170,450,109 | 565,239,533                           | 281,560,982 | 846,800,515 |

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED**  
**UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2021**

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

**3. STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)**

|               |  |                  | <b>Audited<br/>Current Period<br/>01.01.2021-<br/>31.12.2021</b> | <b>Audited<br/>Prior Period<br/>01.01.2020-<br/>31.12.2020</b> |
|---------------|--|------------------|--|--|
|               | <b>INCOME AND EXPENSE TABLE</b>  | <b>Notes</b>     |  |  |
| <b>I.</b>     | <b>PROFIT SHARE INCOME</b>   | <b>(5.4.1.)</b>  | <b>13,035,305</b>  | <b>9,327,690</b>   |
| 1.1.          | Profit Share on Loans  |                  | 8,554,643  | 6,174,377  |
| 1.2.          | Profit Share on Reserve Deposits   |                  | 230,553  | 37,473   |
| 1.3.          | Profit Share on Banks  |                  | 99,840   | 122,188  |
| 1.4.          | Profit Share on Money Market Placements  |                  | -  | -  |
| 1.5.          | Profit Share on Marketable Securities Portfolio  |                  | 3,482,477  | 2,602,952  |
| 1.5.1.        | Fair Value Through Profit or Loss  |                  | 270,993  | 313,832  |
| 1.5.2.        | Fair Value Through Other Comprehensive Income  |                  | 3,084,384  | 2,118,146  |
| 1.5.3.        | Measured at Amortised Cost   |                  | 127,100  | 170,974  |
| 1.6.          | Finance Lease Income   |                  | 602,626  | 342,754  |
| 1.7.          | Other Profit Share Income  |                  | 65,166   | 47,946   |
| <b>II.</b>    | <b>PROFIT SHARE EXPENSE (-)</b>  |                  | <b>5,404,863</b>   | <b>3,118,614</b>   |
| 2.1.          | Expense on Profit Sharing Accounts   | (5.4.4.)         | 3,355,475  | 1,923,295  |
| 2.2.          | Profit Share Expense on Funds Borrowed   | (5.4.2.)         | 1,461,601  | 781,567  |
| 2.3.          | Profit Share Expense on Money Market Borrowings  |                  | 535,134  | 354,479  |
| 2.4.          | Expense on Securities Issued   |                  | -  | -  |
| 2.5.          | Profit Share Expense on Lease  |                  | 52,653   | 59,273   |
| 2.6.          | Other Profit Share Expense   |                  | -  | -  |
| <b>III.</b>   | <b>NET PROFIT SHARE INCOME (I - II)</b>  |                  | <b>7,630,442</b>   | <b>6,209,076</b>   |
| <b>IV.</b>    | <b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>   |                  | <b>577,758</b>   | <b>350,721</b>   |
| 4.1.          | Fees And Commissions Received  |                  | 1,118,513  | 784,516  |
| 4.1.1.        | Non-Cash Loans   |                  | 141,317  | 136,800  |
| 4.1.2.        | Other  | (5.4.13.)        | 977,196  | 647,716  |
| 4.2.          | Fees And Commissions Paid (-)  |                  | 540,755  | 433,795  |
| 4.2.1.        | Non-Cash Loans   |                  | 19   | 29   |
| 4.2.2.        | Other  | (5.4.13.)        | 540,736  | 433,766  |
| <b>V.</b>     | <b>DIVIDEND INCOME</b>   | <b>(5.4.3.)</b>  | <b>6,042</b>   | <b>68</b>  |
| <b>VI.</b>    | <b>NET TRADING INCOME / LOSS</b>   | <b>(5.4.5.)</b>  | <b>2,160,959</b>   | <b>571,361</b>   |
| 6.1.          | Capital Market Transaction Gains/Losses  |                  | 58,589   | 45,028   |
| 6.2.          | Gains/Losses From Derivative Financial Instruments   |                  | 1,958,535  | (2,213,019)  |
| 6.3.          | Foreign Exchange Gains/Losses  |                  | 143,835  | 2,739,352  |
| <b>VII.</b>   | <b>OTHER OPERATING INCOME</b>  | <b>(5.4.6.)</b>  | <b>925,269</b>   | <b>648,066</b>   |
| <b>VIII.</b>  | <b>GROSS OPERATING PROFIT (III+IV+V+VI+VII+ VIII)</b>  |                  | <b>11,300,470</b>  | <b>7,779,292</b>   |
| <b>IX.</b>    | <b>EXPECTED LOSS PROVISIONS (-)</b>  | <b>(5.4.7.)</b>  | <b>4,566,363</b>   | <b>3,237,473</b>   |
| <b>X.</b>     | <b>OTHER PROVISIONS (-)</b>  | <b>(5.4.7.)</b>  | <b>162,026</b>   | <b>309,703</b>   |
| <b>XI.</b>    | <b>PERSONNEL EXPENSES (-)</b>  | <b>(5.4.8.)</b>  | <b>1,505,724</b>   | <b>1,202,037</b>   |
| <b>XII.</b>   | <b>OTHER OPERATING EXPENSES (-)</b>  | <b>(5.4.8.)</b>  | <b>1,518,991</b>   | <b>1,177,396</b>   |
| <b>XIII.</b>  | <b>NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>   |                  | <b>3,547,366</b>   | <b>1,852,683</b>   |
| <b>XIV.</b>   | <b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>   |                  | <b>-</b>   | <b>-</b>   |
| <b>XV.</b>    | <b>INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>  |                  | <b>-</b>   | <b>-</b>   |
| <b>XVI.</b>   | <b>INCOME / (LOSS) ON NET MONETARY POSITION</b>  |                  | <b>-</b>   | <b>-</b>   |
| <b>XVII.</b>  | <b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>                     | <b>(5.4.9.)</b>  | <b>3,547,366</b>   | <b>1,852,683</b>   |
| <b>XVIII.</b> | <b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>  | <b>(5.4.10)</b>  | <b>(1,045,639)</b>   | <b>(452,402)</b>   |
| 18.1.         | Current Tax Provision  |                  | 2,000,422  | 781,806  |
| 18.2.         | Deferred Tax Income Effect (+)   |                  | 20,366   | 134,484  |
| 18.3.         | Deferred Tax Expense Effect (-)  |                  | 975,149  | 463,888  |
| <b>XIX.</b>   | <b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>                       | <b>(5.4.11.)</b> | <b>2,501,727</b>   | <b>1,400,281</b>   |
| <b>XX.</b>    | <b>INCOME FROM DISCONTINUED OPERATIONS</b>   |                  | <b>-</b>   | <b>-</b>   |
| 20.1.         | Income on Non-Current Assets Held For Sale   |                  | -  | -  |
| 20.2.         | Income on Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.)     |                  | -  | -  |
| 20.3.         | Income on Other Discontinued Operations  |                  | -  | -  |
| <b>XXI.</b>   | <b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>   |                  | <b>-</b>   | <b>-</b>   |
| 21.1.         | Expenses From Non-Current Assets Held For Sale   |                  | -  | -  |
| 21.2.         | Expenses From Sale of Associates, Subsidiaries And Jointly Controlled Entities (Joint Vent.) |                  | -  | -  |
| 21.3.         | Expenses From Other Discontinued Operations  |                  | -  | -  |
| <b>XXII.</b>  | <b>PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>                   |                  | <b>-</b>   | <b>-</b>   |
| <b>XXIII.</b> | <b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>   |                  | <b>-</b>   | <b>-</b>   |
| 23.1.         | Current Tax Provision  |                  | -  | -  |
| 23.2.         | Deferred Tax Expense Effect (+)  |                  | -  | -  |
| 23.3.         | Deferred Tax Income Effect (-)   |                  | -  | -  |
| <b>XXIV.</b>  | <b>CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>                      |                  | <b>-</b>   | <b>-</b>   |
| <b>XXV.</b>   | <b>NET PROFIT/LOSS (XVII+XXII)</b>   | <b>(5.4.12.)</b> | <b>2,501,727</b>   | <b>1,400,281</b>   |
| 25.1.         | Group's Income/Loss  |                  | 2,501,727  | 1,400,281  |
| 25.2.         | Minority Interest Income/Loss (-)  |                  | -  | -  |
|               | Earnings Per Share Income/Loss   |                  | -  | -  |

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED**  
**UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2021**

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

**4. STATEMENT OF INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY**

|             |   | <b>Audited<br/>Current Period<br/>31.12.2021</b> | <b>Audited<br/>Prior Period<br/>31.12.2020</b> |
|-------------|---|--|--|
| <b>I.</b>   | <b>CURRENT PROFIT (LOSS)</b>  | <b>2,501,727</b>                                 | <b>1,400,281</b>                               |
| <b>II.</b>  | <b>OTHER COMPREHENSIVE INCOME</b>   | <b>(29,402)</b>                                  | <b>(217,757)</b>                               |
| 2.1         | <b>Other Comprehensive Income Not Reclassified Through Profit Or Loss</b>   | <b>(854)</b>                                     | <b>(32,176)</b>                                |
| 2.1.1       | Property And Equipment Revaluation Increase/Decrease  | -  | -  |
| 2.1.2       | Intangible Assets Revaluation Increase/Decrease   | -  | -  |
| 2.1.3       | Defined Benefit Pension Plan Remeasurement Gain/Loss  | (1,068)  | (40,220)                                       |
| 2.1.4       | Other Comprehensive Income Items Not Reclassified Through Profit Or Loss  | -  | -  |
| 2.1.5       | Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss                                 | 214  | 8,044  |
| 2.2         | <b>Other Comprehensive Income Reclassified Through Profit Or Loss</b>   | <b>(28,548)</b>                                  | <b>(185,581)</b>                               |
| 2.2.1       | Foreign Currency Translation Difference   | -  | -  |
| 2.2.2       | Valuation And/Or Reclassification Income/Expense of the Financial Assets At Fair Value Through Other Comprehensive Income | (38,790)   | (249,886)                                      |
| 2.2.3       | Cash Flow Hedge Income/Loss   | -  | 11,514   |
| 2.2.4       | Foreign Net Investment Hedge Income/Loss  | -  | -  |
| 2.2.5       | Other Comprehensive Income Items Reclassified Through Profit or Losses  | -  | -  |
| 2.2.6       | Taxes Related Other Comprehensive Income Items Reclassified Through Profit Or Loss  | 10,242   | 52,791   |
| <b>III.</b> | <b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>   | <b>2,472,325</b>                                 | <b>1,182,524</b>                               |

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2021**  
*(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)*

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

|   |  |                    |                   |                                  |                              | Accumulated Other Income or Loss<br>That Will Not Be Reclassified to Profit<br>or Loss |          |          | Accumulated Other Income or Loss<br>That Will Be Reclassified to Profit or<br>Loss |           |          |                    |                                     |   |   |                    |                                  |            |
|---|--|--------------------|-------------------|----------------------------------|------------------------------|--|----------|----------|--|-----------|----------|--------------------|-------------------------------------|---|---|--------------------|----------------------------------|------------|
|   | Note   | Paid-in<br>Capital | Share<br>Premiums | Share<br>cancellation<br>profits | Other<br>Capital<br>Reserves | 1  | 2        | 3        | 4  | 5         | 6        | Profit<br>Reserves | Prior Period<br>Profit or<br>(Loss) | Net<br>Profit/Loss<br>for the<br>Period | Total<br>Shareholders'Equity<br>Less Minority<br>Shares | Minority<br>Shares | Total<br>Shareholders'<br>Equity |            |
| Prior Period<br>(01/01/2020 – 31/12/2020)         |  |                    |                   |                                  |                              |  |          |          |  |           |          |                    |                                     |   |   |                    |                                  |            |
| I   | Prior Period Ending Balance  | 3,995,766          | 23,250            | 1,239                            | -                            | -  | (19,082) | -        | -  | 214,695   | (8,981)  | 1,469,025          | 35,540                              | 1,109,838                               | 6,821,290   | -                  | 6,821,290                        |            |
| II  | Corrections and Accounting Policy Changes Made<br>According to TAS 8 | -                  | -                 | -                                | -                            | -  | -        | -        | -  | (16,092)  | -        | -                  | 16,092                              | -                                       | -   | -                  | -                                |            |
| 2.1   | Effect Of Corrections  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | (16,092)  | -        | -                  | 16,092                              | -                                       | -   | -                  | -                                |            |
| 2.2   | Effect Of Changes In Accounting Policies                             | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| III   | Adjusted Beginning Balance (I+II)                                    | 3,995,766          | 23,250            | 1,239                            | -                            | -  | (19,082) | -        | -  | 198,603   | (8,981)  | 1,469,025          | 51,632                              | 1,109,838                               | 6,821,290   | -                  | 6,821,290                        |            |
| IV  | Total Comprehensive Income (Loss)                                    | -                  | -                 | -                                | -                            | -  | (32,176) | -        | -  | (195,378) | 8,981    | -                  | 816                                 | 1,400,281                               | 1,182,524   | -                  | 1,182,524                        |            |
| V   | Capital Increase by Cash   | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| VI  | Capital Increase by Internal Reserves                                | 600,000            | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | (600,000)          | -                                   | -                                       | -   | -                  | -                                |            |
| VII   | Paid in Capital Inflation Adjustment Difference                      | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| VIII  | Convertible Bonds to Share   | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| IX  | Subordinated Debt Instruments  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| X   | Increase / Decrease by Other Changes                                 | (635)              | -                 | 635                              | -                            | -  | -        | -        | -  | -         | -        | (1,437)            | -                                   | -                                       | (1,437)   | -                  | (1,437)                          |            |
| XI  | Profit Distribution  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | 1,102,558          | -                                   | (1,109,838)                             | (7,280)   | -                  | (7,280)                          |            |
| 11.1  | Dividends Paid   | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | (1,109,838)                             | (7,280)   | -                  | (7,280)                          |            |
| 11.2  | Transfers To Legal Reserves  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | 1,102,558          | -                                   | (1,102,558)                             | -   | -                  | -                                |            |
| 11.3  | Other  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| Balances at end of the period (III+IV+.....+X+XI) |  | (5.2.11.)          | 4,595,131         | 23,250                           | 1,874                        | -  | -        | (51,258) | -  | -         | 3,225    | -                  | 1,970,146                           | 52,448                                  | 1,400,281   | 7,995,097          | -                                | 7,995,097  |
| Current Period<br>(01/01/2021 – 31/12/2021)       |  |                    |                   |                                  |                              |  |          |          |  |           |          |                    |                                     |   |   |                    |                                  |            |
| I   | Prior Period Ending Balance  | 4,595,131          | 23,250            | 1,874                            | -                            | -  | (51,258) | -        | -  | 3,225     | -        | 1,970,146          | 52,448                              | 1,400,281                               | 7,995,097   | -                  | 7,995,097                        |            |
| II  | Corrections and Accounting Policy Changes Made<br>According to TAS 8 | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| 2.1   | Effect Of Corrections  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| 2.2   | Effect Of Changes In Accounting Policies                             | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| III   | Adjusted Beginning Balance (I+II)                                    | 4,595,131          | 23,250            | 1,874                            | -                            | -  | (51,258) | -        | -  | 3,225     | -        | 1,970,146          | 52,448                              | 1,400,281                               | 7,995,097   | -                  | 7,995,097                        |            |
| IV  | Total Comprehensive Income (Loss)                                    | -                  | -                 | -                                | -                            | -  | (854)    | -        | -  | (28,548)  | -        | -                  | -                                   | 2,501,727                               | 2,472,325   | -                  | 2,472,325                        |            |
| V   | Capital Increase by Cash   | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| VI  | Capital Increase by Internal Reserves                                | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| VII   | Paid in Capital Inflation Adjustment Difference                      | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| VIII  | Convertible Bonds to Share   | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| IX  | Subordinated Debt Instruments  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | -                                       | -   | -                  | -                                |            |
| X   | Increase / Decrease by Other Changes                                 | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | (1,437)            | -                                   | -                                       | (1,437)   | -                  | (1,437)                          |            |
| XI  | Profit Distribution  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | 1,391,149          | -                                   | (1,400,281)                             | (9,132)   | -                  | (9,132)                          |            |
| 11.1  | Dividends Paid   | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | -                  | -                                   | (1,400,281)                             | (9,132)   | -                  | (9,132)                          |            |
| 11.2  | Transfers To Legal Reserves  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | 1,400,281          | (1,400,281)                         | -                                       | -   | -                  | -                                |            |
| 11.3  | Other  | -                  | -                 | -                                | -                            | -  | -        | -        | -  | -         | -        | 1,400,281          | 1,400,281                           | (1,400,281)                             | -   | -                  | -                                |            |
| Balances at end of the period (III+IV+.....+X+XI) |  | (5.2.11.)          | 4,595,131         | 23,250                           | 1,874                        | -  | -        | (52,112) | -  | -         | (25,323) | -                  | 3,359,858                           | 52,448                                  | 2,501,727   | 10,456,853         | -                                | 10,456,853 |

1.Accumulated Revaluation Increase / Decrease of Fixed Assets

2.Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan

3.Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)

4.Foreign Currency Transition Differences

5.Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income

6.Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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



**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF CASH FLOW AS OF 31 DECEMBER 2021**

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

**6. STATEMENT OF CASH FLOWS**

|  |                | <b>Audited<br/>Current Period</b> | <b>Audited<br/>Prior Period</b>   |
|--|----------------|-----------------------------------|-----------------------------------|
|  | <b>Note</b>    | <b>01.01.2021-<br/>31.12.2021</b> | <b>01.01.2020-<br/>31.12.2020</b> |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>   |                |                                   |                                   |
| <b>1.1 Operating Profit Before Changes in Assets And Liabilities From Banking Operations</b>     |                | <b>4,804,045</b>                  | <b>4,315,336</b>                  |
| 1.1.1 Profit Share Income Received   |                | 10,259,659                        | 8,328,926                         |
| 1.1.2 Profit Share Expense Paid  |                | (5,345,578)                       | (2,987,106)                       |
| 1.1.3 Dividends Received   |                | 6,042                             | 68                                |
| 1.1.4 Fees And Commissions Received  |                | 1,118,513                         | 839,827                           |
| 1.1.5 Other Income   |                | 2,206,423                         | 1,404,047                         |
| 1.1.6 Collections From Previously Written Off Loans  |                | 759,758                           | 351,422                           |
| 1.1.7 Payments to Personnel And Service Suppliers  |                | (1,350,866)                       | (1,317,534)                       |
| 1.1.8 Taxes Paid   |                | (989,447)                         | (865,421)                         |
| 1.1.9 Others   |                | (1,860,459)                       | (1,438,893)                       |
| <b>1.2 Changes in Assets And Liabilities From Banking Operations</b>                             |                | <b>(1,562,445)</b>                | <b>(7,116,167)</b>                |
| 1.2.1 Net (Increase) Decrease Held For Trading Financial Assets                                  |                | 152,885                           | (3,240,768)                       |
| 1.2.2 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss           |                | (17,798,934)                      | (11,487,983)                      |
| 1.2.3 Net (Increase) Decrease in Due From Banks And Other Financial Institutions                 |                | (21,219,300)                      | (20,068,746)                      |
| 1.2.4 Net (Increase) Decrease in Loans   |                | 5,641,096                         | (8,803,862)                       |
| 1.2.5 Net (Increase) Decrease in Other Assets  |                | 189,507                           | 169,751                           |
| 1.2.6 Net Increase (Decrease) in Bank Deposits   |                | 26,134,423                        | 28,933,181                        |
| 1.2.7 Net Increase (Decrease) in Other Deposits  |                | -                                 | -                                 |
| 1.2.8 Net Increase (Decrease) in Funds Borrowed  |                | (8,029,521)                       | 4,952,671                         |
| 1.2.9 Net Increase (Decrease) in Due Payables  |                | -                                 | -                                 |
| 1.2.10 Net Increase (Decrease) in Other Liabilities  |                | 13,367,399                        | 2,429,589                         |
| <b>I. Net Cash Provided From / (Used in) Banking Operations</b>                                  |                | <b>3,241,600</b>                  | <b>(2,800,831)</b>                |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                |                                   |                                   |
| <b>II. Net Cash Provided From / (Used in) Investing Activities</b>                               |                | <b>(6,358,268)</b>                | <b>(9,852,467)</b>                |
| 2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries            |                | -                                 | (745,860)                         |
| 2.2 Cash Obtained From Sale of Jointly Controlled Operations, Associates And Subsidiaries        |                | -                                 | -                                 |
| 2.3 Fixed Assets Purchases   |                | (295,422)                         | (127,693)                         |
| 2.4 Fixed Assets Sales   |                | 532,754                           | 194,500                           |
| 2.5 Cash Paid For Purchase of Financial Assets at Fair Value Through Other Comprehensive Income  |                | (14,528,109)                      | (13,090,115)                      |
| 2.6 Cash Obtained From Sale of Financial Assets at Fair Value Through Other Comprehensive Income |                | 4,910,435                         | 6,067,423                         |
| 2.7 Cash Paid For Purchase of Investment Securities  |                | (548,922)                         | (1,947,247)                       |
| 2.8 Cash Obtained From Sale of Investment Securities   |                | 3,639,868                         | -                                 |
| 2.9 Other  |                | (68,872)                          | (203,475)                         |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                |                                   |                                   |
| <b>III. Net Cash Provided From / (Used in) Financing Activities</b>                              |                | <b>452,169</b>                    | <b>322,094</b>                    |
| 3.1 Cash Obtained From Funds Borrowed And Securities Issued                                      |                | -                                 | -                                 |
| 3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued                              |                | -                                 | -                                 |
| 3.3 Capital Increase   |                | 513,954                           | 388,646                           |
| 3.4 Dividends Paid   |                | (9,132)                           | (7,280)                           |
| 3.5 Payments For Finance Leases (*)  |                | (52,653)                          | (59,272)                          |
| 3.6 Other  |                | -                                 | -                                 |
| <b>IV. Effect of Change in Foreign Exchange Rate on Cash And Cash Equivalents</b>                | <b>(5.5.4)</b> | <b>27,336,234</b>                 | <b>5,409,401</b>                  |
| <b>V. Net Increase (Decrease) in Cash And Cash Equivalents</b>                                   |                | <b>24,671,735</b>                 | <b>(6,921,803)</b>                |
| <b>VI. Cash And Cash Equivalents at The Beginning of The Period</b>                              | <b>(5.5.1)</b> | <b>11,971,283</b>                 | <b>18,893,086</b>                 |
| <b>VII. Cash And Cash Equivalents at The End of The Period</b>                                   | <b>(5.5.1)</b> | <b>36,643,018</b>                 | <b>11,971,283</b>                 |

(\*) Within the scope of IFRS 16- Leases Standard, comprise the payments related to leases that included in the financial statements

The accompanying notes are an integral part of these financial statements

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**PROFIT DISTRIBUTION TABLE AS OF 31 DECEMBER 2021**

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

**7. PROFIT DISTRIBUTION TABLE**

|             |   | <b>Current Period</b><br><b>01.01.2021 –</b><br><b>31.12.2021 (*)</b> | <b>Prior Period</b><br><b>01.01.2020-</b><br><b>31.12.2020 (*)</b> |
|-------------|---|---|--|
| <b>I.</b>   | <b>DISTRIBUTION OF CURRENT PERIOD PROFIT</b>              |   |  |
| 1.1         | CURRENT PERIOD PROFIT                                     | 3,547,366   | 1,852,683  |
| 1.2         | TAXES AND DUES PAYABLE (-)                                | 1,045,639   | 452,402  |
| 1.2.1       | Corporate Tax (Income Tax)                                | 2,000,422   | 781,806  |
| 1.2.2       | Income Tax Withholding                                    | -   | -  |
| 1.2.3       | Other Taxes and Dues Payable                              | (954,783)   | (329,404)  |
| <b>A.</b>   | <b>NET PROFIT FOR THE PERIOD (1.1-1.2)</b>                | <b>2,501,727</b>  | <b>1,400,281</b>   |
| 1.3         | PRIOR YEAR'S LOSSES (-)                                   | -   | -  |
| 1.4         | FIRST LEGAL RESERVES (-)                                  | -   | 70,014   |
| 1.5         | OTHER RESERVES (-)  | -   | -  |
| <b>B.</b>   | <b>DISTRIBUTABLE NET PERIOD PROFIT [(A-(1.3+1.4+1.5)]</b> | <b>2,501,727</b>  | <b>1,330,267</b>   |
| 1.6         | First Dividend to Shareholders (-)                        | -   | -  |
| 1.6.1       | To Owners of Ordinary Shares                              | -   | -  |
| 1.6.2       | To Owners of Preferred Stocks                             | -   | -  |
| 1.6.3       | To Owners of Preferred Stocks (Preemptive Rights)         | -   | -  |
| 1.6.4       | To Profit Sharing Bonds                                   | -   | -  |
| 1.6.5       | To Owners of the profit and loss Sharing Certificates     | -   | -  |
| 1.7         | DIVIDEND TO PERSONNEL (-)                                 | -   | -  |
| 1.8         | DIVIDEND TO BOARD OF DIRECTORS (-)                        | -   | 9,132  |
| 1.9         | SECOND DIVIDEND TO SHAREHOLDERS (-)                       | -   | -  |
| 1.9.1       | To Owners of Ordinary Shares                              | -   | -  |
| 1.9.2       | To Owners of Preferred Stocks                             | -   | -  |
| 1.9.3       | To Owners of Preferred Stocks (Preemptive Rights)         | -   | -  |
| 1.9.4       | To Profit Sharing Bonds                                   | -   | -  |
| 1.9.5       | To Owners of the profit/loss Sharing Certificates         | -   | -  |
| 1.10        | STATUTORY RESERVES (-)                                    | -   | 1,319,715  |
| 1.11        | EXTRAORDINARY RESERVES                                    | -   | 507  |
| 1.12        | OTHER RESERVES  | -   | -  |
| 1.13        | SPECIAL FUNDS   | -   | -  |
| <b>II.</b>  | <b>DISTRIBUTION FROM RESERVES</b>                         | -   | -  |
| 2.1         | DISTRIBUTED RESERVES                                      | -   | -  |
| 2.2         | DIVIDENDS TO SHAREHOLDERS (-)                             | -   | -  |
| 2.2.1       | The Owners of Ordinary Shares                             | -   | -  |
| 2.2.2       | The Owners of Preferred Stocks                            | -   | -  |
| 2.2.3       | The Owners of Preferred Stocks (Preemptive Rights)        | -   | -  |
| 2.2.4       | The Profit Sharing Bonds                                  | -   | -  |
| 2.2.5       | The Owners of the profit/loss Sharing Certificates        | -   | -  |
| 2.3         | Share to Personnel (-)                                    | -   | -  |
| 2.4         | Share to Board of Directors (-)                           | -   | -  |
| <b>III.</b> | <b>EARNINGS PER SHARE</b>                                 | -   | -  |
| 3.1         | TO OWNERS OF STOCKS                                       | -   | -  |
| 3.2         | TO OWNERS OF STOCKS (%)                                   | -   | -  |
| 3.3         | TO OWNERS OF PREFERRED STOCKS                             | -   | -  |
| 3.4         | TO OWNERS OF PREFERRED STOCKS (%)                         | -   | -  |
| <b>IV.</b>  | <b>DIVIDEND PER SHARE</b>                                 | -   | -  |
| 4.1         | TO OWNERS OF STOCKS                                       | -   | -  |
| 4.2         | TO OWNERS OF STOCKS (%)                                   | -   | -  |
| 4.3         | TO OWNERS OF PREFERRED STOCKS                             | -   | -  |
| 4.4         | TO OWNERS OF PREFERRED STOCKS (%)                         | -   | -  |

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

(\*\*) Deferred tax benefit is presented under other tax and legal liabilities. Deferred tax benefit can not be included in the distributable profit, thus it is classified under extraordinary reserves.

**SECTION THREE**

The accompanying notes are an integral part of these financial statements

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED 31 DECEMBER 2021**

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

**EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD**

**1. Explanations on Basis of Presentation**

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

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

**Additional paragraph for convenience translation**

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

**1.2. Accounting policies and valuation principles applied in the preparation of unconsolidated financial statements**

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

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

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

Since it is aimed to update the most recent financial information in the year end financial statements prepared as of December 31, 2021, considering the magnitude of the economic changes due to COVID-19, the Bank made certain estimates in the calculation of expected credit losses and disclosed them in third section footnote numbered 1.5 “Explanations on Expected Credit Loss”. In the upcoming periods, the Bank will update its relevant assumptions are necessary and revise the realizations of past estimates.

**1.3. Changes in accounting estimates, errors and classifications**

If changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. Significant accounting errors are applied retrospectively and prior period financial statements are restated. There were no significant changes in the accounting estimates of the Bank in the current year. Comparative information is rearranged when deemed necessary in order to comply with the presentation of the current period financial statements. The Bank has rearranged the prior period's statement of changes in shareholders' equity in order to comply with the presentation of the current period financial statements.

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, [consolidated] financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
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**1.4. Preparation of the financial statements as regards to the current purchasing power of money**

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

**1.5. Disclosures Regarding TFRS 9 Financial Instruments**

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

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

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

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

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

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

**Classification And Measurement of Financial Instruments**

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

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

**Explanations on Expected Credit Loss**

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

Modeling studies were carried out on the principal components of the Expected Loan Loss calculation and the default probability (PD) models were developed on various loan portfolios. Credit portfolios are determined according to customer segments that form the basis of banking activities. The cyclical default probabilities generated by these models developed for use in the Internal Rating Based Approach (IDR) are translated into the Instantaneous Default Probabilities and these instantaneous default probabilities are used when calculating the Expected Loan Loss on TFRS 9 Calculation on Default (LGD) calculation reflects the legal deduction rates and the Bank’s past collection performance on unsecured loans. Default

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
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Amount (EAD) corresponds to the balance used in cash at the reporting date for cash loans, non-cash loans and balance after application of the loan to commitment risks.

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

As of December 31, 2021, the Bank reflected the data obtained with the best estimation method to the estimates and judgements used in the calculation of expected credit losses, with the best estimation method, for the possible effects of the COVID-19 outbreak. In the light of the aforementioned data, the Bank revised its macroeconomic expectations in the calculation of expected credit loss, and the calculation made taking into account the change in PD with the update in the EDF model was reflected in the financial statements. Due to their nature, model updates are reflected in financial statements with a delay due to the macroeconomics effects of events that cause changes and occur at different times. For this reason, the bank establishes additional provisions for the sector or customers that are considered to have a high impact, by making sector-based valuations when deemed necessary to eliminate the timing difference. The Bank maintains this approach as of December 2021. When deemed necessary, the Bank will review these assumptions according to the course of the pandemic in the future.

Within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decisions numbered 8948 dated 17 March 2020 and numbered 8970 dated 27 March 2020, due to the disruptions in economic and commercial activities resulting from the Covid-19 outbreak, the 90 days default periods for loans to be classified as non-performing loans shall be applied as 180 days; the 30 days periods for loans to be classified as stage 2 shall be applied as 90 days according to assembly's resolution dated on 17 March 2020. As of September 30, 2021, it has been decided to end the implementation.

With the announcement made on September 16, 2021, it was decided to end the flexibility as of the end of September 30, 2021; however, as of 1 October 2021, the same application as previously stated will be continued by the banks for the 1st stage loans with a delay period of more than 31 days and not exceeding 90 days. As of 1 October 2021, in addition to the 1st stage loans, it has been decided to continue with the same practice for the 2nd stage loans with a delay period exceeding 91 days and not exceeding 180 days.

The forecast of expected credit losses is unbiased, probabilistic-weighted and includes supportable information about past events, current conditions and predictions of future economic conditions.

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

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

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

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

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

The definition of the deterioration in the rating is the comparison of the credit rating at the opening date and the rating date at the reporting date by using the Bank's internal rating-based credit rating models. If the rating calculated for the loan at the reporting date exceeds the specified threshold values, the rating is deemed as deterioration.

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
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**Stage 3:** Includes financial assets having objective evidence about impairment at the reporting date. It is recognized lifetime expected credit losses for such financial assets.

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

However, based on the BRSA's decisions dated March 17, 2020 and numbered 8948 with dated March 27, 2020 and numbered 8970; due to the impediments in the economic and commercial activities which have been occurred as a result of the COVID-19 pandemic, according to the articles 4 and 5 of the Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions the foreseen 90-day delay period for the non-performing loans classification was made possible to apply as 180 days; until September 30, 2021, the application of the foreseen 30-day period for the classification for Stage 2 as 90 days has been enabled.

With the announcement made on September 16, 2021, it was decided to end the flexibility as of the end of September 30, 2021; however, as of 01.10.2021, the same application as previously stated will be continued by the banks for the 1st stage loans with a delay period of more than 31 days and not exceeding 90 days. As of 01.10.2021, in addition to the 1st stage loans, it has been decided to continue with the same practice for the 2nd stage loans with a delay period exceeding 91 days and not exceeding 180 days.

#### **1.6 Revenue from TFRS 15 Customer Contracts**

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

#### **1.7 Explanations on IFRS 16 Leases Standard**

The leasing transactions are shown by the tenants as liabilities in assets and leasing transactions as assets (use right). TFRS 16 Standard eliminates the dual accounting model for leasing of financial leasing transactions and the presentation of operating leases directly on the balance sheet.

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

As of 31 December 2021, the Bank has usage assets amounting to TL 551,438 classified under tangible fixed assets and TL 522,188 lease obligations in the balance sheet. In year end that ended as of the same date, a financial expense of TL 52,653 and depreciation expense of TL 113,822 occurred.

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

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

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

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

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

**3. Investments in Associates and Subsidiaries**

Turkish currency denominated associates and subsidiaries are measured at cost value in accordance with the "Consolidated and Separate Financial Statements" ("TAS 27") and then deducted by provisions for impairment losses, if any, reflected to the accompanying unconsolidated financial statements.

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

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

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

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

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

The Bank's cash flow hedging process has ended as of December 2021.

Benchmark Rate Reform - Stage 2, which introduces amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from January 2021, was published in December 2020 and early application of the changes is permitted. With the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. The changes came into effect from 1 January 2021. Loans given from items indexed to benchmark interest rates in the Bank's financial statements and securities assets; Securities issued, derivative transactions and loans obtained through repo constitute liabilities. These changes do not have a significant impact on the Bank's financial position or performance. As of 31 December 2021, the Bank has no hedging transactions based on the benchmark interest rate.

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**5. Explanations on Profit Share Income and Expense**

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

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

**6. Explanations on fees and commission income and expenses**

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

Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period.

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

**7. Explanations on financial assets**

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

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

**7.1 Financial assets at fair value through profit or loss**

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



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**7.2 Financial assets at fair value through other comprehensive income**

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

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

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

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

**7.3 Financial assets measured at amortized cost**

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

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

**7.4 Derivative financial assets**

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

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

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

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**7.5 Loans**

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

**8. Explanations on offsetting of financial assets and liabilities**

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

**9. Explanations on sale and repurchase agreements and lending of securities**

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

As of 31 December 2021, the Bank have a sales transaction worth 6,495,137 TL with the promise of repurchase. (31 December 2020 – TL – 185,225).

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**10. Explanations on assets held for sale and discontinued operations and related liabilities**

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

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

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

**11. Explanations on goodwill and other intangible assets**

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

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

**12. Explanations on tangible assets**

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

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

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

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

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

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

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

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

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

**13. Explanations on leasing transactions**

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

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

As of 1 January 2019, that is the first application date of TFRS 16, the bank started to apply TFRS 16- Leases standard. At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Bank's alternative borrowing dividend. The Bank has recognized the right to lease assets equal to the lease obligation by restating the previously paid or accrued lease payments.

**The right of the use asset**

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

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

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

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

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

The Bank applies depreciation provisions in TAS 16 Property, Plant and Equipment standard while depreciating in the right of use.

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

**Lease obligation**

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

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

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

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

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

**14. Explanations on provisions and contingent liabilities**

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

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

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

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

**15. Explanations on liabilities relating to employee benefits**

**15.1 Defined benefit plans**

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

Liabilities amount which is related to "Turkish Accounting Standard on Employee Benefits" ("TAS 19") is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm. Bank is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

**15.2 Defined contribution plans**

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

**15.3 Short term benefits to employees**

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

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

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**16. Explanations on Taxation**

***Current Tax***

As per the terms of the provisional article 11 added to the Law No. 5520 by the Article 13 of the Law No. 7316, it was established that the rate of 20%, as disclosed in the first paragraph of the Article 32 of the Corporate Tax Law No. 5520, shall be applied as 25% over the corporation income for the tax period of the years 2021, 23% for the taxation period of 2022. (and for entities that are appointed with special accounting period, for the accounting periods beginning within the relevant year).

