TÜRKİYE SINAİ KALKINMA BANKASI
ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

Consolidated Financial Statements
As at and for the Year Ended
31 December 2021
With Independent Auditors' Report

29 April 2022

This report contains 5 pages of independent auditors' report on audit of consolidated financial information and 122 pages of consolidated financial information.

Türkiye Sinai Kalkınma Bankası Anonim Şirketi and Its Subsidiaries

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REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

Report on the Audit of the Consolidated Financial Statements

To the Shareholders of Türkiye Sınai Kalkınma Bankası A.Ş.:

Qualified Opinion

We have audited the consolidated financial statements of Türkiye Sınai Kalkınma Bankası A.Ş. (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for qualified opinion

As explained in Note 26, the accompanying consolidated financial statements as at 31 December 2021 include a free provision for possible risks amounting to TL 340,000 thousands, of which TL 120,000 thousands was provided in prior years and TL 220,000 thousands provided in the current year by the Group management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit qualified opinion on the accompanying financial statements.

Key Audit Matter	How the matter is addressed in our audit
Related important disclosures about recognition of impairment on financial assets in accordance with IFRS 9	
As presented in Note 3.8.2, the Group recognizes the IFRS 9 ''Financial Instruments'' standard. We considered the impairment of financial assets as a key audit matter due to: - Amount of on and off-balance sheet items that are subject to expected credit loss calculation is material for the financial statements - There are complex and comprehensive requirements of IFRS 9 - The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with IFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments - The Group determines the fair value of financial assets measured at fair value by level 3 related business model category non-observable in fair value measurement due to the existence of significant estimates and assumptions determination - The model that is established by the Group management to calculate the expected credit losses has the compliance risk whether it is established based on the requirements of IFRS 9 and other practices - Processes of IFRS 9 have complex and intensive control environment - Judgements and estimates used in expected credit loss calculation complex and comprehensive - Disclosure requirements of IFRS 9 are comprehensive and complex	Our audit procedures included among others include: -Evaluation of the compliance of the accounting policies adopted with regard to IFRS 9, the Group's past performance, local and global practices -Analysis and testing of processes, systems and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process audit specialists - Evaluating the reasonableness and appropriateness of management's key estimates and judgements in expected credit loss calculations including the responses to COVID-19, through selection of methods, models, assumptions and data sources. -Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group's business model -Examining the financial instruments classification and measurement models (fair value hierarchy Level 3 financial instruments) and comparing them with IFRS 9 standard requirements -Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group's historical performance, legislation and reasonableness of the

	estimation process regarding future performance and investigation of credit risk portfolio on a sample basis -Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses -Detailed testing of mathematical verification of expected credit losses calculation on a sample basis - Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment - Evaluating the necessity and accuracy of the updates made or required updates after the modeling process -Auditing of the IFRS 9 disclosures.
Pension Fund Obligations	
As presented in Note 3.19 "Employee benefits" and Note 23 "Employee Benefits – Pension scheme", the valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Bank Management uses Fund actuaries to assist in assessing these assumptions. Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.	It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plan during the period, that could lead to adjust the valuation of employee benefits. Support from actuarial auditor who is in the same audit network within our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the deficit and also disclosures on key assumptions related to pension fund.
Derivative Financial Instruments	
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in differences related to derivative financial assets/liabilities held-for-trading disclosures in Note 36 "Derivative financial instruments". Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures involve obtaining written confirmations from the third parties and comparing the details of the related derivative transactions. Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the bank management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts in our audit team and the assessment of used estimations and the judgements and testing of operating effectiveness of the key controls in the process of fair value determination. Our procedures included, amongst others, recalculating fair value calculation and disclosures relating to derivative financial instruments considering the requirements of International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS").

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner who supervised and concluded this independent auditor's report is Fatma Ebru Yücel.

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

Fatma Ebru Yücel, SMMM
Partner

29 April 2022
Istanbul, Turkey

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

ASSETS	Notes	Current Period 31 December 2021	Prior Period 31 December 2020
Cash and cash equivalents	*7*	3,666,525	1,864,862
Reserve deposits at Central Bank	*7*	2,005,628	1,010,697
Financial assets measured at fair value through profit or loss	*8, 10*	305,856	279,851
Financial assets measured at fair value through other comprehensive income	*10*	8,975,017	4,630,211
-Financial assets measured at fair value through other comprehensive income as pledge	*18*	*3,476,192*	*1,906,650*
Financial assets measured at amortized cost	*10*	3,950,945	3,079,864
-Financial assets measured at amortized cost as pledge	*18*	*2,215,175*	*860,968*
Derivative financial assets	*36*	2,192,783	1,077,807
Derivatives used for hedging purposes	*36*	256,505	262,699
Loans and advances to customers	*9*	61,234,544	37,621,589
Investments in equity-accounted investees	*11*	775,763	623,770
Goodwill	*12*	383	383
Property and equipment	*13*	479,361	380,662
Investment property	*14*	336,177	279,523
Intangible assets	*15*	3,509	4,061
Deferred tax assets	*22*	396,583	175,419
Assets held for sale	17	64,403	64,403
Other assets	16	1,288,309	1,074,493
Total assets		**85,932,291**	**52,430,294**

TÜRKİYE SINAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

LIABILITIES	**Notes**	**Current Period 31 December 2021**	**Prior Period 31 December 2020**
Funds borrowed	*19*	54,226,908	32,332,210
Money market balances	*25*	1,411,219	1,390,126
Debt securities issued	*20*	15,807,433	8,462,386
Derivative financial liabilities	*36*	1,121,279	720,931
Derivatives used for hedging purposes	*36*	-	154,049
Current account of loan customers		691,704	122,105
Taxes and dues payable		26,382	18,406
Employee benefits	*23*	61,838	43,646
Corporate tax liability	*22*	198,690	136,723
Provisions	*26*	413,802	153,477
Lease liability		4,678	4,394
Other liabilities	*21*	818,013	360,687
Subordinated debt instrument	*24*	4,029,204	2,299,503
Deferred Tax Liabilities		-	1,508
Total liabilities		**78,811,150**	**46,200,151**
EQUITY			
Share capital			
Nominal paid in capital	*27*	2,800,000	2,800,000
Inflation adjustment to capital	*27*	13,563	13,563
Total capital	*27*	2,813,563	2,813,563
Share premium		1,012	776
Legal reserves		381,893	343,182
Fair value reserve		(66,619)	235,892
Revaluation reserve		433,364	341,304
Translation reserve		104,425	39,852
Actuarial gain/(loss)		(4,635)	1,392
Retained earnings		3,369,027	2,400,012
Total equity attributable to equity holders of the Bank		**7,032,030**	**6,175,973**
Non-controlling interests	*27*	89,111	54,170
Total equity		**7,121,141**	**6,230,143**
Total liabilities and equity		**85,932,291**	**52,430,294**
Commitments and contingencies	**37**	**108,672,180**	**67,887,160**

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

TÜRKİYE SINAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Current Period 1 January – 31 December 2021	Prior Period 1 January – 31 December 2020
Interest income calculated using the effective interest method		3,272,487	2,422,360
Other interest and similar income		1,402,715	914,314
Interest expense calculated using the effective interest method		1,771,336	1,311,649
Other interest and similar expense		5,607	2,640
Net interest income	30	**2,898,259**	**2,022,385**
Fee and commission income		174,599	137,281
Fee and commission expense		(19,094)	(18,366)
Net fee and commission income	31	**155,505**	**118,915**
Securities trading income / (loss), net		(1,186)	5,119
Derivative trading income / (loss), net		2,001,067	(61,198)
Foreign exchange gains / (loss), net		(1,483,497)	45,272
Net trading income / (loss), net		**516,384**	**(10,807)**
Net impairment loss	*32*	(1,967,806)	(1,011,664)
Net operating income after impairment loss		**1,602,342**	**1,118,829**
Other operating income	*33*	310,980	138,534
Other operating expenses	*35*	(562,389)	(406,524)
Dividend income	*34*	8,260	10,857
Share of profit of equity-accounted investees	*11*	129,008	74,651
Profit before income tax	***22***	**1,488,201**	**936,347**
Income tax expense	*22*	(390,892)	(226,874)
Profit for the period		**1,097,309**	**709,473**

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

TÜRKİYE SINAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Current Period 1 January – 31 December 2021	Prior Period 1 January – 31 December 2020
Profit for the year		**1,097,309**	**709,473**
Items that will not be reclassified to profit or loss:			
Remeasurement of employee termination benefits		(7,561)	3,507
Revaluation of tangible assets		93,082	32,407
Other comprehensive income items not reclassified through profit or loss		24,874	18,194
Income Tax related to the above		512	(1,303)
Items that are or will be reclassified subsequently to profit or loss:			
Foreign currency translation differences		64,573	19,138
Net change in fair value of financial assets at fair value through other comprehensive income		(452,241)	57,571
Other comprehensive income items reclassified through profit or losses		30,922	87,426
Income Tax related to the above		93,934	(10,567)
Other comprehensive income for the year, net of tax		**(151,905)**	**206,373**
Total comprehensive income for the year		**945,404**	**915,846**

Profit attributable to:	Notes	Current Period 1 January – 31 December 2021	Prior Period 1 January – 31 December 2020
Equity holders of the Bank		1,081,109	712,294
Non-controlling interests		16,200	(2,821)
Profit for the period		**1,097,309**	**709,473**
Total comprehensive income attributable to:			
Equity holders of the Bank		929,204	918,667
Non-controlling interests		16,200	(2,821)
Total comprehensive income for the period		**945,404**	**915,846**
Earnings per share			
Basic and diluted earnings per share (in full TL)	*29*	0.3861	0.2544

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

		Attributable to equity holders of the Bank											
Prior Period	**Notes**	**Share Capital**	**Inflation adjustment to capital**	**Share premium**	**Legal reserves**	**Revaluation reserve**	**Actuarial Gain/(Loss)**	**Translation Reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at 1 January 2020		**2,800,000**	**13,563**	**530**	**307,099**	**309,478**	**(1,393)**	**20,714**	**83,268**	**1,707,018**	**5,240,277**	**38,090**	**5,278,367**
Corrections and accounting policy changes		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 1 January 2020		**2,800,000**	**13,563**	**530**	**307,099**	**309,478**	**(1,393)**	**20,714**	**83,268**	**1,707,018**	**5,240,277**	**38,090**	**5,278,367**
Total comprehensive income for the period													
Profit for the period		-	-	-	-	-	-	-	-	712,294	712,294	(2,821)	709,473
Other comprehensive income													
Remeasurement of defined benefit liability		-	-	-	-	-	3,507	-	-	-	3,507	-	3,507
Net change in fair value financial assets at fair value through other comprehensive income		-	-	-	-	-	-	19,138	75,765	-	94,903	-	94,903
Revaluation of tangible assets		-	-	-	-	32.407	-	-	-	-	32.407	-	32.407
Equity-accounted investees - share of OCI		-	-	-	-	-	-	-	87,426	-	87,426	-	87,426
Tax on other comprehensive income		-	-	-	-	(581)	(722)	-	(10,567)	-	(11,870)	-	(11,870)
Total other comprehensive income		**-**	**-**	**-**	**-**	**31.826**	**2,785**	**19,138**	**152,624**	**-**	**206,373**	**-**	**206,373**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**31.826**	**2,785**	**19,138**	**152,624**	**712,294**	**918,667**	**(2,821)**	**915,846**
Transactions with owners of the Bank													
Contributions and distributions													
Dividend distribution		-	-	-	-	-	-	-	-	(134)	(134)	-	(134)
Transfer to legal reserves		-	-	-	36,083	-	-	-	-	(36,083)	-	-	-
Other changes		-	-	246	-	-	-	-	-	16,917	17,163	18,901	36,064
Total transactions with the owners of the Company		**-**	**-**	**246**	**36,083**	**-**	**-**	**-**	**-**	**(19,300)**	**17.029**	**18,901**	**35,930**
Balance at 31 December 2020	*27*	**2,800,000**	**13,563**	**776**	**343,182**	**341,304**	**1,392**	**39,852**	**235,892**	**2,400,012**	**6,175,973**	**54,170**	**6,230,143**