In this context, corporate tax will be collected at the rate of 25% for the 2021 period and 23% for the year 2022 for corporate taxpayers. In addition, in the said periods, temporary tax will be paid by the corporate taxpayers at the rate of 25% for 2021 and 23% for 2022, according to the principles specified in the Income Tax Law, to be deducted from the corporate tax of the aforementioned tax periods.

This rate is applied on taxable income which is calculated by adjusting the income before tax for certain disallowable expenses, tax exempt income and other allowances. No further tax is applicable unless the profit is distributed. In accordance with the tax legislation, the temporary tax rate for 2021 will be paid at the rate of 25% for the year 2021 and 23% for the year 2022 over the tax bases formed quarterly, and the temporary taxes paid within the year are deducted from the corporate tax calculated over the annual corporate tax return of that year.

Withholding taxes is not applied to dividends distributed to companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister's decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15<sup>th</sup> and 30<sup>th</sup> articles of the corporate tax law numbered 5520 were re-determined. In accordance with this, dividends distributed to companies other than companies resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey are subject to 10% withholding taxes. Double tax treaty agreements are also taken into consideration during the application of withholding taxes on dividends distributed to real persons and to foreign-based taxpayers. Addition of profit to share capital is not considered as dividend distributed therefore no withholding taxes is applied.

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

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

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

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

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

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023.

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***Deferred Tax***

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

**17. Explanations on additional disclosures on borrowings**

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

The Bank has not issued convertible bonds.

**18. Explanations on share certificates issued**

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

**19. Explanations on acceptances and availed drafts**

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

**20. Explanations on government grants**

There are no government grants received by the Bank.

**21. Explanations on segment reporting**

The Bank conducts its activities in three separate segments: Retail Banking, Corporate and Commercial Banking, Treasury and International Banking. Each department serves with its own products and the results of the activities are monitored on the basis of these departments.

Segment reporting is disclosed in Section Four, Note 14.

**22. Explanations on other matters**

The Bank has no disclosures on other matters.

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**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**

**1. Explanations on Equity Items**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2021 Bank’s total capital has been calculated as TL 19,096,524 (31 December 2020: TL 12,713,746), capital adequacy ratio is 23.05% (31 December 2020: 21.26%).

Fluctuations are experienced in the financial markets mainly as a result of the COVID-19 outbreak, in the press statement made by the BRSA on March 23, 2020. Therefore, in accordance with the BRSA's Decision No. 9795 dated 16 September 2021; In the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; To be able to use the simple arithmetic average of the Central Bank foreign exchange buying rates of the last 252 business days before the calculation date, when calculating the amounts valued in accordance with the Turkish Accounting Standards and the relevant special provision amounts for monetary assets and non-monetary assets other than items in foreign currency measured in terms of historical cost, to continue the application until a Board Decision is taken to the contrary,

In addition, in accordance with the BRSA's decision dated April 16, 2020 and numbered 8999; Within the scope of the Regulation on Measurement and Assessment of Capital Adequacy of Banks, it is enabled to apply 0% risk weight in the calculation of the amount subject to credit risk to the receivables of banks from the Central Government of the Republic of Turkey and arranged in FX.

The Bank used these opportunities in its Capital Adequacy calculations as of December 31, 2021.



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**1.1. Components of Total Capital**

|   | <i>Current Period<br/>Amount</i> | <i>Prior Period<br/>Amount</i> |
|---|----------------------------------|--------------------------------|
| <b>COMMON EQUITY TIER I CAPITAL</b>   |                                  |                                |
| Paid-In Capital To Be Entitled For Compensation After All Creditors   | 4,600,000                        | 4,600,000                      |
| Share Premium   | 23,250                           | 23,250                         |
| Reserves  | 3,359,858                        | 1,970,146                      |
| Other Comprehensive Income According to TAS   | 251,492                          | 98,217                         |
| Profit  | 2,554,175                        | 1,452,729                      |
| Current Period Profit   | 2,501,727                        | 1,400,281                      |
| Prior Period Profit   | 52,448                           | 52,448                         |
| Bonus Shares From Associates, Affiliates And Joint-Ventures Not Accounted In Current Period's Profit  | -                                | -                              |
| <b>Common Equity Tier I Capital Before Deductions</b>   | <b>10,788,775</b>                | <b>8,144,342</b>               |
| <b>Deductions From Common Equity Tier I Capital</b>   | <b>-</b>                         | <b>-</b>                       |
| Valuation Adjustments Calculated As Per The Article 9. (I) Of The Regulation On Bank Capital  | -                                | -                              |
| Current And Prior Periods' Losses Not Covered By Reserves, And Losses Accounted Under Equity According To TAS (-)   | 16,538                           | 77,641                         |
| Leasehold Improvements On Operational Leases (-)  | 73,968                           | 77,771                         |
| Goodwill Netted With Deferred Tax Liabilities   | -                                | -                              |
| Other Intangible Assets Netted With Deferred Tax Liabilities Except Mortgage Servicing Rights   | 233,519                          | 177,808                        |
| Net Deferred Tax Asset/Liability (-)  | -                                | -                              |
| Differences Arise When Assets And Liabilities Not Held At Fair Value, Are Subjected To Cash Flow Hedge Accounting   | -                                | -                              |
| Total Credit Losses That Exceed Total Expected Loss Calculated According To The Regulation On Calculation Of Credit Risk By Internal Ratings Based Approach   | -                                | -                              |
| Securitization Gains  | -                                | -                              |
| Unrealized Gains And Losses From Changes In Bank's Liabilities' Fair Values Due To Changes In Creditworthiness  | -                                | -                              |
| Net Amount Of Defined Benefit Plans   | 52,112                           | 51,258                         |
| Direct And Indirect Investments Of The Bank On Its Own Tier I Capital (-)   | 4,869                            | 4,869                          |
| Shares Obtained Against Article 56, Paragraph 4 Of The Banking Law (-)  | -                                | -                              |
| Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-) | -                                | -                              |
| Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-) | -                                | -                              |
| Mortgage Servicing Rights Exceeding The 10% Threshold Of Tier I Capital (-)   | -                                | -                              |
| Net Deferred Tax Assets Arising From Temporary Differences Exceeding The 10% Threshold Of Tier I Capital (-)  | -                                | -                              |
| Amount Exceeding The 15% Threshold Of Tier I Capital As Per The Article 2, Clause 2 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)  | -                                | -                              |
| The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Not Deducted From Tier I Capital (-)               | -                                | -                              |
| Mortgage Servicing Rights Not Deducted (-)  | -                                | -                              |
| Excess Amount Arising From Deferred Tax Assets From Temporary Differences (-)   | -                                | -                              |
| Other Items To Be Defined By The BRSA (-)   | -                                | -                              |
| Deductions From Tier I Capital In Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)   | -                                | -                              |
| <b>Total Deductions From Common Equity Tier I Capital</b>   | <b>381,006</b>                   | <b>389,347</b>                 |
| <b>Total Common Equity Tier I Capital</b>   | <b>10,407,769</b>                | <b>7,754,995</b>               |

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|  |                   |                   |
|--|-------------------|-------------------|
| <b>ADDITIONAL TIER I CAPITAL BEFORE DEDUCTIONS</b>   |                   |                   |
| Capital corresponding to privileged shares not included in the core capital and the related issuance premiums  | -                 | -                 |
| Borrowing instruments deemed appropriate by the Authority and related issuance premiums  | 3,317,165         | 1,851,633         |
| Borrowing instruments deemed appropriate by the Authority and the related issuance premiums (those covered by Provisional Article 4)   | -                 | -                 |
| <b>Additional Capital Before Discounts</b>   | <b>3,317,165</b>  | <b>1,851,633</b>  |
| <b>Deductions From Additional Tier I Capital</b>   | -                 | -                 |
| Direct And Indirect Investments Of The Bank On Its Own Additional Tier I Capital (-)   | -                 | -                 |
| Investments In Equity Instruments Issued By Banks Or Financial Institutions Invested In Bank's Additional Tier I Capital And Having Conditions Stated In The Article 7 Of The Regulation   | -                 | -                 |
| Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)  | -                 | -                 |
| The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital (-)   | -                 | -                 |
| Other Items To Be Defined By The BRSA (-)  | -                 | -                 |
| <b>Items To Be Deducted From Tier I Capital During The Transition Period</b>   |                   |                   |
| Goodwill And Other Intangible Assets And Related Deferred Taxes Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)   | -                 | -                 |
| Net Deferred Tax Asset/Liability Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 1 Of The Regulation On Measurement And Assessment Of Capital Adequacy Of Banks (-)  | -                 | -                 |
| Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)  | -                 | -                 |
| <b>Total Deductions From Additional Tier I Capital</b>   | -                 | -                 |
| <b>Total Additional Tier I Capital</b>   | <b>3,317,165</b>  | <b>1,851,633</b>  |
| <b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>   | <b>13,724,934</b> | <b>9,606,628</b>  |
| <b>TIER II CAPITAL</b>   |                   |                   |
| Debt Instruments And The Related Issuance Premiums Defined By The BRSA   | 4,644,031         | 2,592,281         |
| Debt Instruments And The Related Issuance Premiums Defined By The BRSA (Covered By Temporary Article 4)  | -                 | -                 |
| Provisions (Amounts Explained In The First Paragraph Of The Article 8 Of The Regulation On Bank Capital)   | 845,934           | 613,486           |
| <b>Total Deductions From Tier II Capital</b>   | <b>5,489,965</b>  | <b>3,205,767</b>  |
| <b>Deductions From Tier II Capital</b>   | -                 | -                 |
| Direct And Indirect Investments Of The Bank On Its Own Tier II Capital (-)   | -                 | -                 |
| Investments In Equity Instruments Issued By Banks And Financial Institutions Invested In Bank's Tier II Capital And Having Conditions Stated In The Article 8 Of The Regulation  | -                 | -                 |
| Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital (-)  | -                 | -                 |
| The Total Of Net Long Position Of The Direct Or Indirect Investments In Additional Tier I Capital And Tier II Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital Exceeding The 10% Threshold Of Tier I Capital (-) | -                 | -                 |
| Other Items To Be Defined By The BRSA (-)  | -                 | -                 |
| <b>Total Deductions From Tier II Capital</b>   | -                 | -                 |
| <b>Total Tier II Capital</b>   | <b>5,489,965</b>  | <b>3,205,767</b>  |
| <b>Total Equity (Total Tier I And Tier II Capital)</b>   | <b>19,214,899</b> | <b>12,812,395</b> |

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|   |            |            |
|---|------------|------------|
| <b>Total Tier I Capital and Tier II Capital (Total Equity)</b>  |            |            |
| Loans Granted Against The Articles 50 And 51 Of The Banking Law (-)   | -          | -          |
| Net Book Values Of Movables And Immovables Exceeding The Limit Defined In The Article 57, Clause 1 Of The Banking Law And The Assets Acquired Against Overdue Receivables And Held For Sale But Retained More Than Five Years (-)   | 11,607     | 5,828      |
| Other Items To Be Defined By The BRSA (-)   | 106,768    | 92,821     |
| <b>Items To Be Deducted From The Sum Of Tier I And Tier II Capital (Capital) During The Transition Period</b>   |            |            |
| The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Tier I Capital, Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)  | -          | -          |
| The Portion Of Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Of The Issued Share Capital Exceeding The 10% Threshold Of Above Tier I Capital Not Deducted From Additional Tier I Capital Or Tier II Capital As Per The Temporary Article 2, Clause 1 Of The Regulation (-)  | -          | -          |
| The Portion Of Net Long Position Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or More Of The Issued Share Capital, Of The Net Deferred Tax Assets Arising From Temporary Differences And Of The Mortgage Servicing Rights Not Deducted From Tier I Capital As Per The Temporary Article 2, Clause 2, Paragraph (1) And (2) And Temporary Article 2, Clause 1 Of The Regulation (-) | -          | -          |
| <b>CAPITAL</b>  |            |            |
| Total Capital (Total Of Tier I Capital And Tier II Capital)   | 19,096,524 | 12,713,746 |
| Total Risk Weighted Assets  | 82,840,995 | 59,802,485 |
| <b>CAPITAL ADEQUACY RATIOS</b>  |            |            |
| CET1 Capital Ratio (%)  | 12.56      | 12.97      |
| Tier I Capital Ratio (%)  | 16.57      | 16.06      |
| Capital Adequacy Ratio (%)  | 23.05      | 21.26      |
| <b>BUFFERS</b>  |            |            |
| Bank-Specific Total CET1 Capital Ratio  | 2.50       | 2.50       |
| Capital Conservation Buffer Ratio (%)   | 2.50       | 2.50       |
| Systemic Significant Bank Buffer Ratio (%)  | -          | -          |
| Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According To The Article 4 Of Capital Conservation And Counter-Cyclical Capital Buffers Regulation   | 8.06       | 8.47       |
| <b>Amounts Lower Than Excesses As Per Deduction Rules</b>   |            |            |
| Remaining Total Of Net Long Positions Of The Investments In Equity Items Of Unconsolidated Banks And Financial Institutions Where The Bank Owns 10% Or Less Of The Issued Share Capital   | -          | -          |
| Remaining Total Of Net Long Positions Of The Investments In Tier I Capital Of Unconsolidated Banks And Financial Institutions Where The Bank Owns More Than 10% Or Less Of The Issued Share Capital   | -          | -          |
| Remaining Mortgage Servicing Rights   | -          | -          |
| Net Deferred Tax Assets Arising From Temporary Differences  | -          | -          |
| <b>Limits For Provisions Used In Tier II Capital Calculation</b>  |            |            |
| General Loan Provisions For Exposures In Standard Approach (Before Limit Of One Hundred And Twenty Five Per Ten Thousand)   | 6,298,549  | 4,652,363  |
| General Loan Provisions For Exposures In Standard Approach Limited By 1.25% Of Risk Weighted Assets   | 845,934    | 613,486    |
| Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach   | -          | -          |
| Total Loan Provision That Exceeds Total Expected Loss Calculated According To Communiqué On Calculation Of Credit Risk By Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets   | -          | -          |
| Debt Instruments Covered By Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)   |            |            |
| Upper Limit For Additional Tier I Capital Items Subject To Temporary Article 4  | -          | -          |
| Amount Of Additional Tier I Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit   | -          | -          |
| Upper Limit For Additional Tier II Capital Items Subject To Temporary Article 4   | -          | -          |
| Amount Of Additional Tier II Capital Items Subject To Temporary Article 4 That Exceeds Upper Limit  | -          | -          |
| <b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>  | -          | -          |
| Upper limit for Additional Tier I Capital subjected to temporary Article 4  | -          | -          |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4   | -          | -          |
| Upper limit for Additional Tier II Capital subjected to temporary Article 4   | -          | -          |
| Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4  | -          | -          |

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| <b>Information on debt instruments to be included in equity calculation:</b>  |   |   |   |
|---|---|---|---|
| Issuer  | KT One Company Limited                                | KT AT One Company Limited                             | KT21 T2 Company Limited                               |
| Instrument Code (CUSIP, ISIN vb.)   | XS2028862998  | XS2227803819  | XS2384355520  |
| Legislation to which the Instrument is subject  | BRSA regulation on Shareholders' Equity               | BRSA regulation on Shareholders' Equity               | BRSA regulation on Shareholders' Equity               |
| <b>Consideration In Equity Calculation</b>  |   |   |   |
| Subject to consideration application reduced by 10% from 1/1/2015   | Not Being Subject                                     | Not Being Subject                                     | Not Being Subject                                     |
| Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis  | Current on both consolidated and unconsolidated basis | Current on both consolidated and unconsolidated basis | Current on both consolidated and unconsolidated basis |
| Instruments Type  | Subordinated Sukuk (Additional Tier I Capital)        | Subordinated Sukuk (Additional Tier I Capital)        | Subordinated Sukuk (Tier II Capital)                  |
| Amount taken into account in equity calculation (as of last reporting date-TL million)  | 2,654   | 663   | 4,644   |
| Nominal value of the Instrument (TL million)  | 2,654   | 663   | 4,644   |
| The account in which the Instrument is followed accounting  | 3470003   | 3470003   | 3470003   |
| Export date of the Instrument   | 16/07/2019  | 28/09/2020  | 16/09/2021  |
| Maturity structure of the Instrument (demand/term))   | Demand  | Demand  | 10 Years and 3 Month Term                             |
| Initial maturity of the Instrument  | 5 Years (Due Date : 16/07/2024)                       | 5 Yıl (Due Date : 28/09/2025)                         | 5 Yıl Üç Ay (Due Date:16/12/2026)                     |
| Whether the issuer has the right to refund subject to BRSA approval   | Yes   | Yes   | Yes   |
| Date of repayment option, contingent repayment options and amount to be paid back   | 16/07/2024 – Complete                                 | 28/09/2025 – Complete                                 | 16/12/2026 -Complete                                  |
| Subsequent repayment option dates   | 16/07/2024  | 28/09/2025  | 16/12/2026  |
| <b>Dividend payments</b>  |   |   |   |
| Fixed or variable dividend payments   | Fixed Divident payments                               | Fixed Divident payments                               | Fixed Divident payments                               |
| Dividend ratio and index value for dividend ratio   | 9.13%   | 9.95%   | 6.13%   |
| Whether there are any restrictions that stop paying dividends   | None  | None  | None  |
| The ability to be completely optional, partially optional or mandatory  | Mandatory   | Mandatory   | Mandatory   |
| Whether there is an element to encourage repayment, such as a dividend rate hike  | None  | None  | None  |
| Non-accumulative or cumulative property   | Noncumulative   | Noncumulative   | Noncumulative   |
| <b>Ability to convert to stock</b>  |   |   |   |
| Trigger events/events that would cause conversion if converted to stock   | Cannot be converted into stock                        | Cannot be converted into stock                        | Cannot be converted into stock                        |
| Fully or partially convert property if it can be converted to stock   | Cannot be converted into stock                        | Cannot be converted into stock                        | Cannot be converted into stock                        |
| If it can be converted to stock, the conversion rate  | Cannot be converted into stock                        | Cannot be converted into stock                        | Cannot be converted into stock                        |
| Forced or optional conversion property, if it can be converted to stock   | Cannot be converted into stock                        | Cannot be converted into stock                        | Cannot be converted into stock                        |
| Types of convertible Instruments, if convertible to stock   | Cannot be converted into stock                        | Cannot be converted into stock                        | Cannot be converted into stock                        |
| Issuer of the debt instrument to be converted, if it can be converted to stock  | Cannot be converted into stock                        | Cannot be converted into stock                        | Cannot be converted into stock                        |
| <b>Value reduction feature</b>  |   |   |   |
| Trigger events/events to cause reduction if value reduction is enabled  | No Value Reduction                                    | No Value Reduction                                    | No Value Reduction                                    |
| If it has a value reduction feature, it has a total or partial value reduction feature  | No Value Reduction                                    | No Value Reduction                                    | No Value Reduction                                    |
| If the value reduction property is continuous or transient  | No Value Reduction                                    | No Value Reduction                                    | No Value Reduction                                    |
| If the value can be temporarily reduced, the value increment mechanism  | No Value Reduction                                    | No Value Reduction                                    | No Value Reduction                                    |
| In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing)) | Tier - 1  | Tier - 1  | Tier - 2  |
| Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders' equity of the banks are not met  | None  | None  | None  |
| Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders' equity of the banks are not met  | None  | None  | None  |

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

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

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

**2. Explanations and Disclosures related to Credit Risk**

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

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

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

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

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

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

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

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

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

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The Bank's top 100 and 200 cash loan customers represents 30% and 37% of the total cash loan portfolio, respectively.

The Bank's top 100 and 200 non-cash loan customers represent 31% and 41% of the total non-cash loan portfolio, respectively.

The Bank's top 100 and 200 cash and non-cash loan customers represent 27% and 34% of the total cash and non-cash loan portfolio, respectively.

| <b>Risk Classifications</b>  | <b>Current Period<br/>Risk Amount<br/>(*)</b> | <b>Average<br/>Risk Amount<br/>(**)</b> |
|--|---|---|
| Conditional and unconditional receivables from central governments or Central Banks                  | 75,012,246                                    | 62,171,800                              |
| Conditional and unconditional receivables from regional or local governments                         | -   | -                                       |
| Conditional and unconditional receivables from administrative bodies and non-commercial undertakings | -   | -                                       |
| Conditional and unconditional receivables from multilateral development banks                        | 125,831                                       | 110,906                                 |
| Conditional and unconditional receivables from international organizations                           | -   | -                                       |
| Conditional and unconditional receivables from banks and brokerage houses                            | 19,141,034                                    | 15,246,148                              |
| Conditional and unconditional receivables from corporates  | 35,578,022                                    | 32,129,837                              |
| Conditional and unconditional receivables from retail portfolios                                     | 18,577,669                                    | 14,271,554                              |
| Conditional and unconditional receivables secured by mortgages                                       | 25,204,771                                    | 23,111,605                              |
| Collateralized receivables with mortgages  | -   | -                                       |
| Past due receivables   | 148,379                                       | 178,753                                 |
| Receivables defined under high risk category by BRSA   | 311,771                                       | 163,311                                 |
| Securities collateralized by mortgages   | -   | -                                       |
| Securitization positions   | -   | -                                       |
| Short-term receivables from banks, brokerage houses and corporate                                    | -   | -                                       |
| Investments similar to collective investment funds   | 105,266                                       | 258,611                                 |
| Stock Investments  | 1,481,015                                     | 1,481,015                               |
| Other receivables  | 10,815,161                                    | 8,062,261                               |
| <b>Total</b>   | <b>186,501,165</b>                            | <b>157,185,801</b>                      |

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

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

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

| <b>Risk Classifications</b>  | <b>Prior Period<br/>Risk Amount<br/>(*)</b> | <b>Average<br/>Risk Amount<br/>(**)</b> |
|--|---|---|
| Conditional and unconditional receivables from central governments or Central Banks                  | 51,697,994                                  | 45,555,439                              |
| Conditional and unconditional receivables from regional or local governments                         | -   | -                                       |
| Conditional and unconditional receivables from administrative bodies and non-commercial undertakings | -   | -                                       |
| Conditional and unconditional receivables from multilateral development banks                        | 96,788                                      | 81,643                                  |
| Conditional and unconditional receivables from international organizations                           | -   | -                                       |
| Conditional and unconditional receivables from banks and brokerage houses                            | 9,500,616                                   | 9,441,837                               |
| Conditional and unconditional receivables from corporates  | 26,970,043                                  | 21,836,486                              |
| Conditional and unconditional receivables from retail portfolios                                     | 13,658,018                                  | 12,511,481                              |
| Conditional and unconditional receivables secured by mortgages                                       | 21,852,188                                  | 18,635,524                              |
| Collateralized receivables with mortgages  | -   | -                                       |
| Past due receivables   | 240,945                                     | 258,605                                 |
| Receivables defined under high risk category by BRSA   | 123,676                                     | 130,089                                 |
| Securities collateralized by mortgages   | -   | -                                       |
| Securitization positions   | -   | -                                       |
| Short-term receivables from banks, brokerage houses and corporate                                    | -   | -                                       |
| Investments similar to collective investment funds   | 75,196                                      | 98,535                                  |
| Equity Investments   | 1,481,015                                   | 1,230,416                               |
| Other receivables  | 5,679,945                                   | 5,982,234                               |
| <b>Total</b>   | <b>131,376,424</b>                          | <b>115,762,289</b>                      |

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

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

**KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ**  
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

**2.1. Profile of significant exposures in major regions**

| Current Period (*)   | Conditional and unconditional receivables from central governments of Central Banks | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional receivables from corporates | Conditional and unconditional receivables from retail portfolios | Conditional and unconditional receivables secured by mortgages | Past due receivables | Receivables defined under high risk category by BRSA | Investments similar to collective investment funds | Stock Investments | Other Receivables | Total              |
|--|---|---|---|---|--|--|----------------------|--|--|-------------------|-------------------|--------------------|
| Domestic   | 75,012,246  | -   | 9,141,373   | 35,357,223  | 18,519,722   | 25,006,530   | 148,257              | 308,548  | 105,266  | -                 | -                 | 163,599,165        |
| European Union Countries                                   | -   | -   | 696,259   | 59,230  | 10,488   | 39,988   | 40                   | 590  | -  | -                 | -                 | 806,595            |
| OECD Countries (**)  | -   | -   | 3,120,012   | 19,716  | 3,241  | 11,612   | 17                   | 85   | -  | -                 | -                 | 3,154,683          |
| Off-Shore Regions  | -   | -   | 1,973   | 61,673  | 2,905  | 89,582   | -                    | -  | -  | -                 | -                 | 156,133            |
| USA, Canada  | -   | -   | 5,500,448   | 88  | 1,164  | 1,142  | -                    | 127  | -  | -                 | -                 | 5,502,969          |
| Other Countries  | -   | 125,831   | 680,969   | 80,092  | 40,149   | 55,917   | 65                   | 2,421  | -  | -                 | -                 | 985,444            |
| Investment and associates, subsidiaries and joint ventures | -   | -   | -   | -   | -  | -  | -                    | -  | -  | 1,481,015         | -                 | 1,481,015          |
| Undistributed Assets / Liabilities (***)                   | -   | -   | -   | -   | -  | -  | -                    | -  | -  | -                 | 10,815,161        | 10,815,161         |
| <b>Toplam</b>  | <b>75,012,246</b>   | <b>125,831</b>  | <b>19,141,034</b>   | <b>35,578,022</b>   | <b>18,577,669</b>  | <b>25,204,771</b>  | <b>148,379</b>       | <b>311,771</b>                                       | <b>105,266</b>                                     | <b>1,481,015</b>  | <b>10,815,161</b> | <b>186,501,165</b> |

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

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

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

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

| Prior Period (*)   | Conditional and unconditional receivables from central governments of Central Banks | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional receivables from corporates | Conditional and unconditional receivables from retail portfolios | Conditional and unconditional receivables secured by mortgages | Past due receivables | Receivables defined under high risk category by BRSA | Investments similar to collective investment funds | Stock Investments | Other Receivables | Total              |
|--|---|---|---|---|--|--|----------------------|--|--|-------------------|-------------------|--------------------|
| Domestic   | 51,697,994  | -   | 3,316,184   | 26,830,010  | 13,612,650   | 21,697,804   | 240,366              | 123,676  | 75,196   | -                 | -                 | 117,593,880        |
| European Union Countries                                   | -   | -   | 360,718   | 15,167  | 7,640  | 39,700   | 9                    | -  | -  | -                 | -                 | 423,234            |
| OECD Countries (**)  | -   | -   | 1,908,656   | 51,038  | 5,118  | 11,835   | 3                    | -  | -  | -                 | -                 | 1,976,650          |
| Off-Shore Regions  | -   | -   | 5,930   | 10,468  | 181  | 33,605   | 323                  | -  | -  | -                 | -                 | 50,507             |
| USA, Canada  | -   | -   | 3,089,839   | 2,504   | 667  | 6,287  | -                    | -  | -  | -                 | -                 | 3,099,297          |
| Other Countries  | -   | 96,788  | 819,289   | 60,856  | 31,762   | 62,957   | 244                  | -  | -  | -                 | -                 | 1,071,896          |
| Investment and associates, subsidiaries and joint ventures | -   | -   | -   | -   | -  | -  | -                    | -  | -  | 1,481,015         | -                 | 1,481,015          |
| Undistributed Assets / Liabilities (***)                   | -   | -   | -   | -   | -  | -  | -                    | -  | -  | -                 | 5,679,945         | 5,679,945          |
| <b>Toplam</b>  | <b>51,697,994</b>   | <b>96,788</b>   | <b>9,500,616</b>  | <b>26,970,043</b>   | <b>13,658,018</b>  | <b>21,852,188</b>  | <b>240,945</b>       | <b>123,676</b>                                       | <b>75,196</b>                                      | <b>1,481,015</b>  | <b>5,679,945</b>  | <b>131,376,424</b> |

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

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

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

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



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

**2.2. Risk profile by sectors or counterparties**

| Current Period                  | Conditional and unconditional receivables from central governments or central banks | Conditional and unconditional receivables from regional or local governments | Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from international organizations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional receivables from Corporates | Conditional and unconditional retail receivables | Conditional and unconditional receivables secured by Mortgages | Past due receivables | Receivables defined in high-risk category by BRSA | Securities collateralized by mortgages | Securitization positions | Short-term receivables from banks, brokerage houses and corporates | Investments similar to collective investment funds | Stock Investment | Other receivables | TL                | FC                 | Total(*)           |
|---------------------------------|---|--|---|---|--|---|---|--|--|----------------------|---|--|--------------------------|--|--|------------------|-------------------|-------------------|--------------------|--------------------|
| <b>Agriculture</b>              | -   | -  | -   | -   | -  | -   | <b>548,818</b>  | <b>393,655</b>                                   | <b>579,950</b>   | <b>1,604</b>         | -   | -                                      | -                        | -  | -  | -                | -                 | <b>1,090,509</b>  | <b>433,518</b>     | <b>1,524,027</b>   |
| Farming and Stockbreeding       | -   | -  | -   | -   | -  | -   | 485,173   | 277,018  | 474,008  | 539                  | -   | -                                      | -                        | -  | -  | -                | -                 | 856,329           | 380,409            | 1,236,738          |
| Forestry                        | -   | -  | -   | -   | -  | -   | 59,601  | 115,524  | 104,369  | 1,065                | -   | -                                      | -                        | -  | -  | -                | -                 | 227,450           | 53,109             | 280,559            |
| Fishery                         | -   | -  | -   | -   | -  | -   | 4,044   | 1,113  | 1,573  | -                    | -   | -                                      | -                        | -  | -  | -                | -                 | 6,730             | -                  | 6,730              |
| <b>Manufacturing</b>            | -   | -  | -   | -   | -  | -   | <b>14,942,704</b>   | <b>5,577,283</b>                                 | <b>5,850,903</b>   | <b>34,121</b>        | -   | -                                      | -                        | -  | -  | -                | -                 | <b>12,041,892</b> | <b>14,363,119</b>  | <b>26,405,011</b>  |
| Mining and Quarrying            | -   | -  | -   | -   | -  | -   | 2,367,192   | 945,298  | 941,727  | 862                  | -   | -                                      | -                        | -  | -  | -                | -                 | 2,277,535         | 1,977,544          | 4,255,079          |
| Production                      | -   | -  | -   | -   | -  | -   | 8,544,368   | 4,257,947  | 4,535,381  | 33,103               | -   | -                                      | -                        | -  | -  | -                | -                 | 9,254,802         | 8,115,997          | 17,370,799         |
| Electricity, Gas and Water      | -   | -  | -   | -   | -  | -   | 4,031,144   | 374,038  | 373,795  | 156                  | -   | -                                      | -                        | -  | -  | -                | -                 | 509,555           | 4,269,578          | 4,779,133          |
| <b>Construction</b>             | -   | -  | -   | -   | -  | -   | <b>8,431,186</b>  | <b>2,002,176</b>                                 | <b>3,588,137</b>   | <b>52,893</b>        | -   | -                                      | -                        | -  | -  | -                | -                 | <b>7,179,835</b>  | <b>6,894,557</b>   | <b>14,074,392</b>  |
| <b>Services</b>                 | <b>75,012,246</b>   | -  | -   | <b>125,831</b>  | -  | <b>19,141,034</b>   | <b>9,499,769</b>  | <b>6,257,192</b>                                 | <b>6,585,825</b>   | <b>45,711</b>        | -   | -                                      | -                        | -  | <b>105,266</b>                                     | <b>1,481,015</b> | -                 | <b>45,479,429</b> | <b>72,774,460</b>  | <b>118,253,889</b> |
| Wholesale and Retail Trade      | -   | -  | -   | -   | -  | -   | 6,112,113   | 4,193,997  | 4,380,325  | 30,592               | -   | -                                      | -                        | -  | -  | -                | -                 | 9,567,785         | 5,149,242          | 14,717,027         |
| Accommodation and Dining        | -   | -  | -   | -   | -  | -   | 73,555  | 151,560  | 252,944  | 5,063                | -   | -                                      | -                        | -  | -  | -                | -                 | 300,753           | 182,369            | 483,122            |
| Transportation and Telecom.     | -   | -  | -   | -   | -  | -   | 1,497,214   | 1,022,960  | 732,934  | 5,310                | -   | -                                      | -                        | -  | -  | -                | -                 | 1,648,568         | 1,609,850          | 3,258,418          |
| <b>Financial</b>                |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                    |                    |
| Institutions                    | 75,012,246  | -  | -   | 125,831   | -  | 19,141,034  | 1,572   | 6,163  | 54,520   | -                    | -   | -                                      | -                        | -  | 105,266  | 1,481,015        | -                 | 31,280,971        | 64,646,676         | 95,927,647         |
| Real Estate and Rental Services | -   | -  | -   | -   | -  | -   | 954,653   | 279,514  | 456,951  | 2,407                | -   | -                                      | -                        | -  | -  | -                | -                 | 1,004,410         | 689,115            | 1,693,525          |
| Professional Services           | -   | -  | -   | -   | -  | -   | 14,605  | 176  | 65   | -                    | -   | -                                      | -                        | -  | -  | -                | -                 | 246               | 14,600             | 14,846             |
| Educational Services            | -   | -  | -   | -   | -  | -   | 59,327  | 50,169   | 103,802  | 1,676                | -   | -                                      | -                        | -  | -  | -                | -                 | 163,104           | 51,870             | 214,974            |
| Health and Social Services      | -   | -  | -   | -   | -  | -   | 786,730   | 552,653  | 604,284  | 663                  | -   | -                                      | -                        | -  | -  | -                | -                 | 1,513,592         | 430,738            | 1,944,330          |
| <b>Others</b>                   | -   | -  | -   | -   | -  | -   | <b>2,155,545</b>  | <b>4,347,363</b>                                 | <b>8,599,956</b>   | <b>14,050</b>        | <b>311,771</b>                                    | -                                      | -                        | -  | -  | -                | <b>10,815,161</b> | <b>15,794,982</b> | <b>10,448,864</b>  | <b>26,243,846</b>  |
| <b>Total</b>                    | <b>75,012,246</b>   | -  | -   | <b>125,831</b>  | -  | <b>19,141,034</b>   | <b>35,578,022</b>   | <b>18,577,669</b>                                | <b>25,204,771</b>  | <b>148,379</b>       | <b>311,771</b>                                    | -                                      | -                        | -  | <b>105,266</b>                                     | <b>1,481,015</b> | <b>10,815,161</b> | <b>81,586,647</b> | <b>104,914,518</b> | <b>186,501,165</b> |