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

TÜRKİYE SINAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

							Attributable to equity holders of the Bank						
Current Period	**Notes**	**Share Capital**	**Inflation adjustment to capital**	**Share premium**	**Legal reserves**	**Revaluation reserve**	**Actuarial Gain/(Loss)**	**Translation Reserve**	**Fair value reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at 1 January 2021		**2,800,000**	**13,563**	**776**	**343,182**	**341,304**	**1,392**	**39,852**	**235,892**	**2,400,012**	**6,175,973**	**54,170**	**6,230,143**
Corrections and accounting policy changes		-	-	-	-	-	-	-	-	-	-	-	-
Balance at 1 January 2021		**2,800,000**	**13,563**	**776**	**343,182**	**341,304**	**1,392**	**39,852**	**235,892**	**2,400,012**	**6,175,973**	**54,170**	**6,230,143**
Total comprehensive income for the period													
Profit for the period		-	-	-	-	-				1,081,109	1,081,109	16,200	1,097,309
Other comprehensive income													
Remeasurement of defined benefit liability		-	-	-	-	-	(7,561)	-	-	-	(7,561)	-	(7,561)
Net change in fair value financial assets at fair value through other comprehensive income		-	-	-	-	-	-	64,573	(427,367)	-	(362,794)	-	(362,794)
Revaluation of tangible assets		-	-	-	-	-	-	-	-	-	-	-	-
Equity-accounted investees - share of OCI		-	-	-	-	-	-	-	30,922	-	30,922	-	30,922
Tax on other comprehensive income		-	-	-	-	-	1,534	-	93,934	-	95,468	-	95,468
Total other comprehensive income		-	-	-	-	-	**(6,027)**	**64,573**	**(302,511)**	-	**(243,965)**	-	**(243,965)**
Total comprehensive income for the period		-	-	-	-	-	**(6,027)**	**64,573**	**(302,511)**	**1,081,109**	**837,144**	**16,200**	**853,344**
Transactions with owners of the Bank													
Contributions and distributions													
Dividend distribution		-	-	-	-	-	-	-	-	(73,551)	(73,551)	-	(73,551)
Transfer to legal reserves		-	-	-	38,711	92,060	-	-	-	(38,801)	91,970	-	91,970
Other changes		-	-	236	-	-	-	-	-	258	494	18,741	19,235
Total transactions with the owners of the Company		-	-	236	38,711	92,060	-	-	-	(112,094)	18,913	18,741	37,654
Balance at 31 December 2021	*27*	**2,800,000**	**13,563**	**1,012**	**381,893**	**433,364**	**(4,635)**	**104,425**	**(66,619)**	**3,369,027**	**7,032,030**	**89,111**	**7,121,141**

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

TÜRKİYE SINAİ KALKINMA BANKASI AŞ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Current Period 31 December 2021	Prior Period 31 December 2020
Cash flows from operating activities:			
Interests and commissions received		3,757,778	3,122,603
Other operating activities, net		(1,482,426)	(1,224,002)
Cash payments to employees and suppliers		1,770,280	478,063
Interests and commissions paid		(258,021)	(210,323)
Dividends received		8,260	10,857
Operating profit before changes in operating assets / liabilities		**3,795,871**	**2,177,198**
(Increase)/decrease in operating assets:			
Loans and advances to customers		864,865	428,298
Balances with central banks		(995,470)	(215,177)
Financial assets at fair value through profit or loss		(26,453)	(19,143)
Other assets		12,431	(100,649)
(Increase)/decrease in operating liabilities:			
Funds borrowed		(967,728)	(1,518,465)
Obligations under repurchase agreements and money market fundings		388	(272)
Other liabilities		1,226,423	740,416
Net cash outflows from operating activites before taxes and duties paid		**3,910,327**	**1,492,206**
Income taxes and other duties paid		**(330,043)**	**(284,929)**
Net cash outflows from operating activities		**3,580,284**	**1,207,277**
Cash flows from investing activities:			
Sale of financial assets measured at Fair Value through Other Comprehensive Income		906,564	877,658
Purchase of financial assets measured at Fair Value through Other Comprehensive Income		(3,028,291)	(896,987)
Proceeds from sale of tangible assets		936	260
Purchase of tangible assets		(11,184)	(1,870)
Cash paid for purchase of entities under common control, associates and subsidiaries		-	(7,702)
Cash obtained from sale of entities under common control, associates and subsidiaries		15,816	-
Sale of financial assets measured at amortized cost		162,558	1,577
Purchase of financial assets measured at amortized cost		(419,990)	(108,212)
Other		(2,031)	(1,199)
Net cash inflows/ outflows from investing activities		**(2,375,622)**	**(136,475)**
Cash flows from financing activities:			
Increase in loans and advances from banks and other institutions, net		140,574	(148,084)
Increase in bonds payable, net		15,862	20,534
Dividends paid		(73,551)	(134)
Other		(19,234)	(2,654)
Net cash inflows from financing activities		**63,651**	**(130,338)**
Effect of exchange rate changes		**528,181**	**24,313**
Net increase in cash and cash equivalents		1,796,494	1,084,822
Cash and cash equivalents at 1 January	**(7)**	**1,864,624**	**779,802**
Cash and cash equivalents at 31 December	**(7)**	**3,661,118**	**1,864,624**

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

Notes to the consolidated financial statements **Page**

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

1. REPORTING ENTITY

Türkiye Sınai Kalkınma Bankası AŞ ("TSKB" or the "Bank") was established on 31 May 1950 with the support of the World Bank and the cooperation of the Government of the Republic of Turkey, the Central Bank of Turkey and the leading Turkish commercial banks of Turkey. TSKB is the first investment and development bank of Turkey. TSKB is operating with the mission of providing assistance to private sector enterprises in all sectors of the economy primarily in the industrial sector, encouraging and assisting the participation of private and foreign capital incorporations established and to be established in Turkey, and assisting the development of the capital markets in Turkey. TSKB and Sınai Yatırım Bankası AŞ ("SYB"), sister bank with similar mission, were merged pursuant to the decisions of the respective shareholders as sanctioned by the Banking Regulation and Supervision Agency ("BRSA") decision no: 659 dated 27 March 2002, in accordance with Article 18 of the Banking Act no: 4389. The registered office of the Bank is at Meclisi Mebusan Cad. 81 Fındıklı, Istanbul, Turkey.

The Bank and its subsidiaries are hereinafter referred to as the "Group".

TSKB started its activities in 1950 financing the private sector investments in Turkey and today it provides loans and project finance with the goal of sustainable development to corporations in different fields. As a leader in meeting the long term finance needs of the private sector, TSKB also continues to offer solutions with respect to the newest needs and client demands. Furthermore, through offering the equity shares of such companies to the public, TSKB has been a significant milestone in this field and thus assumed a prominent and vital role in fostering the development of capital markets.

Türkiye İş Bankası A.Ş. has the authority of managing and controlling power of the Parent Bank directly or indirectly, alone or together with other shareholders. Shareholders of the Parent Bank are as follows:

Current Period **Name Surname/Commercial Title**	**Share Capital**	**Shareholding Rate (%)**	**Paid in Capital**	**Unpaid Capital**
T. İş Bankası A.Ş. Group	1,438,280	51.37	1,438,280	-
T. Vakıflar Bankası T.A.O.	234,570	8.38	234,570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1,127,150	40.25	1,127,150	-
Total	**2,800,000**	**100.00**	**2,800,000**	**-**

Prior Period **Name Surname/Commercial Title**	**Share Capital**	**Shareholding Rate (%)**	**Paid in Capital**	**Unpaid Capital**
T. İş Bankası A.Ş. Group	1,425,781	50.92	1,425,781	-
T. Vakıflar Bankası T.A.O.	234,570	8.38	234,570	-
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	1,139,649	40.70	1,139,649	-
Total	**2,800,000**	**100.00**	**2,800,000**	**-**

The Parent Bank shares are traded in Istanbul Stock Exchange ("BIST") since 26 December 1986. The Parent Bank's 51.37% of the shares belongs to İş Bank Group and 40.89% of these shares are in free floating and traded in BIST Star Market with "TSKB" ticker.

The consolidated financial statements of the Bank as at and for the period ended 31 December 2021 are available upon request from the Bank's registered office and website.

1. REPORTING ENTITY (Continued)

Information about the consolidated subsidiaries and equity accounted associates

Yatırım Finansman Menkul Değerler AŞ

Yatırım Finansman Menkul Değerler AŞ was established and registered with Istanbul Trade Registry on 15 October 1976 and it was announced in the Turkish Trade Registry Gazette No: 81 on 25 October 1976. The company's objective is to perform capital market operations specified in the Company's main contract in accordance with the Capital Markets Board ("CMB") and the related legislation. The company was merged with TSKB Menkul Değerler AŞ on 29 December 2006. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 95.78%. The company's headquarters is located at Istanbul/Turkey.

TSKB Gayrimenkul Yatırım Ortaklığı AŞ

The core business of TSKB Gayrimenkul Yatırım Ortaklığı AŞ ("TSKB GYO") is real estate trust to construct and develop a portfolio of properties and invest in capital market instruments linked to properties. The company was established on 3 February 2006. The company's shares are traded in BIST since April 2010. The share of Türkiye Sınai Kalkınma Bankası A.Ş. is 89.15%. The company's headquarters is located at Istanbul/Turkey.

Yatırım Varlik Kiralama AŞ

Yatırım Varlık Kiralama A.Ş. was established on 20 September 2019. Core business of the Company is to issue a lease certificate exclusively in accordance with the provisions of the Capital Market Law and the relevant Communiqué. The share of Yatırım Finansman Menkul Değerler A.Ş. is 100%.

İş Finansal Kiralama AŞ

İş Finansal Kiralama AŞ was established on 8 February 1988 and it has been performing its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The company started its leasing operations in July 1998. The company's headquarters is located at Istanbul/Turkey. The share of the Bank in the Company is 29.46%.

İş Faktoring AŞ

İş Faktoring AŞ was incorporated in Turkey on 4 July 1993 and started its operations in October 1993 and is conducting its operations in accordance with the Financial Leasing, Factoring and Financing Companies Law No: 6361. The company's main operation is domestic and export factoring transactions. The direct share of Türkiye Sınai Kalkınma Bankası AŞ is 21.75%. The company's headquarters is located at Istanbul/Turkey.

İş Girişim Sermayesi Yatırım Ortaklığı AŞ

The principal business of İş Girişim Sermayesi Yatırım Ortaklığı AŞ is to make long-term investments in existing companies in Turkey or to be established in Turkey, having a development potential and are in need of financing. The direct share of Türkiye Sınai Kalkınma Bankası AŞ is 16.67%. The company's headquarters is located at Istanbul/Turkey.

2. BASIS OF PREPARATION

2.1. Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Bank maintains its books of accounts and prepares its statutory financial statements in accordance with the Banking Law and the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, which refers to Turkish Accounting Standards and Turkish Financial Reporting Standards issued by Public Oversight Accounting and Auditing Standards Authority "POAASA" and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA") and other relevant rules promulgated by the Turkish Commercial Code, Capital Markets Board and Tax Regulations. The subsidiaries maintain their books of accounts based on statutory rules and regulations applicable in their jurisdictions. The accompanying financial statements are derived from statutory financial statements with adjustments and reclassifications for the purpose of presentation in accordance with IFRS. The accompanying consolidated financial statements were authorized for issue by the Bank management on 24 March 2021.

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects 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 have been taken in Turkey as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in Turkey and worldwide.

Since it is aimed to update the most recent financial information in the interim financial statements prepared as of Decemer 31, 2021, considering the magnitude of the economic changes due to COVID-19, the Group made certain estimates in the calculation of expected credit losses in footnote numbered 3.8.1

The COVID-19 effects on liquidity risk, capital adequacy ratio, fair value assessment and going concern effects are already disclosed in Note 2.5.

2.2. Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for the following;

- derivative financial instruments are measured at fair value
- financial assets measured at fair value through profit or loss are measured at fair value
- financial assets measured at fair value through other comprehensive income are measured at fair value
- investment property and property and equipment are measured at fair value.
- debt and equity instruments at fair value through other comprehensive income (FVOCI)

The methods used to measure fair values are discussed further in Note 3.8, 3.10, 3.12, 3.13.

2. BASIS OF PREPARATION (Continued)

2.2. Basis of Measurement (continued)

International Accounting Standard ("IAS") 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

According to the decision of Public Oversight Accounting and Auditing Standards Authority in Turkey released on 20 January 2022, it has been stated that there is no need to make any adjustments within the scope of Turkish Accounting Standards ("TAS") 29 Financial Reporting in Hyperinflationary Economie"s in the financial statements of 2021, of enterprises that apply IFRS. In this context, while preparing the financial statements dated 31 December 2021, no inflation adjustment was made according to IAS 29.

2.3 Functional and Presentation Currency

These consolidated financial statements are presented in TL, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

2.4 Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Critical accounting judgements made in applying the Bank's accounting policies include:

Calculation of Expected credit losses

Financial assets accounted for at amortized cost and at fair value through other comprehensive income are evaluated for impairment on a basis described in accounting policy Note 3.8.2.

2. BASIS OF PREPARATION (Continued)

2.4 Use of Estimates and Judgments (continued)

Key sources of estimation uncertainty

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument**.**

The Group's accounting policy on fair value measurements is discussed in Note 3.8 – *measurement*.

Income taxes

The Bank is subject to income taxes. Significant estimates are required in determining the provision for income taxes. Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The recoverability of the deferred tax assets is reviewed regularly.

Reserve for employee severance payments

In accordance with the existing social legislation, the Bank is required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements, the Bank uses assumptions such as discount rate, turnover of employees and future change in salaries/limits in order to make the best estimate. These estimations disclosed in Note 3.19 are reviewed regularly.

2.5 The Covid 19 Effects

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects 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 have been taken in Turkey as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in Turkey and worldwide.

Since it is aimed to update the most recent financial information in the financial statements prepared as of December 31, 2021, considering the magnitude of the economic changes due to COVID-19, the Group made certain estimates in the calculation related notes to the financial statements.

2. BASIS OF PREPARATION (Continued)

2.5 The Covid 19 Effects (continued)

a) The covid 19 effects on capital adequency ratio

Based on the announcement of BRSA as of 23 March 2020 banks are entitled to use the 2019 year end exchange rates in calculating of the amount of subject to credit risk while calculation on amounts valued in accordance with TAS and the related specific provision except of monetary and non-monetary items in foreign currency measured in terms of the historical cost in accordance with Regulation on Measurement and Assessment of Capital Adequacy of and if the net valuation differences of the securities owned by the banks; with the decision dated 8 December 2020 and numbered 9312, the Central Bank of the last 252 business days before the calculation date enabled the use of the simple arithmetic average of the foreign exchange buying rates. As of December 31, 2021, the parent Bank has used this opportunity for Capital Adequacy calculations.

In adittion to that as of January 1, 2022; by the BRSA decision dated December 21, 2021 and numbered 9996, until a board decision to the contrary of the application is taken, it is possible to continue the calculation in question by using the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days as of December 31, 2021.

b) The covid 19 effects on going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3.1 Basis of Consolidation

The consolidated financial statements incorporate the consolidated financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of Consolidation (continued)

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling share of changes in equity since the date of the combination. The consolidated financial statements of the entities below have been consolidated with those of the Bank in the accompanying consolidated financial statements. The ownership percentages stated below comprise the total of the Group's holdings used in consolidation:

Subsidiaries	Sector	The Group's Share (%)
Yatırım Finansman Menkul Değerler AŞ	Securities brokerage	95.78
TSKB Gayrimenkul Yatırım Ortaklığı AŞ	Real estate investment trust	89.15
Yatırım Varlık Kiralama AŞ	Rent certificate issuance	100.00

The financial statements of the companies below are accounted for under the equity method:

Associates	Sector	The Group's Share (%)
İş Finansal Kiralama AŞ	Leasing	29.46
İş Girişim Sermayesi Yatırım Ortaklığı AŞ	Private equity	21.75
İş Faktoring AŞ	Factoring	16.67

The following equity investments have been accounted at cost; they have not been consolidated their consolidation would not have a material effect on income for the year or on equity.

Entity	Sector	The Group's Share (%)
TSKB Gayrimenkul Değerleme AŞ	Real-Estate Appraiser	99.99
TSKB Sürdürülebilirlik Danışmanlığı AŞ	Consultancy	100.00

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of Consolidation (continued)

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Investments in Associates (Equity-accounted Investees)

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

As at the reporting date, the Group has investments in associates with a position to exercise significant influence through participation in the financial and operating policy decisions of the investee. Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence until the date that significant influence ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of Consolidation (continued)

Investments in Associates (Equity-accounted Investees) (continued)

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of equity instruments measured at fair value through other comprehensive income, which are recognized directly in equity.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Foreign currency (continued)

Foreign currency transactions (continued)

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the accompanying consolidated financial statements, the results and financial position of each entity are expressed in Turkish Lira, which is the functional currency of the Group, and the presentation currency for the accompanying consolidated financial statements.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts, swaps and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

As at 31 December 2021 and 31 December 2020, foreign currency assets and liabilities of the Group are mainly in US Dollar and Euro. As at 31 December 2021 and 31 December 2020, exchange rates of US Dollar and Euro are as follows:

	2021		**2020**	
	Period End	**Average**	**Period End**	**Average**
1 US Dollar	13.1095	8.8083	7.3350	6.9761
1 Euro	14.8472	10.3839	9.0193	7.9853

3.3 Interest

Interest income and expense are recognised in the profit or loss using the effective interest method. Interest income is recorded according to the effective interest rate method (rate equal to net present value of future cash flows or financial assets and liabilities) defined in the IFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

If the financial asset is impaired and classified as a non-performing receivable, the Parent Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), interest income at subsequent reporting periods are calculated by applying the effective interest rate to the gross amount.

Interest income and expense presented in the statement of comprehensive income statement include:

- The interest income on financial assets and liabilities at amortized cost on an effective interest rate basis
- The interest income on held for trading investments and fair value through other comprehensive income investments.
- Coupons earned on fixed income securities and accrued discount and premium on treasury bills and other discounted instruments

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Fees and commissions

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 IFRS 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. Income from asset purchases to a third party or by natural or legal persons contracts are recognized in the period they occur.

3.5 Net trading income

Net trading income includes gains and losses arising from disposals of financial assets at fair value through profit or loss, the disposal of financial assets through other comprehensive income, gains and losses on derivative financial instruments held for trading purpose and foreign exchange differences.

3.6 Dividends

Dividend income is recognized when the right to receive the income is established.

3.7 Income tax

Income tax comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Income tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax position and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.8 Financial assets and financial liabilities

Initial measurement of financial instruments

Initial recognition of financial instruments the Parent Bank shall recognize a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of IFRS 15 Revenue from contracts with customers, at initial recognition, the Parent Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Assessment of business model

As per IFRS 9, the Parent Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on the intent of the management on an individual financial intermediary, so the condition is not a classification approach on the basis of a financial instrument but an evaluation by combining the financial assets. When the business model used for the management of financial assets is being evaluated, all evidence is taken into account. Such evidence includes the following:

- How the performance of financial assets held by the business model and business model is reported by the key executive personnel,
- Risks affecting the performance of the business model (financial assets held within the business model) and, in particular type of management,

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets and financial liabilities (continued)

Assessment of business model (continued)

- How the additional payments to the managers are determined (for example, whether additional payments are determined according to the fair value of the assets being managed or on the contractual cash flows collected).

Business model evaluation is not based on scenarios in which the operator is not expected to be at a reasonable level, such as the "worst case" or "pressure case" scenarios. The same business model does not require a change in the classification of other financial assets as long as the cash flows are realized differently from the expected future date when the business model is assessed, the error correction is made in the financial statements or all relevant information available at the time of the valuation of the business model is taken into account. However, when evaluating the business model for newly created or newly acquired financial assets, information about how past cash flows have been taken into account along with other relevant information is also taken into account. The business models that comprise the bet are composed of three categories. These categories are as follows:

- Business model aimed to hold assets in order to collect contractual cash flows: This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Business model whose objective is to hold assets in order to collect contractual cash flows: The Parent Bank may hold financial assets in this business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Other Business Model: Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets

The contractual cash flows including solely principle and interest on principle

As per IFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets and financial liabilities (continued)

3.8.1 Measurement categories of financial assets and liabilities

Financial Assets

Financial assets are classified in three main categories as listed below:

-Financial assets measured at fair value through profit/loss
-Financial assets measured at fair value through other comprehensive income and
-Financial assets measured at amortized cost

Financial assets measured at the fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aimed to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and in case of the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from shortterm fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. According to uniform chart of accounts explanations interest income earned on financial asset and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such assets are recorded under trading account income/losses in the statement of profit or loss. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

As of 31 December 2021, due to adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets whose fair value difference is reflected in other comprehensive income, and deemed that no change is required in the fair valuation measurement as of the reporting date.

On the other hand, the Bank has assessed the effects of the COVID-19 outbreak with respect to its financial instruments which are classified in Level 3 as inputs for these instruments are highly dependent on estimates and judgments and deemed that no change is required as of the reporting date.

Financial assets measured at fair value through other comprehensive income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets and financial liabilities (continued)

3.8.1 Measurement categories of financial assets and liabilities (continued)

Financial Assets (continued)

Financial Assets at Fair Value Through Other Comprehensive Income (Continued)

"Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

As of 31 December 2021, due to adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets whose fair value difference is reflected in other comprehensive income, and deemed that no change is required in the fair valuation measurement as of the reporting date.