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

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

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

| Prior Period         | Conditional and unconditional receivables from central governments or central banks | Conditional and unconditional receivables from regional or local governments | Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | Conditional and unconditional receivables from multilateral development banks | Conditional and unconditional receivables from international organizations | Conditional and unconditional receivables from banks and brokerage houses | Conditional and unconditional receivables from Corporates | Conditional and unconditional retail receivables | Conditional and unconditional receivables secured by Mortgages | Past due receivables | Receivables defined in high risk category by BRSA | Securities collateralized by mortgages | Securitization positions | Short-term receivables from banks, brokerage houses and corporates | Investments similar to collective investment funds | Stock Investment | Other receivables | TL                | FC                | Total(*)           |
|----------------------|---|--|---|---|--|---|---|--|--|----------------------|---|--|--------------------------|--|--|------------------|-------------------|-------------------|-------------------|--------------------|
| <b>Agriculture</b>   | -   | -  | -   | -   | -  | -   | <b>456,738</b>  | <b>249,476</b>                                   | <b>498,991</b>   | <b>7,699</b>         | -   | -                                      | -                        | -  | -  | -                | -                 | <b>951,636</b>    | <b>261,268</b>    | <b>1,212,904</b>   |
| Farming and          |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| Stockbreeding        | -   | -  | -   | -   | -  | -   | 422,123   | 182,714  | 411,243  | 2,822                | -   | -                                      | -                        | -  | -  | -                | -                 | 783,710           | 235,192           | 1,018,902          |
| Forestry             | -   | -  | -   | -   | -  | -   | 33,267  | 64,605   | 87,145   | 4,877                | -   | -                                      | -                        | -  | -  | -                | -                 | 163,829           | 26,065            | 189,894            |
| Fishery              | -   | -  | -   | -   | -  | -   | 1,348   | 2,157  | 603  | -                    | -   | -                                      | -                        | -  | -  | -                | -                 | 4,097             | 11                | 4,108              |
| <b>Manufacturing</b> | -   | -  | -   | -   | -  | -   | <b>10,962,566</b>   | <b>3,688,267</b>                                 | <b>4,391,612</b>   | <b>30,170</b>        | -   | -                                      | -                        | -  | -  | -                | -                 | <b>10,797,995</b> | <b>8,274,620</b>  | <b>19,072,615</b>  |
| Mining and           |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| Quarrying            | -   | -  | -   | -   | -  | -   | 2,206,974   | 634,065  | 714,788  | 4,412                | -   | -                                      | -                        | -  | -  | -                | -                 | 2,169,516         | 1,390,723         | 3,560,239          |
| Production           | -   | -  | -   | -   | -  | -   | 5,877,264   | 2,767,732  | 3,374,290  | 23,973               | -   | -                                      | -                        | -  | -  | -                | -                 | 8,097,605         | 3,945,654         | 12,043,259         |
| Electricity, Gas     |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| and Water            | -   | -  | -   | -   | -  | -   | 2,878,328   | 286,470  | 302,534  | 1,785                | -   | -                                      | -                        | -  | -  | -                | -                 | 530,874           | 2,938,243         | 3,469,117          |
| <b>Construction</b>  | -   | -  | -   | -   | -  | -   | <b>6,537,670</b>  | <b>1,384,964</b>                                 | <b>3,074,401</b>   | <b>100,690</b>       | -   | -                                      | -                        | -  | -  | -                | -                 | <b>6,173,383</b>  | <b>4,924,342</b>  | <b>11,097,725</b>  |
| <b>Services</b>      | <b>51,697,994</b>   | -  | -   | <b>96,788</b>   | -  | <b>9,500,616</b>  | <b>7,401,509</b>  | <b>4,473,779</b>                                 | <b>5,564,614</b>   | <b>92,859</b>        | -   | -                                      | -                        | -  | <b>75,196</b>                                      | <b>1,481,015</b> | -                 | <b>34,267,722</b> | <b>46,116,648</b> | <b>80,384,370</b>  |
| Wholesale and        |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| Retail Trade         | -   | -  | -   | -   | -  | -   | 4,505,966   | 3,088,213  | 3,813,872  | 51,969               | -   | -                                      | -                        | -  | -  | -                | -                 | 8,957,768         | 2,502,252         | 11,460,020         |
| Accommodation        |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| and Dining           | -   | -  | -   | -   | -  | -   | 51,168  | 102,827  | 243,384  | 12,542               | -   | -                                      | -                        | -  | -  | -                | -                 | 265,686           | 144,235           | 409,921            |
| Transportation       |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| and Telecom.         | -   | -  | -   | -   | -  | -   | 1,323,557   | 617,845  | 443,599  | 11,311               | -   | -                                      | -                        | -  | -  | -                | -                 | 1,388,657         | 1,007,655         | 2,396,312          |
| Financial            |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| Institutions         | 51,697,994  | -  | -   | 96,788  | -  | 9,500,616   | 35,327  | 3,348  | 42,780   | 66                   | -   | -                                      | -                        | -  | 75,196   | 1,481,015        | -                 | 21,279,410        | 41,653,720        | 62,933,130         |
| Real Estate and      |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| Rental Services      | -   | -  | -   | -   | -  | -   | 707,598   | 182,845  | 389,677  | 3,861                | -   | -                                      | -                        | -  | -  | -                | -                 | 815,435           | 468,546           | 1,283,981          |
| Professional         |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| Services             | -   | -  | -   | -   | -  | -   | 11  | 3,494  | 86   | 18                   | -   | -                                      | -                        | -  | -  | -                | -                 | 240               | 3,369             | 3,609              |
| Educational          |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| Services             | -   | -  | -   | -   | -  | -   | 42,025  | 49,127   | 118,851  | 7,139                | -   | -                                      | -                        | -  | -  | -                | -                 | 159,002           | 58,140            | 217,142            |
| Health and Social    |   |  |   |   |  |   |   |  |  |                      |   |  |                          |  |  |                  |                   |                   |                   |                    |
| Services             | -   | -  | -   | -   | -  | -   | 735,857   | 426,080  | 512,365  | 5,953                | -   | -                                      | -                        | -  | -  | -                | -                 | 1,401,524         | 278,731           | 1,680,255          |
| <b>Others</b>        | -   | -  | -   | -   | -  | -   | <b>1,611,560</b>  | <b>3,861,532</b>                                 | <b>8,322,570</b>   | <b>9,527</b>         | <b>123,676</b>                                    | -                                      | -                        | -  | -  | -                | <b>5,679,945</b>  | <b>14,878,011</b> | <b>4,730,799</b>  | <b>19,608,810</b>  |
| <b>Total</b>         | <b>51,697,994</b>   | -  | -   | <b>96,788</b>   | -  | <b>9,500,616</b>  | <b>26,970,043</b>   | <b>13,658,018</b>                                | <b>21,852,188</b>  | <b>240,945</b>       | <b>123,676</b>                                    | -                                      | -                        | -  | <b>75,196</b>                                      | <b>1,481,015</b> | <b>5,679,945</b>  | <b>67,068,747</b> | <b>64,307,677</b> | <b>131,376,424</b> |

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

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

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**2.3. Analysis of Maturity-Bearing Exposures According to Remaining Maturities**

| Risk Categories (*) – Current Period   | Time to Maturity  |                  |                   |                   |                   |
|--|-------------------|------------------|-------------------|-------------------|-------------------|
|  | 1 month           | 1–3 months       | 3–6 months        | 6–12 months       | Over 1 year       |
| Conditional and unconditional receivables from central governments or Central Banks                  | 14,089,708        | -                | -                 | 315,286           | 19,656,442        |
| Conditional and unconditional receivables from regional or local governments                         | -                 | -                | -                 | -                 | -                 |
| Conditional and unconditional receivables from administrative bodies and non-commercial undertakings | -                 | -                | -                 | -                 | -                 |
| Conditional and unconditional receivables from multilateral development banks                        | -                 | -                | -                 | -                 | 125,831           |
| Conditional and unconditional receivables from international organizations                           | -                 | -                | -                 | -                 | -                 |
| Conditional and unconditional receivables from banks and brokerage houses                            | 2,641,979         | 425,500          | 5,262,542         | 151,918           | 700,299           |
| Conditional and unconditional receivables from corporates  | 3,611,616         | 2,993,443        | 7,519,946         | 4,413,148         | 16,989,706        |
| Conditional and unconditional receivables from retail portfolios                                     | 2,474,528         | 2,243,669        | 2,087,371         | 3,095,794         | 8,388,977         |
| Conditional and unconditional receivables secured by mortgages                                       | 1,527,158         | 1,533,238        | 1,930,398         | 3,778,266         | 16,435,710        |
| Past due receivables   | -                 | -                | -                 | -                 | -                 |
| Receivables defined under high risk category by BRSA   | 217,482           | -                | -                 | 2,042             | 92,247            |
| Securities collateralized by mortgages   | -                 | -                | -                 | -                 | -                 |
| Securitization positions   | -                 | -                | -                 | -                 | -                 |
| Short-term receivables from banks, brokerage houses and corporate                                    | -                 | -                | -                 | -                 | -                 |
| Investments similar to collective investment funds   | 1,099             | 3,067            | 103               | 491               | 100,506           |
| Stock Investments  | -                 | -                | -                 | -                 | 1,481,015         |
| Other Receivables  | -                 | -                | -                 | -                 | -                 |
| <b>Total</b>   | <b>24,563,570</b> | <b>7,198,917</b> | <b>16,800,360</b> | <b>11,756,945</b> | <b>63,970,733</b> |

(\*) Risk amounts are stated before credit risk mitigation and after credit conversion ratio. Risk categories in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy have been considered.

| Risk Categories (*) – Prior Period   | Time to Maturity  |                  |                  |                  |                   |
|--|-------------------|------------------|------------------|------------------|-------------------|
|  | 1 month           | 1–3 months       | 3–6 months       | 6–12 months      | Over 1 year       |
| Conditional and unconditional receivables from central governments or Central Banks                  | 4,938,678         | -                | -                | 778,383          | 19,029,670        |
| Conditional and unconditional receivables from regional or local governments                         | -                 | -                | -                | -                | -                 |
| Conditional and unconditional receivables from administrative bodies and non-commercial undertakings | -                 | -                | -                | -                | -                 |
| Conditional and unconditional receivables from multilateral development banks                        | -                 | -                | -                | -                | 96,788            |
| Conditional and unconditional receivables from international organizations                           | -                 | -                | -                | -                | -                 |
| Conditional and unconditional receivables from banks and brokerage houses                            | 3,524,819         | 569,881          | 11,721           | 124,557          | 487,549           |
| Conditional and unconditional receivables from corporates  | 2,476,749         | 1,195,651        | 5,333,584        | 3,947,355        | 13,984,082        |
| Conditional and unconditional receivables from retail portfolios                                     | 1,611,033         | 987,609          | 2,245,923        | 1,934,120        | 6,717,234         |
| Conditional and unconditional receivables secured by mortgages                                       | 1,202,800         | 767,140          | 1,693,683        | 2,476,893        | 15,711,672        |
| Past due receivables   | -                 | -                | -                | -                | -                 |
| Receivables defined under high risk category by BRSA   | 123,676           | -                | -                | -                | -                 |
| Securities collateralized by mortgages   | -                 | -                | -                | -                | -                 |
| Securitization positions   | -                 | -                | -                | -                | -                 |
| Short-term receivables from banks, brokerage houses and corporate                                    | -                 | -                | -                | -                | -                 |
| Investments similar to collective investment funds   | 20,921            | 15,645           | 7,180            | -                | 31,450            |
| Stock Investments  | -                 | -                | -                | -                | 1,481,015         |
| Other Receivables  | -                 | -                | -                | -                | -                 |
| <b>Total</b>   | <b>13,898,676</b> | <b>3,535,926</b> | <b>9,292,091</b> | <b>9,261,308</b> | <b>57,539,460</b> |

(\*) Risk amounts are stated before credit risk mitigation and after credit conversion ratio. Risk categories in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy have been considered.

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**2.4 Exposure Categories**

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

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

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

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

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

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**2.5 Credit risk using the standard approach**

**2.5.1. Credit risk exposed and credit risk mitigation effects**

|    |  | Credit conversion rate and credit risk amount receivable before reduction |                          | Credit conversion rate and credit risk amount of receivable after reduction |                          | Risk weighted amount and risk weighted amount concentration |                              |
|----|--|---|--------------------------|---|--------------------------|---|------------------------------|
|    | <b>Risk Classes</b>  | On-balance sheet amount   | Off-balance sheet amount | On-balance sheet amount   | Off-balance sheet amount | Risk weighted amount  | Risk weighted amount density |
| 1  | Receivables from central governments and Central Banks             | 69,790,958  | -                        | 73,976,293  | -                        | -   | 0                            |
| 2  | Receivables from regional and local government                     | -   | -                        | -   | -                        | -   | 0                            |
| 3  | Receivables from administrative bodies and non-commercial entities | -   | -                        | -   | -                        | -   | 0                            |
| 4  | Receivables from multilateral development banks                    | 125,831   | -                        | 125,831   | -                        | -   | 0                            |
| 5  | Receivables from international organizations                       | -   | -                        | -   | -                        | -   | 0                            |
| 6  | Receivables from banks and brokerage houses                        | 17,407,024  | 2,799,611                | 17,407,024  | 399,825                  | 5,867,086   | 33                           |
| 7  | Receivables from corporate   | 31,937,856  | 7,059,657                | 28,105,103  | 3,407,363                | 30,632,951  | 97                           |
| 8  | Retail receivables   | 15,687,305  | 8,595,982                | 15,542,848  | 2,857,928                | 13,246,226  | 72                           |
| 9  | Receivables secured by residential property                        | 10,657,780  | 776,693                  | 10,611,657  | 383,704                  | 3,801,491   | 35                           |
| 10 | Receivables secured by commercial property                         | 12,999,048  | 2,370,794                | 12,861,012  | 1,144,236                | 9,308,342   | 66                           |
| 11 | Non-performing receivables   | 148,379   | -                        | 124,413   | -                        | 57,066  | 46                           |
| 12 | Receivables in high-risk categories                                | 311,771   | -                        | 311,771   | -                        | 457,986   | 147                          |
| 13 | Mortgage-backed securities   | -   | -                        | -   | -                        | -   | 0                            |
| 14 | Short term receivables to banks, brokerage houses and corporates   | -   | -                        | -   | -                        | -   | 0                            |
| 15 | Investments similar to collective investment funds                 | 105,266   | -                        | 105,266   | -                        | 19,479  | 19                           |
| 16 | Other receivables  | 10,815,161  | -                        | 10,815,161  | -                        | 2,013,962   | 19                           |
| 17 | Stock investments  | 1,481,015   | -                        | 1,481,015   | -                        | 1,481,015   | 100                          |
| 18 | <b>Total</b>   | <b>171,467,394</b>  | <b>21,602,737</b>        | <b>171,467,394</b>  | <b>8,193,056</b>         | <b>66,885,604</b>   |                              |

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**2.5.2. Exposures by asset classes and risk weights**

| Risk Classifications/Risk Weights (*) (Current Period) |  | 0%                | 10%      | 20%               | 25%      | 50%               | 75%               | 100%              | 150%           | 200%     | Other%            | Total risk amount<br>(post-CCF and CRM) |
|--|--|-------------------|----------|-------------------|----------|-------------------|-------------------|-------------------|----------------|----------|-------------------|---|
| 1  | Receivables from central governments and Central Banks             | 73,976,293        | -        | -                 | -        | -                 | -                 | -                 | -              | -        | -                 | 73,976,293                              |
| 2  | Receivables from regional and local government                     | -                 | -        | -                 | -        | -                 | -                 | -                 | -              | -        | -                 | -                                       |
| 3  | Receivables from administrative bodies and non-commercial entities | -                 | -        | -                 | -        | -                 | -                 | -                 | -              | -        | -                 | -                                       |
| 4  | Receivables from multilateral development banks                    | 125,831           | -        | -                 | -        | -                 | -                 | -                 | -              | -        | -                 | 125,831                                 |
| 5  | Receivables from international organizations                       | -                 | -        | -                 | -        | -                 | -                 | -                 | -              | -        | -                 | -                                       |
| 6  | Receivables from banks and brokerage houses                        | 103,984           | -        | 11,110,097        | -        | 5,895,401         | -                 | 697,367           | -              | -        | -                 | 17,806,849                              |
| 7  | Receivables from corporate   | 490,782           | -        | 485,918           | -        | -                 | -                 | 30,535,766        | -              | -        | -                 | 31,512,466                              |
| 8  | Retail receivables   | 423,918           | -        | 459,819           | -        | -                 | 17,451,109        | 65,930            | -              | -        | -                 | 18,400,776                              |
| 9  | Receivables secured by residential property                        | 82,853            | -        | 119,246           | -        | -                 | -                 | -                 | -              | -        | 10,793,262        | 10,995,361                              |
| 10   | Receivables secured by commercial property                         | 174,229           | -        | 182,733           | -        | 8,752,980         | -                 | 4,895,306         | -              | -        | -                 | 14,005,248                              |
| 11   | Non-performing receivables   | 12,761            | -        | 383               | -        | 108,559           | -                 | 2,710             | -              | -        | -                 | 124,413                                 |
| 12   | Receivables in high-risk categories                                | 4,870             | -        | 1,820             | -        | -                 | -                 | -                 | 305,081        | -        | -                 | 311,771                                 |
| 13   | Mortgage-backed securities   | -                 | -        | -                 | -        | -                 | -                 | -                 | -              | -        | -                 | -                                       |
| 14   | Short term receivables to banks, brokerage houses and corporates   | -                 | -        | -                 | -        | -                 | -                 | -                 | -              | -        | -                 | -                                       |
| 15   | Investments similar to collective investment funds                 | 82,130            | -        | 4,189             | -        | 612               | -                 | 18,335            | -              | -        | -                 | 105,266                                 |
| 16   | Stock investments  | -                 | -        | -                 | -        | -                 | -                 | 1,481,015         | -              | -        | -                 | 1,481,015                               |
| 17   | Other receivables  | 8,777,512         | -        | 29,609            | -        | -                 | -                 | 2,008,040         | -              | -        | -                 | 10,815,161                              |
| 18   | <b>Total</b>   | <b>84,255,163</b> | <b>-</b> | <b>12,393,814</b> | <b>-</b> | <b>14,757,552</b> | <b>17,451,109</b> | <b>39,704,469</b> | <b>305,081</b> | <b>-</b> | <b>10,793,262</b> | <b>179,660,450</b>                      |

\* 35% Risk Weight is classified in Others.

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| Risk Classifications/Risk Weights (*) (Prior Period) |  | 0%                | 10%      | 20%              | 50%              | 75%               | 100%              | 150%           | 200%     | Other%           | Total risk amount (post-CCF and CRM) |
|--|--|-------------------|----------|------------------|------------------|-------------------|-------------------|----------------|----------|------------------|--------------------------------------|
| 1  | Receivables from central governments and Central Banks             | 56,856,724        | -        | -                | -                | -                 | -                 | -              | -        | -                | 56,856,724                           |
| 2  | Receivables from regional and local government                     | -                 | -        | -                | -                | -                 | -                 | -              | -        | -                | -                                    |
| 3  | Receivables from administrative bodies and non-commercial entities | -                 | -        | -                | -                | -                 | -                 | -              | -        | -                | -                                    |
| 4  | Receivables from multilateral development banks                    | 96,788            | -        | -                | -                | -                 | -                 | -              | -        | -                | 96,788                               |
| 5  | Receivables from international organizations                       | -                 | -        | -                | -                | -                 | -                 | -              | -        | -                | -                                    |
| 6  | Receivables from banks and brokerage houses                        | 87,206            | -        | 7,737,359        | 451,502          | -                 | 606,429           | -              | -        | -                | 8,882,496                            |
| 7  | Receivables from corporate   | 318,136           | -        | 340,426          | -                | -                 | 22,835,736        | -              | -        | -                | 23,494,298                           |
| 8  | Retail receivables   | 281,308           | -        | 256,042          | -                | 11,760,685        | -                 | -              | -        | -                | 12,298,035                           |
| 9  | Receivables secured by residential property                        | 57,575            | -        | 73,308           | -                | -                 | -                 | -              | -        | 9,708,965        | 9,839,848                            |
| 10   | Receivables secured by commercial property                         | 82,410            | -        | 110,029          | 6,944,903        | -                 | 4,074,145         | -              | -        | -                | 11,211,487                           |
| 11   | Non-performing receivables   | 861               | -        | 412              | 172,046          | -                 | 5,209             | -              | -        | -                | 178,528                              |
| 12   | Receivables in high-risk categories                                | 19                | -        | -                | -                | -                 | -                 | 123,657        | -        | -                | 123,676                              |
| 13   | Mortgage-backed securities   | -                 | -        | -                | -                | -                 | -                 | -              | -        | -                | -                                    |
| 14   | Short term receivables to banks, brokerage houses and corporates   | -                 | -        | -                | -                | -                 | -                 | -              | -        | -                | -                                    |
| 15   | Investments similar to collective investment funds                 | 22,731            | -        | 36,610           | 9,444            | -                 | 6,411             | -              | -        | -                | 75,196                               |
| 16   | Stock investments  | -                 | -        | -                | -                | -                 | 1,481,015         | -              | -        | -                | 1,481,015                            |
| 17   | Other receivables  | 3,757,998         | -        | 1,591            | -                | -                 | 1,920,356         | -              | -        | -                | 5,679,945                            |
| 18   | <b>Toplam</b>  | <b>61,561,756</b> | <b>-</b> | <b>8,555,777</b> | <b>7,577,895</b> | <b>11,760,685</b> | <b>30,929,301</b> | <b>123,657</b> | <b>-</b> | <b>9,708,965</b> | <b>130,218,036</b>                   |

\* 35% Risk Weight is classified in Others.

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**2.6. Risk amounts according to risk weights**

| Current Period<br>Risk Weights                | 0%         | 10% | 20%        | 25% | 35%        | 50%        | 75%        | 100%       | 150%    | 200% | Other<br>Risk<br>Classes | Deductions<br>from Equity |
|---|------------|-----|------------|-----|------------|------------|------------|------------|---------|------|--------------------------|---------------------------|
| Exposures before<br>Credit Risk<br>Mitigation | 78,880,415 | -   | 11,143,895 | -   | 11,041,484 | 15,104,577 | 18,471,756 | 44,706,552 | 311,771 | -    | -                        | 499,381                   |
| Exposures after<br>Credit Risk<br>Mitigation  | 84,255,163 | -   | 12,393,814 | -   | 10,793,262 | 14,757,552 | 17,451,109 | 39,704,469 | 305,081 | -    | -                        | 499,381                   |
| Prior Period<br>Risk Weights                  | 0%         | 10% | 20%        | 25% | 35%        | 50%        | 75%        | 100%       | 150%    | 200% | Other<br>Risk<br>Classes | Deductions<br>from Equity |
| Exposures before<br>Credit Risk<br>Mitigation | 55,206,009 | -   | 7,775,560  | -   | 10,098,454 | 8,104,735  | 13,640,225 | 35,269,377 | 123,676 | -    | -                        | 487,996                   |
| Exposures after<br>Credit Risk<br>Mitigation  | 61,561,756 | -   | 8,555,777  | -   | 9,708,966  | 7,577,895  | 11,760,685 | 30,929,301 | 123,657 | -    | -                        | 487,996                   |

**2.7. Information by major sectors and type of counterparties**

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

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

|                                      | Loans   | Provisions             |
|--------------------------------------|---|------------------------|
|                                      | Impaired Loans                                    |                        |
| Current Period (**)                  | Significant Increase in<br>Credit Risk (Stage II) | Default<br>(Stage III) |
| <b>Agriculture</b>                   | <b>245,611</b>                                    | <b>33,900</b>          |
| Farming and Stockbreeding            | 231,260   | 14,129                 |
| Forestry                             | 13,065  | 19,771                 |
| Fishery                              | 1,286   | -                      |
| <b>Manufacturing</b>                 | <b>2,283,368</b>                                  | <b>561,557</b>         |
| Mining and Quarrying                 | 631,093   | 155,218                |
| Production                           | 1,477,679   | 396,355                |
| Electricity, Gas and Water           | 174,596   | 9,984                  |
| <b>Construction</b>                  | <b>1,462,317</b>                                  | <b>1,185,613</b>       |
| <b>Services</b>                      | <b>2,998,876</b>                                  | <b>1,150,166</b>       |
| Wholesale and Retail Trade           | 1,590,185   | 699,548                |
| Accommodation and Dining             | 224,524   | 147,909                |
| Transportation and Telecommunication | 315,460   | 95,547                 |
| Financial Institutions               | 3,114   | 5,529                  |
| Real Estate and Rental Services.     | 623,296   | 48,889                 |
| Professional Services                | 9   | -                      |
| Educational Services                 | 76,365  | 113,883                |
| Health and Social Services           | 165,923   | 38,861                 |
| <b>Others</b>                        | <b>828,645</b>                                    | <b>144,173</b>         |
| <b>Total</b>                         | <b>7,818,817</b>                                  | <b>3,075,409</b>       |
|                                      |   | <b>6,291,076</b>       |

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

(\*\*) Financial lease receivables are not included.



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|                                      | Loans  |                     | Provisions                          |
|--------------------------------------|--|---------------------|-------------------------------------|
|                                      | Impaired Loans                                 |                     |                                     |
| Prior Period (**)                    | Significant Increase in Credit Risk (Stage II) | Default (Stage III) | Expected Credit Loss Provisions (*) |
| <b>Agriculture</b>                   | <b>254,002</b>                                 | <b>50,399</b>       | <b>95,534</b>                       |
| Farming and Stockbreeding            | 233,481  | 28,780              | 75,984                              |
| Forestry                             | 19,499   | 18,341              | 15,872                              |
| Fishery                              | 1,022  | 3,278               | 3,678                               |
| <b>Manufacturing</b>                 | <b>2,121,591</b>                               | <b>446,459</b>      | <b>898,816</b>                      |
| Mining and Quarrying                 | 490,170  | 62,382              | 181,608                             |
| Production                           | 1,505,834                                      | 349,118             | 665,939                             |
| Electricity, Gas and Water           | 125,587  | 34,959              | 51,269                              |
| <b>Construction</b>                  | <b>1,354,700</b>                               | <b>1,274,309</b>    | <b>1,551,053</b>                    |
| <b>Services</b>                      | <b>2,614,477</b>                               | <b>1,018,028</b>    | <b>1,521,543</b>                    |
| Wholesale and Retail Trade           | 1,541,124                                      | 646,277             | 899,749                             |
| Accommodation and Dining             | 178,301  | 105,965             | 160,093                             |
| Transportation and Telecommunication | 249,028  | 95,954              | 131,185                             |
| Financial Institutions               | 999  | 3,939               | 4,012                               |
| Real Estate and Rental Services.     | 457,523  | 38,410              | 165,592                             |
| Professional Services                | 5,207  | 183                 | 799                                 |
| Educational Services                 | 64,574   | 67,631              | 77,756                              |
| Health and Social Services           | 117,721  | 59,669              | 82,357                              |
| <b>Others</b>                        | <b>720,294</b>                                 | <b>145,396</b>      | <b>194,364</b>                      |
| <b>Total</b>                         | <b>7,065,064</b>                               | <b>2,934,591</b>    | <b>4,261,310</b>                    |

(\*) Expected loan loss provisions include second and third stage provisions.

(\*\*) Leasing receivables are not included.

**2.8. Movements in value adjustments and provisions**

| Current Period (*****)    | Opening Balance (After TFRS 9) | Provisions for period | Provision Reversals (***) | Other Adjustments (****) | Closing Balance |
|---------------------------|--------------------------------|-----------------------|---------------------------|--------------------------|-----------------|
|                           |                                |                       |                           |                          |                 |
| Stage 3 Provisions (*)    | 2,517,875                      | 1,279,628             | (611,822)                 | (397,786)                | 2,787,895       |
| Stage 1&2 Provisions (**) | 2,914,003                      | 3,286,735             | (408,123)                 | -                        | 5,792,615       |

  

| Prior Period              | Opening Balance (After TFRS 9) | Provisions for period | Provision Reversals (***) | Other Adjustments (****) | Closing Balance |
|---------------------------|--------------------------------|-----------------------|---------------------------|--------------------------|-----------------|
|                           |                                |                       |                           |                          |                 |
| Stage 3 Provisions (*)    | 1,532,370                      | 1,700,336             | (354,022)                 | (360,809)                | 2,517,875       |
| Stage 1&2 Provisions (**) | 1,479,019                      | 1,537,137             | (102,153)                 | -                        | 2,914,003       |

(\*) Represents Stage III expected loss provision.

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

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

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

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

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**2.9. Risk involved in counter-cyclical capital buffer calculation**

**Current Period**

| Country          | RWAs of Banking Book for Private Sector Lending | RWAs of Trading Book | Total      |
|------------------|---|----------------------|------------|
| Turkey           | 57,442,930                                      | -                    | 57,442,930 |
| England          | 24,936  | -                    | 24,936     |
| Albania          | 51,878  | -                    | 51,878     |
| Iraq             | 23,554  | -                    | 23,554     |
| Marshall Islands | 107,017   | -                    | 107,017    |
| Italy            | 21,535  | -                    | 21,535     |
| Saudi Arabia     | 7,107   | -                    | 7,107      |
| Germany          | 14,786  | -                    | 14,786     |
| Russia           | 4,992   | -                    | 4,992      |
| Malta            | 34,672  | -                    | 34,672     |
| Other            | 42,048  | -                    | 42,048     |

**Prior Period**

| Country          | RWAs of Banking Book for Private Sector Lending | RWAs of Trading Book | Total      |
|------------------|---|----------------------|------------|
| Turkey           | 42,914,258                                      | -                    | 42,914,258 |
| England          | 56,079  | -                    | 56,079     |
| Albania          | 43,248  | -                    | 43,248     |
| Iraq             | 20,621  | -                    | 20,621     |
| Marshall Islands | 20,368  | -                    | 20,368     |
| Italy            | 13,187  | -                    | 13,187     |
| Saudi Arabia     | 11,373  | -                    | 11,373     |
| Germany          | 5,976   | -                    | 5,976      |
| Qatar            | 4,772   | -                    | 4,772      |
| Hungary          | 2,979   | -                    | 2,979      |
| Other            | 18,021  | -                    | 18,021     |

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

The Bank calculates the probability of delinquency and internal rating notes for the portfolio of Corporate/Commercial/SME loans based on statistical methods in Turkish Commercial Code. Ratings are shown the table below as of 31 December 2021.

|                | Cash Loans | Non-Cash Loans | Total  |
|----------------|------------|----------------|--------|
| High Quality   | 48.04%     | 66.87%         | 50.36% |
| Medium Quality | 35.78%     | 23.61%         | 34.28% |
| Average        | 12.17%     | 7.19%          | 11.55% |
| Below Average  | 4.01%      | 2.33%          | 3.81%  |

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**3. Explanations on currency risk**

Foreign currency risk represents the Bank's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. The "standard method" and the "value at risk method" used in legal reporting are used to measure the exchange rate risk of the bank. Measurements made under the standard method are carried out on a monthly basis and measurements made under the risk-exposed Value Method are carried out on a daily basis.

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

As of 31 December 2021, the Bank carries a net foreign currency TL 1,811,076 (31 December 2020 – 22,209,211 TL short position) comprising of TL 424,526 balance sheet long position (31 December 2020 - TL 21,901,119 long position) and TL 1,386,550 off balance sheet short position (31 December 2020 – TL 308,092 short position).

The announced current foreign exchange buying rates of the Bank as of 31 December 2021 and the previous five working days are as follows (full TL):

|            | 24/12/2021 | 27/12/2021 | 28/12/2021 | 29/12/2021 | 30/12/2021 | Balance Sheet<br>Valuation Rate |
|------------|------------|------------|------------|------------|------------|---------------------------------|
| <b>USD</b> | 11.59337   | 11.33396   | 11.78151   | 12.26809   | 12.95715   | 13.26866                        |
| <b>EUR</b> | 13.14634   | 12.82523   | 13.34247   | 13.85752   | 14.66517   | 15.02175                        |
| <b>GBP</b> | 15.55061   | 15.19147   | 15.83407   | 16.47226   | 17.46344   | 17.91170                        |
| <b>CHF</b> | 12.64138   | 12.32887   | 12.84602   | 13.35944   | 14.13843   | 14.52923                        |
| <b>JPY</b> | 0.10140    | 0.09891    | 0.10257    | 0.10672    | 0.11254    | 0.11527                         |

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

|     | Monthly<br>average FC<br>purchase rate |
|-----|--|
| USD | 13.62454                               |
| EUR | 15.40218                               |
| GBP | 18.12620                               |
| CHF | 14.79793                               |
| JPY | 0.11968                                |

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**Currency risk of the Bank**

| Current Period   | EUR               | USD               | Other FC (****)   | Total              |
|--|-------------------|-------------------|-------------------|--------------------|
| <b>Assets</b>  |                   |                   |                   |                    |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey | 19,872,444        | 22,758,220        | 17,440,402        | 60,071,066         |
| Banks (****)   | 2,670,209         | 2,016,784         | 9,813,215         | 14,500,208         |
| Financial assets at fair value through profit and loss   | -                 | 586,916           | 10,364,898        | 10,951,814         |
| Money market placements  | -                 | -                 | -                 | -                  |
| Financial assets at fair value through other comprehensive income  | 6,095,764         | 9,782,100         | -                 | 15,877,864         |
| Loans and finance lease receivables (*)  | 24,654,435        | 34,563,359        | 27,396            | 59,245,190         |
| Subsidiaries, associates and joint ventures (**)   | 610,120           | -                 | -                 | 610,120            |
| Financial assets at amortized cost   | -                 | 4,797,993         | -                 | 4,797,993          |
| Derivative financial assets for hedging purposes   | -                 | -                 | -                 | -                  |
| Tangible assets  | -                 | 1,571             | -                 | 1,571              |
| Intangible assets  | -                 | 14                | -                 | 14                 |
| Other assets   | 2,271,822         | 6,561             | 7,043             | 2,285,426          |
| <b>Total Assets</b>  | <b>56,174,794</b> | <b>74,513,518</b> | <b>37,652,954</b> | <b>168,341,266</b> |
| <b>Liabilities</b>   |                   |                   |                   |                    |
| Current account and funds collected from Banks via participation accounts  | 51,963            | 179,574           | 532,507           | 764,044            |
| Current and profit sharing accounts FC (****)  | 24,470,868        | 79,024,705        | 50,550,090        | 154,045,663        |
| Money market borrowings  | -                 | -                 | -                 | -                  |
| Funds provided from other financial institutions   | 549,849           | 11,077,159        | -                 | 11,627,008         |
| Marketable securities issued   | -                 | -                 | -                 | -                  |
| Miscellaneous payables   | 935,363           | 1,220,786         | 25,053            | 2,181,202          |
| Derivative financial liabilities for hedging purposes  | -                 | -                 | -                 | -                  |
| Other liabilities (*****)  | 340,952           | 1,127,033         | 66,440            | 1,534,425          |
| <b>Toplam Liabilities</b>  | <b>26,348,995</b> | <b>92,629,257</b> | <b>51,174,090</b> | <b>170,152,342</b> |
| Net balance sheet position   | 29,825,799        | (18,115,739)      | (13,521,136)      | (1,811,076)        |
| Net off-balance sheet position   | (30,985,951)      | 17,881,028        | 13,529,449        | 424,526            |
| Financial derivative assets  | 528,075           | 23,015,573        | 14,353,317        | 37,896,965         |
| Financial derivative liabilities   | 31,514,026        | 5,134,545         | 823,868           | 37,472,439         |
| Non-cash loans (***)   | 3,257,093         | 4,935,753         | 274,987           | 8,467,833          |
| <b>Prior Period</b>  |                   |                   |                   |                    |
| Total assets   | 33,003,388        | 31,604,258        | 16,220,333        | 80,827,979         |
| Total liabilities  | 13,501,256        | 51,731,458        | 37,804,476        | 103,037,190        |
| Net balance sheet position   | 19,502,132        | (20,127,200)      | (21,584,143)      | (22,209,211)       |
| Net off-balance sheet position   | (19,867,567)      | 20,187,707        | 21,580,979        | 21,901,119         |
| Financial derivative assets  | 972,259           | 25,033,494        | 21,919,119        | 47,924,872         |
| Financial derivative liabilities   | 20,839,826        | 4,845,787         | 338,140           | 26,023,753         |
| Non-cash loans (***)   | 1,837,972         | 2,349,832         | 205,654           | 4,393,458          |

(\*) Includes foreign currency indexed loans amounting to TL 2,009,070 (31 December 2020 – TL 1,740,355) followed as TL on the balance sheet and expected credit loss amounting to TL 3,664,484

(\*\*) TL 610,120 (31 December 2020 - TL 610,120) of subsidiaries amounting to TL 1,461,015 in the balance sheet includes foreign currency subsidiaries

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

(\*\*\*\*) Precious metals are included in "Other FC" column. Includes the expected loss provisions amounting to TL 192 in the balance sheet.

(\*\*\*\*\*) Other liabilities at fair value through TL 4,764 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 178,870

(\*\*\*\*\*) Includes provisions for expected losses amounting to TL 2,165 in the balance sheet

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

- Derivative financial assets held for trading TL 592,863 (31 December 2020 – TL 332,438)
- Prepaid expenses: TL 1,303 (31 December 2020 – 693 TL)
- Derivative financial liabilities held for trading: TL 65,015 (31 December 2020 – TL 286,320)
- Marketable securities of FC revaluation reverse: 65,917 (31 December 2020- TL (94,206))
- Derivative financial liabilities held for hedging: None (31 December 2020 - TL - None)

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

- Forward foreign currency purchase transactions TL 1,864,837 (31 December 2020 – TL 1,222,954)
- Forward foreign currency sale transactions: TL 3,094,121 (31 December 2020 – TL 1,178,611)
- Precious metal purchase transactions: TL 13,177,082 (31 December 2020 – TL 20,984,650)
- Precious metal sale transactions: TL 52,347 (31 December 2020 – TL 30,525)

**Currency risk sensitivity**

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

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

|      | % Increase in the exchange rate | Effects on profit/loss |              | Effects on equity |              |
|------|---------------------------------|------------------------|--------------|-------------------|--------------|
|      |                                 | Curent Period          | Prior Period | Curent Period     | Prior Period |
| Usd  | 10%                             | (23,471)               | 6,051        | 47,244            | (2,962)      |
| Eur  | 10%                             | (116,015)              | (36,544)     | (112,076)         | (36,575)     |
| Gold | 10%                             | 16,064                 | 11,870       | 16,064            | 11,870       |

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**4. Explanations related to stock position risk**

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

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

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

| Curent Period  |                  | Comparison     |                |
|--|------------------|----------------|----------------|
| Equity Securities investments                                      | Carrying Value   | Fair Value     | Market Value   |
| <b>Securities at Fair Value Through Other Comprehensive Income</b> | <b>82,887</b>    | -              | -              |
| Quoted Securities  | -                | -              | -              |
| <b>Investments in Associates</b>                                   | -                | -              | -              |
| Quoted Securities  | -                | -              | -              |
| <b>Investment in Subsidiaries</b>                                  | <b>1,461,015</b> | <b>519,420</b> | <b>519,420</b> |
| Quoted Securities  | 53,418           | 519,420        | 519,420        |
| <b>Other</b>   | <b>20,000</b>    | -              | -              |
| Quoted Securities  | -                | -              | -              |
| Prior Period   |                  | Comparison     |                |
| Equity Securities investments                                      | Carrying Value   | Fair Value     | Market Value   |
| <b>Securities at Fair Value Through Other Comprehensive Income</b> | <b>48,461</b>    | -              | -              |
| Quoted Securities  | -                | -              | -              |
| <b>Investments in Associates</b>                                   | -                | -              | -              |
| Quoted Securities  | -                | -              | -              |
| <b>Investment in Subsidiaries</b>                                  | <b>1,461,015</b> | <b>382,800</b> | <b>382,800</b> |
| Quoted Securities  | 53,418           | 382,800        | 382,800        |
| <b>Other</b>   | <b>20,000</b>    | -              | -              |
| Quoted Securities  | -                | -              | -              |

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

None.