During initial recognition an entity can choose in a irrecovable was to record the changes of 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 of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

In the "Fair value through other comprehensive income" and "measured at amortized cost" securities portfolio of the Bank, there are Consumer Price Indexed (CPI) Bonds.

The Parent Bank considered expected inflation index of future cash flows prevailing at the reporting date while calculating internal rate of return of the Consumer Price Indexed (CPI) marketable securities. The effect of this application is accounted as interest received from marketable securities in the consolidated financial statements.These securities are valued and accounted according to the effective interest method based on the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. As stated in the Investor's Guide of CPI Government Bonds by Republic of Turkey Undersecretariat of Treasury the reference indices used to calculate the actual coupon payment amounts of these securities are based on the previous two months CPI's. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate is estimated by considering the expectancies of the Central Bank and the Bank which are updated as needed within the year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8.1 Financial assets and financial liabilities (continued)

Loans and Advances to Customers

Loans are financial assets that have fixed or determinable payments terms and are not quoted in an active market.

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized and presented within loans and advances.

Loans and advances are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Interest Rate (internal rate of return) Method".

All loans and advances of the Parent Bank has classified under Measured at Amortized Cost, after loan portfolio passed the test of “All cash flows from contracts are made only by interest and principal” during the transition period.

The Bank classifies its loans and advances, which do not pass solely payments of principal and interest on the principal amount test (SPPI), under Financial Assets at Fair Value Through Profit and Loss.

3.8.2 Explanations on expected credit losses

The Group allocates the expected loss provison for impairment on assets and loans measured at amortized cost and fair value through other comprehensive income and loan commitments not measured at fair value through profit/loss based and non cash loans on IFRS 9. IFRS 9 introduces a forward-looking expected credit loss (ECL) approach, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach compared with the incurred-loss impairment approach for financial instruments under IAS 39, Financial Instruments: Recognition and Measurement and the loss-provisioning approach for financial guarantees and loan commitments.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The Group considers the changes in the default risk of financial instrument, when making the assessment.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on increase in credit risk observed since their initial recognition;

Stage 1:
For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

Stage 2:
In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses. Calculation of expected credit losses is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets and financial liabilities (continued)

3.8.2 Explanations on expected credit losses (continued)

Stage 3:
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount. The probability of default is taken into account as 100%.

The default assessment of the Bank is made according to the following conditions:

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.

2. Subjective Default Definition: It means a debt is considered is unlikely to be paid. Whenever an obligor is considered is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

With the aim of mitigating the impact of COVID-19, various international bodies (“European Banking Authority” etc.) and local regulators have made pronouncements aimed at following flexibility in the implementation of the accounting prudential frameworks. The Group previously adopted an approach that past due more than 30 days and 90 days were a qualitative indicator that required an exposure to be transferred to Stage 2 and 3. For the current period, the Group has not applied these past due days directly and also has begun applying quantitave indicators such as historic customer information (any history of missed payments, sector’s situation, staging in other Banks (any nonperforming loans record)), when making the staging decision in IFRS financials.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets and financial liabilities (continued)

3.8.2 Explanations on expected credit losses (continued)

As of 31 December 2021 and 2020, the breakdowns of individually and collectively assessed expected credit losses for loans, financial lease receivables and non-cash loans are as follows:

31 December 2021	Stage 1		Stage 2		Stage 3	
	Individual	Collective	Individual	Collective	Individual	Collective
Cash Loans	-	554,559	1,364,775	-	1,125,058	-
Financial lease receivables	-	2,346	72,004	-	-	-
Non-cash loans	-	51,008	9,627	-	1,458	-
Total	**-**	**607,913**	**1,446,406**	-	**1,126,516**	-

31 December 2020	Stage 1		Stage 2		Stage 3	
	Individual	Collective	Individual	Collective	Individual	Collective
Cash Loans	160,418	264,958	553,463	-	756,354	-
Financial lease receivables	-	454	22,371	-	-	-
Non-cash loans	8	20,252	11,702	-	1,220	-
Total	**160,426**	**285,664**	**587,536**	-	**757,574**	-

Debt instruments measured at fair value through other comprehensive income

The impairment requirements in accordance with IFRS 9 are applies for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

Calculation of expected credit losses

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. Risk parameters used in IFRS 9 calculations are included in the future macroeconomic information. While macroeconomic information is included, macroeconomic forecasting models and multiple scenarios used in the Internal Capital Assessment Process ("ICAAP") are considered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets and financial liabilities (continued)

3.8.2 Explanations on expected credit losses (continued)

Calculation of expected credit losses (continued)

Within the scope of IFRS 9, the probability of default (PD), Loss given default (LGD) and Exposure at default (EAD) models have been developed. The models developed under IFRS 9 are based on the following segmentation elements:

- Loan portfolio (corporate /specilization)
- Product type
- Credit risk rating notes (ratings)
- Colleteral type
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon given certain characteristics. Based on IFRS 9, two different PDs are used in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date.

- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems for loan portfolio. The internal rating models used include customer financial information and knowledge of survey responses based on expert judgement. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

In the future expectations, 3 scenarios are used to be as base, bad and good. Final provisions are calculated by weighing on the possibilities given to the scenarios. As of December 31, 2021, within the scope of the ECL effects of Covid-19, the weight of the base scenario was decreased of 3 scenarios, and weights of the bad and very bad scenarios was increased. Also for possible effects the Bank has established additional provisions for the sector and customers, which are considered to have a high impact on the expected credit loss calculations by making individual assessment for the risks that cannot be captured through the models.

This approach, which is preferred in expected credit losses calculations will be revised in the following reporting periods, taking into account the impact of the pandemic, portfolio and future expectations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets and financial liabilities (continued)

3.8.2 Explanations on expected credit losses (continued)

Significant increase in credit risk

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Parent Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk). Credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

If there is a significant deterioration in PD , it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Bank has calculated thresholds at which point the relative change is a significant deterioration.

When determining the significant increase in the parent bank credit risk, The Parent Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring

Financial Liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Financial liabilities are classified as either equity instruments or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets and financial liabilities (continued)

3.8.2 Explanations on expected credit losses (continued)

Funds borrowed, debt securities issued and subordinated liabilities

Debt securities issued and subordinated liabilities are the Group's main sources of debt funding, funds borrowed, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.9 Offsetting, derecognition and restructuring of financial instruments

a. Offsetting of financial instruments

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

b. Derecognition of financial instruments

Derecognition of financial assets due to change in contractual terms

Based on IFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset.

When the Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset. When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognized in its entirety and the consideration received is recognized as a liability.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Offsetting, derecognition and restructuring of financial instruments (continued)

b. Derecognition of financial instruments (continued)

Derecognition of financial assets without any change in contractual terms

The asset is derecognized if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party. Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

Derecognition of financial liabilities

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished when the obligation specified in the contract is discharged or cancelled or expires.

c. Reclassification of financial instruments

Based on IFRS 9, the Parent Bank shall reclassify all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it changes its business model for managing financial assets.

d. Restructuring and refinancing of financial instruments

The Parent Bank may change the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan by the Parent Bank which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future. Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Resturected Loans can be classified in standart loans unless the firm has difficulty in payment. Companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the through review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time).

- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Offsetting, derecognition and restructuring of financial instruments (continued)

d. Restructuring and refinancing of financial instruments (continued)

In order for the restructured non-performing loans to be classified to the watchlist category, the following conditions must be met:

Recovery in debt service.

- At least one year should pass over the date of restructuring

- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as nonperforming (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing

- Collection of all overdue amounts, disappearance of the reasons for classification as nonperforming receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

3.10 Derivatives held for risk management purposes and hedge accounting

The Parent Bank is exposed to financial risk which depends on changes in foreign exchange rates and interest rates due to activities and as part of banking activities uses derivative instruments to manage financial risk that especially associated with fluctuations in foreign exchange and interest rate. Mainly derivative instruments used by the Group are foreign currency forwards, swaps, and option agreements.

IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with IAS 39 as a policy choice. Accordingly, the Parent Bank continue to apply hedge accounting in accordance with IAS 39 in this context. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

Fair value hedge: A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in income immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in income relating to the hedged item. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or a liability with corresponding gain or loss recognised in profit or loss. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to income from that date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Derivatives held for risk management purposes and hedge accounting (continued)

The Parent Bank explains in writing the relationship between the hedged item and the hedging instrument, the risk management objectives and strategies of the relevant hedging transaction and the methods to measure the effectiveness of the hedging. The Parent Bank evaluates whether the hedging method is effective on the changes in the expected fair values of the related instruments during the period in which the method is applied or whether the effectiveness of each hedge in its actual results is between 80% - 125% at the beginning of the related association and in the ongoing process.

3.11 Repurchase transactions

The Group enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized as receivables from reverse repurchase agreements in the accompanying consolidated financial statements. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the consolidated statement of financial position and are measured in accordance with the accounting policy for either financial assets at fair value through profit or loss, financial assets measured at amortised cost or financial assets at fair value through other comprehensive income as appropriate. The proceeds from the sale of the investments are reported as obligations under repurchase agreements.

Income and expenses arising from the repurchase and resale agreements over investments are recognized on an accruals basis over the period of the transaction and are included in “interest income” or “interest expense”.

3.12 Property and equipment

Recognition and measurement

Items of property and equipment except land and building are measured at cost less accumulated depreciation and accumulated impairment losses.

Items of property and equipment, which have been acquired before 31 December 2005, are measured at restated cost for the effects of inflation as at 31 December 2005, less accumulated depreciation and accumulated impairment losses. Items of property and equipment acquired after 31 December 2005 are measured at cost less accumulated depreciation and accumulated impairment losses.

As of the third quarter of the 2015, the Group changed its accounting policy and adopted revaluation method for land and buildings under scope of IAS 16. The useful life of real estates are mentioned in expertise reports. In case of the cost of tangible assets are over the fair value of the assets, within the framework of “Impairment of Assets” (IAS 36), the value of the asset is reduced to its “fair value” and the impairment is recognised in expense accounts. The positive difference between the net book value of real estate property and the expertise values which are determined by the independent expert companies are recognised under shareholders’ equity. Related valuation models such as cost model, market value and discounted cash flow projections approaches are used in valuation of real estates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Property and equipment (continued)

Recognition and measurement (continued)

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognized in other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Buildings	50 years
Vehicles	5 years
Furniture and Fittings	5 years
Computer Equipment	4 years
Software	3 years
Leasehold and Leasehold Improvements	lease term or 5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

3.13 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise. Fair value of investment properties are determined by using market value, discounted cash flow projections approach and cost model.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.15 Intangible assets

Intangible assets acquired before 31 December 2005 are measured at restated cost for the effects of inflation as at 31 December 2005 less accumulated amortisation and accumulated impairment losses. Intangible assets acquired after 31 December 2005 are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life of intangible assets is 3 to 5 years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. Finance leases

Assets acquired under finance lease agreements are capitalised at the commencement of the lease at the fair value of the leased asset, which is the amount of cash consideration given for the leased asset. Lease payments are treated as comprising capital and interest elements; the capital element is treated as reducing the capitalised obligation under the lease and the interest element is charged to income. Depreciation on the leased asset is also charged to income on a straight-line basis over the useful life of the asset.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases. Lease receivables are classified under loans in the accompanying statement of financial position.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group’s general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

b. Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit and loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

Explanations on “IFRS 16 Leases” are explained in Note 3.23

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.19 Employee benefits

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his / her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A provision is maintained for the present value of the defined benefit obligation, in respect of service up to the reporting date, based on the projected unit credit method. The charge in the income statement comprises current service cost and interest on the obligation.