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**5. Liquidity risk management and liquidity coverage ratio**

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

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

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

Liquidity risk is managed by the Asset - Liability Committee (ALC) and related business units within the framework of the Liquidity Risk Policy and risk appetite approved by the Board of Directors. In liquidity risk management, the measures to be taken and the practices to be carried out are determined by taking into account normal economic conditions and stress conditions. The Bank defines liquidity risk, measures risks with liquidity risk measurement methods in accordance with international standards, monitors them and periodically presents them to the interested parties. Liquidity risk stress tests are performed during monthly periods. An emergency funding plan (liquidity contingency plan) has been created to regulate the procedures and principles for the bank to maintain and maintain adequate liquidity levels under stress conditions.

The bank's liquidity risk ratios are well above the legal limits. The bank maintains its liquidity buffer at high levels, taking into account periods when liquidity risk may increase. Due to this approach, it is evaluated that the negative effects of the COVID-19 pandemic on the global level do not have a significant impact on the bank's liquidity needs.

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

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

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

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

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

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

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

**5.3 Information on the Bank's funding strategy including the policies on funding types and variety of maturities**

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

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

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

**5.5. Information on liquidity risk mitigation techniques**

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

**5.6. Information on the use of stress tests**

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

**5.7. General information about the contingency funding plan**

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



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**5.8 Analysis of financial liabilities by remaining contractual maturities**

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

|  | Up to 1<br>months  | 1-3<br>months     | 3-12<br>months    | 1-5<br>years     | Above 5<br>years | Total              | Adjustments        | Balance<br>Sheet Value |
|--|--------------------|-------------------|-------------------|------------------|------------------|--------------------|--------------------|------------------------|
| <b>31 December 2021</b>                    |                    |                   |                   |                  |                  |                    |                    |                        |
| Funds Collected                            | 192,783,651        | 12,117,184        | 6,927,390         | 273,478          | 3,686            | 212,105,389        | -                  | 212,105,389            |
| Other Fundings                             | 3,003,972          | 2,804,992         | 1,096,848         | 7,617,647        | 5,355,148        | 19,878,607         | (3,456,137)        | 16,422,470             |
| Funds provided under repurchase agreements | 6,505,472          | -                 | -                 | -                | -                | 6,505,472          | (10,335)           | 6,495,137              |
| Finance Lease Payable                      | 15,461             | 26,669            | 100,096           | 298,808          | 81,153           | 522,188            | (169,813)          | 352,375                |
| <b>Total</b>                               | <b>202,308,556</b> | <b>14,948,845</b> | <b>8,124,334</b>  | <b>8,189,933</b> | <b>5,439,987</b> | <b>239,011,656</b> | <b>(3,636,285)</b> | <b>235,375,371</b>     |
| <b>31 December 2020</b>                    |                    |                   |                   |                  |                  |                    |                    |                        |
| Funds Collected                            | 111,912,004        | 6,453,702         | 3,685,250         | 108,401          | 13,627           | 122,172,984        | -                  | 122,172,984            |
| Other Fundings                             | 2,946,289          | 1,536,929         | 6,603,951         | 4,548,423        | 2,694,681        | 18,330,273         | (2,151,116)        | 16,179,157             |
| Funds provided under repurchase agreements | 185,613            | -                 | -                 | -                | -                | 185,613            | (388)              | 185,225                |
| Finance Lease Payable                      | 14,454             | 25,221            | 107,700           | 296,820          | 83,384           | 527,579            | (183,554)          | 344,025                |
| <b>Total</b>                               | <b>115,058,360</b> | <b>8,015,852</b>  | <b>10,396,901</b> | <b>4,953,644</b> | <b>2,791,692</b> | <b>141,216,449</b> | <b>(2,335,058)</b> | <b>138,881,391</b>     |

**Maturity analysis for guarantees and contingencies**

|  | Demand           | Up to 1<br>months | 1-3<br>months    | 3-12<br>months   | 1-5<br>years     | Above 5<br>years | Unallocated | Total             |
|--|------------------|-------------------|------------------|------------------|------------------|------------------|-------------|-------------------|
| <b>31 December 2021</b>                |                  |                   |                  |                  |                  |                  |             |                   |
| Letters of Guarantee                   | 5,951,487        | 150,932           | 753,786          | 3,141,516        | 1,741,609        | 107,255          | -           | 11,846,585        |
| Bills of Exchange and Bank Acceptances | 11,063           | 28,513            | 43,712           | 30,395           | -                | -                | -           | 113,683           |
| Letters of Credit                      | 1,312,914        | 483,662           | 1,094,602        | 1,409,737        | 220,205          | -                | -           | 4,521,120         |
| Other guarantees                       | 868,813          | -                 | 4,908            | 32,646           | 5,890            | -                | -           | 912,257           |
| Pre-financings given as guarantee      | -                | -                 | -                | -                | -                | -                | -           | -                 |
| <b>Total</b>                           | <b>8,144,277</b> | <b>663,107</b>    | <b>1,897,008</b> | <b>4,614,294</b> | <b>1,967,704</b> | <b>107,255</b>   | <b>-</b>    | <b>17,393,645</b> |
| <b>31 December 2020</b>                |                  |                   |                  |                  |                  |                  |             |                   |
| Letters of Guarantee                   | 4,639,851        | 132,884           | 594,287          | 2,651,575        | 1,509,732        | 62,465           | -           | 9,590,794         |
| Bills of Exchange and Bank Acceptances | 2,088            | 15,514            | 21,830           | 1,564            | -                | -                | -           | 40,996            |
| Letters of Credit                      | 468,566          | 246,461           | 476,051          | 427,027          | 66,917           | -                | -           | 1,685,022         |
| Other guarantees                       | 464,044          | 1,820             | 1,984            | 65,962           | 8,336            | 4,536            | -           | 546,682           |
| Pre-financings given as guarantee      | -                | -                 | -                | -                | -                | -                | -           | -                 |
| <b>Total</b>                           | <b>5,574,549</b> | <b>396,679</b>    | <b>1,094,152</b> | <b>3,146,128</b> | <b>1,584,985</b> | <b>67,001</b>    | <b>-</b>    | <b>11,863,494</b> |

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**Contractual maturity analysis of derivative instruments**

| <b>31 December 2021</b>                              |                          |                       |                        |                  |                             |                   |
|--|--------------------------|-----------------------|------------------------|------------------|-----------------------------|-------------------|
|  | <b>Up to 1<br/>month</b> | <b>1-3<br/>months</b> | <b>3-12<br/>months</b> | <b>1-5 years</b> | <b>5 years<br/>and over</b> | <b>Total</b>      |
| <b>Derivatives financial assets held for trading</b> |                          |                       |                        |                  |                             |                   |
| Foreign exchange derivatives:                        |                          |                       |                        |                  |                             |                   |
| Entry  | 21,499,095               | 12,291,878            | 2,172,566              | 1,507,265        | -                           | 37,470,804        |
| Exit   | 21,133,881               | 12,051,355            | 2,028,973              | 887,348          | -                           | 36,101,557        |
| <b>Hedging purposes financial assets</b>             |                          |                       |                        |                  |                             |                   |
| Foreign exchange derivatives:                        |                          |                       |                        |                  |                             |                   |
| Entry  | -                        | -                     | -                      | -                | -                           | -                 |
| Exit   | -                        | -                     | -                      | -                | -                           | -                 |
| <b>Total Cash Inflow</b>                             | <b>21,499,095</b>        | <b>12,291,878</b>     | <b>2,172,566</b>       | <b>1,507,265</b> | <b>-</b>                    | <b>37,470,804</b> |
| <b>Total Cash Outflow</b>                            | <b>21,133,881</b>        | <b>12,051,355</b>     | <b>2,028,973</b>       | <b>887,348</b>   | <b>-</b>                    | <b>36,101,557</b> |
| <b>31 December 2020</b>                              |                          |                       |                        |                  |                             |                   |
| <b>Derivatives financial assets held for trading</b> |                          |                       |                        |                  |                             |                   |
| Foreign exchange derivatives:                        |                          |                       |                        |                  |                             |                   |
| Entry  | 19,446,342               | 26,305,326            | 845,511                | 990,716          | -                           | 47,587,895        |
| Exit   | 20,158,833               | 27,385,356            | 790,854                | 905,607          | -                           | 49,240,650        |
| <b>Hedging purposes financial assets</b>             |                          |                       |                        |                  |                             |                   |
| Foreign exchange derivatives:                        |                          |                       |                        |                  |                             |                   |
| Entry  | -                        | -                     | -                      | -                | -                           | -                 |
| Exit   | -                        | -                     | -                      | -                | -                           | -                 |
| <b>Total Cash Inflow</b>                             | <b>19,446,342</b>        | <b>26,305,326</b>     | <b>845,511</b>         | <b>990,716</b>   | <b>-</b>                    | <b>47,587,895</b> |
| <b>Total Cash Outflow</b>                            | <b>20,158,833</b>        | <b>27,385,356</b>     | <b>790,854</b>         | <b>905,607</b>   | <b>-</b>                    | <b>49,240,650</b> |

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**5.9 Liquidity coverage ratio**

| <i>Current Period</i>             |  | <b>Total Unweighted Value (Average) (*)</b> |                   | <b>Total Weighted Value (Average) (*)</b> |                   |
|-----------------------------------|--|---|-------------------|---|-------------------|
|                                   |  | <b>TL+FC</b>                                | <b>FC</b>         | <b>TL+FC</b>                              | <b>FC</b>         |
| <b>HIGH-QUALITY LIQUID ASSETS</b> |  |   |                   |   |                   |
| 1                                 | Total high-quality liquid assets (HQLA)  | 64,135,407                                  | 51,618,219        | 62,047,076                                | 49,527,121        |
| <b>CASH OUTFLOWS</b>              |  |   |                   |   |                   |
| 2                                 | Retail deposits and deposits from small business customers, of which:                              | 71,354,474                                  | 15,890,007        | 6,612,449                                 | 1,647,562         |
| 3                                 | Stable deposits  | 16,313,868                                  | -                 | 857,744                                   | -                 |
| 4                                 | Less stable deposits   | 55,040,606                                  | 15,890,007        | 5,754,705                                 | 1,647,562         |
| 5                                 | Unsecured wholesale funding, of which:   | 35,009,977                                  | 25,635,623        | 17,253,337                                | 12,176,783        |
| 6                                 | Operational deposits   | -   | -                 | -   | -                 |
| 7                                 | Non-operational deposits   | 31,329,312                                  | 23,556,794        | 13,592,650                                | 10,111,219        |
| 8                                 | Unsecured funding  | 3,680,665                                   | 2,078,829         | 3,660,687                                 | 2,065,564         |
| 9                                 | Secured wholesale funding  |   |                   | -   | -                 |
| 10                                | Other cash outflows of which:  | 33,541,312                                  | 29,408,292        | 33,356,957                                | 29,330,487        |
| 11                                | Outflows related to derivative exposures and other collateral requirements                         | 30,030,487                                  | 27,916,225        | 29,889,681                                | 27,838,420        |
| 12                                | Outflows related to restructured financial Instruments   | 3,510,825                                   | 1,492,067         | 3,467,276                                 | 1,492,067         |
| 13                                | Payment commitments and other off-balance sheet commitments granted for debts to financial markets | -   | -                 | -   | -                 |
| 14                                | Other revocable off-balance sheet commitments and contractual obligations                          | -   | -                 | -   | -                 |
| 15                                | Other irrevocable or conditionally revocable off-balance sheet obligations                         | 21,478,301                                  | 6,659,025         | 2,009,766                                 | 372,243           |
| 16                                | <b>TOTAL CASH OUTFLOWS</b>   |   |                   | 59,232,509                                | 43,527,075        |
| <b>CASH INFLOWS</b>               |  |   |                   |   |                   |
| 17                                | Secured receivables  | -   | -                 | -   | -                 |
| 18                                | Unsecured receivables  | 23,198,611                                  | 17,994,662        | 19,160,744                                | 16,105,357        |
| 19                                | Other cash inflows   | 30,908,665                                  | 27,198,914        | 30,798,615                                | 26,938,870        |
| 20                                | <b>TOTAL CASH INFLOWS</b>  | <b>54,107,276</b>                           | <b>45,193,576</b> | <b>49,959,359</b>                         | <b>43,044,227</b> |
|                                   |  |   |                   | <b>Upper Limit Applied Value</b>          |                   |
| 21                                | <b>TOTAL HQLA</b>  |   |                   | <b>62,047,076</b>                         | <b>49,527,121</b> |
| 22                                | <b>TOTAL NET CASH OUTFLOWS</b>   |   |                   | <b>14,808,127</b>                         | <b>10,881,769</b> |
| 23                                | <b>LIQUIDITY COVERAGE RATIO (%)</b>  |   |                   | <b>419.01</b>                             | <b>455.14</b>     |

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

The table below presents highest, lowest and average liquidity coverage ratios for the last 3 months of 2021:

|              | <b>Highest</b> | <b>Date</b> | <b>Lowest</b> | <b>Date</b> | <b>Average</b> |
|--------------|----------------|-------------|---------------|-------------|----------------|
| <b>TL+FC</b> | 480.94         | 01/10/2021  | 366.24        | 29/10/2021  | 423.97         |
| <b>FC</b>    | 524.29         | 01/10/2021  | 404.10        | 29/10/2021  | 460.19         |

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

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**Liquidity risk management and liquidity coverage ratio (continued)**

| <i>Prior Period</i>               |  | <b>Total Unweighted Value (Average) (*)</b> |                   | <b>Total Weighted Value (Average) (*)</b> |                   |
|-----------------------------------|--|---|-------------------|---|-------------------|
|                                   |  | <b>TL+FC</b>                                | <b>FC</b>         | <b>TL+FC</b>                              | <b>FC</b>         |
| <b>HIGH-QUALITY LIQUID ASSETS</b> |  |   |                   |   |                   |
| 1                                 | Total high-quality liquid assets (HQLA)  | 39,068,360                                  | 25,321,310        | 38,080,376                                | 24,333,326        |
| <b>CASH OUTFLOWS</b>              |  |   |                   |   |                   |
| 2                                 | Retail deposits and deposits from small business customers, of which:                              | 55,222,204                                  | 16,269,202        | 4,912,223                                 | 1,626,920         |
| 3                                 | Stable deposits  | 12,199,949                                  | -                 | 609,997                                   | -                 |
| 4                                 | Less stable deposits   | 43,022,255                                  | 16,269,202        | 4,302,226                                 | 1,626,920         |
| 5                                 | Unsecured wholesale funding, of which:   | 20,699,800                                  | 14,334,947        | 9,768,113                                 | 6,436,532         |
| 6                                 | Operational deposits   | -   | -                 | -   | -                 |
| 7                                 | Non-operational deposits   | 19,114,478                                  | 13,722,941        | 8,182,791                                 | 5,824,526         |
| 8                                 | Unsecured funding  | 1,585,322                                   | 612,006           | 1,585,322                                 | 612,006           |
| 9                                 | Secured wholesale funding  | -   | -                 | -   | -                 |
| 10                                | Other cash outflows of which:  | 27,072,381                                  | 16,668,483        | 27,072,381                                | 16,668,483        |
| 11                                | Outflows related to derivative exposures and other collateral requirements                         | 26,666,918                                  | 16,668,483        | 26,666,918                                | 16,668,483        |
| 12                                | Outflows related to restructured financial Instruments   | 405,463                                     | -                 | 405,463                                   | -                 |
| 13                                | Payment commitments and other off-balance sheet commitments granted for debts to financial markets | -   | -                 | -   | -                 |
| 14                                | Other revocable off-balance sheet commitments and contractual obligations                          | -   | -                 | -   | -                 |
| 15                                | Other irrevocable or conditionally revocable off-balance sheet obligations                         | 17,419,235                                  | 4,734,432         | 1,535,367                                 | 240,049           |
| 16                                | <b>TOTAL CASH OUTFLOWS</b>   |   | -                 | 43,288,084                                | 24,971,984        |
| <b>CASH INFLOWS</b>               |  |   |                   |   |                   |
| 17                                | Secured receivables  | -   | -                 | -   | -                 |
| 18                                | Unsecured receivables  | 15,040,027                                  | 10,757,116        | 12,808,180                                | 10,212,021        |
| 19                                | Other cash inflows   | 26,969,855                                  | 26,340,204        | 26,969,855                                | 26,340,204        |
| 20                                | <b>TOTAL CASH INFLOWS</b>  | <b>42,009,882</b>                           | <b>37,097,320</b> | <b>39,778,035</b>                         | <b>36,552,225</b> |
|                                   |  |   |                   | <b>Upper Limit Applied Value</b>          |                   |
| 21                                | <b>TOTAL HQLA</b>  |   |                   | <b>38,080,376</b>                         | <b>24,333,326</b> |
| 22                                | <b>TOTAL NET CASH OUTFLOWS</b>   |   |                   | <b>10,822,021</b>                         | <b>6,242,996</b>  |
| 23                                | <b>LIQUIDITY COVERAGE RATIO (%)</b>  |   |                   | <b>351.88</b>                             | <b>389.77</b>     |

(\*) The average of the calculated liquidity coverage ratio for the last three months based on the monthly simple arithmetic average

The table below presents highest, lowest and average liquidity coverage ratios for the last three months of 2020:

**Prior Period:**

|              | <b>Highest</b> | <b>Date</b> | <b>Lowest</b> | <b>Date</b> | <b>Average</b> |
|--------------|----------------|-------------|---------------|-------------|----------------|
| <b>TL+FC</b> | 391.92         | 25/12/2020  | 313.44        | 13/11/2020  | 352.00         |
| <b>FC</b>    | 476.29         | 25/12/2020  | 341.18        | 13/11/2020  | 388.57         |

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

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**Presentation of assets and liabilities according to their remaining maturities**

| Current Period  | Demand   | Up to 1 month     | 1-3 Months        | 3-12 months       | 1-5 Years         | Over 5 years     | Unallocated (***) | Total              |
|---|--|-------------------|-------------------|-------------------|-------------------|------------------|-------------------|--------------------|
| <b>Assets</b>   |  |                   |                   |                   |                   |                  |                   |                    |
| Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the CBRT | 29,249,563   | 36,205,529        | -                 | -                 | -                 | -                | -                 | 65,455,092         |
| Banks (*)   | 14,520,153   | -                 | -                 | -                 | -                 | -                | -                 | 14,520,153         |
| Financial assets at fair value through profit and loss  | -  | 678,966           | 336,212           | 18,557            | 10,902,031        | -                | 249,882           | 12,185,648         |
| Money market placements   | -  | -                 | -                 | -                 | -                 | -                | -                 | -                  |
| Financial assets at fair value through other comprehensive income                               | -  | 6,856,755         | 3,580,549         | 3,629,193         | 17,927,254        | -                | 171,606           | 32,165,357         |
| Loans (**)  | -  | 11,195,990        | 16,563,509        | 41,926,057        | 46,505,579        | 4,099,982        | (5,504,480)       | 114,786,637        |
| Financial assets valued at amortized cost   | -  | -                 | 4,310,237         | -                 | 488,377           | -                | (621)             | 4,797,993          |
| Other assets (***)  | 2,416,534  | 1,167,673         | 4,215             | -                 | 1,713,575         | -                | 4,855,383         | 10,157,380         |
| <b>Total Assets</b>   | <b>46,186,250</b>  | <b>56,104,913</b> | <b>24,794,722</b> | <b>45,573,807</b> | <b>77,536,816</b> | <b>4,099,982</b> | <b>(228,230)</b>  | <b>254,068,260</b> |
| <b>Liabilities</b>  |  |                   |                   |                   |                   |                  |                   |                    |
| Current account and funds collected from banks via participation accounts                       | 816,522  | 23                | -                 | -                 | -                 | -                | -                 | 816,545            |
| Current and profit sharing accounts   | 127,296,711  | 64,670,395        | 12,117,184        | 6,927,390         | 273,478           | 3,686            | -                 | 211,288,844        |
| Funds provided from other financial institutions  | -  | 2,866,229         | 2,732,511         | 635,865           | 5,531,502         | 4,656,363        | -                 | 16,422,470         |
| Money market borrowings   | -  | 6,495,137         | -                 | -                 | -                 | -                | -                 | 6,495,137          |
| Marketable securities issued  | -  | -                 | -                 | -                 | -                 | -                | -                 | -                  |
| Miscellaneous payables  | 2,458,969  | 244,814           | -                 | -                 | -                 | -                | -                 | 2,703,783          |
| Other Liabilities (***)   | -  | 1,834,659         | 1,239,043         | 135,380           | 198,459           | 29,415           | 12,904,525        | 16,341,481         |
| <b>Total Liabilities</b>  | <b>130,572,202</b>   | <b>76,111,257</b> | <b>16,088,738</b> | <b>7,698,635</b>  | <b>6,003,439</b>  | <b>4,689,464</b> | <b>12,904,525</b> | <b>254,068,260</b> |
| Net Liquidity Gap   | (84,385,952)   | (20,006,344)      | 8,695,477         | 37,875,172        | 71,533,377        | (589,482)        | (13,122,248)      | -                  |
| <b>Prior Period</b>   |  |                   |                   |                   |                   |                  |                   |                    |
| Total Assets  | 20,317,947   | 30,352,896        | 17,735,453        | 27,551,629        | 50,763,635        | 4,014,370        | 1,554,385         | 152,290,315        |
| Total Liabilities   | 72,873,988   | 44,706,098        | 11,756,907        | 10,006,764        | 3,338,778         | 41,882           | 9,565,898         | 152,290,315        |
| Net Liquidity Gap   | (52,556,041)   | (14,353,202)      | 5,978,546         | 17,544,865        | 47,424,857        | 3,972,488        | (8,011,513)       | -                  |
| (*)   | Expected losses are netted off with provision.   |                   |                   |                   |                   |                  |                   |                    |
| (**)  | Includes receivables from leasing transactions and presented with netting off with the expected credit loss.   |                   |                   |                   |                   |                  |                   |                    |
| (***)   | Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as tangible assets, investments in associates and subsidiaries, stationary supplies and prepaid expenses are included under unallocated assets. |                   |                   |                   |                   |                  |                   |                    |
| (****)  | The unallocated other liabilities consist of equity and provisions balances.   |                   |                   |                   |                   |                  |                   |                    |

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**6. Explanations on leverage ratio**

**Disclosure of leverage ratio template**

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

| <b>On-balance sheet assets (*)</b>                             |   | <b>Current Period</b> | <b>Prior Period</b> |
|--|---|-----------------------|---------------------|
| 1  | On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral) | 231,176,465           | 154,598,576         |
| 2  | (Assets deducted in determining Tier I Capital)   | (412,452)             | (394,341)           |
| 3  | Total on-balance sheet risks (sum of lines 1 and 2)   | 230,764,013           | 154,204,235         |
| <b>Derivative financial instruments and credit derivatives</b> |   |                       |                     |
| 4  | Replacement cost associated with all derivative instruments and credit derivatives                                  | 1,374,232             | 629,764             |
| 5  | Add-on amounts for PFE associated with all derivative instruments and credit derivatives                            | 624,826               | 482,894             |
| 6  | Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)                        | 1,999,058             | 1,112,658           |
| <b>Securities or commodity financing transactions (SCFT)</b>   |   |                       |                     |
| 7  | Risks from SCFT assets (excluding on-balance sheet)   | 2,231,136             | 2,119,201           |
| 8  | Risks from brokerage activities related exposures   | -                     | -                   |
| 9  | Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)                       | 2,231,136             | 2,119,201           |
| <b>Other off-balance sheet transactions</b>                    |   |                       |                     |
| 10   | Gross notional amounts of off-balance sheet transactions  | 80,442,507            | 69,534,780          |
| 11   | (Adjustments for conversion to credit equivalent amounts)   | (44,108,586)          | (42,998,895)        |
| 12   | Total risks of off-balance sheet items (sum of lines 10 and 11)   | 36,333,921            | 26,535,885          |
| <b>Capital and total risks</b>                                 |   |                       |                     |
| 13   | Tier I Capital  | 12,759,904            | 9,608,320           |
| 14   | Total risks (sum of lines 3, 6, 9 and 12)   | 271,328,128           | 183,971,979         |
| <b>Leverage ratio</b>  |   |                       |                     |
| 15   | Leverage ratio  | 4.70                  | 5.22                |

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

The leverage ratio calculated on the basis of the arithmetic average of the the amounts realized at the end of each month for the past three-month period as of the Bank's solo balance sheet date was %4.70 % (31 December 2020 – 5.22 %). The main reason for the changes from the previous period is that the increase in the items related to the finance transactions secured by securitisation instruments and goods is higher compared to the increase in other items. Therefore, the core capital increased by 33% due to the profit for the period, balance-sheet risks increased by 50%, and off balance sheet items increased by 37%. Accordingly, the leverage ratio of the current period compared to the previous year shows a decrease of 52 basis points.

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

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

|  | Book Value     |              | Fair Value     |              |
|--|----------------|--------------|----------------|--------------|
|  | Current Period | Prior Period | Current Period | Prior Period |
| <b>Financial assets</b>  |                |              |                |              |
| Banks  | 14,522,944     | 5,809,467    | 14,522,944     | 5,809,467    |
| Financial Assets at Fair Value Through Other Comprehensive Income          | 32,165,357     | 20,795,073   | 32,165,357     | 20,795,073   |
| Financial Assets Aalued at Amortised Cost                                  | 4,798,614      | 5,931,297    | 4,796,006      | 5,944,038    |
| Loans and Lease Receivables  | 120,291,117    | 76,119,457   | 119,146,879    | 74,722,351   |
| <b>Financial liabilities</b>   |                |              |                |              |
| Current account and funds collected from banks via participation accounts. | 816,545        | 367,936      | 816,545        | 367,936      |
| Other current and profit sharing accounts                                  | 211,288,844    | 121,805,048  | 211,288,844    | 121,805,048  |
| Money market borrowings  | 6,488,859      | 185,000      | 6,495,137      | 185,225      |
| Funds provided from other financial institutions                           | 16,422,470     | 16,179,157   | 16,150,582     | 17,177,284   |
| Issued securities  | -              | -            | -              | -            |
| Other Liabilities  | 4,376,751      | 1,818,168    | 4,376,751      | 1,818,168    |
| Leasing payables   | 352,375        | 344,025      | 352,375        | 344,025      |

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

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

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

**9. Explanations on hedge accounting practices**

None (31 December 2020 – None).

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**10. Explanations On Risk Management**

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

**10.1. Explanations on Risk Management and Risk Weighted Amounts**

**10.1.1.GBA – Bank’s Risk Management Approach**

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

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

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



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

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

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

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

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

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

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

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

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**10.1.2. Overview of risk weighted amounts**

|    |   | Risk Weighted Amounts        |                            | Minimum Capital Requirements |
|----|---|------------------------------|----------------------------|------------------------------|
|    |   | Current Period<br>31/12/2021 | Prior Period<br>31/12/2020 | Current Period<br>31/12/2021 |
| 1  | Credit risk (excluding counterparty credit risk) (CCR)                                | 66,866,125                   | 48,815,085                 | 5,349,290                    |
| 2  | Standardised approach (SA)  | 66,885,604                   | 48,833,540                 | 5,350,848                    |
| 3  | Internal rating-based (IRB) approach  | -                            | -                          | -                            |
| 4  | Counterparty credit risk  | 789,083                      | 245,378                    | 63,127                       |
| 5  | Standardised approach for counterparty credit risk                                    | 789,083                      | 245,378                    | 63,127                       |
| 6  | Internal model method (IMM)   | -                            | -                          | -                            |
| 7  | Basic risk weight approach to internal model's equity position in the banking account | -                            | -                          | -                            |
| 8  | Investments made in collective investment companies – look-through approach           | 19,479                       | 18,455                     | 1,558                        |
| 9  | Investments made in collective investment companies – mandate-based approach          | -                            | -                          | -                            |
| 10 | Investments made in collective investment companies – 1250% risk weighting Approach   | -                            | -                          | -                            |
| 11 | Settlement risk   | -                            | -                          | -                            |
| 12 | Securitization exposures in banking book  | -                            | -                          | -                            |
| 13 | IRB ratings-based approach  | -                            | -                          | -                            |
| 14 | IRB supervisory formula approach  | -                            | -                          | -                            |
| 15 | SA/simplified supervisory formula approach (SSFA)                                     | -                            | -                          | -                            |
| 16 | Market risk   | 4,998,996                    | 3,250,536                  | 399,920                      |
| 17 | Standardised approach   | 4,998,996                    | 3,250,536                  | 399,920                      |
| 18 | Internal model approaches   | -                            | -                          | -                            |
| 19 | Operational risk  | 10,167,312                   | 7,473,031                  | 813,385                      |
| 20 | Basic indicator approach  | 10,167,312                   | 7,473,031                  | 813,385                      |
| 21 | Standardised approach   | -                            | -                          | -                            |
| 22 | Advanced measurement approach   | -                            | -                          | -                            |
| 23 | Amounts below the thresholds for deduction from capital (subject to 250% risk weight) | -                            | -                          | -                            |
| 24 | Floor adjustment  | -                            | -                          | -                            |
| 25 | <b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>   | <b>82,840,995</b>            | <b>59,802,485</b>          | <b>6,627,280</b>             |

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

| Current Period  | Carrying values in financial statements prepared as per TAS | Carrying values of items in accordance with Turkish Accounting Standards |                    |                          |                        |                   |   |
|---|---|--|--------------------|--------------------------|------------------------|-------------------|---|
|   |   | Carrying values in legal consolidation prepared as per TAS               | Credit Risk        | Counterparty Credit Risk | Securization Positions | Market Risk       | No subject to capital requirements or subject to deduction from capital |
| <b>Assets</b>   |   |  |                    |                          |                        |                   |   |
| Cash and Balances with Central Bank of Turkey   | 65,455,316  | 65,455,316   | 65,455,316         | -                        | -                      | -                 | -   |
| Banks   | 14,522,944  | 14,522,944   | 14,522,944         | -                        | -                      | -                 | -   |
| Receivables From Money Markets  | -   | -  | -                  | -                        | -                      | -                 | -   |
| Financial Assets at Fair Value Through Profit and Loss                                    | 12,185,648  | 12,185,648   | -                  | -                        | -                      | 12,185,648        | -   |
| Financial Assets at Fair Value Through OCI  | 32,165,357  | 32,165,357   | 32,165,357         | -                        | -                      | -                 | -   |
| Financial Assets Measured at Amortised Cost   | 4,798,614   | 4,798,614  | 4,798,614          | -                        | -                      | -                 | -   |
| Derivative Financial Assets   | 1,643,354   | 1,643,354  | -                  | 1,643,354                | -                      | -                 | -   |
| Expected Loss Provisions (-)  | 8,583,525   | 8,583,527  | 2,787,895          | -                        | -                      | -                 | 5,795,632   |
| Loans   | 111,440,591   | 111,440,591  | 111,660,523        | -                        | -                      | -                 | -   |
| Lease Receivables   | 11,925,935  | 11,925,936   | 11,925,936         | -                        | -                      | -                 | -   |
| Factoring Receivables   | -   | -  | -                  | -                        | -                      | -                 | -   |
| Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net) | 240,891   | 240,891  | 240,891            | -                        | -                      | -                 | -   |
| Subsidiaries  | 1,461,015   | 1,461,015  | 1,461,015          | -                        | -                      | -                 | -   |
| Jointly Controlled Entities (Joint Ventures) (Net)  | 20,000  | 20,000   | 20,000             | -                        | -                      | -                 | -   |
| Tangible Assets (Net)   | 1,222,598   | 1,222,598  | 1,222,598          | -                        | -                      | -                 | 73,968  |
| Intangible Assets (Net)   | 248,187   | 248,187  | 248,187            | -                        | -                      | -                 | 233,519   |
| Investment Properties (Net)   | -   | -  | -                  | -                        | -                      | -                 | -   |
| Current Tax Asset   | -   | -  | -                  | -                        | -                      | -                 | -   |
| Deferred Tax Asset  | 1,713,575   | 1,713,575  | 1,713,575          | -                        | -                      | -                 | -   |
| Other Assets  | 3,607,760   | 3,607,761  | 3,607,761          | -                        | -                      | -                 | -   |
| <b>Total Assets</b>   | <b>254,068,260</b>  | <b>254,068,260</b>   | <b>246,254,822</b> | <b>1,643,354</b>         | <b>-</b>               | <b>12,185,648</b> | <b>(5,488,145)</b>  |
| <b>Liabilities</b>  |   |  |                    |                          |                        |                   |   |
| Funds Collected   | 212,105,389   | 212,105,389  | -                  | -                        | -                      | -                 | 212,105,389   |
| Borrowings  | 8,321,974   | 8,321,974  | -                  | -                        | -                      | -                 | 8,321,974   |
| Debt to money markets   | 6,495,137   | 6,495,137  | -                  | 6,495,137                | -                      | -                 | -   |
| Securities Issued (Net)   | -   | -  | -                  | -                        | -                      | -                 | -   |
| Financial Liabilities at Fair Value Through Profit or Loss                                | -   | -  | -                  | -                        | -                      | -                 | -   |
| Derivative Financial Liabilities  | 257,913   | 257,913  | -                  | -                        | -                      | -                 | 257,913   |
| Lease Payables  | 352,375   | 352,375  | -                  | -                        | -                      | -                 | 352,375   |
| Provisions  | 2,442,375   | 2,442,375  | -                  | -                        | -                      | -                 | 2,442,375   |
| Current Tax Liabilities   | 1,158,997   | 1,158,997  | -                  | -                        | -                      | -                 | 1,158,997   |
| Deferred Tax Liabilities  | -   | -  | -                  | -                        | -                      | -                 | -   |
| Subordinated Debt Instruments   | 8,100,496   | 8,100,496  | -                  | -                        | -                      | -                 | 8,100,496   |
| Other Liabilities   | 4,376,751   | 4,376,751  | -                  | -                        | -                      | -                 | 4,376,751   |
| Equity  | 10,456,853  | 10,456,853   | -                  | -                        | -                      | -                 | 10,456,853  |
| <b>Total Liabilities</b>  | <b>254,068,260</b>  | <b>254,068,260</b>   | <b>-</b>           | <b>6,495,137</b>         | <b>-</b>               | <b>-</b>          | <b>247,573,123</b>  |

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

|   | Total              | Items subject to credit risk framework | Items subject to securitisation framework | Items subject to counterparty credit risk framework | Items subject to market risk framework |
|---|--------------------|--|---|---|--|
| 1- Carrying Value of Assets in Accordance with TAS (as in template 1B)                    | 254,068,260        | 246,254,823                            | -   | 1,643,354   | 12,185,648                             |
| 2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)               | -                  | -                                      | -   | 6,495,137   | -                                      |
| 3- Total net amount   | 254,068,260        | 246,254,823                            | -   | 8,138,491   | 12,185,648                             |
| 4- Off-balance sheet amounts  | 154,328,304        | 8,193,056                              | -   | 1,621,200   | 73,572,361                             |
| 5- Differences in valuations  | -                  | -                                      | -   | -   | -                                      |
| 6 Differences due to different netting rules (other than those already included in row 2) | -                  | -                                      | -   | -   | -                                      |
| 7- Differences due to consideration of provisions   | -                  | -                                      | -   | -   | -                                      |
| 8- Differences due to prudential filters  | -                  | (74,787,429)                           | -   | -   | -                                      |
| <b>9-Risk Amounts</b>   | <b>408,396,564</b> | <b>179,660,450</b>                     | <b>-</b>                                  | <b>9,759,691</b>                                    | <b>85,758,009</b>                      |

**10.2. General qualitative information on credit risk**

**10.2.1. How the business model translates into the components of the bank's credit risk profile**

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

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

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

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

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

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

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

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

The units within the scope of internal systems have been established within the organizational structure of the Bank depending on the Board of Directors. The Board of Directors has transferred its duties and responsibilities related to risk management, internal control and compliance to the Risk Committee consisting of three members of the board of directors. The Risk Management Department, the Internal Control Department and the Compliance Department carry out their activities under the supervision and coordination of the Risk Committee. The Board of Directors carries out its duties and responsibilities related to internal audit through the Audit Committee, which consists of three members of the Board of Directors. The Chairman of the Board of Inspectors performs internal audit activities under the supervision and coordination of the Audit Committee.

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

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

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

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

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

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

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

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

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

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

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

**Credit quality of assets**

| Current Period |                                 | Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation |                    | Provisions / depreciation and impairment | Net amount         |
|----------------|---------------------------------|--|--------------------|--|--------------------|
|                |                                 | Defaulted  | Non-Defaulted      |  |                    |
| 1              | Loans                           | 3,075,409  | 120,511,050        | 2,787,895                                | 120,798,564        |
| 2              | Debt securities                 | -  | 37,255,610         | 291,639                                  | 36,963,971         |
| 3              | Off-balance sheet exposures (*) | 527,586  | 30,379,913         | 522,426                                  | 30,385,073         |
| 4              | <b>Total</b>                    | <b>3,602,995</b>   | <b>188,146,573</b> | <b>3,601,960</b>                         | <b>188,147,608</b> |

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

| Prior Period |                                 | Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation |                    | Provisions / depreciation and impairment | Net amount         |
|--------------|---------------------------------|--|--------------------|--|--------------------|
|              |                                 | Defaulted  | Non-Defaulted      |  |                    |
| 1            | Loans                           | 2,934,591  | 76,201,259         | 2,517,875                                | 76,617,975         |
| 2            | Debt securities                 | -  | 26,921,122         | 210,952                                  | 26,710,170         |
| 3            | Off-balance sheet exposures (*) | 451,931  | 19,502,927         | 439,754                                  | 19,515,104         |
| 4            | <b>Total</b>                    | <b>3,386,522</b>   | <b>122,625,308</b> | <b>3,168,581</b>                         | <b>122,843,249</b> |

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

**Changes in Stock of Defaulted Loans and Debt Securities**

|   |   | Current Period   | Prior Period     |
|---|---|------------------|------------------|
| 1 | Defaulted loans and debt securities at end of the previous reporting period           | 2,934,591        | 2,043,674        |
| 2 | Loans and debt securities that have been defaulted since the last reporting period    | 1,298,362        | 1,603,148        |
| 3 | Receivables back to non-defaulted status  | -                | -                |
| 4 | Amounts written off   | 397,786          | 360,809          |
| 5 | Other changes   | (759,758)        | (351,422)        |
| 6 | <b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b> | <b>3,075,409</b> | <b>2,934,591</b> |

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**10.6. Qualitative disclosures related to the credit quality of assets**

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

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

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

All loans that have completed the delay process determined in accordance with the legal regulations within the relevant month in the Bank are automatically taken into follow-up accounts and are subject to special provision. In very exceptional cases and due to a court decision, the delay process is stopped, and the Bank's loan amount in this context is insignificant as of December 31, 2021.

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

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

**10.6.4. Definition of restructured receivables**

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

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

Distribution of cash receivables by sectors is as follows:

| <b>Sector</b>                              | <b>Current Period – Cash Loan Amount</b> | <b>Prior Period – Cash Loan Amount</b> |
|--|--|--|
| Individual                                 | 14,874,360                               | 13,909,479                             |
| Other Services                             | 6,840,496                                | 4,640,643                              |
| Education                                  | 419,228                                  | 341,268                                |
| Real Estate and Brokerage                  | 1,133,378                                | 789,411                                |
| Financial Services                         | 10,301,048                               | 3,565,746                              |
| Food, Beverage, Tobacco                    | 4,161,290                                | 2,298,695                              |
| Government                                 | 1,915,895                                | 1,658,117                              |
| Production                                 | 6,210,038                                | 3,929,433                              |
| Construction (Commitment)                  | 11,638,588                               | 7,182,415                              |
| Construction (Build-and-sell)              | 5,110,897                                | 4,227,056                              |
| Public Services (Electricity, Water & Gas) | 9,088,310                                | 4,714,626                              |
| Mining & Chemistry                         | 7,440,687                                | 4,210,197                              |
| Machinery Equipment                        | 1,645,501                                | 663,178                                |
| Automotive                                 | 4,152,816                                | 2,754,410                              |
| Oil, Gas and Oil Products                  | 481,438                                  | 1,288,244                              |
| Health                                     | 1,300,213                                | 975,627                                |
| Agriculture                                | 776,903                                  | 494,186                                |
| Textile                                    | 10,747,052                               | 5,637,005                              |
| Wholesale & Retail                         | 21,038,103                               | 13,548,557                             |
| Tourism                                    | 592,941                                  | 416,342                                |
| Transportation & Warehouse                 | 3,497,344                                | 1,809,413                              |
| <b>Total</b>                               | <b>123,366,526</b>                       | <b>79,054,048</b>                      |

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

| <b>Region</b>            | <b>Current Period – Cash Loan Amount</b> | <b>Prior Period – Cash Loan Amount</b> |
|--------------------------|--|--|
| Akdeniz Region           | 8,885,628                                | 5,664,298                              |
| Dogu Anadolu Region      | 1,992,872                                | 1,580,628                              |
| Ege Region               | 5,796,850                                | 5,077,225                              |
| Güneydogu Anadolu Region | 7,766,209                                | 4,585,283                              |
| İç Anadolu Region        | 20,384,485                               | 13,976,577                             |
| Karadeniz Region         | 3,334,466                                | 2,581,377                              |
| Marmara Region           | 66,450,397                               | 44,902,262                             |
| Foreign                  | 8,755,619                                | 686,398                                |
| <b>Total</b>             | <b>123,366,526</b>                       | <b>79,054,048</b>                      |

The maturity distribution of cash receivables is as follows:

| <b>Maturity Distribution</b> | <b>Current Period – Cash Loan Amount</b> | <b>Prior Period – Cash Loan Amount</b> |
|------------------------------|--|--|
| Up to 1 year                 | 56,323,893                               | 29,154,405                             |
| 1-3 years                    | 32,607,859                               | 24,016,037                             |
| 3-5 years                    | 18,958,672                               | 12,965,628                             |
| 5 years and more             | 14,413,860                               | 11,567,101                             |
| Defaulted                    | 1,062,242                                | 1,350,877                              |
| <b>Total</b>                 | <b>123,366,526</b>                       | <b>79,054,048</b>                      |



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

| Current Period - Sector              | Loans Under Follow-Up | Specific Provisions | Write-Offs (*) |
|--------------------------------------|-----------------------|---------------------|----------------|
| <b>Agriculture</b>                   | <b>33,900</b>         | <b>30,204</b>       | <b>16,621</b>  |
| Farming and Stockbreeding            | 14,129                | 12,827              | 13,796         |
| Forestry                             | 19,771                | 17,377              | 2              |
| Fishery                              | -                     | -                   | 2,823          |
| <b>Manufacturing</b>                 | <b>561,557</b>        | <b>490,917</b>      | <b>95,011</b>  |
| Mining and Quarrying                 | 155,218               | 140,135             | 15,618         |
| Production                           | 396,355               | 341,057             | 77,918         |
| Electricity, Gas and Water           | 9,984                 | 9,725               | 1,475          |
| <b>Construction</b>                  | <b>1,185,613</b>      | <b>1,107,079</b>    | <b>112,898</b> |
| <b>Services</b>                      | <b>1,150,166</b>      | <b>1,034,267</b>    | <b>153,591</b> |
| Wholesale and Retail Trade           | 699,548               | 621,122             | 108,525        |
| Accommodation and Dining             | 147,909               | 137,120             | 2,094          |
| Transportation and Telecommunication | 95,547                | 85,323              | 33,408         |
| Financial Institutions               | 5,529                 | 5,503               | -              |
| Real Estate and Rental Services      | 48,889                | 44,636              | 902            |
| Professional Services                | -                     | -                   | -              |
| Educational Services                 | 113,883               | 106,375             | 1,148          |
| Health and Social Services           | 38,861                | 34,188              | 7,514          |
| <b>Other</b>                         | <b>144,173</b>        | <b>125,428</b>      | <b>19,665</b>  |
| <b>TOTAL</b>                         | <b>3,075,409</b>      | <b>2,787,895</b>    | <b>397,786</b> |

| Prior Period - Sector                | Loans Under Follow-Up | Specific Provisions | Write-Offs (*) |
|--------------------------------------|-----------------------|---------------------|----------------|
| <b>Agriculture</b>                   | <b>50,399</b>         | <b>38,958</b>       | <b>18,921</b>  |
| Farming and Stockbreeding            | 28,780                | 23,340              | 2,283          |
| Forestry                             | 18,341                | 12,340              | 16,638         |
| Fishery                              | 3,278                 | 3,278               | -              |
| <b>Manufacturing</b>                 | <b>446,459</b>        | <b>390,889</b>      | <b>45,388</b>  |
| Mining and Quarrying                 | 62,382                | 53,334              | 6,621          |
| Production                           | 349,118               | 306,499             | 38,320         |
| Electricity, Gas and Water           | 34,959                | 31,056              | 447            |
| <b>Construction</b>                  | <b>1,274,309</b>      | <b>1,135,664</b>    | <b>86,652</b>  |
| <b>Services</b>                      | <b>1,018,028</b>      | <b>853,605</b>      | <b>186,508</b> |
| Wholesale and Retail Trade           | 646,277               | 552,266             | 66,467         |
| Accommodation and Dining             | 105,965               | 88,081              | 919            |
| Transportation and Telecommunication | 95,954                | 77,281              | 114,419        |
| Financial Institutions               | 3,939                 | 3,865               | -              |
| Real Estate and Rental Services      | 38,410                | 32,504              | 1,084          |
| Professional Services                | 183                   | 146                 | -              |
| Educational Services                 | 67,631                | 52,426              | 416            |
| Health and Social Services           | 59,669                | 47,036              | 3,203          |
| <b>Other</b>                         | <b>145,396</b>        | <b>98,759</b>       | <b>23,340</b>  |
| <b>TOTAL</b>                         | <b>2,934,591</b>      | <b>2,517,875</b>    | <b>360,809</b> |

(\*) Refers to the loans worth TL 110,353 that were deleted in 2020, one hundred percent provisioned from non-performing loans and sold to an asset management company.

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| Current Period - Geographic Region | Non-performing Loans | Provisions       | Write-Offs     |
|------------------------------------|----------------------|------------------|----------------|
| Marmara Region                     | 1,667,765            | 1,478,442        | 278,636        |
| Güneydogu Anadolu Region           | 137,832              | 132,291          | 15,193         |
| İç Anadolu Region                  | 824,963              | 768,159          | 38,553         |
| Akdeniz Region                     | 175,919              | 162,414          | 22,065         |
| Ege Region                         | 165,289              | 154,071          | 23,998         |
| Dogu Anadolu Region                | 69,691               | 61,411           | 15,132         |
| Karadeniz Region                   | 33,950               | 31,107           | 4,209          |
| <b>Total</b>                       | <b>3,075,409</b>     | <b>2,787,895</b> | <b>397,786</b> |

| Prior Period - Geographic Region | Non-performing Loans | Provisions       | Write-Offs (*) |
|----------------------------------|----------------------|------------------|----------------|
| Marmara Region                   | 125,209              | 111,948          | 125,413        |
| Güneydogu Anadolu Region         | 38,755               | 35,916           | 3,520          |
| İç Anadolu Region                | 189,331              | 162,867          | 14,773         |
| Akdeniz Region                   | 227,320              | 187,949          | 15,544         |
| Ege Region                       | 755,803              | 683,200          | 23,859         |
| Dogu Anadolu Region              | 34,373               | 28,682           | 3,481          |
| Karadeniz Region                 | 1,563,800            | 1,307,313        | 174,219        |
| <b>Total</b>                     | <b>2,934,591</b>     | <b>2,517,875</b> | <b>360,809</b> |

(\*) Includes loans deleted from assets in 2020 and the amount of TL 110,353 that has been reserved for 100% of non-performing loans and sold to an asset management company

**10.6.7. Aging analysis for non-performing loans**

| Current period                 | Up to 3 Months | 3-12 Months    | 1-3 Years        | 3-5 Years      | 5 Years and Over |
|--------------------------------|----------------|----------------|------------------|----------------|------------------|
| Corporate and Commercial Loans | 258,270        | 261,972        | 2,135,269        | 229,408        | 89,846           |
| Retail Loans                   | 5,054          | 7,683          | 16,870           | 42,272         | 4,852            |
| Credit cards                   | 10,422         | 6,016          | 5,515            | 1,671          | 289              |
| Other                          | -              | -              | -                | -              | -                |
| <b>Total</b>                   | <b>273,746</b> | <b>275,671</b> | <b>2,157,654</b> | <b>273,351</b> | <b>94,987</b>    |

| Prior Period                   | Up to 3 Months | 3-12 Months    | 1-3 Years        | 3-5 Years      | 5 Years and Over |
|--------------------------------|----------------|----------------|------------------|----------------|------------------|
| Corporate and Commercial Loans | 713,826        | 554,630        | 1,426,747        | 115,934        | 38,185           |
| Retail Loans                   | 4,959          | 12,756         | 41,077           | 7,062          | 1,322            |
| Credit cards                   | 2,534          | 6,615          | 7,820            | 855            | 269              |
| Other                          | -              | -              | -                | -              | -                |
| <b>Total</b>                   | <b>721,319</b> | <b>574,001</b> | <b>1,475,644</b> | <b>123,851</b> | <b>39,776</b>    |

**10.6.8. Breakdown of Restructured receivables according to their provisions**

| Restruction Status | Current Period - Risk | Prior Period - Risk |
|--------------------|-----------------------|---------------------|
| Performing         | 3,215,853             | 2,624,343           |
| Non-Performing     | 617,163               | 264,327             |
| <b>Total</b>       | <b>3,833,016</b>      | <b>2,888,670</b>    |

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**10.7. Credit Risk Mitigation**

**10.7.1 Qualitative information on Credit Risk Mitigation Techniques**

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

**10.7.2 Credit risk mitigation techniques**

| Current Period |                 | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|----------------|-----------------|---|---------------------------------|--|---|--|---|--|
| 1              | Loans           | 78,360,551                                      | 35,189,340                      | 3,119,489  | 7,248,673                                 | 5,915,415  | -                                       | -  |
| 2              | Debt securities | 36,963,971                                      | -                               | -  | -   | -  | -                                       | -  |
| 3              | <b>Total</b>    | <b>115,324,522</b>                              | <b>35,189,340</b>               | <b>3,119,489</b>   | <b>7,248,673</b>                          | <b>5,915,415</b>   | -                                       | -  |
| 4              | Overdue         | 74,887  | 168,958                         | 13,189   | 43,669                                    | 27,132   | -                                       | -  |

| Prior Period |                 | Exposures unsecured: carrying amount as per TAS | Exposures secured by collateral | Collateralized amount of exposures secured by collateral | Exposures secured by financial guarantees | Collateralized amount of exposures secured by financial guarantees | Exposures secured by credit derivatives | Collateralized amount of exposures secured by credit derivatives |
|--------------|-----------------|---|---------------------------------|--|---|--|---|--|
| 1            | Loans           | 48,988,853                                      | 19,931,237                      | 1,520,524  | 7,697,885                                 | 5,885,160  | -                                       | -  |
| 2            | Debt securities | 26,710,170                                      | -                               | -  | -   | -  | -                                       | -  |
| 3            | <b>Total</b>    | <b>75,699,023</b>                               | <b>19,931,237</b>               | <b>1,520,524</b>   | <b>7,697,885</b>                          | <b>5,885,160</b>   | -                                       | -  |
| 4            | Overdue         | 106,245   | 108,086                         | 1,296  | 202,384                                   | 62,408   | -                                       | -  |

**10.8. Explanations on Counterparty Credit Risk (CCR)**

**10.8.1. Risk management objectives and policies for CCR**

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

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

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

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

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

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**10.8.4. Rules with respect to wrong-way risk**

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

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

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

**10.8.6. Counterparty credit risk (CCR) approach analysis**

|   | Current Period   | Replacement Cost | Potential future exposure | EEPE | Alpha used for computing regulatory EAD | Risk amount after credit risk mitigation | Risk weighted amounts |
|---|--|------------------|---------------------------|------|---|--|-----------------------|
| 1 | Standardised Approach CCR (for derivatives) (*)  | 1,136,314        | 484,886                   |      | 1.4                                     | 1,621,200                                | 770,407               |
| 2 | Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)                             |                  |                           |      |   |  |                       |
| 3 | Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)        |                  |                           |      |   |  |                       |
| 4 | Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) |                  |                           |      |   |  |                       |
| 5 | Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions                                 |                  |                           |      |   |  |                       |
| 6 | <b>Total</b>   |                  |                           |      |   |  | <b>770,407</b>        |

|   | Prior Period   | Replacement Cost | Potential future exposure | EEPE | Alpha used for computing regulatory EAD | Risk amount after credit risk mitigation | Risk weighted amounts |
|---|--|------------------|---------------------------|------|---|--|-----------------------|
| 1 | Standardised Approach CCR (for derivatives) (*)  | 391,995          | 582,299                   |      | 1.4                                     | 974,294                                  | 212,440               |
| 2 | Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)                             |                  |                           |      |   |  |                       |
| 3 | Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)        |                  |                           |      |   |  |                       |
| 4 | Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) |                  |                           |      |   |  |                       |
| 5 | Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions                                 |                  |                           |      |   |  |                       |
| 6 | <b>Total</b>   |                  |                           |      |   |  | <b>212,440</b>        |

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

|   |   | Current Period  |                       | Prior Period  |                       |
|---|---|---|-----------------------|---|-----------------------|
|   |   | Risk amount (after using credit risk mitigation techniques) | Risk weighted amounts | Risk amount (after using credit risk mitigation techniques) | Risk weighted amounts |
| Total portfolios subject to the Advanced CVA capital obligation |   |   |                       |   |                       |
| 1   | (i) VaR component (including the 3×multiplier)                    | -   | -                     | -   | -                     |
| 2   | (ii) Stressed VaR component (including the 3×multiplier)          | -   | -                     | -   | -                     |
| 3   | All portfolios subject to the Standardised CVA capital obligation | 1,621,200   | 18,676                | 974,294   | 32,939                |
| 4   | <b>Total subject to the CVA capital obligation</b>                | <b>1,621,200</b>  | <b>18,676</b>         | <b>974,294</b>  | <b>32,939</b>         |

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**10.8.8.CCR exposures by risk class and risk weights**

| Risk Classes / Risk Weights * |  | 0%               | 10%      | 20%            | 50%            | 75%           | 100%           | 150%     | 200%     | Others **    | Total credit risk* |
|-------------------------------|--|------------------|----------|----------------|----------------|---------------|----------------|----------|----------|--------------|--------------------|
| 1                             | Receivables from central governments and Central Banks             | 5,221,288        | -        | -              | -              | -             | -              | -        | -        | -            | -                  |
| 2                             | Receivables from regional and local government                     | -                | -        | -              | -              | -             | -              | -        | -        | -            | -                  |
| 3                             | Receivables from administrative bodies and non-commercial entities | -                | -        | -              | -              | -             | -              | -        | -        | -            | -                  |
| 4                             | Receivables from multilateral development banks                    | -                | -        | -              | -              | -             | -              | -        | -        | -            | -                  |
| 5                             | Receivables from international organizations                       | -                | -        | -              | -              | -             | -              | -        | -        | -            | -                  |
| 6                             | Receivables from banks and brokerage houses                        | -                | -        | 560,270        | 773,915        | -             | -              | -        | -        | -            | 499,012            |
| 7                             | Receivables from corporate   | -                | -        | -              | -              | -             | 232,801        | -        | -        | -            | 232,801            |
| 8                             | Retail receivables   | -                | -        | -              | -              | 32,436        | -              | -        | -        | -            | 24,327             |
| 17                            | Other receivables  | -                | -        | -              | 3,984          | -             | 10,259         | -        | -        | 5,760        | 14,267             |
| 18                            | <b>Total</b>   | <b>5,221,288</b> | <b>-</b> | <b>560,270</b> | <b>777,899</b> | <b>32,436</b> | <b>243,060</b> | <b>-</b> | <b>-</b> | <b>5,760</b> | <b>770,407</b>     |

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

\*\* 35% Risk Weight is classified in Others.

| Prior Period - Risk Classes / Risk Weights * |  | 0%             | 10%      | 20%            | 50%           | 75%           | 100%          | 150%     | 200%     | Others **    | Total credit risk* |
|--|--|----------------|----------|----------------|---------------|---------------|---------------|----------|----------|--------------|--------------------|
| 1  | Receivables from central governments and Central Banks             | 456,708        | -        | -              | -             | -             | -             | -        | -        | -            | -                  |
| 2  | Receivables from regional and local government                     | -              | -        | -              | -             | -             | -             | -        | -        | -            | -                  |
| 3  | Receivables from administrative bodies and non-commercial entities | -              | -        | -              | -             | -             | -             | -        | -        | -            | -                  |
| 4  | Receivables from multilateral development banks                    | -              | -        | -              | -             | -             | -             | -        | -        | -            | -                  |
| 5  | Receivables from international organizations                       | -              | -        | -              | -             | -             | -             | -        | -        | -            | -                  |
| 6  | Receivables from banks and brokerage houses                        | -              | -        | 579,192        | 38,928        | -             | -             | -        | -        | -            | 135,302            |
| 7  | Receivables from corporate   | -              | -        | -              | -             | -             | 59,147        | -        | -        | -            | 59,147             |
| 8  | Retail receivables   | -              | -        | -              | -             | 17,793        | -             | -        | -        | -            | 13,345             |
| 9  | Other receivables  | -              | -        | -              | -             | -             | -             | -        | -        | -            | -                  |
| 18   | <b>Total</b>   | <b>456,708</b> | <b>-</b> | <b>579,192</b> | <b>39,435</b> | <b>17,793</b> | <b>62,612</b> | <b>-</b> | <b>-</b> | <b>2,648</b> | <b>212,440</b>     |

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

\*\* 35% Risk Weight is classified in Others.

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**11. Securitization Positions**

None.

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

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

**13. Qualitative explanations on market risk**

**13.1. Bank's processes and strategies**

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

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

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

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

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

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

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

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

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

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

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

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

Definition of the market risk management structure established for the implementation of the bank's strategies and processes and the communication mechanism and relationship between the different parties involved in market risk management, as described in paragraph 1 of 12.1.

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

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

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

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

The details of the market risk calculated as of 31 December 2021 and 31 December 2020 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

**13.4. Market risk under standardised approach**

|   |  | <b>Risk Weighted<br/>Amounts</b> | <b>Risk Weighted<br/>Amounts</b> |
|---|--|----------------------------------|----------------------------------|
|   |  | <b>Current Period</b>            | <b>Prior Period</b>              |
|   | <b>Outright products</b>                 | <b>4,998,996</b>                 | <b>3,250,536</b>                 |
| 1 | Profit share risk (general and specific) | 3,066,259                        | 1,921,915                        |
| 2 | Equity risk (general and specific)       | 36,702                           | -                                |
| 3 | Foreign exchange risk                    | 351,879                          | 141,109                          |
| 4 | Commodity risk                           | 1,544,156                        | 1,187,512                        |
|   | <b>Options</b>                           | -                                | -                                |
| 5 | Simplified approach                      | -                                | -                                |
| 6 | Delta-plus method                        | -                                | -                                |
| 7 | Scenario approach                        | -                                | -                                |
| 8 | <b>Securitisation</b>                    | -                                | -                                |
| 9 | <b>Total</b>                             | <b>4,998,996</b>                 | <b>3,250,536</b>                 |



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**13.5. Explanations on Operational Risk**

"Basic Indicator Method" is used in operational risk calculation of the Bank. The sum that is the basis for the operational risk is calculated by the use of the gross revenues of the Bank for the last 3 years, 2020, 2019 and 2018 in compliance with "Third Section "Calculation of the Operational Risk" of The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks published in the Official Gazette numbered 29111 and dated 6 September 2014. The annual gross revenue is calculated by addition of the net fees and commission revenues, dividend income obtained other than subsidiaries and affiliates, the trading gain/loss(net) and other operating income to the net profit share income and by deduction of the gain/loss from the sale of the assets accounted other than the trading book, extraordinary income, the operational expenses for the support services taken from the main shareholder of the bank, subsidiary of the bank or subsidiary of the shareholder of the bank performing the calculation or the institutions which are subject to the relevant Regulation or the equivalent arrangements and the operational expenses for the support service taken from a bank and the amounts compensated from insurance. TL 14,138,871 corresponding to the 8% of TL 1,131,110 used in the calculation of the operational risk within the scope of "Capital adequacy standard rate" indicated in the disclosure I of this section, represents the operational risk which might be exposed to. TL 1,131,110 also defines the minimum capital sum which is required in order to eliminate the mentioned risk.

| <b>Current Period</b>                  | <b>31/12/2018<br/>Amount</b> | <b>31/12/2019<br/>Amount</b> | <b>31/12/2020<br/>Amount</b> | <b>Total/ No. of<br/>Years of<br/>Positive Gross</b> | <b>Rate<br/>(%)</b> | <b>Total</b> |
|--|------------------------------|------------------------------|------------------------------|--|---------------------|--------------|
| Gross Income                           | 3,992,162                    | 5,225,501                    | 7,050,036                    | 5,422,566  | 15                  | 813,385      |
| Value at Operational Risk (Total*12.5) |                              |                              |                              |  |                     | 10,167,312   |

| <b>Prior Period</b>                    | <b>31/12/2017<br/>Amount</b> | <b>31/12/2018<br/>Amount</b> | <b>31/12/2019<br/>Amount</b> | <b>Total/ No. of<br/>Years of<br/>Positive Gross</b> | <b>Rate<br/>(%)</b> | <b>Total</b> |
|--|------------------------------|------------------------------|------------------------------|--|---------------------|--------------|
| Gross Income                           | 2,739,187                    | 3,992,162                    | 5,225,501                    | 3,985,617  | 15                  | 597,843      |
| Value at Operational Risk (Total*12.5) |                              |                              |                              |  |                     | 7,473,031    |

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

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

**Current Period:**

|   | Currency                           | Applied Shock<br>(+/- x basis points) | Gains/<br>Losses | Gains/Shareholder's equity -<br>Losses/shareholder's equity |
|---|------------------------------------|---------------------------------------|------------------|---|
| 1 | TL                                 | (+) 500bp                             | (521,604)        | (2.73%)   |
| 2 | TL                                 | (-) 400bp                             | 486,326          | 2.55%   |
| 3 | USD                                | (+) 200bp                             | 748,776          | 3.92%   |
| 4 | USD                                | (-) 200bp                             | (792,981)        | (4.15%)   |
| 5 | EURO                               | (+) 200bp                             | 162,645          | 0.85%   |
| 6 | EURO                               | (-) 200bp                             | (158,010)        | (0.83%)   |
|   | <b>Total (For Negative Shocks)</b> |                                       | <b>(464,665)</b> | <b>(2.43%)</b>  |
|   | <b>Total (For Positive Shocks)</b> |                                       | <b>389,817</b>   | <b>2.04%</b>  |

**Prior Period:**

|   | Currency                           | Applied Shock<br>(+/- x basis points) | Gains/<br>Losses   | Gains/Shareholder's equity -<br>Losses/shareholder's equity |
|---|------------------------------------|---------------------------------------|--------------------|---|
| 1 | TL                                 | (+) 500bp                             | (1,930,380)        | (15.27%)  |
| 2 | TL                                 | (-) 400bp                             | 1,815,712          | 14.36%  |
| 3 | USD                                | (+) 200bp                             | 471,594            | 3.73%   |
| 4 | USD                                | (-) 200bp                             | (514,239)          | (4.07%)   |
| 5 | EURO                               | (+) 200bp                             | 371,746            | 2.94%   |
| 6 | EURO                               | (-) 200bp                             | (385,722)          | (3.05%)   |
|   | <b>Total (For Negative Shocks)</b> |                                       | <b>915,751</b>     | <b>7.24%</b>  |
|   | <b>Total (For Positive Shocks)</b> |                                       | <b>(1,087,040)</b> | <b>(8.60%)</b>  |

**13.7. Risk management objectives and policies**

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

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

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

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

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

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

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

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles as of 31 December 2021 and 31 December 2020 are given in the table below:

| <b>Current Period</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|---|----------------|----------------|----------------|--------------|
| <b>Financial assets</b>   |                |                |                |              |
| Financial assets at fair value through profit or loss             | 12,185,648     | 1,643,354      | -              | 13,829,002   |
| Forward transactions  | -              | 358,296        | -              | 358,296      |
| Swap transactions   | -              | 1,285,058      | -              | 1,285,058    |
| Government debt securities  | 11,035,607     | -              | -              | 11,035,607   |
| Other marketable securities                                       | -              | 1,150,041      | -              | 1,150,041    |
| Financial assets at fair value through other comprehensive income | 32,165,357     | -              | -              | 32,165,357   |
| Equity securities   | 82,887         | -              | -              | 82,887       |
| Government debt securities  | 31,706,197     | -              | -              | 31,706,197   |
| Other marketable securities                                       | -              | 376,273        | -              | 376,273      |
| <b>Financial liabilities</b>                                      |                |                |                |              |
| Financial liabilities at fair value through profit or loss        | -              | 257,913        | -              | 257,913      |
| Forward transactions  | -              | 132,843        | -              | 132,843      |
| Swap transactions   | -              | 125,070        | -              | 125,070      |
| Financial liabilities for hedging purposes                        | -              | -              | -              | -            |
| <b>Prior Period</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <b>Financial assets</b>   |                |                |                |              |
| Financial assets at FVTPL   | 7,839,447      | 460,984        | -              | 8,300,431    |
| Forward transactions  | -              | 52,326         | -              | 52,326       |
| Swap transactions   | -              | 408,658        | -              | 408,658      |
| Government debt securities  | 7,050,998      | -              | -              | 7,050,998    |
| Other marketable securities                                       | -              | 788,449        | -              | 788,449      |
| Financial assets at FVOCI   | 20,795,073     | -              | -              | 20,795,073   |
| Equity securities   | 48,461         | -              | -              | 48,461       |
| Government debt securities  | 20,489,638     | -              | -              | 20,489,638   |
| Other marketable securities                                       | -              | 256,974        | -              | 256,974      |
| <b>Financial liabilities</b>                                      |                |                |                |              |
| Financial liabilities at fair value through profit or loss        | -              | 1,676,806      | -              | 1,676,806    |
| Forward transactions  | -              | 26,008         | -              | 26,008       |
| Swap transactions   | -              | 1,650,798      | -              | 1,650,798    |
| Financial liabilities for hedging purposes                        | -              | -              | -              | -            |

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

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**14. Explanations on business segments**

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

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

Retail Banking includes fund collection, installment commercial loans, business loans, non cash loans, consumer financing and credit cards. The Bank serves in the range of products areas of profit share accounts creation, banking services, trade finance, checks, POS services, credit cards, ATM services, online banking and mobile banking in these fields.

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

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**Selected balance sheet and income statement items according to segments**

| <b>Current Period</b>                       |                    | <b>Corporate and</b> | <b>Treasury and</b>  |                    |                     |
|---|--------------------|----------------------|----------------------|--------------------|---------------------|
| <b>1 January 2021-31 December 2021</b>      | <b>Retail</b>      | <b>Commercial</b>    | <b>international</b> | <b>Unallocated</b> | <b>Bank's total</b> |
|   | <b>Banking</b>     | <b>banking</b>       | <b>banking</b>       |                    | <b>operation</b>    |
| Operating income                            | 7,439,309          | 7,973,873            | 1,670,880            | -                  | 17,084,062          |
| Operating expenses (-)                      | 7,168,940          | 2,356,186            | 1,416,232            | 2,595,338          | 13,536,696          |
| Transfers between segments                  | 3,536,129          | (3,394,812)          | (141,317)            | -                  | -                   |
| <b>Net operating income(loss)</b>           | <b>3,806,498</b>   | <b>2,222,875</b>     | <b>113,331</b>       | <b>(2,595,338)</b> | <b>3,547,366</b>    |
| Income from associates                      | -                  | -                    | -                    | -                  | -                   |
| <b>Income (loss) before tax</b>             | <b>3,806,498</b>   | <b>2,222,875</b>     | <b>113,331</b>       | <b>(2,595,338)</b> | <b>3,547,366</b>    |
| Provision for taxation (-)                  | -                  | -                    | -                    | 1,045,639          | 1,045,639           |
| <b>Net income for the period</b>            | <b>3,806,498</b>   | <b>2,222,875</b>     | <b>113,331</b>       | <b>(3,640,977)</b> | <b>2,501,727</b>    |
| <b>Current Period</b>                       |                    |                      |                      |                    |                     |
| <b>31 December 2021</b>                     |                    |                      |                      |                    |                     |
| Segment assets                              | 37,357,906         | 77,548,111           | 130,889,108          | -                  | 245,795,125         |
| Associates, subsidiaries and joint ventures | -                  | -                    | -                    | 1,481,015          | 1,481,015           |
| Undistributed assets                        | -                  | -                    | -                    | 6,792,120          | 6,792,120           |
| <b>Total assets</b>                         | <b>37,357,906</b>  | <b>77,548,111</b>    | <b>130,889,108</b>   | <b>8,273,135</b>   | <b>254,068,260</b>  |
| Segment liabilities                         | 175,293,567        | 36,811,822           | 23,527,895           | -                  | 235,633,284         |
| Undistributed liabilities                   | -                  | -                    | -                    | 7,978,123          | 7,978,123           |
| Shareholders' equity                        | -                  | -                    | -                    | 10,456,853         | 10,456,853          |
| <b>Total liabilities</b>                    | <b>175,293,567</b> | <b>36,811,822</b>    | <b>23,527,895</b>    | <b>18,434,976</b>  | <b>254,068,260</b>  |
| <b>Prior Period</b>                         |                    |                      |                      |                    |                     |
| <b>1 January 2020 – 31 December 2020</b>    | <b>Retail</b>      | <b>Corporate</b>     | <b>Treasury and</b>  | <b>Unallocated</b> | <b>Bank's total</b> |
|   | <b>Banking</b>     | <b>Commercial</b>    | <b>international</b> |                    | <b>Operation</b>    |
| Operating income                            | 3,100,309          | 7,591,132            | 330,557              | -                  | 11,021,998          |
| Operating expenses (-)                      | 4,495,606          | 902,367              | 1,712,295            | 2,059,047          | 9,169,315           |
| Transfers between segments                  | 2,372,885          | (479,349)            | (1,893,536)          | -                  | -                   |
| <b>Net operating income(loss)</b>           | <b>977,588</b>     | <b>6,209,416</b>     | <b>(3,275,274)</b>   | <b>(2,059,047)</b> | <b>1,852,683</b>    |
| Income from associates                      | -                  | -                    | -                    | -                  | -                   |
| <b>Income (loss) before tax</b>             | <b>977,588</b>     | <b>6,209,416</b>     | <b>(3,275,274)</b>   | <b>(2,059,047)</b> | <b>1,852,683</b>    |
| Provision for taxation (-)                  | -                  | -                    | -                    | 452,402            | 452,402             |
| <b>Net income for the period</b>            | <b>977,588</b>     | <b>6,209,416</b>     | <b>(3,275,274)</b>   | <b>(2,511,449)</b> | <b>1,400,281</b>    |
| <b>Prior Period</b>                         |                    |                      |                      |                    |                     |
| <b>31 December 2020</b>                     |                    |                      |                      |                    |                     |
| Segment assets                              | 29,924,797         | 43,516,111           | 66,183,752           | -                  | 139,624,660         |
| Associates, subsidiaries and joint ventures | -                  | -                    | -                    | 1,481,015          | 1,481,015           |
| Undistributed assets                        | -                  | -                    | -                    | 11,184,640         | 11,184,640          |
| <b>Total assets</b>                         | <b>29,924,797</b>  | <b>43,516,111</b>    | <b>66,183,752</b>    | <b>12,665,655</b>  | <b>152,290,315</b>  |
| <b>Prior Period</b>                         |                    |                      |                      |                    |                     |
| <b>31 December 2020</b>                     |                    |                      |                      |                    |                     |
| Segment liabilities                         | 100,529,104        | 21,636,217           | 18,392,876           | -                  | 140,558,197         |
| Undistributed liabilities                   | -                  | -                    | -                    | 3,737,021          | 3,737,021           |
| Shareholders' equity                        | -                  | -                    | -                    | 7,995,097          | 7,995,097           |
| <b>Total liabilities</b>                    | <b>100,529,104</b> | <b>21,636,217</b>    | <b>18,392,876</b>    | <b>11,732,118</b>  | <b>152,290,315</b>  |

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**SECTION FIVE**

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS**

**1. Explanations and notes related to assets**

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

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

|  | Current period   |                   | Prior period     |                   |
|--|------------------|-------------------|------------------|-------------------|
|  | TL               | FC                | TL               | FC                |
| Cash/foreign currency                  | 734,131          | 5,330,133         | 630,548          | 2,548,184         |
| The Central Bank of Republic of Turkey | 4,620,318        | 47,690,909        | 512,354          | 19,967,199        |
| Other (*)                              | 29,609           | 7,050,216         | 1,525            | 988,100           |
| <b>Total</b>                           | <b>5,384,058</b> | <b>60,071,258</b> | <b>1,144,427</b> | <b>23,503,483</b> |

(\*) As of 31 December 2021, precious metal account amounting to TL 7,050,216 (31 December 2020 - TL 988,021) and money in transit amounting to TL 29,609 (31 December 2020 – 1,604 TL) are presented in this line.