"T. Sınai Kalkınma Bankası Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "T. Sınai Kalkınma Bankası AŞ Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" (the "Pension Funds") are separate legal entities and foundations recognized by an official decree, providing all qualified Bank employees with pension plan benefits. The Pension Funds are defined benefit plan under which the Bank pays fixed contributions as employer share of monthly premium contributions, and is not obliged to pay any other additional obligation.

The liability to be recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of assets. The Bank does not have the legal right to access the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, and therefore, no assets are recognized in the accompanying statement of financial position in respect of any surplus in the fund. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using expected interest rates for Turkish Lira.

Paragraph 1 of the provisional Article 23 of the Banking Act ("Banking Act") No: 5411 published in the Official Gazette No: 25983 on 1 November 2005 requires the transfer of banking funds to the Social Security Institution within 3 years as of the enactment date of the Banking Act.

Under the Banking Act, in order to account for obligations, actuarial calculations will be made considering the income and expenses of those funds by a commission consisting of representatives from various institutions. Such calculated obligation shall be settled in equal instalments in maximum 15 years. Nonetheless, the related Article of the Banking Law was annulled by the Constitutional Court's decision No: E. 2005/39 and K. 2007/33 dated 22 March 2007 that were published in the Official Gazette No: 26479 on 31 March 2007 as of the release of the related decision, and the execution of this article was cancelled as of its publication of the decision and the underlying reasoning for the cancellation of the related article was published in the Official Gazette No: 26731 on 15 December 2007. After the publication of the reasoning of the cancellation decision of the Constitutional Court, articles related with the transfer of banks pension fund participants to Social Security Institution based on Social Security Law numbered 5754 were accepted by the Grand National Assembly of Turkey on 17 April 2008 and published in the Official Gazette No: 26870 on 8 May 2008.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Employee benefits (continued)

Present value for the liabilities of the transferees as of the transfer date would be calculated by a commission that involves representatives of Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organization, BRSA, SDIF, banks and banks' pension fund institutions and technical interest rate, used in actuarial account, would be 9.80%. If salaries and benefits paid by the pension fund of banks and income and expenses of the pension funds in respect of the insurance branches, stated in the Law, exceeds the salaries and benefits paid under the regulations of Social Security Institution, such differences would be considered while calculating the present value for the liabilities of the transferees and the transfers are completed within 3 years beginning from 1 January 2008.

According to the provisional Article 20 of 73th article of Law No. 5754 dated 17 April 2008, has become effective on 8 May 2008 and was published in the Official Gazette No: 26870, transfer of Pension Funds to Social Security Institution in three years has been anticipated. Related resolution of the Council of Ministers related to four-year extension was published in the Official Gazette No: 28277 dated 8 March 2012. It has been resolved that the transfer process has been extended two year with Council of Ministers' Decree, has become effective on 9 April 2011 and was published in the Official Gazette No: 27900. The transfuer had to be completed until 8 May 2013. Accordingly, it has been resolved that, one more year extension with Council of Minister Decree No:2013/467, has become effective on 3 May 2013 and was published in the Official Gazette No:28636 and transfer need to be completed until 8 May 2014. However, it has been decided to extend the time related to transfer by the decision of the Council of Ministers published in the Official Gazette No. 28987 dated 30 April 2014 for one more year due to not to realize the transfer process.

In accordance with the Health and Safety Law which became effective on 4 April 2015 and published in the Official Gazette No: 29335 and dated 23 April 2015 and together with some amendments and statutory decree, Council of Ministers authorized for the determination of transfer date to the Social Security institution and there is no decision taken by the Cabinet with regards to issue date of financial statements.

Unmet social benefits and payments of the pension fund participants and other employees that receive monthly income although they are within the scope of the related settlement deeds would be met by pension funds and the institutions employ these participants after the transfer of pension funds to the Social Security Institution.

The present value of the liabilities, subject to the transfer to the Social Security Institution, of the Pension Fund as of 31 December 2021 has been calculated by an independent actuary in accordance with the actuarial assumptions in the Law and as per actuarial report dated 18 January 2021. There is no need for technical or actual deficit to book provision as of 31 December 2021.

In addition, the Bank's management anticipates that any liability that may come out during the transfer period and after, in the context expressed above, would be financed by the assets of the Pension Fund and would not cause any extra burden on the Bank. The income tax charge is composed of the sum of current tax and deferred tax.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Employee benefits (continued)

Employment termination benefits

In accordance with the existing labour law in Turkey, the Group entities are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum of pay ceiling announced by the Government per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for employee severance indemnity is computed and reflected in the consolidated financial statements on a current basis. The management of the Group used some assumptions in the calculation of the reserve for employee severance indemnity.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.20 Earnings per share

Earnings per share from continuing operations disclosed in the accompanying consolidated income statement is determined by dividing the net profit for the year by the weighted average number of shares outstanding during the year attributable to the shareholders of the Bank. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Shares issued are regarded as issued shares.

3.21 Fiduciary assets

Assets held by the Group in a fiduciary, agency or custodian capacity for its customers are not included in the consolidated statement of financial position, since such items are not treated as assets of the Group.

3.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 The new standards, amendments and interpretations

i) The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2021 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

ii) The new standards, amendments and interpretations which are effective as at 1 January 2021 are as follows:

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 The new standards, amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2021 are as follows (continued)

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional IFRS 7 Financial Instruments disclosures such as;
How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The Group disclosed the impact of the amendments on financial position or performance of the Group in Note X. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic (2020 amendment). The 2020 amendment does not apply to lessors. In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Overall, the Group expects no significant impact on its balance sheet and equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

Amendments to IFRS 3 – Reference to the Conceptual Framework
In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to IAS 16 – Proceeds before intended use
In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendments prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

Overall, the Group expects no significant impact on its balance sheet and equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

Overall, the Group expects no significant impact on its balance sheet and equity.

IFRS 17 - The new Standard for insurance contracts
The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.
In accordance with amendments issued in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.
The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to IAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

Overall, the Group expects no significant impact on its balance sheet and equity.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to IAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Overall, the Group expects no significant impact on its balance sheet and equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 The new standards, amendments and interpretations (continued)

ii) Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

Overall, the Group expects no significant impact on its balance sheet and equity.

Annual Improvements – 2018–2020 Cycle
In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- IFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Group.

4. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk,
- operational risk.

This note presents information about the Group's exposure to each of the risks below, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the Audit Committee. Consequently, the Risk Management Department of the Bank, which carries out the risk management activities and works independently from executive activities, report to the Board of Directors.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks are measured using internationally accepted methodologies, in compliance with local and international regulations, and the Bank's structure, policy and procedures. It is aimed to develop these methodologies to enable the Bank to manage the risks effectively. At the same time, studies for compliance with the international banking applications, such as Basel II, are carried out.

Through its normal operations, the Group is exposed to a number of risks, the most significant of which are liquidity, credit, operational and market risk. The risk management group exercises its functions according to the International Regulations of the Risk Management Group, and directly reports to the Board of Directors. Responsibility for the management of these risks rests with the Board of Directors, which delegates the operational responsibility to the Bank's general management and appropriate sub-committees.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

The sectoral breakdown of loans is documented monthly and limitations are made according to evaluations. There is no limitation applied geographically. Monitoring and checking is made for the treasury operations. Risk limits are identified for the operations implemented.

The credit monitoring department screens the creditworthiness of loan customers once every six months regularly. The debtors' creditworthiness is screened regularly in accordance with the related legislation. Their financial statements are obtained as prescribed in the legislation. The credit limits have been set by the Board of Directors, the Banks credit committee and the credit management. The Bank takes enough collateral for the loans and other receivables extended. The collaterals obtained consist of personal surety ship, mortgage, cash blockage and client checks.

Limits have also been set for transactions with banks. Credit risks are managed on the counterparty's creditworthiness and limits.

The definitions of past due and impaired loans and information related to impairment and provisions are provided in Section 3.8.2 Explanations on expected credit losses.

Credit risk by risk groups

Set out below is an analysis of loans as at 31 December 2021 by customer groups and impairment:

31 December 2021	Corporate	Small Business	Other	Total
Stage 1 loans to customers	41,635,466	12,487,125	557,675	54,680,266
Stage 2 loans to customers	5,845,547	1,858,445	-	7,703,992
Stage 3 loans to customers	1,754,101	322,573	4,845	2,081,519
Loans measured at FVPL (*)	263,097	-	-	263,097
Total gross loans to customers	**49,498,211**	**14,668,143**	**562,520**	**64,728,874**
Less: Stage 1 expected credit loans	(145,489)	(405,840)	(5,576)	(556,905)
Less: Stage 2 expected credit loans	(306,198)	(1,130,581)	-	(1,436,779)
Less: Stage 3 expected credit loans	(906,556)	(213,657)	(4,845)	(1,125,058)
Total expected credit loss	**(1,358,243)**	**(1,750,078)**	**(10,421**	**(3,118,742)**
Total loans and advances to customer	**48,139,968**	**12,918,065**	**552,099**	**61,610,132**

(*)Include the loan granted to the special purpose entity is accounted under loans measured at fair value through profit/loss as per IFRS 9.

Set out below is an analysis of loans as at 31 December 2020 by customer groups and impairment:

31 December 2020	Corporate	Small Business	Other	Total
Stage 1 loans to customers	26,666,535	6,320,405	355,611	33,342,551
Stage 2 loans to customers	3,628,755	718,513	-	4,347,268
Stage 3 loans to customers	1,468,979	215,964	4,845	1,689,788
Loans measured at FVPL (*)	263,097	-	-	263,097
Total gross loans to customers	**32,027,366**	**7,254,882**	**360,456**	**39,642,704**
Less: Stage 1 expected credit loans	(56,893)	(364,802)	(4,135)	(425,830)
Less: Stage 2 expected credit loans	(96,932)	(478,902)	-	(575,834)
Less: Stage 3 expected credit loans	(630,882)	(120,627)	(4,845)	(756,354)
Total expected credit loss	**(784,707)**	**(964,331)**	**(8,980)**	**(1,758,018)**
Total loans and advances to customer	**31,242,659**	**6,290,551**	**351,476**	**37,884,686**

(*)Include the loan granted to the special purpose entity is accounted under loans measured at fair value through profit/loss as per IFRS 9.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Impairment allowance for loans and advances to customers as at 31 December 2021:

Impairment allowance for loans and advances to customers	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Performing				
Above Average Grade	30,956	-	-	30,956
Average Grade	256,836	199,855	-	456,691
Below Grade	269,113	1,130,181	-	1,399,294
Past due but not impaired	-	106,743	-	106,743
Non-performing				
Individually impaired	-	-	1,125,058	1,125,058
Total	**556,905**	**1,436,779**	**1,125,058**	**3,118,742**

Impairment allowance for loans and advances to customers as at 31 December 2020:

Impairment allowance for loans and advances to customers	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Performing				
Above Average Grade	4,696	-	-	4,696
Average Grade	176,443	36,796	-	213,239
Below Grade	234,322	538,431	-	772,753
Past due but not impaired	10,369	607	-	10,976
Non-performing				
Individually impaired	-	-	756,354	756,354
Total	**425,830**	**575,834**	**756,354**	**1,758,018**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Impairment allowance for off-balance sheet financial assets as at 31 December 2021:

Impairment allowance for loans and advances to customers	**31 December 2021**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Performing				
Above Average Grade	3,562	-	-	3,562
Average Grade	42,271	6,451	-	48,722
Below Grade	5,175	3,176	-	8,351
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	1,458	1,458
Total	**51,008**	**9,627**	**1,458**	**62,093**

Impairment allowance for off-balance sheet financial assets as at 31 December 2020:

Impairment allowance for loans and advances to customers	**31 December 2020**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Performing				
Above Average Grade	1,149	-	-	1,149
Average Grade	17,201	366	-	17,567
Below Grade	1,910	11,336	-	13,246
Past due but not impaired	-	-	-	-
Non-performing				
Individually impaired	-	-	1,220	1,220
Total	**20,260**	**11,702**	**1,220**	**33,182**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Exposure to credit risk

		Due from banks	Loans and advances to customers
	Notes	**31 December 2021**	**31 December 2021**
Carrying amount *(1)*		**2,206,021**	**61,234,544**
Non-performing financial assets		-	2,081,519
Gross amount		**-**	**2,081,519**
Specific provision for Stage 3		-	(1,125,058)
Generic provision for Stage 1 and 2		-	(1,993,684)
Neither past due nor impaired		2,206,021	57,509,159
Past due but not impaired		-	41,874
Carrying amount		**2,206,021**	**56,513,810**
Restructured and rescheduled loans and other receivables		-	4,720,734
Carrying amount		**-**	**4,720,734**
Carrying amount (amortised cost)		**2,206,021**	**61,234,544**

		Due from banks	Loans and advances to customers
	Notes	**31 December 2021**	**31 December 2020**
Carrying amount *(1)*		**428,446**	**37,621,589**
Non-performing financial assets		-	1,689,788
Gross amount		**-**	**1,689,788**
Specific provision for Stage 3		-	(756,354)
Generic provision for Stage 1 and 2		-	(1,001,664)
Neither past due nor impaired		428,446	33,958,744
Past due but not impaired		-	728
Carrying amount		**428,446**	**33,891,242**
Restructured and rescheduled loans and other receivables		-	3,730,347
Carrying amount		**-**	**3,730,347**
Carrying amount (amortised cost)		**428,446**	**37,621,589**

(1)Include the loan granted to the special purpose entity is accounted under loans measured at fair value through profit/loss as per IFRS 9 amounting to TL 263,097 (31 December 2020:TL 263,097).

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Information by major sectors and type of counterparties as at 31 December 2021 is as follows:

Sectors	Loans(1) Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)	Expected Credit Losses (IFRS 9)
Agriculture	**-**	**27,900**	**25,110**
Farming and Stockbreeding	-	27,900	25,110
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	**2,522,173**	**1,646,607**	**1,442,592**
Mining and Quarrying	-	197	197
Production	577,799	29,406	108,402
Electricity, Gas and Water	1,944,374	1,617,004	1,333,993
Services	**4,279,784**	**346,748**	**871,610**
Wholesale and Retail Trade	608,499	124,710	220,086
Accommodation and Dining	-	-	-
Transportation and Telecommunication	2,486,858	211,379	476,229
Financial Institutions	-	4,845	4,845
Real Estate, Rental and Management	-	5,814	5,814
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	1,184,427	-	164,636
Others	**902,035**	**60,264**	**222,525**
Total	**7,703,992**	**2,081,519**	**2,561,837**

(1) Breakdown of cash loans measured at amortised cost..

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Information by major sectors and type of counterparties as at 31 December 2020 is as follows:

Sectors	Loans(1) Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)	Expected Credit Losses (IFRS 9)
Agriculture	**-**	**27,899**	**23,714**
Farming and Stockbreeding	-	27,899	23,714
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	**2,856,472**	**1,273,148**	**911,367**
Mining and Quarrying	-	197	197
Production	1,315,485	19,776	163,186
Electricity, Gas and Water	1,540,987	1,253,175	747,984
Services	**1,164,810**	**344,373**	**329,532**
Wholesale and Retail Trade	169,817	129,131	94,979
Accommodation and Dining	-	679	679
Transportation and	275,084	206,029	137,951
Financial Institutions	-	2,536	2,536
Real Estate, Rental and Management	111,867	5,814	13,914
Professional Services	-	184	184
Educational Services	-	-	-
Health and Social Services	608,042	-	79,289
Others	**325,986**	**44,368**	**67,575**
Total	**4,347,268**	**1,689,788**	**1,332,188**

(1) Breakdown of cash loans measured at amortised cost.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position;

	31 December 2021	31 December 2020
Gross maximum exposure		
Cash and cash equivalents, balances and reserve deposit at the Central Bank and other banks	5,672,153	2,875,559
Financial assets at fair value through profit or loss	305,856	279,851
Financial assets at fair value through other comprehensive income	8,975,017	4,630,211
Financial assets measured at amortized cost	3,950,945	3,079,864
Derivative financial assets	2,192,783	1,077,807
Derivative assets held for hedging purposes	256,505	262,699
Loans and advances to customers	61,234,544	37,621,589
Guarantees and collaterals	8,282,815	4,938,838
Other Assets	1,288,309	1,074,493
Total	**92,158,927**	**55,840,911**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

EXPECTED CREDIT LOSS

The Group allocates the expected loss provison for impairment on assets and loans measured at amortized cost and fair value through other comprehensive income and loan commitments not measured at fair value through profit/loss based and non cash loans on IFRS 9.

At 31 December 2021 the details of expected credit loss which on-balance sheet financial assets in scope of ECL requirements is as follows;

	Carrying Amount				ECL Allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
On-Balance Sheet Financial Assets								
Cash and cash equivalents (including reserves at Central Bank)	5,675,064	-	-	5,675,064	2,911	-	-	2,911
Securities	12,929,373	-	-	12,929,373	3,411	-	-	3,411
Loans and advances to customers	54,578,529	7,693,238	2,081,519	64,353,286	556,905	1,436,779	1,125,058	3,118,742
Other assets	398,123	-	-	398,123	1,540	-	-	1,540
Total	**73,581,089**	**7,693,238**	**2,081,519**	**83,355,846**	**564,767**	**1,436,779**	**1,125,058**	**3,126,604**

Off-Balance Sheet Financial Assets								
LCs, Acceptances and Other	17,433,216	7,109	4,444	17,444,769	51,008	9,627	1,458	62,093
Total	**17,433,216**	**7,109**	**4,444**	**17,444,769**	**51,008**	**9,627**	**1,458**	**62,093**

Credit quality per class of loans and advances as at 31 December 2020 is as follows:

	Carrying Amount				ECL Allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
On-Balance Sheet Financial Assets								
Cash and cash equivalents (including reserves at Central Bank)	2,877,270	-	-	2,877,270	1,711	-	-	1,711
Securities	7,713,486	-	-	7,713,486	3,411	-	-	3,411
Loans and advances to customers	33,342,551	4,347,268	1,689,788	39,379,607	425,830	575,834	756,354	1,758,018
Other assets	176,959	-	-	176,959	1,540	-	-	1,540
Total	**44,110,266**	**4,347,268**	**1,689,788**	**50,147,322**	**432,492**	**575,834**	**756,354**	**1,764,680**

Off-Balance Sheet Financial Assets								
LCs, Acceptances and Other	10,187,867	10,977	4,442	10,203,286	20,260	11,702	1,220	33,182
Total	**10,187,867**	**10,977**	**4,442**	**10,203,286**	**20,260**	**11,702**	**1,220**	**33,182**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Movement for impairment allowance for off-balance sheet financial assets as at 31 December 2021 is as follows:

	31 December 2021			
	Letters of quarantee and acceptances	**Letters of credit**	**Other undrawn commitments**	**Total**
Balances at 1 January 2021	**9,002**	**8,290**	**15,890**	**33,182**
Charge for the year	20,874	30,218	19,607	70,699
Recoveries	(11,543)	(11,968)	(18,277)	(41,788)
Amounts written off	-	-	-	-
Unwind of transformed into cash	-	-	-	-
Unwind of discount (recognized in interest income)	-	-	-	-
At 31 December 2021	**18,333**	**26,540**	**17,220**	**62,093**

	31 December 2021		
	Stage 1	**Stage 2**	**Stage 3**
Balances at 1 January 2021	**20,260**	**11,702**	**1,220**
Transfer to Stage 1	167	(167)	-
Transfer to Stage 2	(42)	42	-
Transfer to Stage 3	-	-	-
Debt sales and write offs	-	-	-
Recoveries and reversals	(18,930)	(22,850)	(8)
Provision for the period	32,786	16,200	246
Effects of movements in exchange rates	16,767	4,700	-
Balances at the end of the period	**51,008**	**9,627**	**1,458**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Movement for impairment allowance for off-balance sheet financial assets as at 31 December 2020 is as follows:

	31 December 2020			
	Letters of quarantee and acceptances	**Letters of credit**	**Other undrawn commitments**	**Total**
Balances at 1 January 2020	8,662	8,019	8,014	24,695
Charge for the year	10,743	9,893	18,963	39,599
Recoveries	(10,403)	(9,622)	(11,087)	(31,112)
Amounts written off	-	-	-	-
Unwind of transformed into cash	-	-	-	-
Unwind of discount (recognized in interest income)	-	-	-	-
At 31 December 2020	**9,002**	**8,290**	**15,890**	**33,182**

	31 December 2020		
	Stage 1	**Stage 2**	**Stage 3**
Balances at 1 January 2020	17,558	6,299	838
Transfer to Stage 1	-	-	-
Transfer to Stage 2	-	-	-
Transfer to Stage 3	-	-	-
Debt sales and write offs	-	-	-
Recoveries and reversals	(25,212)	(5,580)	(320)
Provision for the period	23,677	9,175	702
Effects of movements in exchange rates	4,237	1,808	-
Balances at the end of the period	**20,260**	**11,702**	**1,220**

Carrying amount per class of financial assets whose terms have been renegotiated:

	31 December 2021	**31 December 2020**
Loans and advances to customers		
Corporate lending	3,419,072	3,183,568
Small business lending	1,301,662	546,779
Total	**4,720,734**	**3,730,347**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Credit risk is evaluated according to the Bank's internal rating. Non-financial service customers included in credit portfolio are rated with respect to the Bank's internal rating and ratings of the financial service customers, which are rated by external rating firms, are matched to the Bank's internal ratings. With the transition to IFRS 9, the Bank changed its internal rating model in 2018. Due to the preparation of internal rating models in the current period and prior period on different principles, the previous period has not been included in footnote.

Information of credit amounts rated by internal rating model is given table below for the current period.

Loan Quality Categories	**Current Period**	**Prior Period**
Above Average Grade	17,878,017	9,921,945
Average Grade	37,184,769	23,514,681
Below Average Grade	13,639,443	8,051,381
Impaired (1)	2,085,959	1,693,083
Total	**70,788,188**	**43,181,090**

(1) Loans belong to the financial subsidiaries subject to line-by-line consolidation method are considered as unrated. Impaired loans are presented in the table above.