**1.1.2 Balances with the Central Bank of Turkey**

|                             | Current Period   |                   | Prior Period   |                   |
|-----------------------------|------------------|-------------------|----------------|-------------------|
|                             | TL               | FC                | TL             | FC                |
| Unrestricted demand deposit | 4,540,821        | 11,485,379        | 499,584        | 1,493,876         |
| Restricted time deposit     | -                | -                 | -              | -                 |
| Unrestricted time deposit   | 79,497           | 36,205,530        | 12,770         | 18,473,323        |
| <b>Total</b>                | <b>4,620,318</b> | <b>47,690,909</b> | <b>512,354</b> | <b>19,967,199</b> |

According to the CBRT's Communiqué on Required Reserves No. 2005/1, banks operating in Turkey; Required reserve ratios for Turkish lira and foreign currency liabilities are determined between 3% and 26% by differentiating according to the maturity of liabilities, and these rates are applied by banks as of the date of the report.

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

As of 31 December 2021, there are no financial assets at fair value through profit and loss subject to repurchase transactions, given as a collateral or blocked (31 December 2020 – None).

Positive differences related to marketable derivative financial assets:

|                      | Current period   |                | Prior period   |                |
|----------------------|------------------|----------------|----------------|----------------|
|                      | TL               | FC             | TL             | FC             |
| Forward transactions | 356,312          | 1,984          | 49,633         | 2,693          |
| Swap transactions    | 694,179          | 590,879        | 78,913         | 329,745        |
| Futures transactions | -                | -              | -              | -              |
| Options              | -                | -              | -              | -              |
| Other                | -                | -              | -              | -              |
| <b>Total</b>         | <b>1,050,491</b> | <b>592,863</b> | <b>128,546</b> | <b>332,438</b> |

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**1.3 Information on Banks**

**1.3.1. Information on Banks**

|                                  | Current Period |                   | Prior Period  |                  |
|----------------------------------|----------------|-------------------|---------------|------------------|
|                                  | TL             | FC                | TL            | FC               |
| <b>Banks</b>                     | <b>20,571</b>  | <b>14,502,373</b> | <b>26,317</b> | <b>5,783,150</b> |
| Domestic                         | 20,571         | 2,723,650         | 26,317        | 113,789          |
| Foreign (*)                      | -              | 11,778,723        | -             | 5,669,361        |
| Headquarters and branches abroad | -              | -                 | -             | -                |
| Other Financial Institutions     | -              | -                 | -             | -                |
| <b>Total</b>                     | <b>20,571</b>  | <b>14,502,373</b> | <b>26,317</b> | <b>5,783,150</b> |

(\*) As a result of the changes in the Uniform Chart of Accounts implemented by the BRSA as of January 1, 2021, the foreign currency collaterals given for the derivative transactions made by the Bank with foreign banks, which were monitored in the other assets account in the bank balance sheet in the previous periods, started to be monitored in the banks account as of the current period. As of 31 December 2021, the relevant amount is 308,849 TL.

**1.3.2 Information on foreign banks account**

|                           | Unrestricted Amount |                  | Restricted Amount |              |
|---------------------------|---------------------|------------------|-------------------|--------------|
|                           | Current Period      | Prior Period     | Current Period    | Prior Period |
| EU Countries              | 3,139,792           | 1,176,720        | -                 | -            |
| USA and Canada            | 7,919,998           | 3,842,631        | -                 | -            |
| OECD Countries (*)        | 81,785              | 34,493           | -                 | -            |
| Off-shore Banking Regions | 2,810               | 1,535            | -                 | -            |
| Other                     | 634,338             | 613,982          | -                 | -            |
| <b>Total</b>              | <b>11,778,723</b>   | <b>5,669,361</b> | <b>-</b>          | <b>-</b>     |

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

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

|  | Current period    | Prior Period      |
|--|-------------------|-------------------|
| <b>Debt Securities</b>                     | <b>32,344,629</b> | <b>20,925,430</b> |
| Quoted on stock exchange                   | 32,344,629        | 20,925,430        |
| Not quoted on stock exchange               | -                 | -                 |
| <b>Share certificates/Investment Funds</b> | <b>129,187</b>    | <b>90,202</b>     |
| Quoted on stock exchange                   | 105,003           | 75,105            |
| Not quoted on stock exchange               | 24,184            | 15,097            |
| <b>Impairment provision (-)</b>            | <b>308,459</b>    | <b>220,559</b>    |
| <b>Total</b>                               | <b>32,165,357</b> | <b>20,795,073</b> |

**1.4.1 Information on financial assets given as collateral or blocked at fair value reflected in other comprehensive income**

As of the balance sheet date, there are financial assets given TL 11,410,139 (31 December 2020: TL 8,480,912) as collateral whose fair value difference is reflected to other comprehensive income.

**1.4.2 Information on financial assets whose fair value difference subject to repo transaction is reflected to other comprehensive income**

As of the balance sheet date, there are financial assets subject to sale transactions with the promise of repurchase, of which TL 6,495,137 (31 December 2020 – 179,750) is reflected to other comprehensive income.

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**1.5 Explanations on financial assets measured at amortized cost**

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

|   | Current period |               | Prior period  |               |
|---|----------------|---------------|---------------|---------------|
|   | Cash           | Non-Cash      | Cash          | Non-Cash      |
| <b>Direct loans granted to shareholders</b>   | <b>6,955</b>   | <b>21,246</b> | <b>4,695</b>  | <b>6,709</b>  |
| Corporate shareholders                        | -              | 21,228        | -             | 6,677         |
| Real person shareholders                      | 6,955          | 18            | 4,695         | 32            |
| <b>Indirect loans granted to shareholders</b> | <b>64,316</b>  | <b>2,297</b>  | <b>54,992</b> | <b>6,632</b>  |
| <b>Loans granted to employees</b>             | <b>40,564</b>  | <b>1,320</b>  | <b>27,605</b> | <b>541</b>    |
| <b>Total</b>                                  | <b>111,835</b> | <b>24,863</b> | <b>87,292</b> | <b>13,882</b> |

**1.5.2 Information on Standart Loans, Loans Underclose monitoring and restructured Loans Under Close monitoring**

| Current Period - Cash Loans     | Standard Loans     | Loans Under Close Monitoring |                        |           |
|---------------------------------|--------------------|------------------------------|------------------------|-----------|
|                                 |                    | Not Subject to Restructuring | Restructured Loans     |           |
|                                 |                    |                              | Revised Contract Terms | Refinance |
| <b>Loans</b>                    | <b>100,546,026</b> | <b>4,601,981</b>             | <b>3,215,853</b>       | -         |
| Export Loans                    | 10,658,321         | 167,651                      | -                      | -         |
| Import Loans                    | 4,064,392          | 238,568                      | -                      | -         |
| Corporation Loans               | 49,306,746         | 3,336,152                    | 3,176,331              | -         |
| Consumer Loans                  | 12,780,928         | 351,932                      | 17,082                 | -         |
| Credit Cards                    | 2,352,871          | 212,270                      | 21,267                 | -         |
| Loans given to financial sector | 10,112,109         | -                            | -                      | -         |
| Other                           | 11,270,659         | 295,408                      | 1,173                  | -         |
| <b>Other Receivables</b>        | <b>339</b>         | <b>983</b>                   | -                      | -         |
| <b>Total</b>                    | <b>100,546,365</b> | <b>4,602,964</b>             | <b>3,215,853</b>       | -         |

| Prior Period - Cash Loans       | Standard Loans    | Loans Under Close Monitoring |                        |           |
|---------------------------------|-------------------|------------------------------|------------------------|-----------|
|                                 |                   | Not Subject to Restructuring | Restructured Loans     |           |
|                                 |                   |                              | Revised Contract Terms | Refinance |
| <b>Loans</b>                    | <b>64,035,102</b> | <b>4,323,146</b>             | <b>2,615,066</b>       | -         |
| Export Loans                    | 4,967,766         | 230,900                      | -                      | -         |
| Import Loans                    | 1,971,303         | 87,512                       | -                      | -         |
| Corporation Loans               | 33,645,963        | 3,445,593                    | 2,533,424              | -         |
| Consumer Loans                  | 12,498,622        | 292,608                      | 62,118                 | -         |
| Credit Cards                    | 1,226,520         | 130,063                      | 19,524                 | -         |
| Loans given to financial sector | 3,423,936         | -                            | -                      | -         |
| Other                           | 6,300,992         | 136,470                      | -                      | -         |
| <b>Other Receivables</b>        | <b>8,295</b>      | <b>117,575</b>               | <b>9,277</b>           | -         |
| <b>Total</b>                    | <b>64,043,397</b> | <b>4,440,721</b>             | <b>2,624,343</b>       | -         |



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

|                                     | Standard Loans   | Loans Under Close Monitoring | Standard Loans   | Loans Under Close Monitoring |
|-------------------------------------|------------------|------------------------------|------------------|------------------------------|
|                                     | Current Period   | Current Period               | Prior Period     | Prior Period                 |
| 12 Month Expected Credit Losses (*) | 2,289,434        | -                            | 1,170,568        | -                            |
| Significant Increase in Credit Risk | -                | 3,503,181                    | -                | 1,743,435                    |
| <b>Total</b>                        | <b>2,289,434</b> | <b>3,503,181</b>             | <b>1,170,568</b> | <b>1,743,435</b>             |

(\*) Includes expected credit loss of other financial assets measured at amortized cost amounting TL 621 (31 December 2020: 1,094 TL).

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

| Current Period              | Standard Loans     | Loans Under Close Monitoring |                  |
|-----------------------------|--------------------|------------------------------|------------------|
|                             |                    | Not Subject to Restructuring | Restructured     |
| Short Term Loans            | 35,258,443         | 1,132,184                    | 92,192           |
| Medium- and Long-Term Loans | 65,287,922         | 3,470,780                    | 3,123,661        |
| <b>Total</b>                | <b>100,546,365</b> | <b>4,602,964</b>             | <b>3,215,853</b> |

| Prior Period                | Standard Loans    | Loans Under Close Monitoring |                  |
|-----------------------------|-------------------|------------------------------|------------------|
|                             |                   | Not Subject to Restructuring | Restructured     |
| Short Term Loans            | 16,746,131        | 1,028,416                    | 59,885           |
| Medium- and Long-Term Loans | 47,297,266        | 3,412,305                    | 2,564,458        |
| <b>Total</b>                | <b>64,043,397</b> | <b>4,440,721</b>             | <b>2,624,343</b> |

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

| <b>Current Period</b>                     | <b>Short term</b> | <b>Medium and long term</b> | <b>Total</b>      |
|---|-------------------|-----------------------------|-------------------|
| <b>Consumer Loans-TL</b>                  | <b>132,770</b>    | <b>12,927,445</b>           | <b>13,060,215</b> |
| Housing Loans                             | 32,641            | 10,534,935                  | 10,567,576        |
| Vehicle Loans                             | 42,993            | 1,845,143                   | 1,888,136         |
| Consumer Loans                            | 32,401            | 235,966                     | 268,367           |
| Other                                     | 24,735            | 311,401                     | 336,136           |
| <b>Consumer Loans-FC Indexed</b>          | -                 | -                           | -                 |
| Housing Loans                             | -                 | -                           | -                 |
| Vehicle Loans                             | -                 | -                           | -                 |
| Consumer Loans                            | -                 | -                           | -                 |
| Other                                     | -                 | -                           | -                 |
| <b>Consumer Loans-FC</b>                  | -                 | <b>48,656</b>               | <b>48,656</b>     |
| Housing Loans                             | -                 | 48,265                      | 48,265            |
| Vehicle Loans                             | -                 | -                           | -                 |
| Consumer Loans                            | -                 | 391                         | 391               |
| Other                                     | -                 | -                           | -                 |
| <b>Retail Credit Cards-TL</b>             | <b>936,138</b>    | <b>70</b>                   | <b>936,208</b>    |
| With Installment                          | 247,995           | 70                          | 248,065           |
| Without Installment                       | 688,143           | -                           | 688,143           |
| <b>Retail Credit Cards-FC</b>             | -                 | -                           | -                 |
| With Installment                          | -                 | -                           | -                 |
| Without Installment                       | -                 | -                           | -                 |
| <b>Personnel Loans-TL</b>                 | <b>2,100</b>      | <b>38,971</b>               | <b>41,071</b>     |
| Housing Loans                             | 49                | 3,730                       | 3,779             |
| Vehicle Loans                             | 724               | 18,725                      | 19,449            |
| Consumer Loans                            | 1,327             | 16,516                      | 17,843            |
| Other                                     | -                 | -                           | -                 |
| <b>Personnel Loans-FC Indexed</b>         | -                 | -                           | -                 |
| Housing Loans                             | -                 | -                           | -                 |
| Vehicle Loans                             | -                 | -                           | -                 |
| Consumer Loans                            | -                 | -                           | -                 |
| Other                                     | -                 | -                           | -                 |
| <b>Personnel Loans-FC</b>                 | -                 | -                           | -                 |
| Housing Loans                             | -                 | -                           | -                 |
| Vehicle Loans                             | -                 | -                           | -                 |
| Consumer Loans                            | -                 | -                           | -                 |
| Other                                     | -                 | -                           | -                 |
| <b>Personnel Credit Cards-TL</b>          | <b>24,701</b>     | <b>21</b>                   | <b>24,722</b>     |
| With Installment                          | 10,286            | 21                          | 10,307            |
| Without Installment                       | 14,415            | -                           | 14,415            |
| <b>Personnel Credit Cards-FC</b>          | -                 | -                           | -                 |
| Installment based                         | -                 | -                           | -                 |
| Without-installment                       | -                 | -                           | -                 |
| <b>Overdraft Account-TL (Real Person)</b> | -                 | -                           | -                 |
| <b>Overdraft Account-FC (Real Person)</b> | -                 | -                           | -                 |
| <b>Total</b>                              | <b>1,095,709</b>  | <b>13,015,163</b>           | <b>14,110,872</b> |

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| <b>Prior Period</b>                       | <b>Short term</b> | <b>Medium and long term</b> | <b>Total</b>      |
|---|-------------------|-----------------------------|-------------------|
| <b>Consumer Loans-TL</b>                  | <b>74,023</b>     | <b>12,698,649</b>           | <b>12,772,672</b> |
| Housing Loans                             | 17,783            | 10,717,815                  | 10,735,598        |
| Vehicle Loans                             | 31,924            | 1,574,270                   | 1,606,194         |
| Consumer Loans                            | 21,382            | 215,488                     | 236,870           |
| Other                                     | 2,934             | 191,076                     | 194,010           |
| <b>Consumer Loans-FC Indexed</b>          | -                 | -                           | -                 |
| Housing Loans                             | -                 | -                           | -                 |
| Vehicle Loans                             | -                 | -                           | -                 |
| Consumer Loans                            | -                 | -                           | -                 |
| Other                                     | -                 | -                           | -                 |
| <b>Consumer Loans-FC</b>                  | -                 | <b>53,428</b>               | <b>53,428</b>     |
| Housing Loans                             | -                 | 26,470                      | 26,470            |
| Vehicle Loans                             | -                 | -                           | -                 |
| Consumer Loans                            | -                 | 26,958                      | 26,958            |
| Other                                     | -                 | -                           | -                 |
| <b>Retail Credit Cards-TL</b>             | <b>545,977</b>    | <b>70</b>                   | <b>546,047</b>    |
| With Installment                          | 120,545           | 70                          | 120,615           |
| Without Installment                       | 425,432           | -                           | 425,432           |
| <b>Retail Credit Cards-FC</b>             | -                 | -                           | -                 |
| With Installment                          | -                 | -                           | -                 |
| Without Installment                       | -                 | -                           | -                 |
| <b>Personnel Loans-TL</b>                 | <b>1,985</b>      | <b>25,263</b>               | <b>27,248</b>     |
| Housing Loans                             | -                 | 2,401                       | 2,401             |
| Vehicle Loans                             | 466               | 15,844                      | 16,310            |
| Consumer Loans                            | 1,519             | 7,018                       | 8,537             |
| Other                                     | -                 | -                           | -                 |
| <b>Personnel Loans-FC Indexed</b>         | -                 | -                           | -                 |
| Housing Loans                             | -                 | -                           | -                 |
| Vehicle Loans                             | -                 | -                           | -                 |
| Consumer Loans                            | -                 | -                           | -                 |
| Other                                     | -                 | -                           | -                 |
| <b>Personnel Loans-FC</b>                 | -                 | -                           | -                 |
| Housing Loans                             | -                 | -                           | -                 |
| Vehicle Loans                             | -                 | -                           | -                 |
| Consumer Loans                            | -                 | -                           | -                 |
| Other                                     | -                 | -                           | -                 |
| <b>Personnel Credit Cards-TL</b>          | <b>13,761</b>     | <b>21</b>                   | <b>13,782</b>     |
| With Installment                          | 5,696             | 21                          | 5,717             |
| Without Installment                       | 8,065             | -                           | 8,065             |
| <b>Personnel Credit Cards-FC</b>          | -                 | -                           | -                 |
| Installment based                         | -                 | -                           | -                 |
| Without-installment                       | -                 | -                           | -                 |
| <b>Overdraft Account-TL (Real Person)</b> | -                 | -                           | -                 |
| <b>Overdraft Account-FC (Real Person)</b> | -                 | -                           | -                 |
| <b>Total</b>                              | <b>635,746</b>    | <b>12,777,431</b>           | <b>13,413,177</b> |

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**1.5.5 Information on commercial installment loans and corporate credit cards**

| <b>Current Period</b>                          | <b>Short term</b> | <b>Medium and long term</b> | <b>Total</b>      |
|--|-------------------|-----------------------------|-------------------|
| <b>Commercial Installment Loans-TL</b>         | <b>994,450</b>    | <b>11,754,294</b>           | <b>12,748,744</b> |
| Business Loans                                 | 32,149            | 1,793,796                   | 1,825,945         |
| Vehicle Loans                                  | 788,312           | 6,813,277                   | 7,601,589         |
| Consumer Loans                                 | 173,989           | 3,147,221                   | 3,321,210         |
| Other  | -                 | -                           | -                 |
| <b>Commercial Installment Loans-FC Indexed</b> | <b>8,187</b>      | <b>515,770</b>              | <b>523,957</b>    |
| Business Loans                                 | 8,187             | 17,567                      | 25,754            |
| Vehicle Loans                                  | -                 | 1,028                       | 1,028             |
| Consumer Loans                                 | -                 | 497,175                     | 497,175           |
| Other  | -                 | -                           | -                 |
| <b>Commercial Installment Loans-FC</b>         | <b>3,602</b>      | <b>1,115,576</b>            | <b>1,119,178</b>  |
| Business Loans                                 | -                 | 267,948                     | 267,948           |
| Vehicle Loans                                  | 3,602             | 847,628                     | 851,230           |
| Consumer Loans                                 | -                 | -                           | -                 |
| Other  | -                 | -                           | -                 |
| <b>Corporate Credit Cards-TL</b>               | <b>1,625,478</b>  | <b>-</b>                    | <b>1,625,478</b>  |
| With Installment                               | 681,084           | -                           | 681,084           |
| Without Installment                            | 944,394           | -                           | 944,394           |
| <b>Corporate Credit Cards-FC</b>               | <b>-</b>          | <b>-</b>                    | <b>-</b>          |
| With Installment                               | -                 | -                           | -                 |
| Without Installment                            | -                 | -                           | -                 |
| <b>Overdraft Account-TL (Legal Entity)</b>     | <b>-</b>          | <b>-</b>                    | <b>-</b>          |
| <b>Overdraft Account-FC (Legal Entity)</b>     | <b>-</b>          | <b>-</b>                    | <b>-</b>          |
| <b>Total</b>                                   | <b>2,631,717</b>  | <b>13,385,640</b>           | <b>16,017,357</b> |

| <b>Prior Period</b>                            | <b>Short term</b> | <b>Medium and long term</b> | <b>Total</b>      |
|--|-------------------|-----------------------------|-------------------|
| <b>Commercial Installment Loans-TL</b>         | <b>497,383</b>    | <b>9,234,322</b>            | <b>9,731,705</b>  |
| Business Loans                                 | 6,008             | 1,995,773                   | 2,001,781         |
| Vehicle Loans                                  | 405,890           | 4,705,779                   | 5,111,669         |
| Consumer Loans                                 | 85,485            | 2,532,770                   | 2,618,255         |
| Other  | -                 | -                           | -                 |
| <b>Commercial Installment Loans-FC Indexed</b> | <b>11,254</b>     | <b>505,184</b>              | <b>516,438</b>    |
| Business Loans                                 | 11,254            | 57,668                      | 68,922            |
| Vehicle Loans                                  | -                 | 11,001                      | 11,001            |
| Consumer Loans                                 | -                 | 436,515                     | 436,515           |
| Other  | -                 | -                           | -                 |
| <b>Commercial Installment Loans-FC</b>         | <b>2,194</b>      | <b>208,817</b>              | <b>211,011</b>    |
| Business Loans                                 | -                 | 95,916                      | 95,916            |
| Vehicle Loans                                  | 2,194             | 112,901                     | 115,095           |
| Consumer Loans                                 | -                 | -                           | -                 |
| Other  | -                 | -                           | -                 |
| <b>Corporate Credit Cards-TL</b>               | <b>816,278</b>    | <b>-</b>                    | <b>816,278</b>    |
| With Installment                               | 307,667           | -                           | 307,667           |
| Without Installment                            | 508,611           | -                           | 508,611           |
| <b>Corporate Credit Cards-FC</b>               | <b>-</b>          | <b>-</b>                    | <b>-</b>          |
| With Installment                               | -                 | -                           | -                 |
| Without Installment                            | -                 | -                           | -                 |
| <b>Overdraft Account-TL (Legal Entity)</b>     | <b>-</b>          | <b>-</b>                    | <b>-</b>          |
| <b>Overdraft Account-FC (Legal Entity)</b>     | <b>-</b>          | <b>-</b>                    | <b>-</b>          |
| <b>Total</b>                                   | <b>1,327,109</b>  | <b>9,948,323</b>            | <b>11,275,432</b> |

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**1.5.6** Allocation of loans by customers

|              | Current period     | Prior period      |
|--------------|--------------------|-------------------|
| Public       | 833,335            | 396,326           |
| Private      | 107,531,847        | 70,712,135        |
| <b>Total</b> | <b>108,365,182</b> | <b>71,108,461</b> |

**1.5.7** Breakdown of domestic and foreign loans

|                | Current period     | Prior period      |
|----------------|--------------------|-------------------|
| Domestic loans | 106,647,336        | 70,338,950        |
| Foreign loans  | 1,717,846          | 769,511           |
| <b>Total</b>   | <b>108,365,182</b> | <b>71,108,461</b> |

**1.5.8** Loans granted to subsidiaries and associates

|   | Current period | Prior period   |
|---|----------------|----------------|
| Loans granted directly to subsidiaries and associates   | 482,838        | 185,615        |
| Loans granted indirectly to subsidiaries and associates | -              | -              |
| <b>Total</b>  | <b>482,838</b> | <b>185,615</b> |

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

|  | Current period   | Prior period     |
|--|------------------|------------------|
| Loans and receivables with limited collectability  | 145,257          | 467,474          |
| Loans and receivables with doubtful collectability | 99,884           | 5,172            |
| Uncollectible loans and receivables                | 2,542,754        | 2,045,229        |
| <b>Total</b>                                       | <b>2,787,895</b> | <b>2,517,875</b> |

**1.5.10** Information on non-performing loans (Net)

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

|   | III. Group<br>Loans and<br>Receivables with<br>Limited Collectability | IV. Group<br>Loans and Receivables<br>with Doubtful<br>Collectability | V. Group<br>Uncollectible Loans<br>and Receivables |
|---|---|---|--|
| <b>Current Period</b>                   |   |   |  |
| Gross Amount Before Specific Provisions | -   | 216   | 616,947  |
| Restructured Loans and Receivables      | -   | 216   | 616,947  |
| <b>Prior Period</b>                     |   |   |  |
| Gross Amount Before Specific Provisions | -   | 1,577   | 262,750  |
| Restructured Loans and Receivables      | -   | 1,577   | 262,750  |

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

|   | Group III  | Group IV  | Group V                                   |
|---|--|---|---|
|   | Loans and<br>receivables with<br>limited<br>collectability | Loans and<br>receivables with<br>doubtful collectability    | Uncollectible<br>loans and<br>receivables |
| <b>Current Period</b>                                       |  |   |   |
| <b>Ending balance of prior period 31.12.2020</b>            | <b>514,908</b>   | <b>11,192</b>   | <b>2,408,491</b>                          |
| Additions in the current period (+)                         | 225,629  | 174,719   | 949,711                                   |
| Transfers from other categories of non-performing loans (+) | 2  | 534,984   | 538,167                                   |
| Transfers to other categories of non-performing loans (-)   | 534,984  | 538,167   | 2   |
| Collections in the current period (-)                       | 17,749   | 19,649  | 774,057                                   |
| Write offs (-)(**)  | -  | -   | 397,786                                   |
| <b>Sold Portfolio (-)</b>                                   | <b>-</b>   | <b>-</b>  | <b>-</b>                                  |
| Corporate and commercial loans                              | -  | -   | -   |
| Retail loans  | -  | -   | -   |
| Credit Cards  | -  | -   | -   |
| Other   | -  | -   | -   |
| <b>Ending balance of the current period</b>                 | <b>187,806</b>   | <b>163,079</b>  | <b>2,724,524</b>                          |
| Specific provisions (-)                                     | 145,257  | 99,884  | 2,542,754                                 |
| <b>Net balances on balance sheet</b>                        | <b>42,549</b>  | <b>63,195</b>   | <b>181,770</b>                            |
|   |  |   |   |
|   | Group III  | Group IV  | Group V                                   |
|   | Loans and<br>receivables with<br>limited<br>collectability | Loans and<br>receivables with<br>doubtful<br>collectability | Uncollectible<br>loans and<br>receivables |
| <b>Prior Period</b>   |  |   |   |
| <b>Ending balance of prior period 31.12.2019</b>            | <b>250,407</b>   | <b>318,133</b>  | <b>1,475,134</b>                          |
| Additions in the current period (+)                         | 506,595  | 10,412  | 1,086,141                                 |
| Transfers from other categories of non-performing loans (+) | -  | 197,258   | 471,969                                   |
| Transfers to other categories of non-performing loans (-)   | 197,197  | 471,975   | 55  |
| Collections in the current period (-)                       | 44,897   | 42,636  | 263,889                                   |
| Write offs (-)  | -  | -   | 250,456                                   |
| <b>Sold Portfolio (-)(*)</b>                                | <b>-</b>   | <b>-</b>  | <b>110,353</b>                            |
| Corporate and commercial loans                              | -  | -   | 110,353                                   |
| Retail loans  | -  | -   | -   |
| Credit Cards  | -  | -   | -   |
| Other   | -  | -   | -   |
| <b>Ending balance of the current period</b>                 | <b>514,908</b>   | <b>11,192</b>   | <b>2,408,491</b>                          |
| Specific provisions (-)                                     | 467,474  | 5,172   | 2,045,229                                 |
| <b>Net balance at the balance sheet</b>                     | <b>47,434</b>  | <b>6,020</b>  | <b>363,262</b>                            |

(\*) The Bank sold its risk amounting to TL 110,353, which was provided 100% provision from its non-performing loans, to the asset management company for TL 28,800.

(\*\*) With the decision of the top management of the Bank, it has been decided to include the project/loan of the customers in the cancellation accounts. The effect of these transactions on the NPL ratio is 31 basis points.

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

|   | Group III     | Group IV      | Group V       |
|---|---------------|---------------|---------------|
| <b>Current Period</b>                   |               |               |               |
| Ending balance of the current period    | 4,079         | 75,537        | 481,745       |
| Provision amount (-)                    | 2,701         | 42,827        | 444,417       |
| <b>Net balance at the balance sheet</b> | <b>1,378</b>  | <b>32,710</b> | <b>37,328</b> |
| <b>Prior Period</b>                     |               |               |               |
| Ending balance of the current period    | 496,897       | 1             | 312,782       |
| Provision amount (-)                    | 452,358       | -             | 253,025       |
| <b>Net balance at the balance sheet</b> | <b>44,539</b> | <b>1</b>      | <b>59,757</b> |

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

|  | Group III   | Group IV   | Group V                                   |
|--|---|--|---|
|  | Loans and<br>receivables with<br>limited collectability | Loans and<br>receivables with<br>doubtful collectability | Uncollectible<br>loans and<br>receivables |
| <b>Current period (Net)</b>                              | <b>42,549</b>   | <b>63,195</b>  | <b>181,770</b>                            |
| Loans granted to real persons and legal entities (Gross) | 187,806   | 163,079  | 2,724,524                                 |
| Specific provision (-)                                   | 145,257   | 99,884   | 2,542,754                                 |
| <b>Loans to real persons and legal entities (Net)</b>    | <b>42,549</b>   | <b>63,195</b>  | <b>181,770</b>                            |
| Banks (Gross)  | -   | -  | -   |
| Specific provision (-)                                   | -   | -  | -   |
| Banks (Net)  | -   | -  | -   |
| Other loans and receivables (Gross)                      | -   | -  | -   |
| Specific provision (-)                                   | -   | -  | -   |
| Other loans and receivables (Net)                        | -   | -  | -   |
| <b>Prior period (Net)</b>                                | <b>47,434</b>   | <b>6,020</b>   | <b>363,262</b>                            |
| Loans to real persons and legal entities (Gross)         | 514,908   | 11,192   | 2,408,491                                 |
| Specific provision (-)                                   | 467,474   | 5,172  | 2,045,229                                 |
| <b>Loans to real persons and legal entities (Net)</b>    | <b>47,434</b>   | <b>6,020</b>   | <b>363,262</b>                            |
| Banks (Gross)  | -   | -  | -   |
| Specific provision (-)                                   | -   | -  | -   |
| Banks (Net)  | -   | -  | -   |
| Other loans and receivables (Gross)                      | -   | -  | -   |
| Specific provision (-)                                   | -   | -  | -   |
| Other loans and receivables (Net)                        | -   | -  | -   |

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

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

| Current Period        | Less than 30 days | 31-60 days     | More than 61 days | Total            |
|-----------------------|-------------------|----------------|-------------------|------------------|
| Loans and receivables |                   |                |                   |                  |
| Corporate loans       | 6,547,648         | 283,769        | 384,863           | 7,216,280        |
| Retail loans          | 240,182           | 85,012         | 43,806            | 369,000          |
| Credit cards          | 201,862           | 13,673         | 18,002            | 233,537          |
| <b>Total</b>          | <b>6,989,692</b>  | <b>382,454</b> | <b>446,671</b>    | <b>7,818,817</b> |

| Prior Period          | Less than 30 days | 31-60 days     | More than 61 days | Total            |
|-----------------------|-------------------|----------------|-------------------|------------------|
| Loans and receivables |                   |                |                   |                  |
| Corporate loans       | 5,734,223         | 123,369        | 703,172           | 6,560,764        |
| Retail loans          | 259,740           | 36,192         | 58,781            | 354,713          |
| Credit cards          | 128,633           | 7,255          | 13,699            | 149,587          |
| <b>Total</b>          | <b>6,122,596</b>  | <b>166,816</b> | <b>775,652</b>    | <b>7,065,064</b> |

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

|   | III. Group                        | IV. Group                          | V. Group            |
|---|-----------------------------------|------------------------------------|---------------------|
|   | Loans with Limited Collectibility | Loans with Doubtful Collectibility | Uncollectible Loans |
| <b>Current Period (Net)</b>                                 | <b>5,926</b>                      | <b>5,709</b>                       | <b>19,648</b>       |
| Profit share accruals, rediscount and valuation differences | 42,160                            | 15,327                             | 377,087             |
| Provision (-)   | 36,234                            | 9,618                              | 357,439             |

|   | III. Grup                         | IV. Grup                           | V. Grup             |
|---|-----------------------------------|------------------------------------|---------------------|
|   | Loans with Limited Collectibility | Loans with Doubtful Collectibility | Uncollectible Loans |
| <b>Prior Period (Net)</b>                                   | <b>371</b>                        | <b>460</b>                         | <b>51,485</b>       |
| Profit share accruals, rediscount and valuation differences | 4,485                             | 865                                | 319,370             |
| Provision (-)   | 4,114                             | 405                                | 267,885             |

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

Loans and other receivables, which were deemed uncollectible according to the “Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for these Loans” published in the Official Gazette No. 26333 dated 1 November 2006 and for which a full impairment provision has been made, are written off as per the decision of the Bank top management. Within 2020, non-performing loans amounting to TL 397,786 have been written-off (31 December 2020 – TL 250,456).

**1.5.11** Information on the write-off policy

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



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**1.6 Information on other financial assets measured at amortised cost**

**1.6.1 Information on other financial assets measured at amortized cost**

|                                    | Current Period   | Prior Period     |
|------------------------------------|------------------|------------------|
| <b>Debt Securities</b>             | <b>4,798,614</b> | <b>5,931,297</b> |
| Quoted on a Stock Exchange         | 4,798,614        | 5,931,297        |
| Not Quoted                         | -                | -                |
| <b>Expected Loss Provision (-)</b> | <b>621</b>       | <b>1,094</b>     |
| <b>Total</b>                       | <b>4,797,993</b> | <b>5,930,203</b> |

**1.6.2 Movements of other financial assets measured at amortized cost during the year**

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Opening Balance                         | 5,931,297        | 2,630,914        |
| Foreign Exchange Gain/Loss              | 1,958,263        | 1,353,136        |
| Purchases During the Year               | 548,922          | 1,947,247        |
| Disposals Through Sales and Redemptions | 3,639,868        | -                |
| <b>Expected Loss Provision (-)</b>      | <b>621</b>       | <b>1,094</b>     |
| <b>Total</b>                            | <b>4,797,993</b> | <b>5,930,203</b> |

**1.7 Information on investment in associates (Net)**

**1.7.1** The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 7,659 (31 December 2020 – TL 7,659), 1.15% ownership of the shares of Islamic International Rating Agency amounting to TL 277 (31 December 2020 – TL 33), and, Swift shares amounting to TL 3,567 (31 December 2020 – TL 390) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2020 – TL 15) and %2.86 ownership of the shares of JCR Avrasya Derecelendirme A.Ş amounting to TL 2,755 (31 December 2020 – 2,755 ), VISA INC. shares amounting to TL 12,555 (December 31, 2020 – TL 7,008) are classified as financial assets at fair value through other comprehensive income since the Bank’s ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

**1.7.2** Information about investments in unconsolidated associates: None (31 December 2020 – None).

**1.7.3** Information related to consolidated associates: None (31 December 2020 – None).

**1.8 Information on subsidiaries (Net)**

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

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**1.8.2 Information on subsidiaries**

|   | Title  | Address (City/Country) | Bank's share percentage, if different-voting percentage (%) | Bank's risk group share percentage (%) |
|---|--|------------------------|---|--|
| 1 | Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. | İstanbul/Türkiye       | 99.99   | 99.99                                  |
| 2 | Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.  | İstanbul/Türkiye       | 75.00   | 78.15                                  |
| 3 | KT Sukuk Varlık Kiralama A.Ş.  | İstanbul/Türkiye       | 100.00  | 100.00                                 |
| 4 | KT Kira Sertifikaları Varlık Kiralama A.Ş.   | İstanbul/Türkiye       | 100.00  | 100.00                                 |
| 5 | KT Bank AG (*)   | Frankfurt/Almanya      | 100.00  | 100.00                                 |
| 6 | Architect Bilişim Sistemleri ve Pazarlama Tic A.Ş.                                 | İstanbul/Türkiye       | 100.00  | 100.00                                 |
| 8 | KT Portföy Yönetimi A.Ş.   | İstanbul/Türkiye       | 100.00  | 100.00                                 |
| 9 | Neova Katılım Sigorta A.Ş.   | İstanbul/Türkiye       | 100.00  | 100.00                                 |

(\*) As of 31 December 2021, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

**1.8.2 Information on subsidiaries**

Information on subsidiaries in the order presented in the above table

|      | Total Assets | Equity    | Total Fixed assets | Profit Share Income | Income from marketable securities | Current period profit/loss | Prior period profit /loss | Fair Value |
|------|--------------|-----------|--------------------|---------------------|-----------------------------------|----------------------------|---------------------------|------------|
| 1    | 59,726       | 52,565    | 5,955              | -                   | -                                 | 8,642                      | 13,859                    | -          |
| 2(*) | 171,336      | 127,668   | 53,524             | -                   | -                                 | 7,629                      | 4,229                     | -          |
| 3    | 684          | 673       | -                  | -                   | -                                 | 24                         | 11                        | -          |
| 4    | 4,591,921    | 359       | -                  | -                   | -                                 | 49                         | 17                        | -          |
| 5    | 12,972,775   | 1,638,867 | 174,201            | -                   | -                                 | 16,990                     | 7                         | -          |
| 6    | 103,497      | 89,998    | 12,347             | 167                 | 4,164                             | 37,153                     | 32,887                    | -          |
| 8    | 39,503       | 31,386    | 4,957              | -                   | -                                 | 10,285                     | 10,169                    | -          |
| 9    | 4,300,166    | 816,508   | 30,980             | -                   | -                                 | 234,369                    | 166,389                   | -          |

(\*) Körfez Gayrimenkul Yatırım Ortaklığı A.Ş. the amounts in the table for the are taken from the financial statements of September 30, 2021.

**Movement regarding the subsidiaries**

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| <b>Balance at the beginning of the year</b> | <b>1,461,015</b> | <b>544,853</b>   |
| Movements during the year                   | -                | 916,162          |
| Purchases (*)                               | -                | 916,162          |
| Transfers from subsidiaries (net)           | -                | -                |
| Bonus shares                                | -                | -                |
| Dividends from current year income          | -                | -                |
| Sales                                       | -                | -                |
| Revaluation increase                        | -                | -                |
| Impairment                                  | -                | -                |
| Capital commitment payments                 | -                | -                |
| <b>Balance at the end of the year</b>       | <b>1,461,015</b> | <b>1,461,015</b> |
| Capital commitments                         | -                | -                |
| Share percentage at the end of the year (%) | -                | -                |

(\*) The capital of KT Bank AG, which is a subsidiary of the Bank, from 115,000,000 EUR (full amount) was increased by 25,000,000 EUR (full amount) to 140,000,000 EUR (full amount) on 22 January 2020. The Bank has obtained the necessary legal permissions as of 5 May 2020, Neova Katılım Sigorta A.Ş. completed the share transfer transactions and concluded the purchase. Neova Katılım Sigorta A.Ş., which has purchased 78,864,212 shares by paying 745,860 TL with the purchase transaction, and 7% before sales increased its partnership share to 100% by owning all the shares.

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Sectoral information on consolidated subsidiaries and the related carrying amounts

|                              | Current Period   | Prior Period     |
|------------------------------|------------------|------------------|
| Banks                        | 610,120          | 610,120          |
| Insurance Companies          | 751,796          | 751,796          |
| Factoring Companies          | -                | -                |
| Leasing Companies            | -                | -                |
| Finance Companies            | -                | -                |
| Other Financial Subsidiaries | 75,419           | 75,419           |
| <b>Total</b>                 | <b>1,437,335</b> | <b>1,437,335</b> |

Subsidiaries that are quoted on the stock exchange

|                                   | Current Period | Prior Period  |
|-----------------------------------|----------------|---------------|
| Quoted in Domestic Stock Exchange | 53,418         | 53,418        |
| Quoted in Foreign Stock Exchange  | -              | -             |
| <b>Total</b>                      | <b>53,418</b>  | <b>53,418</b> |

**1.8.3** Information on capital adequacies of major subsidiaries

The shareholder's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of December 31, 2021 is EUR 110,197,621 and the capital adequacy ratio is %21.6.

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

|                                     | Bank's share percentage | Total assets | Equity  | Total fixed assets | Current period profit/loss | Prior period profit /loss |
|-------------------------------------|-------------------------|--------------|---------|--------------------|----------------------------|---------------------------|
| Katılım Emeklilik ve Hayat A.Ş. (*) | 50%                     | 6,127,196    | 173,160 | 33,805             | 55,894                     | 41,860                    |

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

**1.10** Information on finance lease receivables (Net)

**1.10.1** Presentation of remaining maturities of net finance leases

|                   | Current Period    |                   | Prior Period     |                  |
|-------------------|-------------------|-------------------|------------------|------------------|
|                   | Gross             | Net               | Gross            | Net              |
| Less than 1 year  | 4,988,502         | 4,126,747         | 2,249,517        | 1,783,178        |
| 1 to 4 years      | 7,038,160         | 6,705,970         | 2,829,259        | 2,631,776        |
| More than 4 years | 1,125,719         | 1,093,218         | 622,145          | 596,042          |
| <b>Total</b>      | <b>13,152,381</b> | <b>11,925,935</b> | <b>5,700,921</b> | <b>5,010,996</b> |

**1.10.2** Net investments in finance leases

|   | Current Period    | Prior Period     |
|---|-------------------|------------------|
| Gross receivable from finance leases      | 13,152,380        | 5,700,921        |
| Unearned finance lease income (-)         | 1,226,445         | 689,925          |
| Unearned finance lease income (-)         | -                 | -                |
| <b>Net receivable from finance leases</b> | <b>11,925,935</b> | <b>5,010,996</b> |

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**1.10.3 Information on finance lease contracts**

The Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 45,706 are included in the non-performing loans in the balance sheet (31 December 2020 – TL 52,668).

**1.11 Information on derivative financial assets for hedging purposes**

None (31 December 2020- None)

**1.12 Explanations on Tangible Assets**

| Current Period   | Buildings      | Leased Tangible Assets | Vehicles       | Other Tangible Assets | Total            |
|--|----------------|------------------------|----------------|-----------------------|------------------|
| <b>Cost</b>  |                |                        |                |                       |                  |
| Opening balance, 1 January 2020                          | 483,384        | 639,458                | 103,732        | 553,547               | 1,780,121        |
| Additions  | 6,931          | 139,841                | 55,446         | 106,314               | 308,532          |
| Disposals  | (6)            | (82,490)               | (915)          | (149,839)             | (233,250)        |
| Transfers  | 4,756          | (4,756)                | -              | (17)                  | (17)             |
| Impairment / cancellation                                | -              | -                      | -              | -                     | -                |
| Ending balance, 31 December 2020                         | 495,065        | 692,053                | 158,263        | 510,005               | 1,855,386        |
| <b>Accumulated Depreciation (-)</b>                      |                |                        |                |                       |                  |
| Opening balance, 1 January 2020                          | 37,825         | 255,801                | 27,796         | 295,894               | 617,316          |
| Amortisation cost  | 7,947          | 129,469                | 28,777         | 69,432                | 235,625          |
| Disposals  | (5)            | (70,917)               | (704)          | (148,511)             | (220,137)        |
| Transfers  | 2              | (2)                    | -              | (16)                  | (16)             |
| Ending balance, 31 December 2020                         | 45,769         | 314,351                | 55,869         | 216,799               | 632,788          |
| <b>Cost at the end of period</b>                         | <b>495,065</b> | <b>692,053</b>         | <b>158,263</b> | <b>510,005</b>        | <b>1,855,386</b> |
| <b>Accumulated depreciation at the end of period (-)</b> | <b>45,769</b>  | <b>314,351</b>         | <b>55,869</b>  | <b>216,799</b>        | <b>632,788</b>   |
| <b>Closing net book value</b>                            | <b>449,296</b> | <b>377,702</b>         | <b>102,394</b> | <b>293,206</b>        | <b>1,222,598</b> |

| Prior Period   | Buildings      | Leased Tangible Assets | Vehicles       | Other Tangible Assets | Total            |
|--|----------------|------------------------|----------------|-----------------------|------------------|
| <b>Cost</b>  |                |                        |                |                       |                  |
| Opening balance, 1 January 2021                          | 481,027        | 503,283                | 55,883         | 440,394               | 1,480,587        |
| Additions  | 2,520          | 155,320                | 48,042         | 118,716               | 324,598          |
| Disposals  | (159)          | (49,532)               | (193)          | (5,570)               | (55,454)         |
| Transfers  | (4)            | (3)                    | -              | 7                     | -                |
| Impairment / cancellation                                | -              | 30,390                 | -              | -                     | 30,390           |
| Ending balance, 31 December 2021                         | 483,384        | 639,458                | 103,732        | 553,547               | 1,780,121        |
| <b>Accumulated Depreciation (-)</b>                      |                |                        |                |                       |                  |
| Opening balance, 1 January 2021                          | 30,003         | 159,945                | 10,894         | 244,793               | 445,635          |
| Amortisation cost  | 7,981          | 123,820                | 17,156         | 55,773                | 204,730          |
| Disposals  | (159)          | (27,961)               | (254)          | (4,674)               | (33,048)         |
| Transfers  | -              | (3)                    | -              | 3                     | -                |
| Ending balance, 31 December 2021                         | 37,825         | 255,801                | 27,796         | 295,895               | 617,317          |
| <b>Cost at the end of period</b>                         | <b>483,384</b> | <b>639,458</b>         | <b>103,732</b> | <b>553,547</b>        | <b>1,780,121</b> |
| <b>Accumulated depreciation at the end of period (-)</b> | <b>37,825</b>  | <b>255,801</b>         | <b>27,796</b>  | <b>295,895</b>        | <b>617,317</b>   |
| <b>Closing net book value</b>                            | <b>445,559</b> | <b>383,657</b>         | <b>75,936</b>  | <b>257,652</b>        | <b>1,162,804</b> |

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**1.13. Explanations on Intangible Assets**

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

|                          | <b>Current Period</b> | <b>Prior Period</b> |
|--------------------------|-----------------------|---------------------|
| Cost                     | 398,654               | 297,964             |
| Accumulated Amortization | (150,467)             | (107,432)           |
| <b>Total (net)</b>       | <b>248,187</b>        | <b>190,532</b>      |

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

|                               | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------------------|-----------------------|---------------------|
| Opening balance               | 190,532               | 133,980             |
| Additions                     | 157,980               | 110,882             |
| Disposals (-), net            | 44,988                | 18,380              |
| Depreciation amount (-)       | 55,337                | 35,950              |
| <b>Closing net book value</b> | <b>248,187</b>        | <b>190,532</b>      |

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

**1.14. Explanations on investment property**

|                               | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------------------|-----------------------|---------------------|
| Opening balance               | 24,987                | 25,146              |
| Additions                     | -                     | -                   |
| Disposals (-), Net            | 24,987                | -                   |
| Depreciation amount (-)       | -                     | 159                 |
| <b>Closing net book value</b> | <b>-</b>              | <b>24,987</b>       |

**1.15. Information on deferred tax asset**

As of 31 December 2021, deferred tax is offset as TL 1,713,575 in the balance sheet. In accordance with the related regulations deferred tax asset calculated is TL 2,086,505 (31 December 2020 – TL 835,083) and deferred tax liability is TL 372,930 (31 December 2020 – TL 86,747 TL).

|  | <b>Current period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Employee Benefits Liability  | 76,744                | 47,419              |
| Retirement Pay Liability   | 44,555                | 36,349              |
| Deferred Income  | 99,898                | 70,882              |
| Impairment Provision for Subsidiaries, Fixed Assets and Assets Held for Sale | 79                    | 1,281               |
| Rediscounts for Derivative Instruments Held for Trading                      | 2,375                 | 243,384             |
| TFRS 9 Provisions  | 781,020               | 427,891             |
| Precious Metals Valuation Difference   | 1,034,507             | -                   |
| Securities Valuation Difference  | 26,545                | 812                 |
| Other  | 20,782                | 7,065               |
| <b>Deferred tax asset</b>  | <b>2,086,505</b>      | <b>835,083</b>      |
| Derivative Transactions Valuation Differences                                | (298,868)             | -                   |
| Tangible assets valuation differences  | (16,535)              | (12,724)            |
| Financial assets valuation differences                                       | (54,452)              | (46,763)            |
| Precious metal valuation difference  | (1,877)               | (23,908)            |
| Other  | (1,198)               | (3,352)             |
| <b>Deferred Tax Liability</b>  | <b>(372,930)</b>      | <b>(86,747)</b>     |
| <b>Net Deferred Tax Asset</b>  | <b>1,713,575</b>      | <b>748,336</b>      |

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Table of deferred tax asset movement

|   | <b>Current period</b> | <b>Prior period</b> |
|---|-----------------------|---------------------|
| As of January, 1  | 748,336               | 358,097             |
| Deferred Tax (Expense) / Income                         | 954,783               | 329,404             |
| Deferred Tax Accounted Under Other Comprehensive Income | 10,456                | 60,835              |
| <b>Deferred tax asset</b>                               | <b>1,713,575</b>      | <b>748,336</b>      |

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

The Bank has accounted for the fixed assets obtained from the receivables with the net book value and the lesser of its fair value.

|                                 | <b>Current Period</b> | <b>Prior Period</b> |
|---------------------------------|-----------------------|---------------------|
| Opening Balance                 | 519,087               | 473,326             |
| Additions                       | 61,085                | 172,426             |
| Transfer from Tangible Assets   | -                     | -                   |
| Disposals (-), Net              | 339,281               | 126,665             |
| Transfer to Tangible Assets     | -                     | -                   |
| Depreciation Amount (-)         | -                     | -                   |
| Impairment Losses Provision (-) | -                     | -                   |
| <b>Closing net book value</b>   | <b>240,891</b>        | <b>519,087</b>      |

**1.17 Information on other assets**

As of balance sheet date, the Bank's other assets amount to TL 3,607,760 (31 December 2020 – TL 9,057,981). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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**SECTION FIVE**

**2. Explanations and notes related to liabilities**

**2.1 Information on funds collected**

**2.1.1 Information on maturity structure of funds collected**

| Current period  | Demand             | Up to 1<br>Month  | Up to 3<br>Months | Up to 6<br>months | Up to 9<br>months | Up to<br>1 year  | 1 year and<br>over | Accumulated<br>profit sharing<br>accounts | Total              |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|------------------|--------------------|---|--------------------|
| <b>I. Real persons current accounts-TL</b>            | <b>20,546,940</b>  | -                 | -                 | -                 | -                 | -                | -                  | -   | <b>20,546,940</b>  |
| <b>II. Real persons profit sharing accounts TL</b>    | -                  | <b>10,745,047</b> | <b>12,876,588</b> | <b>762,988</b>    | -                 | <b>731,611</b>   | <b>784,511</b>     | <b>19,753</b>                             | <b>25,920,498</b>  |
| <b>III. Other current accounts-TL</b>                 | <b>8,136,092</b>   | -                 | -                 | -                 | -                 | -                | -                  | -   | <b>8,136,092</b>   |
| Public sector   | 266,234            | -                 | -                 | -                 | -                 | -                | -                  | -   | 266,234            |
| Commercial sector                                     | 7,737,101          | -                 | -                 | -                 | -                 | -                | -                  | -   | 7,737,101          |
| Other institutions                                    | 80,279             | -                 | -                 | -                 | -                 | -                | -                  | -   | 80,279             |
| Commercial and other institutions                     | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Banks and participation banks                         | 52,478             | -                 | -                 | -                 | -                 | -                | -                  | -   | 52,478             |
| Central Bank of Republic of Turkey                    | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Domestic banks  | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Foreign banks   | 52,114             | -                 | -                 | -                 | -                 | -                | -                  | -   | 52,114             |
| Participation banks                                   | 364                | -                 | -                 | -                 | -                 | -                | -                  | -   | 364                |
| Others  | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| <b>IV. Profit sharing accounts-TL</b>                 | -                  | <b>755,578</b>    | <b>1,143,078</b>  | <b>41,733</b>     | -                 | <b>621,325</b>   | <b>130,431</b>     | <b>7</b>                                  | <b>2,692,152</b>   |
| Public sector   | -                  | 213               | 987               | 746               | -                 | 24,979           | -                  | -   | 26,925             |
| Commercial sector                                     | -                  | 635,337           | 942,782           | 15,144            | -                 | 581,235          | 129,951            | 7   | 2,304,456          |
| Other institutions                                    | -                  | 119,807           | 199,286           | 25,843            | -                 | 14,993           | 452                | -   | 360,381            |
| Commercial and other institutions                     | -                  | 221               | -                 | -                 | -                 | 118              | 28                 | -   | 367                |
| Banks and participation banks                         | -                  | -                 | 23                | -                 | -                 | -                | -                  | -   | 23                 |
| <b>V. Real persons current accounts-FC</b>            | <b>44,673,374</b>  | -                 | -                 | -                 | -                 | -                | -                  | -   | <b>44,673,374</b>  |
| <b>VI. Real persons profit sharing accounts-FC</b>    | -                  | <b>14,006,544</b> | <b>17,283,991</b> | <b>1,718,669</b>  | -                 | <b>2,540,789</b> | <b>2,781,541</b>   | <b>12,095</b>                             | <b>38,343,629</b>  |
| <b>VII. Other current accounts-FC</b>                 | <b>18,373,687</b>  | -                 | -                 | -                 | -                 | -                | -                  | -   | <b>18,373,687</b>  |
| Commercial residents in Turkey                        | 16,884,411         | -                 | -                 | -                 | -                 | -                | -                  | -   | 16,884,411         |
| Commercial residents in Abroad                        | 1,182,519          | -                 | -                 | -                 | -                 | -                | -                  | -   | 1,182,519          |
| Banks and participation banks                         | 306,757            | -                 | -                 | -                 | -                 | -                | -                  | -   | 306,757            |
| Central Bank of Republic of Turkey                    | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Domestic banks  | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Foreign banks   | 304,614            | -                 | -                 | -                 | -                 | -                | -                  | -   | 304,614            |
| Participation banks                                   | 2,143              | -                 | -                 | -                 | -                 | -                | -                  | -   | 2,143              |
| Others  | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| <b>VIII. Profit sharing accounts- FC</b>              | -                  | <b>1,398,089</b>  | <b>2,602,027</b>  | <b>100,178</b>    | -                 | <b>73,866</b>    | <b>73,564</b>      | -   | <b>4,247,724</b>   |
| Public sector   | -                  | 54                | -                 | -                 | -                 | -                | -                  | -   | 54                 |
| Commercial sector                                     | -                  | 1,295,745         | 2,182,976         | 99,152            | -                 | 73,526           | 73,564             | -   | 3,724,963          |
| Other institutions                                    | -                  | 46,632            | 135,953           | 1,006             | -                 | 340              | -                  | -   | 183,931            |
| Commercial and other institutions                     | -                  | 55,658            | 283,098           | 20                | -                 | -                | -                  | -   | 338,776            |
| Banks and participation banks                         | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| <b>IX. Precious metal funds</b>                       | <b>36,383,140</b>  | <b>7,765,461</b>  | <b>3,919,840</b>  | <b>667,511</b>    | -                 | <b>419,769</b>   | <b>15,572</b>      | -   | <b>49,171,293</b>  |
| <b>X. Profit sharing accounts special funds - TL</b>  | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Residents in Turkey                                   | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Residents Abroad                                      | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| <b>XI. Profit sharing accounts special funds - FC</b> | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Residents in Turkey                                   | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| Residents Abroad                                      | -                  | -                 | -                 | -                 | -                 | -                | -                  | -   | -                  |
| <b>Total</b>  | <b>128,113,233</b> | <b>34,670,719</b> | <b>37,825,524</b> | <b>3,291,079</b>  | -                 | <b>4,387,360</b> | <b>3,785,619</b>   | <b>31,855</b>                             | <b>212,105,389</b> |

There are no 7 days notification accounts of the Bank.

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| Prior period  | Demand            | Up to 1 month     | Up to 3 Months    | Up to 6 months   | Up to 9 months | Up to 1 year     | 1 year and over  | Accumulated profit sharing accounts | Total              |
|---|-------------------|-------------------|-------------------|------------------|----------------|------------------|------------------|-------------------------------------|--------------------|
| <b>I. Real persons current accounts-TL</b>            | <b>9,214,591</b>  | -                 | -                 | -                | -              | -                | -                | -                                   | <b>9,214,591</b>   |
| <b>II. Real persons profit sharing accounts-TL</b>    | -                 | <b>6,461,888</b>  | <b>8,497,859</b>  | <b>508,942</b>   | -              | <b>729,392</b>   | <b>956,849</b>   | <b>22,604</b>                       | <b>17,177,534</b>  |
| <b>III. Other current accounts-TL</b>                 | <b>5,050,036</b>  | -                 | -                 | -                | -              | -                | -                | -                                   | <b>5,050,036</b>   |
| Public sector   | 194,879           | -                 | -                 | -                | -              | -                | -                | -                                   | 194,879            |
| Commercial sector                                     | 4,803,662         | -                 | -                 | -                | -              | -                | -                | -                                   | 4,803,662          |
| Other institutions                                    | 39,576            | -                 | -                 | -                | -              | -                | -                | -                                   | 39,576             |
| Commercial and other institutions                     | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Banks and participation banks                         | 11,919            | -                 | -                 | -                | -              | -                | -                | -                                   | 11,919             |
| Central Bank of Republic of Turkey                    | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Domestic banks  | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Foreign banks   | 11,616            | -                 | -                 | -                | -              | -                | -                | -                                   | 11,616             |
| Participation banks                                   | 303               | -                 | -                 | -                | -              | -                | -                | -                                   | 303                |
| Others  | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| <b>IV. Profit sharing accounts-TL</b>                 | -                 | <b>602,957</b>    | <b>989,697</b>    | <b>42,390</b>    | -              | <b>312,745</b>   | <b>109,333</b>   | <b>2</b>                            | <b>2,057,124</b>   |
| Public sector   | -                 | 322               | 602               | 645              | -              | 11,465           | -                | -                                   | 13,034             |
| Commercial sector                                     | -                 | 530,069           | 841,232           | 33,935           | -              | 287,086          | 108,842          | 2                                   | 1,801,166          |
| Other institutions                                    | -                 | 72,504            | 147,843           | 7,810            | -              | 14,186           | 491              | -                                   | 242,834            |
| Commercial and other institutions                     | -                 | 62                | -                 | -                | -              | 8                | -                | -                                   | 70                 |
| Banks and participation banks                         | -                 | -                 | 20                | -                | -              | -                | -                | -                                   | 20                 |
| <b>V. Real persons current accounts-FC</b>            | <b>20,647,968</b> | -                 | -                 | -                | -              | -                | -                | -                                   | <b>20,647,968</b>  |
| <b>VI. Real persons profit sharing accounts-FC</b>    | -                 | <b>6,978,028</b>  | <b>8,755,512</b>  | <b>1,054,169</b> | -              | <b>1,357,875</b> | <b>1,495,235</b> | <b>4,205</b>                        | <b>19,645,024</b>  |
| <b>VII. Other current accounts-FC</b>                 | <b>9,273,571</b>  | -                 | -                 | -                | -              | -                | -                | -                                   | <b>9,273,571</b>   |
| Commercial residents in Turkey                        | 8,823,743         | -                 | -                 | -                | -              | -                | -                | -                                   | 8,823,743          |
| Commercial residents in Abroad                        | 292,016           | -                 | -                 | -                | -              | -                | -                | -                                   | 292,016            |
| Banks and participation banks                         | 157,812           | -                 | -                 | -                | -              | -                | -                | -                                   | 157,812            |
| Central Bank of Republic of Turkey                    | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Domestic banks  | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Foreign banks   | 153,153           | -                 | -                 | -                | -              | -                | -                | -                                   | 153,153            |
| Participation banks                                   | 4,659             | -                 | -                 | -                | -              | -                | -                | -                                   | 4,659              |
| Others  | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| <b>VIII. Profit sharing accounts- FC</b>              | -                 | <b>745,772</b>    | <b>1,636,672</b>  | <b>35,901</b>    | -              | <b>31,455</b>    | <b>58,728</b>    | -                                   | <b>2,508,528</b>   |
| Public sector   | -                 | 3                 | -                 | -                | -              | -                | -                | -                                   | 3                  |
| Commercial sector                                     | -                 | 670,072           | 1,404,349         | 34,838           | -              | 30,766           | 58,728           | -                                   | 2,198,753          |
| Other institutions                                    | -                 | 32,466            | 72,144            | 1,051            | -              | 191              | -                | -                                   | 105,852            |
| Commercial and other institutions                     | -                 | 43,231            | 160,179           | 12               | -              | 498              | -                | -                                   | 203,920            |
| Banks and participation banks                         | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| <b>IX. Precious metal funds</b>                       | <b>28,025,054</b> | <b>5,342,933</b>  | <b>2,559,094</b>  | <b>379,540</b>   | -              | <b>281,184</b>   | <b>10,713</b>    | <b>90</b>                           | <b>36,598,608</b>  |
| <b>X. Profit sharing accounts special funds - TL</b>  | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Residents in Turkey                                   | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Residents Abroad                                      | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| <b>XI. Profit sharing accounts special funds - FC</b> | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Residents in Turkey                                   | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| Residents Abroad                                      | -                 | -                 | -                 | -                | -              | -                | -                | -                                   | -                  |
| <b>Total</b>  | <b>72,211,220</b> | <b>20,131,578</b> | <b>22,438,834</b> | <b>2,020,942</b> | -              | <b>2,712,651</b> | <b>2,630,858</b> | <b>26,901</b>                       | <b>122,172,984</b> |

There are no 7 day notification accounts of the Bank.



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

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

|  | Under the guarantee of saving deposit insurance |              | Exceeding the limit of saving Deposit |              |
|--|---|--------------|---------------------------------------|--------------|
|  | Current period                                  | Prior period | Current period                        | Prior period |
| Real persons current and profit-sharing accounts that are not subject to commercial activities |   |              |                                       |              |
| TL accounts  | 24,964,865                                      | 15,907,330   | 21,500,880                            | 10,483,445   |
| FC accounts  | 39,675,693                                      | 33,522,314   | 86,313,956                            | 40,073,387   |
| Foreign branches' deposits under foreign authorities' insurance                                | -   | -            | -                                     | -            |
| Off-shore banking regions' under foreign authorities' insurance                                | -   | -            | -                                     | -            |

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

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

The headquarters of the Bank is in Turkey.

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

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

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Foreign branches' profit sharing accounts and other accounts   | -              | -            |
| Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care   | -              | -            |
| Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care | 12,955         | 11,651       |
| Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004                      | -              | -            |
| Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely   | -              | -            |

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**2.2 Information on derivative financial liabilities held for trading**

Derivative financial liabilities held for trading

|                      | Current Period |               | Prior Period     |                |
|----------------------|----------------|---------------|------------------|----------------|
|                      | TL             | FC            | TL               | FC             |
| Forward transactions | 130,125        | 2,718         | 23,081           | 2,927          |
| Swap transactions    | 62,773         | 62,297        | 1,367,405        | 283,393        |
| Futures transactions | -              | -             | -                | -              |
| Options              | -              | -             | -                | -              |
| Other                | -              | -             | -                | -              |
| <b>Total</b>         | <b>192,898</b> | <b>65,015</b> | <b>1,390,486</b> | <b>286,320</b> |

**2.3 Information on funds borrowed**

**2.3.1 Information on banks and other financial institutions**

|   | Current Period   |                  | Prior Period     |                  |
|---|------------------|------------------|------------------|------------------|
|   | TL               | FC               | TL               | FC               |
| Loans from The Central Bank of the Republic of Turkey | -                | -                | -                | -                |
| From Domestic Banks and Institutions                  | 4,785,462        | 132,958          | 2,823,017        | 3,773,050        |
| From Foreign Banks, Institutions and Funds            | 10,000           | 3,393,554        | 45,929           | 4,946,896        |
| <b>Total</b>  | <b>4,795,462</b> | <b>3,526,512</b> | <b>2,868,946</b> | <b>8,719,946</b> |

**2.3.2 Information on maturity structure of borrowings**

|                      | Current Period   |                  | Prior Period     |                  |
|----------------------|------------------|------------------|------------------|------------------|
|                      | TL               | FC               | TL               | FC               |
| Short-term           | 4,741,450        | 1,493,156        | 2,868,946        | 7,605,732        |
| Medium and Long-Term | 54,012           | 2,033,356        | -                | 1,114,214        |
| <b>Total</b>         | <b>4,795,462</b> | <b>3,526,512</b> | <b>2,868,946</b> | <b>8,719,946</b> |

**2.3.3 Explanations related to the concentrations of the Bank's major liabilities**

All of the borrowings consist of foreign currency loans and there is no risk concentration of the Bank's current and profit sharing accounts.

**2.4 Information on other liabilities and miscellaneous payables**

As of 31 December 2021, other liabilities amount to TL 1,672,968 (31 December 2020 – TL 1,034,437), sundry creditors amount to TL 2,703,783 (31 December 2020 - TL 783,731), both of them do not exceed 10% of the balance sheet total.

**2.5 Information on finance lease payables (Net)**

|                   | Current Period |                | Prior Period   |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | Gross          | Net            | Gross          | Net            |
| Less than 1 year  | 16,612         | 15,818         | 147,042        | <b>134,673</b> |
| 1 to 4 years      | 53,739         | 44,592         | 253,354        | 163,081        |
| More than 4 years | 451,837        | 291,965        | 127,183        | 46,271         |
| <b>Total</b>      | <b>522,188</b> | <b>352,375</b> | <b>527,579</b> | <b>344,025</b> |

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

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**2.5.1.** Information on the changes in agreements and new obligations originating from these changes

None (31 December 2020 – None)

**2.5.1.1** Information on Financial Lease Obligations

None (31 December 2020 – None)

**2.5.1.2** Information on Operational Leases

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

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

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

**2.6** Information on hedging derivative financial liabilities

None (31 December 2020 – None)

**2.7** Information on provisions

**2.7.1** Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of 31 December 2021, effect of decrease in exchange rates on foreign currency indexed loans amounting to TL 50 (31 December 2020 – TL 3) and TL 7 for leasing receivables (31 December 2020 – TL 87) is offset against loans and receivables account.

**2.7.2** Information on other provisions

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Non-Cash loans that are not converted into cash                   | 522,425          | 440,411          |
| Special Provisions for non-cash loans                             | 486,379          | 165,538          |
| General Provisions for non-cash loans                             | 678,145          | 447,552          |
| Provision for Profits will be Allocated to Participation Accounts | 957              | 3,237            |
| Other (*)   | 182,165          | 95,221           |
| <b>Total</b>  | <b>1,870,071</b> | <b>1,151,959</b> |

(\*) The other part of the main period amounting to TL 101,360 (December 31, 2020 - TL 35,525) is TL 9,365 (31 December 2020 - TL 100) for the expense of TL 63,404 (31 December 2020 - TL 56,211) is the amount for impairment loss. Provision for collected delay penalties 8,006 (December 31, 2020 – TL 3,385) which may be refunded is the amount related to other provision.

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**2.7.3** Information on provisions for employee benefits:

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 221,639 (31 December 2020 – TL 181,746), vacation pay liability amounting to TL 1,196 (31 December 2020 – TL 764), performance premium amounting to TL 201,534 (31 December 2020 – TL 135,803), retirement bonuses on payment of TL 130,241 (31 December 2020 – TL 86,659), committee fee amounting to TL 17,256 (31 December 2020 – TL 13,627) and other fees amounting to TL 438 (31 December 2020 – TL 243).

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

The amount payable consists of one month's salary limited to a maximum of TL 8,284.51 (full TL amount) (31 December 2020 – TL 6,730.15 (full TL amount)) for each year of service. The liability is not funded, as there is no funding requirement.

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

|                   | <b>Current Period</b> | <b>Prior Period</b> |
|-------------------|-----------------------|---------------------|
| Discount rate (%) | 19.10                 | 12.10               |
| Interest rate (%) | 15.80                 | 8.00                |

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

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Balance at the beginning of the period   | 181,746               | 115,461             |
| Provisions recognized during the period  | 49,512                | 30,769              |
| Paid during the period                   | (10,687)              | (4,704)             |
| Actuarial loss                           | 1,068                 | 40,220              |
| <b>Balances at the end of the period</b> | <b>221,639</b>        | <b>181,746</b>      |

**2.8** **Explanations on tax liability**

**2.8.1** Explanations on current tax liability

**2.8.1.1** Information on tax provisions: TL 1,158,997 (31 December 2020 TL 348,052)

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**2.8.1.2** Information on taxes payable

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| Taxation of marketable securities        | 30,189         | 26,382         |
| Taxation of immovable property           | 2,347          | 969            |
| Banking Insurance Transaction Tax (BITT) | 54,819         | 30,458         |
| Foreign Exchange Transaction Tax         | 103,722        | 23,676         |
| Value Added Tax Payable                  | 9,482          | 2,792          |
| Income tax deducted from wages           | 17,938         | 15,010         |
| Other                                    | 2,078          | 1,679          |
| <b>Total</b>                             | <b>220,575</b> | <b>100,966</b> |

**2.8.1.3** Information on premiums (\*)

|                                    | Current Period | Prior Period  |
|------------------------------------|----------------|---------------|
| Social Insurance Premiums-Employee | 10,527         | 8,626         |
| Social Insurance Premiums-Employer | 11,333         | 9,270         |
| Unemployment insurance-Employee    | 751            | 617           |
| Unemployment insurance-Employer    | 1,628          | 1,484         |
| <b>Total</b>                       | <b>24,239</b>  | <b>19,997</b> |

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

**2.8.1.4.** Information on deferred tax liability  
None (31 December 2020 - None).

**2.9.** Information on payables related to assets held for sale:

None (31 December 2020 – None).

**2.10** Information on subordinated loans:

|                                  | Current Period |                  | Prior Period |                  |
|----------------------------------|----------------|------------------|--------------|------------------|
|                                  | TL             | FC               | TL           | FC               |
| From Domestic Banks              | -              | -                | -            | -                |
| From Other Domestic Institutions | -              | -                | -            | -                |
| From Foreign Banks               | -              | -                | -            | -                |
| From Other Foreign Institutions  | -              | 8,100,496        | -            | 4,590,265        |
| <b>Total</b>                     | -              | <b>8,100,496</b> | -            | <b>4,590,265</b> |

**2.11** Information on shareholders' equity

**2.11.1** Presentation of paid-in capital

|                               | Current Period   | Prior Period     |
|-------------------------------|------------------|------------------|
| Common shares                 | 4,600,000        | 4,600,000        |
| Preference shares             | -                | -                |
| Repurchased shares amount (*) | (4,869)          | (4,869)          |
| <b>Total</b>                  | <b>4,595,131</b> | <b>4,595,131</b> |

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

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

Registered capital system is not applied in the Bank.

- 2.11.3** Information on the share capital increases during the period and their sources; other information on increased capital shares in the current period

None (31 December 2020 – None).

- 2.11.4** Information on share capital increases from capital reserves during the current period

- 2.11.5** Possible effect of estimations made for the Bank’s revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

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

- 2.11.6** Summary of privileges given to shares representing the capital:

None. (31 December 2020 - None)

- 2.11.7** Information on marketable securities value increase fund:

|   | Current Period |                 | Prior Period    |               |
|---|----------------|-----------------|-----------------|---------------|
|   | TL             | FC              | TL              | FC            |
| From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.) | -              | -               | -               | -             |
| Valuation Difference (*)  | 57,132         | (65,917)        | (81,130)        | 94,206        |
| Foreign Exchange Difference   | -              | -               | -               | -             |
| <b>Total</b>  | <b>57,132</b>  | <b>(65,917)</b> | <b>(81,130)</b> | <b>94,206</b> |

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

- 2.12 Information on minority shares**

None (31 December 2020 – None).

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

**3.1. Explanations on off-balance sheet accounts:**

**3.1.1** Types and amounts of irrevocable commitments: Commitment for credit card limits, as of 31 December 2021 amounts to TL 5,278,441 (31 December 2020 – TL 3,503,366); payment commitments for cheque books amounts to TL 1,750,116 (31 December 2020 – TL 1,372,786).

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

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

As of 31 December 2021, the Bank has guarantees and surety ships constituting of TL 11,846,585 (31 December 2020 – TL 9,590,794) of letters of guarantee; TL 113,683 (31 December 2020 – TL 40,996) of acceptances and TL 4,521,120 (31 December 2020 – TL 1,685,022) of letters of credit. Also, banks has other acceptances amounting to TL 912,257 (31 December 2020 – TL 546,682).