As of the reporting date, the total of the Bank's cash and non-cash loans and financial lease receivables (gross amount including the non performing loans, excluding the expected credit losses) is TL 73,011,688 (31 December 2020: TL 44,581,542) and TL 2,223,500 (31 December 2020: TL 1,400,452) of these customers have not been rated.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is a substantial risk in Turkish markets, which exhibit significant volatility. The Group is exposed to a certain degree of mismatch between the maturities of its assets and liabilities.

In order to manage this risk, the Group measures and manages its cash flow commitments on a daily basis, and maintains liquid assets which it judges sufficient to meet its commitments.

The Group uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. For the purposes of monitoring and assessing the liquidity position of the Bank's assets and liabilities, the liquidity rate is weekly calculated. The ratio during the year was as follows:

	31 December 2021 %	**31 December 2020 %**
Average during the period	359.77	342.98

The table below presents the last three months' liquidity ratios in accordance with the BRSA regulations:

Period	**TL+FC**	**FC**
31 October 2021	518.10	727.14
30 November 2021	347.39	591.64
31 December 2021	325.25	456.27

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

As at 31 December 2021 the estimated maturity analysis for certain assets and liabilities is as follows:

	Up to 3 Months	3 to 12 Months	Over 1 Year	No Maturity	Total
ASSETS					
Cash and cash equivalents	-	-	-	25	25
Balances with Central Bank	31,397	-	-	-	31,397
Reserve deposits at Central Bank (2)	2,006,714	-	-	-	2,006,714
Loans and advances to banks (2)	1,794,744	-	-	413,017	2,207,761
Interbank money market placements (2)	1,428,873	-	-	-	1,428,873
Funds lent under securities repurchase agreements	294	-	-	-	294
Trading financial assets	6,694	252,727	9,642	36,793	305,856
Derivative financial instruments	1,880,734	309,404	2,645	-	2,192,783
Derivative assets used for hedging purposes	256,505	-	-	-	256,505
Loans and advances to customers (2)	9,400,054	12,324,968	41,503,207	-	63,228,229
Financial assets at fair value through other comprehensive income	931,726	1,043,661	6,620,297	379,333	8,975,017
Financial assets measured at amortized cost (2)	771,429	371,835	2,812,439	-	3,955,703
Total	**18,509,164**	**14,302,595**	**50,948,230**	**829,168**	**84,589,157**
LIABILITIES					
Obligations under repurchase agreements	774,469	-	-	-	774,469
Derivative liabilities	826,856	294,423	-	-	1,121,279
Derivative liabilities held for hedging purposes	-	-	-	-	-
Funds borrowed	1,379,349	8,518,975	44,328,584	-	54,226,908
Debt securities issued (1)	4,950,334	434,246	14,452,057	-	19,836,637
Payables to money market	636,750	-	-	-	636,750
Current account of loan customers	691,704	-	-	-	691,704
Taxes and dues payable	26,382	-	-	-	26,382
Corporate tax liability	198,690	-	-	-	198,690
Employee benefits	-			61,838	61,838
Total	**9,484,534**	**9,247,644**	**58,780,641**	**61,838**	**77,574,657**

(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated debt instruments.
(2) Expected loss provisions are not included.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

As at 31 December 2020 the estimated maturity analysis for certain assets and liabilities is as follows:

	Up to 3 Months	3 to 12 Months	Over 1 Year	No Maturity	Total
ASSETS					
Cash and cash equivalents	-	-	-	20	20
Balances with Central Bank	12,365	-	-	-	12,365
Reserve deposits at Central Bank (2)	1,011,243	-	-	-	1,011,243
Loans and advances to banks (2)	299,168	-	-	130,298	429,466
Interbank money market placements (2)	1,053,197	370,316	-	-	1,423,513
Funds lent under securities repurchase agreements	663	-	-	-	663
Trading financial assets	4,734	258,790	-	16,327	279,851
Derivative financial instruments	816,723	249,676	11,408	-	1,077,807
Derivative assets used for hedging purposes	250,312	12,387	-		262,699
Loans and advances to customers (2)	5,258,036	5,642,971	27,722,246	-	38,623,253
Financial assets at fair value through other comprehensive income	395,105	429,959	3,607,741	197,406	4,630,211
Financial assets measured at amortized cost (2)	304,685	-	2,778,374	-	3,083,059
Total	**9,406,231**	**6,964,099**	**34,119,769**	**344,051**	**50,834,150**
LIABILITIES					
Obligations under repurchase agreements	1,045,103	-	-	-	1,045,103
Derivative liabilities	440,824	269,318	10,789	-	720,931
Derivative liabilities held for hedging purposes	154,049	-	-	-	154,049
Funds borrowed	1,156,021	5,003,422	26,172,767	-	32,332,210
Debt securities issued (1)	465,988	2,458,324	7,837,577	-	10,761,889
Payables to money market	345,023	-	-	-	345,023
Current account of loan customers	122,105	-	-	-	122,105
Taxes and dues payable	18,406	-	-	-	18,406
Corporate tax liability	136,723	-	-	-	136,723
Employee benefits	-			43,646	43,646
Total	**3,884,242**	**7,731,064**	**34,021,133**	**43,646**	**45,680,085**

(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.
(2) Expected loss provisions are not included.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities;

As at 31 December 2021	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 years**	**Over 5 years**	**Adjustments**	**Total**
Liabilities							
Payables to stock exchange money market	636,750	-	-	-	-	-	636,750
Funds borrowed	152,794	1,253,767	9,007,179	24,618,077	22,442,733	(3,247,642)	54,226,908
Obligations under repurchase agreements	776,589	-	-	-	-	(2,120)	774,469
Debt securities issued *(1)*	492,491	4,442,285	884,736	16,350,069	-	(2,332,944)	19,836,637
Current account of customers	691,704	-	-	-	-	-	691,704
Leasing Liabilities	209	1,606	5,444	2,175	-	(4,756)	4,678
Total	**2,750,537**	**5,697,658**	**9,897,359**	**40,970,321**	**22,442,733**	**(5,587,462)**	**76,171,146**

(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

As at 31 December 2020	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 years**	**Over 5 years**	**Adjustments**	**Total**
Liabilities							
Payables to stock exchange money market	345,023	-	-	-	-	-	345,023
Funds borrowed	465,626	680,570	5,302,500	14,474,510	13,401,621	(1,992,617)	32,332,210
Obligations under repurchase agreements	1,047,425	-	-	-	-	(2,322)	1,045,103
Debt securities issued *(1)*	213,336	137,145	2,771,826	8,779,006	-	(1,139,424)	10,761,889
Current account of customers	122,105	-	-	-	-	-	122,105
Leasing Liabilities	1,400	2,800	15,472	24,405	-	(39,683)	4,394
Total	**2,194,915**	**820,515**	**8,089,798**	**23,277,921**	**13,401,621**	**(3,174,046)**	**44,610,724**

(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments;

As at 31 December 2021	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 years**	**Over 5 years**	**Total**
Gross settled:						
Swap agreements	13,761,418	14,429,302	7,467,109	41,953,929	8,875,476	86,487,234
Forward contracts	626,570	1,277,662	381,845	-	-	2,286,077
Futures	15,942	15,663	-	-	-	31,605
Options	24,709	-	-	-	-	24,709
Other	25,298	5,019	5,019	-	-	35,336
Total	**14,453,937**	**15,727,646**	**7,853,973**	**41,953,929**	**8,875,476**	**88,864,961**

As at 31 December 2020	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 years**	**Over 5 years**	**Total**
Gross settled:						
Swap agreements	3,375,099	3,913,863	10,447,985	30,349,253	6,351,726	54,437,926
Forward contracts	312,066	204,528	692,882	142,322	-	1,351,798
Options	200,474	77,460	-	-	-	277,934
Other	70	7,955	4,549	-	-	12,574
Total	**3,887,709**	**4,203,806**	**11,145,416**	**30,491,575**	**6,351,726**	**56,080,232**

4. FINANCIAL RISK MANAGEMENT (Continued)

Market risk

Market risk is the possibility of a risk being incurred by the portfolio or position accepted within the scope of trading portfolio as a result of interest rates, equity prices, commodity prices in financial markets and exchange rate fluctuations. The purpose of market risk management is to manage, within the appropriate parameters, the risks which the Bank might be exposed to with a proactive approach and thus maximize the Bank's risk adjusted return.

Interest rate , exchange rate, stock and commodity price risks are the major elements of market risk. In order to control these risks in a healthy manner the core principal is to manage transactions carried out in money and capital markets such that they do not form concentration in terms of instrument, maturity, currency, interest type and other similar parameters, and in a "well diversified" manner in accordance with their risk levels. Moreover, the creditworthiness of issuers of financial instruments causing market risk is monitored carefully. Market Risk is managed by using consistent risk measurements and criteria fluctuation level of interest rates and/or prices and Value at Risk calculations, establishing appropriate procedures for control and monitoring compliance with identified risk limits and risk appetite. Market risk is measured, monitored and reported by the Department of Risk Management. The Bank uses two main approaches in the calculation of market risk BRSA Standard Method and Value at Risk (VaR) approach.

Market risk measurement, monitoring and reporting is carried out by the Risk Management Department. In the calculation of the market risk, the Bank uses two basic approaches as the BRSA Standard Method and Risk Value of Return (VaR) approach. The standard method is applied in the calculation of capital adequacy on a monthly basis. VaR calculations are performed periodically and are reported to the senior management. Monte Carlo simulation method is used for VaR calculations. The VaR model is based on the assumptions of a 99% confidence interval and a 1-day holding period, and the accuracy of the model is assured by back-testing which is based on the comparison of calculated VaR Value against incurred losses. Besides, stress tests are conducted so as to identify the impacts on VaR which will be highly damaging, although their occurrence is a low possibility.