**3.1.2.2** Revocable, irrevocable guarantees and other similar commitments and contingencies: There are no other than those explained in 2.i

**3.1.3** Total amount of non-cash loans

|  | <b>Current period</b> | <b>Prior period</b> |
|--|-----------------------|---------------------|
| Non-cash loans given against cash loans    | 74,766                | 33,229              |
| With original maturity of 1 year or less   | 74,766                | 33,229              |
| With original maturity of more than 1 year | -                     | -                   |
| Other non-cash loans                       | 17,318,879            | 11,830,265          |
| <b>Total</b>                               | <b>17,393,645</b>     | <b>11,863,494</b>   |

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**3.1.4. Sectorial risk concentration of non-cash loans**

|                                   | Current Period   |               |                  |               |
|-----------------------------------|------------------|---------------|------------------|---------------|
|                                   | TP               | %             | YP               | %             |
| <b>Agriculture</b>                | <b>133,738</b>   | <b>1.50</b>   | <b>70,364</b>    | <b>0.83</b>   |
| Farming and stockbreeding         | 37,343           | 0.42          | 53,692           | 0.63          |
| Forestry                          | 95,089           | 1.07          | 16,672           | 0.20          |
| Fishery                           | 1,306            | 0.01          | -                | -             |
| <b>Manufacturing</b>              | <b>1,832,447</b> | <b>20.53</b>  | <b>3,094,034</b> | <b>36.54</b>  |
| Mining and quarrying              | 493,168          | 5.53          | 638,387          | 7.54          |
| Production                        | 1,093,192        | 12.25         | 2,333,739        | 27.56         |
| Electricity, Gas, Water           | 246,087          | 2.76          | 121,908          | 1.44          |
| <b>Construction</b>               | <b>3,568,096</b> | <b>39.98</b>  | <b>1,089,374</b> | <b>12.86</b>  |
| <b>Services</b>                   | <b>2,813,633</b> | <b>31.52</b>  | <b>3,116,270</b> | <b>36.80</b>  |
| Wholesale and Retail Trade        | 1,710,046        | 19.16         | 2,014,153        | 23.79         |
| Hotel, Food and Beverage Services | 93,430           | 1.05          | 31,128           | 0.37          |
| Transportation and Telecom.       | 481,137          | 5.39          | 503,573          | 5.95          |
| Financial Institutions            | 18,929           | 0.21          | 344,148          | 4.06          |
| Real Estate and Renting Services  | 71,475           | 0.80          | 8,078            | 0.10          |
| Self-Employment Type Services     | 232              | 0.00          | -                | -             |
| Educational Services              | 25,953           | 0.29          | 1,327            | 0.02          |
| Health and Social Services        | 412,431          | 4.62          | 213,863          | 2.53          |
| <b>Other</b>                      | <b>577,899</b>   | <b>6.47</b>   | <b>1,097,790</b> | <b>12.96</b>  |
| <b>Total</b>                      | <b>8,925,813</b> | <b>100.00</b> | <b>8,467,832</b> | <b>100.00</b> |

|                                   | Prior Period     |               |                  |               |
|-----------------------------------|------------------|---------------|------------------|---------------|
|                                   | TP               | %             | YP               | %             |
| <b>Agriculture</b>                | <b>75,932</b>    | <b>1.02</b>   | <b>29,596</b>    | <b>0.67</b>   |
| Farming and stockbreeding         | 38,954           | 0.52          | 21,670           | 0.49          |
| Forestry                          | 36,978           | 0.50          | 7,926            | 0.18          |
| Fishery                           | -                | -             | -                | -             |
| <b>Manufacturing</b>              | <b>1,426,416</b> | <b>19.10</b>  | <b>1,467,734</b> | <b>33.41</b>  |
| Mining and quarrying              | 338,206          | 4.53          | 421,851          | 9.60          |
| Production                        | 774,486          | 10.37         | 1,006,187        | 22.90         |
| Electricity, Gas, Water           | 313,724          | 4.20          | 39,696           | 0.90          |
| <b>Construction</b>               | <b>3,036,920</b> | <b>40.65</b>  | <b>603,648</b>   | <b>13.74</b>  |
| <b>Services</b>                   | <b>2,346,149</b> | <b>31.41</b>  | <b>1,466,554</b> | <b>33.38</b>  |
| Wholesale and Retail Trade        | 1,314,073        | 17.59         | 729,169          | 16.60         |
| Hotel, Food and Beverage Services | 103,682          | 1.39          | 22,615           | 0.51          |
| Transportation and Telecom.       | 475,975          | 6.37          | 363,945          | 8.28          |
| Financial Institutions            | 18,502           | 0.25          | 226,343          | 5.15          |
| Real Estate and Renting Services  | 52,713           | 0.71          | 27,995           | 0.64          |
| Self-Employment Type Services     | 272              | 0.00          | -                | -             |
| Educational Services              | 19,695           | 0.26          | 1,237            | 0.03          |
| Health and Social Services        | 361,237          | 4.84          | 95,250           | 2.17          |
| <b>Other</b>                      | <b>584,619</b>   | <b>7.83</b>   | <b>825,926</b>   | <b>18.80</b>  |
| <b>Total</b>                      | <b>7,470,036</b> | <b>100.00</b> | <b>4,393,458</b> | <b>100.00</b> |



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

| Current Period                         | Group I          |                  | Group II       |                |
|--|------------------|------------------|----------------|----------------|
|  | TL               | FC               | TL             | FC             |
| <b>Non-Cash Loans</b>                  | <b>8,417,741</b> | <b>7,936,747</b> | <b>268,864</b> | <b>294,603</b> |
| Letters of Guarantee (*)               | 7,578,148        | 3,372,872        | 252,197        | 167,699        |
| Bills of Exchange and Bank Acceptances | 1,044            | 112,639          | -              | -              |
| Letters of Credit                      | 10,875           | 4,380,274        | 3,067          | 126,904        |
| Endorsements                           | -                | -                | -              | -              |
| Underwriting Commitments               | -                | -                | -              | -              |
| Factoring Related Guarantees           | -                | -                | -              | -              |
| Other Guarantees and Securities (*)    | 827,674          | 70,962           | 13,600         | -              |

  

| Prior Period                           | Group I          |                  | Group II       |               |
|--|------------------|------------------|----------------|---------------|
|  | TL               | FC               | TL             | FC            |
| <b>Non-Cash Loans(*)</b>               | <b>6,903,342</b> | <b>4,178,033</b> | <b>312,420</b> | <b>67,125</b> |
| Letters of Guarantee (*)               | 6,475,176        | 2,400,361        | 268,049        | 44,636        |
| Bills of Exchange and Bank Acceptances | 4,503            | 34,535           | 1,000          | 958           |
| Letters of Credit                      | 14,424           | 1,649,067        | -              | 21,531        |
| Endorsements                           | -                | -                | -              | -             |
| Underwriting Commitments               | -                | -                | -              | -             |
| Factoring Related Guarantees           | -                | -                | -              | -             |
| Other Guarantees and Securities (*)    | 409,239          | 94,070           | 43,371         | -             |

(\*) As of 31 December 2021, there are 3. stage Letters of Guarantee amounting to TL 475,669 (December 31, 2020 – TL 402,572) and Other Guarantees and Bails amounting to TL 21 (31 December 2020 - TL 2).

**3.2. Financial derivative instruments**

|  | Trading Derivatives |                   |
|--|---------------------|-------------------|
|  | Cari dönem          | Önceki dönem      |
| <b>Foreign currency related derivative</b>                 |                     |                   |
| <b>Foreign Currency Related Derivative</b>                 | <b>73,484,299</b>   | <b>84,554,297</b> |
| <b>Transactions (I):</b>                                   |                     |                   |
| Currency Forwards-Purchases, sales                         | 5,624,370           | 3,214,430         |
| Currency Swaps-Purchases, sales                            | 67,859,929          | 81,339,867        |
| Currency Futures   | -                   | -                 |
| Currency Options-Purchases, sales                          | -                   | -                 |
| <b>Interest rate related derivative transactions (II):</b> |                     |                   |
| Interest rates forwards-Purchase, sales                    | -                   | -                 |
| Interest rates swaps-Purchases, sales                      | -                   | -                 |
| Interest rates options-Purchases, sales                    | -                   | -                 |
| Interest rates futures-Purchases, sales                    | -                   | -                 |
| <b>Other trading derivatives (III)</b>                     | <b>88,062</b>       | <b>12,274,248</b> |
| <b>A. Total trading derivatives (I+II+III)</b>             | <b>73,572,361</b>   | <b>96,828,545</b> |
| <b>Hedging Derivatives</b>                                 |                     |                   |
| Fair value hedges  | -                   | -                 |
| Cash flow hedges   | -                   | -                 |
| Foreign currency investment hedges                         | -                   | -                 |
| <b>B. Total Hedging Derivatives</b>                        | <b>-</b>            | <b>-</b>          |
| <b>Total Derivatives Transactions (A+B)</b>                | <b>73,572,361</b>   | <b>96,828,545</b> |

The Bank enters into short-term swap transactions based on its market expectations and cash flow. These transactions are generally short-term and consist of foreign currency to foreign currency and foreign currency to Turkish Lira agreements. As of 31 December 2021, in the contracts the bank has entered in TL, US Dollars, Euros, British Pounds, Saudi Arabian Riyal, Russian Ruble, Silver and Gold currencies, the Bank has commitments to buy TL 1,439,007 USD 1,624,839,000, EUR 26,980,000, GBP 43,797,000, CHF 7,285,000 in return of selling commitments of TL 1,723,248, USD 264,511,000, EUR 2,051,366,000, GBP 63,000. (As of 31 December 2020 in the contracts the bank has entered in TL, US Dollars, Euros, British Pounds and Malaysian Ringite currencies, the Bank has commitments to buy TL 786,085, USD 3,290,100,000, EUR 97,419,000, GBP 44,126,000, SAR 56,279,000 and RUB 54,078,000 in return of selling commitments of TL 24,395,510, USD 546,131,000, EUR 2,268,673,000, GBP 12,029,000 and RUB 38,805,000).

**3.3. Credit derivatives and risk exposures on credit derivatives**

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None.

**3.4. Contingent liabilities and assets**

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

**3.5. Explanations on custodian and intermediary services**

None.

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

| <b>Fitch Rating's October 2020</b>              | <b>Notes</b> |
|---|--------------|
| Long-Term Issuer Default Rating                 | B+           |
| Short-Term Issuer Default Rating                | B            |
| Local Currency Long-Term Issuer Default Rating  | BB-          |
| Local Currency Short-Term Issuer Default Rating | B            |
| Financial Capacity Ratio                        | b+           |
| Support Rating                                  | 4            |

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

**4.1 Information on profit share income**

**4.1.1 Information on profit share received from loans**

|  | Current period   |                  | Prior period     |                |
|--|------------------|------------------|------------------|----------------|
|  | TL               | FC               | TL               | FC             |
| <b>Profit share on loans</b>                             | <b>7,095,760</b> | <b>1,458,883</b> | <b>5,250,272</b> | <b>924,105</b> |
| Short term loans   | 2,244,092        | 219,724          | 1,117,394        | 90,711         |
| Medium and long-term loans                               | 4,539,776        | 1,170,754        | 4,085,874        | 831,630        |
| Profit share on non-performing loans                     | 311,892          | 68,405           | 47,004           | 1,764          |
| Premiums received from resource utilization support fund | -                | -                | -                | -              |
| <b>Total</b>   | <b>7,095,760</b> | <b>1,458,883</b> | <b>5,250,272</b> | <b>924,105</b> |

**4.1.2 Information on profit share received from banks**

|  | Current period |               | Prior period  |               |
|--|----------------|---------------|---------------|---------------|
|  | TL             | FC            | TL            | FC            |
| The Central Bank of the Republic of Turkey | 230,553        | -             | 37,473        | -             |
| Domestic Banks                             | 4,225          | -             | 970           | -             |
| Foreign Banks                              | 5,578          | 90,037        | 60,698        | 60,178        |
| Branches and head office abroad            | -              | -             | -             | 342           |
| <b>Total</b>                               | <b>240,356</b> | <b>90,037</b> | <b>99,141</b> | <b>60,520</b> |

**4.1.3 Information on profit share income from securities portfolio**

|  | Current Period   |                | Prior Period     |                |
|--|------------------|----------------|------------------|----------------|
|  | TP               | YP             | TP               | YP             |
| Financial Assets at Fair Value Through Profit or Loss                  | 70,091           | 200,902        | 85,748           | 228,084        |
| Financial Assets at Fair Value Reflected in Other Comprehensive Income | 2,574,070        | 510,314        | 1,768,791        | 349,355        |
| Financial Assets Valued Over Amortized Cost                            | -                | 127,100        | -                | 170,974        |
| <b>Total</b>   | <b>2,644,161</b> | <b>838,316</b> | <b>1,854,539</b> | <b>748,413</b> |

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

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Profit share income received from associates and subsidiaries | 46,423         | 39,083       |

**4.2 Information on profit share expenses**

|  | Current period |                | Prior period   |                |
|--|----------------|----------------|----------------|----------------|
|  | TL             | FC             | TL             | FC             |
| <b>Banks</b>                               | <b>27,807</b>  | <b>146,993</b> | <b>23,948</b>  | <b>31,978</b>  |
| The Central Bank of the Republic of Turkey | -              | -              | -              | -              |
| Domestic banks                             | 23,751         | 3,464          | 22,052         | 4,506          |
| Foreign banks                              | 4,056          | 143,529        | 1,896          | 27,472         |
| Branches and head office abroad            | -              | -              | -              | -              |
| Other Institutions                         | 732,927        | 553,874        | 158,058        | 567,583        |
| <b>Total</b>                               | <b>760,734</b> | <b>700,867</b> | <b>182,006</b> | <b>599,561</b> |

**4.2.1 Profit share expense given to associates and subsidiaries**

|  | Current period | Prior period |
|--|----------------|--------------|
| Profit share expenses given to associates and subsidiaries | 329,684        | 586,767      |

**4.2.2 Profit share expense paid to securities issued**

None (1 January – 31 December 2020: None).

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**4.3 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 | -              | -            |
| Other   | 6,042          | 68           |
| <b>Total</b>  | <b>6,042</b>   | <b>68</b>    |

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

| Current period   | Profit Sharing Accounts |                  |                |                |               |                | Accumulated profit sharing accounts | Total            |
|--|-------------------------|------------------|----------------|----------------|---------------|----------------|-------------------------------------|------------------|
| Account name   | Up to 1 month           | Up to 3 months   | Up to 6 months | Up to 9 months | Up to 1 year  | Above 1 year   |                                     |                  |
| <b>Turkish Lira</b>  |                         |                  |                |                |               |                |                                     |                  |
| Collected funds from banks through current and profit share accounts | -                       | 2                | -              | -              | -             | -              | -                                   | 2                |
| Real person's non-trading profit sharing account                     | 1,226,974               | 1,402,886        | 67,492         | -              | 76,345        | 98,608         | 2,438                               | 2,874,743        |
| Public sector profit sharing account                                 | 36                      | 120              | 99             | -              | 94            | -              | -                                   | 349              |
| Commercial sector profit sharing account                             | 85,602                  | 122,789          | 2,230          | -              | 2,081         | 1,430          | -                                   | 214,132          |
| Other institutions profit sharing account                            | 16,142                  | 24,530           | 2,528          | -              | 517           | 67             | -                                   | 43,784           |
| <b>Total</b>   | <b>1,328,754</b>        | <b>1,550,327</b> | <b>72,349</b>  | <b>-</b>       | <b>79,037</b> | <b>100,105</b> | <b>2,438</b>                        | <b>3,133,010</b> |
| <b>Foreign currency</b>  |                         |                  |                |                |               |                |                                     |                  |
| Banks  | -                       | -                | -              | -              | -             | -              | -                                   | -                |
| Real person's non-trading profit sharing account                     | 64,389                  | 82,590           | 8,458          | -              | 14,783        | 18,359         | 87                                  | 188,666          |
| Public sector profit sharing account                                 | -                       | -                | -              | -              | -             | -              | -                                   | -                |
| Commercial sector profit sharing account                             | 5,899                   | 11,199           | 387            | -              | 209           | 52             | -                                   | 17,746           |
| Other institutions profit sharing account                            | 451                     | 1,905            | 6              | -              | 7             | -              | -                                   | 2,369            |
| Precious metal accounts  | 8,379                   | 4,156            | 629            | -              | 520           | -              | -                                   | 13,684           |
| <b>Total</b>   | <b>79,118</b>           | <b>99,850</b>    | <b>9,480</b>   | <b>-</b>       | <b>15,519</b> | <b>18,411</b>  | <b>87</b>                           | <b>222,465</b>   |
| <b>Grand Total</b>   | <b>1,407,872</b>        | <b>1,650,177</b> | <b>81,829</b>  | <b>-</b>       | <b>94,556</b> | <b>118,516</b> | <b>2,525</b>                        | <b>3,355,475</b> |

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| Prior period  | Profit Sharing Accounts |                   |                   |                   |                 |                 | Accumulated<br>profit<br>sharing<br>accounts | Total     |
|---|-------------------------|-------------------|-------------------|-------------------|-----------------|-----------------|--|-----------|
| Account name  | Up to 1<br>month        | Up to 3<br>months | Up to 6<br>months | Up to 9<br>months | Up to 1<br>year | Above 1<br>year |  |           |
| Turkish Lira  |                         |                   |                   |                   |                 |                 |  |           |
| Collected funds from banks through<br>current and profit share accounts | -                       | 1                 | -                 | -                 | -               | -               | -  | 1         |
| Real person’s non-trading profit<br>sharing account                     | 552,292                 | 816,804           | 51,283            | -                 | 61,964          | 93,576          | 1,358  | 1,577,277 |
| Public sector profit sharing account                                    | 25                      | 27                | 54                | -                 | 39              | -               | -  | 145       |
| Commercial sector profit sharing<br>account                             | 47,506                  | 96,576            | 4,310             | -                 | 1,795           | 1,324           | -  | 151,511   |
| Other institutions profit sharing<br>account                            | 5,484                   | 12,324            | 967               | -                 | 440             | 115             | -  | 19,330    |
| Total   | 605,307                 | 925,732           | 56,614            | -                 | 64,238          | 95,015          | 1,358  | 1,748,264 |
| Foreign currency  |                         |                   |                   |                   |                 |                 |  |           |
| Banks   | 15                      | 559               | 27                | -                 | -               | -               | -  | 601       |
| Real person’s non-trading profit<br>sharing account                     | 42,018                  | 64,866            | 9,074             | -                 | 10,000          | 14,125          | 25   | 140,108   |
| Public sector profit sharing account.                                   | -                       | -                 | -                 | -                 | -               | -               | -  | -         |
| Commercial sector profit sharing<br>account                             | 3,869                   | 11,087            | 384               | -                 | 410             | 53              | -  | 15,803    |
| Other institutions profit sharing<br>account                            | 387                     | 1,395             | 111               | -                 | 63              | -               | -  | 1,956     |
| Precious metal accounts   | 8,614                   | 6,313             | 845               | -                 | 791             | -               | -  | 16,563    |
| Total   | 54,903                  | 84,220            | 10,441            | -                 | 11,264          | 14,178          | 25   | 175,031   |
| Grand Total   | 660,210                 | 1,009,952         | 67,055            | -                 | 75,502          | 109,193         | 1,383  | 1,923,295 |

**4.5 Information on trading income/loss (Net)**

|  | Current period       | Prior period        |
|--|----------------------|---------------------|
| <b>Net</b>                                 | <b>2,160,959</b>     | <b>571,361</b>      |
| <b>Income</b>                              | <b>138,884,440</b>   | <b>61,702,657</b>   |
| Gain on capital market transactions        | 89,894               | 74,885              |
| Gain on derivative financial instruments   | 9,057,028            | 5,903,317           |
| Foreign exchange profit                    | 129,737,518          | 55,724,455          |
| <b>Losses (-)</b>                          | <b>(136,723,481)</b> | <b>(61,131,296)</b> |
| Losses on capital market transactions      | (31,305)             | (29,857)            |
| Losses on derivative financial instruments | (7,098,493)          | (8,116,336)         |
| Foreign exchange losses                    | (129,593,683)        | (52,985,103)        |

**4.6 Information on other operating income**

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

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| Reversal of prior period provisions                           | 644,051        | 540,455        |
| Income from sale of assets                                    | 40,443         | 20,979         |
| Revenues from real estates sold under the lease certificate.  | 209,867        | 69,847         |
| Income from the real estate sales' gains by rent certificates | 5,656          | 8,052          |
| Other Income  | 25,252         | 8,733          |
| <b>Total</b>  | <b>925,269</b> | <b>648,066</b> |

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

|   | <b>Current Period (*)</b> | <b>Prior Period (*)</b> |
|---|---------------------------|-------------------------|
| <b>Expected Credit Loss</b>   | <b>4,566,363</b>          | <b>3,237,473</b>        |
| 12 month expected credit loss (Stage 1)   | 1,245,871                 | 729,722                 |
| Significant increase in credit risk (Stage 2)                                   | 2,040,864                 | 807,415                 |
| Non-performing loans (Stage 3)  | 1,279,628                 | 1,700,336               |
| Marketable Securities Impairment Expense  | <b>15,264</b>             | <b>22,488</b>           |
| Financial Assets at Fair Value through Profit or Loss                           | 15,264                    | 22,488                  |
| Financial Assets at Fair Value Through Other Comprehensive Income               | -                         | -                       |
| Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities | -                         | -                       |
| Investments in Associates   | -                         | -                       |
| Subsidiaries  | -                         | -                       |
| Joint Ventures  | -                         | -                       |
| Other (**)  | <b>146,762</b>            | <b>287,215</b>          |
| <b>Total</b>  | <b>4,728,389</b>          | <b>3,547,176</b>        |

(\*) Includes the provisions in the “Other Provision Expenses” line in the Income Statement.

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

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**4.8 Information on other operating expenses**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Provision for retirement pay liability (*)     | 38,825                | 26,065              |
| Impairment expenses of tangible assets         | -                     | -                   |
| Depreciation expenses of tangible assets       | 235,625               | 204,730             |
| Impairment expenses of intangible assets       | -                     | -                   |
| Depreciation expenses of intangible assets     | 55,337                | 35,950              |
| Depreciation expenses of assets held for sale  | -                     | -                   |
| Other operating expenses                       | 501,250               | 422,233             |
| Maintenance expenses                           | 110,318               | 91,495              |
| Communication expenses                         | 75,843                | 61,646              |
| Advertisement expenses                         | 66,159                | 43,968              |
| Heating, electricity and water expenses        | 30,645                | 25,327              |
| Stationery expense                             | 13,609                | 9,931               |
| Vehicle expenses                               | 12,478                | 8,265               |
| Cleaning expenses                              | 8,856                 | 7,471               |
| Leasing Expenses Related to TFRS 16 Exceptions | 734                   | 2,921               |
| Other expenses                                 | 182,608               | 171,209             |
| Losses on sales of assets                      | 4,967                 | 344                 |
| Deposit insurance fund expenses                | 429,377               | 320,386             |
| Other  | 253,610               | 193,753             |
| <b>Total</b>                                   | <b>1,518,991</b>      | <b>1,203,461</b>    |

(\*) Includes the provisions in the "Personnel Expenses" line in the Income Statement of prior period.

According to the decision of POA dated March 26, 2021, the fee information for the reporting period for services received from the independent auditor or audit organization is given in the following table. These fees also include the audit fees of the Bank's subsidiaries. The fee information given in the table is excluding VAT.

| <b>Current Period</b>                                    | <b>Independent audit services provided by the group auditor</b> | <b>Independent audit services provided by other Independent Audit companies</b> |
|--|---|---|
| Independent audit fee for the reporting period (*)       | 6,846   | 225   |
| Fees for tax consulting services                         | -   | -   |
| The cost of other assurance services                     | 1,274   | -   |
| The cost of other services outside the independent audit | -   | -   |
| <b>Total</b>   | <b>8,120</b>  | <b>225</b>  |

| <b>Prior Period</b>                                      | <b>Independent audit services provided by the group auditor</b> | <b>Independent audit services provided by other Independent Audit companies</b> |
|--|---|---|
| Independent audit fee for the reporting period (*)       | 3,834   | 343   |
| Fees for tax consulting services                         | -   | -   |
| The cost of other assurance services                     | 944   | -   |
| The cost of other services outside the independent audit | -   | -   |
| <b>Total</b>   | <b>4,878</b>  | <b>343</b>  |

(\*) The Bank's foreign currency exchange purchase valuation rates were used for foreign currency independent audit fees at the end of the period 31 December 2021 / 31 December 2020.

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

Income before tax amounting to TL 3,547,366 increased by 91,40% as compared to the prior period (1 January - 31 December 2020 – TL 1,852,683). Income before tax includes TL 7,630,442 (1 January - 31 December 2020 – TL 6,209,076) net profit share income and TL 577,758 (1 January - 31 December 2020 – TL 350,721) net fees and commission income. Other operating expense amount is TL 1,518,991 (1 January - 31 December 2020 – TL 1,203,461).

**4.10 Information on tax provision for continued and discontinued operations**

Current period tax provision for the period amounting to TL 2,000,422 (1 January-31 December 2020 - TL 781,806), deferred tax income of TL 20,366 (1 January-31 December 2020 - TL 134,484) and TL 975,149 (1 January-31 December 2020 - TL 463,888) deferred tax income is recognized.

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

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

**4.12 Information on net income/loss**

**4.12.1** The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period:

As of 31 December 2021, net profit share income is TL 7,630,442 (1 January-31 December 2020 – TL TL 6,209,076), net fees and commission income is TL 577,758 (1 January-31 December 2020 – TL 350,721).

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

None (1 January – 31 December 2020 – None).

**4.12.3** Profit/Loss attributable to minority interest:

None (1 January - 31 December 2020 – None).

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

As of 31 December 2021, other fees and commissions received is TL 977,196 (1 January - 31 December 2020 – TL 674,716), TL 312,322 of this amount is related with credit card fees and commissions (1 January - 31 December 2020 – TL 147,028) and TL 198,049 of this amount is related with POS machine commissions (1 January – 31 December 2020 -118,516 TL).

As of 31 December 2021, other fees and commissions given is TL 540,736 (1 January - 31 December 2020 – TL 433,766), TL 242,537 (1 January - 31 December 2020 – TL 111,537) of this amount is related with POS clearing commissions and installation expenses, TL 76,380 (1 January - 31 December 2020 – TL 38,445) of this amount is related with fees and commissions paid for credit cards.



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**5. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity**

**5.1** There are no disclosed dividend amounts subsequent to the balance sheet date, prior to the presentation of the financial statements.

Decision on the dividend distribution will be made in the General Assembly. However, the General Assembly has not been held as of the date when the accompanying financial statements are finalized.

**5.2** In the current year, the Bank made dividend payments amounting to TL 9,132 to members of Board of Directors. In the General Assembly meeting held in 25 March 2021 it has been decided that TL 70,927 would be transferred to legal reserves, TL 1,319,715 would be transferred to extraordinary reserve, TL 507 would be transferred to other reserves.

**6. Explanations and Disclosures Related to Statement of Cash Flows**

**6.1. Information on cash and cash equivalents**

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

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

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

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| <b>Cash</b>                               | <b>11,971,283</b> | <b>18,893,086</b> |
| Cash in TL/foreign currency, others       | 6,161,816         | 2,128,075         |
| Demand deposits at banks (Up to 3 months) | 5,809,467         | 16,765,011        |
| <b>Cash Equivalents</b>                   | -                 | -                 |
| Interbank money markets                   | -                 | -                 |
| Time deposits at banks                    | -                 | -                 |
| Marketable securities                     | -                 | -                 |
| <b>Total cash and cash equivalent</b>     | <b>11,971,283</b> | <b>18,893,086</b> |

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

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| <b>Cash</b>                               | <b>36,643,018</b> | <b>11,971,283</b> |
| Cash in TL/foreign currency, others       | 22,120,074        | 6,161,816         |
| Demand deposits at banks (Up to 3 months) | 14,522,944        | 5,809,467         |
| <b>Cash Equivalents</b>                   | -                 | -                 |
| Interbank money markets                   | -                 | -                 |
| Time deposits at banks                    | -                 | -                 |
| Marketable securities                     | -                 | -                 |
| <b>Total cash and cash equivalent</b>     | <b>36,643,018</b> | <b>11,971,283</b> |

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

None (31 December 2020 – None).

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

“Other items” amounting to TL (1,860,549) (1 January-31 December 2020: TL (1,438,893)) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other operating expenses except for collection from non-performing loans and personnel expenses.

“Net increase/decrease in other liabilities” amounting to TL 13,367,399 (1 January-31 December 2020: TL 2,429,589) in “Changes in operating assets and liabilities” consists of changes in sundry creditors, other liabilities and taxes and other duties payables.

“Net increase/decrease in other assets” amounting to TL 5,641,096 (1 January-31 December 2020: TL (8,803,862)) in “Changes in operating assets and liabilities” consist of changes in prepaid rent expense and other asset.

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

Effect of the changes in foreign currency rates on cash and cash equivalents has been calculated approximately TL 27,336,234 as of 31 December 2021 (31 December 2020 – TL (5,409,401)). The effects of the change in foreign currency rates on cash and cash equivalents is calculated according to multiplying fx difference between balance sheet date and cash entered date and related cash amount.

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

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

Current period:

| Risk group of the Bank (*)         | Investment in associates, subsidiaries and joint ventures (business partnerships) |          | Direct and indirect shareholders of the Bank |          | Other real or legal persons included in the risk group |          |
|------------------------------------|---|----------|--|----------|--|----------|
|                                    | Cash  | Non-Cash | Cash   | Non-Cash | Cash   | Non-Cash |
| <b>Loans and other receivables</b> |   |          |  |          |  |          |
| Balance at beginning of period     | 185,615   | 21,015   | 4,695  | 6,709    | 54,992   | 6,632    |
| Balance at end of period           | 482,838   | 40,601   | 6,955  | 21,246   | 64,316   | 2,297    |
| Profit share and commission income | 428   | 234      | 526  | 145      | 4,362  | -        |

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

Prior period:

| Risk group of the Bank (*)         | Investment in associates, subsidiaries and joint ventures (business partnerships) |          | Direct and indirect shareholders of the Bank |          | Other real or legal persons included in the risk group |          |
|------------------------------------|---|----------|--|----------|--|----------|
|                                    | Cash  | Non-Cash | Cash   | Non-Cash | Cash   | Non-Cash |
| <b>Loans and other receivables</b> |   |          |  |          |  |          |
| Balance at beginning of period     | 178,601   | 18,527   | 1,868  | 7,206    | 780,512  | 723      |
| Balance at end of period           | 185,615   | 21,015   | 4,695  | 6,709    | 54,992   | 6,632    |
| Profit share and commission income | 275   | 195      | 258  | 85       | 5,263  | -        |

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

**7.2 Information on current and profit sharing accounts of the Bank's risk group**

| Risk group of the Bank (*)                 | Investment in associates, subsidiaries and joint ventures (business partnerships) |                | Direct and indirect shareholders of the Bank |                | Other real or legal persons included in the risk group |                |
|--|---|----------------|--|----------------|--|----------------|
|  | Current Period  | Current period | Current period                               | Current Period | Current period   | Current period |
| <b>Current and profit sharing accounts</b> |   |                |  |                |  |                |
| Balance at beginning of period             | 63,485  | 181,714        | 58,677                                       | 151,321        | 203,570  | 390,698        |
| Balance at end of period                   | 137,443   | 63,485         | 104,748                                      | 58,677         | 348,052  | 203,570        |
| Profit share expense                       | 1,401   | 6,642          | 980  | 852            | 266  | 271            |

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

**7.3 Forward and option agreements and other similar agreements with the risk group of the Bank**

| Risk group of the Bank (*)                               | Investment in associates, subsidiaries and joint ventures (business partnerships) |              | Direct and indirect shareholders of the Bank |              | Other real or legal persons included in the risk group |              |
|--|---|--------------|--|--------------|--|--------------|
|  | Current period  | Prior period | Current period                               | Prior period | Current period   | Prior period |
| <b>Transactions at Fair Value through Profit or Loss</b> |   |              |  |              |  |              |
| Balance at beginning of period                           | 240,454   | 75,460       | 716,065                                      | 607,498      | -  | -            |
| Balance at end of period                                 | 758,268   | 240,454      | 1,992,498                                    | 716,065      | -  | -            |
| Total Profit / Loss                                      | 201,157   | (333)        | (2,476)                                      | (13,619)     | -  | -            |
| <b>Hedging Transactions</b>                              |   |              |  |              |  |              |
| Balance at beginning of period                           | -   | -            | -  | -            | -  | -            |
| Balance at end of period                                 | -   | -            | -  | -            | -  | -            |
| Total Profit / Loss                                      | -   | -            | -  | -            | -  | -            |

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

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**7.4 Information on loans received from the Bank's risk group**

| Risk group of the Bank (*)     | Investment in associates, subsidiaries and joint ventures (business partnerships) |              | Direct and indirect shareholders of the Bank |              | Other real or legal persons included in the risk group |              |
|--------------------------------|---|--------------|--|--------------|--|--------------|
|                                | Current period  | Prior period | Current period                               | Prior period | Current period   | Prior period |
| Borrowings                     |   |              |  |              |  |              |
| Balance at beginning of period | 11,474,110  | 8,324,759    | 1,481,347                                    | 68,696       | -  | -            |
| Balance at end of period       | 13,143,066  | 11,474,110   | 270,055                                      | 1,481,347    | -  | -            |
| Profit share expense           | 328,283   | 580,125      | 4,641  | 41           | -  | -            |

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

**7.5 Information on remunerations provided to top management**

Subordinated additional capital (Tier-I) sukuks amounting to USD 200,000,000 (full amount) executed by the Bank on 16/07/2019 and USD 50,000,000 (full amount) executed by the Bank on 28/09/2020 are provided by Kuwait Finance House. Kuwait Finance House owns USD 35,000,000 (full amount) of the subordinated additional capital (Tier-II) sukuk amounting to USD 350,000,000 (full amount) executed by the Bank on 16/09/2021.

**7.6 Information on remunerations provided to top management:**

As of 1 January - 31 December 2021, the Bank has paid TL 79,675 to top management (1 January - 31 December 2020 TL 64,393).

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

**8.1. Domestic and foreign branches and representative offices**

|                                | Number of Branches | Number of Employees |         |                              |                      |
|--------------------------------|--------------------|---------------------|---------|------------------------------|----------------------|
| Domestic branches (*)          | 442                | 4,098               |         |                              |                      |
|                                |                    |                     | Country |                              |                      |
| Foreign representative offices |                    |                     |         | Total Assets (Thousands, TL) | Legal Capacity (USD) |
| Foreign bank                   | 1                  | 117                 | Germany | 12,973                       | 45,982,036           |
| Off-shore branches             | 1                  | 3                   | Bahrain | 13,807                       | -                    |
| Foreign branches               | -                  | -                   | -       | -                            | -                    |

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

(\*\*) Bahrain Branch is controlled by the Central Bank of Bahrain and the total of Assets is 13,807,219 Turkish lira as of 31 December 2021.

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

In 2021, 7 new domestic branches (2020 - 4 branches) were opened. The Bank does not have any domestic or foreign branches that were closed in 2021. (2020- None).

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

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 05, 2022 with a nominal value of TL 100,000 and a maturity of 77 days with a cost of 17.51%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 5, 2022 with a nominal value of TL 300,000 and a maturity of 77 days with a cost of 17.26%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 12, 2022 with a nominal value of TL 600,000 and a maturity of 84 days with a cost of 17.75%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 13, 2022 with a nominal value of TL 200,000 and a maturity of 95 days with a cost of 13.81%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 14, 2022 with a nominal value of TL 150,000 and a maturity of 84 days with a cost of 17.75%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 26, 2022 with a nominal value of TL 425,000 and a maturity of 84 days with a cost of 17.75%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on January 27, 2022 with a nominal value of TL 300,000 and a maturity of 89 days with a cost of 18.25%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 2, 2022 with a nominal value of TL 60,000 and a maturity of 85 days with a cost of 17.26%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 3, 2022 with a nominal value of TL 250,000 and a maturity of 85 days with a cost of 13,81%.

Bank, KT Leasing Certificates Varlık Kiralama A.Ş. has issued sukuk on February 4, 2022 with a nominal value of TL 300,000 and a maturity of 82 days with a cost of 17.75%.

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**SECTION SIX**

**OTHER EXPLANATIONS**

- 1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet:** None.

**SECTION SEVEN**

**INDEPENDENT AUDITORS' REPORT**

- 1. Explanations audit report**

The unconsolidated financial statements have been audited by Gney Bağımsız Denetim ve Serbest Muhasebeci Mali Mşavirlik A.Ő. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated 9 February 2022 is presented preceding the financial statements.

- 2. Notes and disclosures prepared by the independent auditor:** None.