Interest Rate Risk

The Group is exposed to interest rate risk either through market value fluctuations of statement of financial position items, i.e. price risk, or the impact of rate changes on interest sensitive assets and liabilities. In Turkey, interest rates are highly volatile and this may result in significant changes in prices of financial instruments including government bonds and treasury bills. The major sources of funding are borrowings. Interest rate sensitivity of the assets, liabilities and off-balance sheet items are managed by the Group. Progressive forecasting is determined with simulation reports, interest rate fluctuation effects are identified with sensitivity reports and scenario analyses.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

Interest Rate Risk (continued)

The below table summarizes the Group's exposure to interest rate risks as at 31 December 2021:

	Up to 3 Months	3 to 12 Months	Over 1 Year	Non Interest Bearing	Total
ASSETS					
Cash and cash equivalents	-	-	-	25	25
Balance with the Central Bank	14,377	-	-	17,020	31,397
Reserve deposits at Central Bank (2)	-	-	-	2,006,714	2,006,714
Loans and advances to banks (2)	1,794,744	-	-	413,017	2,207,761
Interbank money market placements (2)	1,428,873	-	-	-	1,428,873
Funds lent under securities resale agreements	294	-	-	-	294
Trading assets	4,599	252,729	11,735	36,793	305,856
Derivative assets	1,475,348	229,867	487,568	-	2,192,783
Derivative assets used for hedging purposes	41,210	-	215,295	-	256,505
Loans and advances to customers (2)	25,712,291	21,573,442	15,942,496	-	63,228,229
Financial assets at fair value through other comprehensive income	1,461,177	1,056,641	6,077,866	379,333	8,975,017
Financial assets measured at amortized cost (2)	1,474,790	1,846,843	634,070	-	3,955,703
Total	**33,407,703**	**24,959,522**	**23,369,030**	**2,852,902**	**84,589,157**
LIABILITIES					
Obligations under repurchase agreements	774,469	-	-	-	774,469
Derivative liabilities	504,437	220,194	397,165	-	1,121,796
Derivative liabilities used for hedging purposes	-	-	-	-	-
Funds borrowed	19,385,435	25,577,865	9,263,608	-	54,226,908
Debt securities issued (1)	4,686,723	-	14,379,189	770,725	19,836,637
Payables to stock exchange money market	636,750	-	-	-	636,750
Current account of loan customers	691,704	-	-	-	691,704
Taxes and dues payable		-	-	26,382	26,382
Corporate tax liability	-	-	-	198,690	198,690
Employee benefits	-	-	-	61,838	61,838
Total	**26,679,518**	**25,798,059**	**24,039,962**	**1,057,635**	**77,575,174**
Total Balance Sheet Position	**6,728,185**	**-838,537**	**-670,932**	**1,795,267**	**7,013,983**
Total Off Balance Sheet Position	**(4,276,555)**	**1,232,134**	**3,973,710**	**-**	**929,289**
Total Position	**2,451,630**	**393,597**	**3,302,778**	**1,795,267**	**7,943,272**

(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.
(2) Expected loss provisions are not included.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

Interest Rate Risk (continued)

The below table summarizes the Group's exposure to interest rate risks as at 31 December 2020:

	Up to 3 Months	3 to 12 Months	Over 1 Year	Non Interest Bearing	Total
ASSETS					
Cash and cash equivalents	-	-	-	20	20
Balance with the Central Bank	2,167	-	-	10,198	12,365
Reserve deposits at Central Bank	-	-	-	1,011,243	1,011,243
Loans and advances to banks	299,168	-	-	130,298	429,466
Interbank money market placements	1,053,197	370,316	-	-	1,423,513
Funds lent under securities resale agreements	663	-	-	-	663
Trading assets	4,734	258,790	-	16,327	279,851
Derivative assets	463,544	72,936	541,327	-	1,077,807
Derivative assets used for hedging purposes	-	12,388	250,311	-	262,699
Loans and advances to customers	14,515,084	12,214,405	11,893,764	-	38,623,253
Financial assets at fair value through other comprehensive income	491,797	795,592	3,145,416	197,406	4,630,211
Financial assets measured at amortized cost	1,533,635	1,186,267	363,157	-	3,083,059
Total	**18,363,989**	**14,910,694**	**16,193,975**	**1,365,492**	**50,834,150**
LIABILITIES					
Obligations under repurchase agreements	1,045,103	-	-	-	1,045,103
Derivative liabilities	155,072	100,039	465,820	-	720,931
Derivative liabilities used for hedging purposes	-	-	154,049	-	154,049
Funds borrowed	11,420,360	12,897,663	8,014,187	-	32,332,210
Debt securities issued (1)	50,966	2,221,421	8,099,357	390,145	10,761,889
Payables to stock exchange money market	345,023	-	-	-	345,023
Current account of loan customers	122,105	-	-	-	122,105
Taxes and dues payable		-	-	18,406	18,406
Corporate tax liability	-	-	-	136,723	136,723
Employee benefits	-	-	-	43,646	43,646
Total	**13,138,629**	**15,219,123**	**16,733,413**	**588,920**	**45,680,085**
Total Balance Sheet Position	**5,225,360**	**-308,429**	**(539,438)**	**776,572**	**5,154,065**
Total Off Balance Sheet Position	**(4,384,380)**	**104,896**	**4,392,251**	**-**	**112,767**
Total Position	**840,980**	**(203,533)**	**3,852,813**	**776,572**	**5,266,832**

(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.
(2) Expected loss provisions are not included.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

Interest Rate Sensitivity (continued)

As at 31 December 2021, a summary of average interest rates for different assets and liabilities are as follows:

	TL %	Euro %	US Dollar %
Assets			
Cash & Balances with Central Bank	8.50	-	-
Banks	23.92	0.51	0.12
Money market placements	17.03	-	-
Loans and advances to customers	18.57	4.80	5.83
Financial assets at FVOPL	18.30	-	4.55
Financial assets at FVOCI	17.24	4.55	4.78
Financial assets measured at amortized cost	23.66	-	5.60
Liabilities			
Funds borrowed	17.42	1.09	1.40
Money market balances	15.36	0.11	0.23
Marketable securities issued	16.50	-	6.19
Current account of loan customers	11.00	0.10	0.20

As at 31 December 2020, a summary of average interest rates for different assets and liabilities are as follows:

	TL %	Euro %	US Dollar %
Assets			
Cash & Balances with Central Bank	12.00	-	-
Banks	16.57	1.64	1.11
Money market placements	17.15	-	-
Loans and advances to customers	15.35	4.70	5.57
Financial assets at FVOPL	13.91	-	4.34
Financial assets at FVOCI	11.91	2.68	5.19
Financial assets measured at amortized cost	13.31	-	5.60
Liabilities			
Funds borrowed	11.81	1.06	1.49
Money market balances	17.08	0.12	0.26
Marketable securities issued	16.33	-	5.98
Current account of loan customers	12.50	0.10	0.20

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

Interest Rate Sensitivity (continued)

The economic valuation differences of the Bank arising from fluctuations on interest rates, in different currencies that is calculated in accordance with the communiqué are presented in the table below.

Current Period Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss / Shareholders' Equity
TL	+500 / (400) basis point	(223,223) / 207,030	(1.9)% / 1.76%
Euro	+200 / (200) basis point	(177,064)/ 5,841	(1.50)% / 0.05%
US Dollar	+200 / (200) basis point	(351,156) / 312,612	(2.98)% / 2.66%
Total (for Negative Shocks)		**525,483**	**4.47%**
Total (for Positive Shocks)		**(751,443)**	**(6.38)%**

Prior Period Currency	Applied Shock (+/- x basis point)	Revenue/ Loss	Revenue/Shareholders' Equity – Loss/ Shareholders' Equity
TL	+500 / (400) basis point	(230,463) / 223,105	(2.63%) / 2.54%
Euro	+200 / (200) basis point	81,243/ 20,836	0.93% / 0.24%
US Dollar	+200 / (200) basis point	(477,883) / 178,020	(5.45)% / 2.03%
Total (for Negative Shocks)		**421,961**	**4.81%**
Total (for Positive Shocks)		**(627,103)**	**(7.15)%**

Other Price Risks

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to stock price risks at the reporting date.

The Group is exposed to equity price risks arising from equity investments of firms traded in Istanbul Stock Exchange. Since these investments are classified as financial assets held for trading, only the net profit/loss will be affected.

As at the reporting date, equity price sensitivity of the Group has been analyzed. The analysis has been based on the assumption that the inputs (equity prices) to the valuation model are 20% higher/lower while all other variables are constant.

The Group classifies its equity investments both as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Therefore, the net profit/loss is not affected as long as the Group does not sell its equity investments classified as financial assets at fair value through other comprehensive income.

Unless the equity share investments classified as assets financial assets at fair value through other comprehensive incomeare disposed of or impaired, the net profit/loss will not be affected.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

Currency risk (continued)

The Group is exposed to currency risk through transactions in foreign currencies and through its investment in foreign operations.

Management of currency risk

Risk policy of the Group is based on keeping the transactions within defined limits and keeping the currency position well-balanced. The Group has established a foreign currency risk management policy that enables the Group to take a position between lower and upper limits which are determined, taking total equity of the Group into account.

The below table summarizes the foreign currency position of the Group as at 31 December 2021:

	Euro	US Dollar	Other Foreign Currencies	Total
Assets				
Cash and cash equivalents including Central Bank	439,918	572,258	-	1,012,176
Reserve deposits at Central Bank	432,435	578,809	-	1,011,244
Loans and advances to banks	355,870	1,562,730	6,704	1,925,304
Derivative financial instruments	127,511	486,018	793	614,322
Loans and advances to customers	26,080,480	33,135,831	-	59,216,311
Financial assets at fair value through other comprehensive income	1,208,608	5,084,509	-	6,293,117
Financial assets measured at amortized cost	-	634,071	-	634,071
Derivative assets held for hedging purposes	-	317,691	-	317,691
Other assets	1,000	106,315	99	107,414
Total Assets	**28,645,822**	**42,478,232**	**7,596**	**71,131,650**
Liabilities				
Obligations under repurchase agreements	400,370	297,770	-	698,140
Derivative financial liabilities held for trading	92,594	183,092	-	275,686
Funds borrowed	19,603,384	34,551,425	-	54,154,809
Marketable securities issued (1)	-	18,957,145	-	18,957,145
Current account of loan customers	578,854	104,659	-	683,513
Derivative liabilities held for hedging purposes	-	-	-	-
Other liabilities	61,083	484,014	2,383	547,480
Total Liabilities	**20,736,285**	**54,578,105**	**2,383**	**75,316,773**
Net Statement of Financial Position	**7.909.537**	**(12.099.873)**	**5.213**	**(4.185.123)**
Off Balance Sheet Position				
Derivatives to sell	1.650.353	16.216.394	198.105	18.064.852
Derivatives to buy	(8.874.352)	(3.324.936)	(201.900)	(12.401.188)
	(7.223.999)	**12.891.458**	**(3.795)**	**5.663.664**
Net Position	**685,538**	**791,585**	**1,418**	**1,478,541**

(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated debt instruments.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

Currency risk (continued)

The below table summarizes the foreign currency position of the Group as at 31 December 2020:

	Euro	US Dollar	Other Foreign Currencies	Total
Assets				
Cash and cash equivalents including Central Bank	10,008	130	-	10,138
Reserve deposits at Central Bank	432,435	578,809	-	1,011,244
Loans and advances to banks	108,757	229,360	4,416	342,533
Derivative financial instruments	119,055	526,614	561	646,230
Money market placements	-	-	-	-
Loans and advances to customers	16,192,854	18,387,438	-	34,580,292
Financial assets at fair value through other comprehensive income	77,394	2,619,336	-	2,696,730
Financial assets measured at amortized cost	-	363,157	-	363,157
Derivative assets held for hedging purposes	-	334,421	-	334,421
Other assets	259,410	199,865	-	459,275
Total Assets	**17,199,913**	**23,239,130**	**4,977**	**40,444,020**
Liabilities				
Obligations under repurchase agreements	213,896	109,809	-	323,705
Derivative financial liabilities held for trading	95,274	222,293	-	317,567
Funds borrowed	14,234,091	17,978,134	-	32,212,225
Marketable securities issued (1)	-	10,320,778	-	10,320,778
Current account of loan customers	35,694	81,451	-	117,145
Derivative liabilities held for hedging purposes	-	-	-	-
Other liabilities	18,220	187,816	652	206,688
Total Liabilities	**14,597,175**	**28,900,281**	**652**	**43,498,108**
Net Statement of Financial Position	**2,602,738**	**(5,661,151)**	**4,325**	**(3,054,088)**
Off Balance Sheet Position				
Derivatives to sell	1,479,327	7,944,254	149,341	9,572,922
Derivatives to buy	(3,688,785)	(1,676,056)	(151,674)	(5,516,515)
	(2,209,458)	**6,268,198**	**(2,333)**	**4,056,407**
Net Position	**393,280**	**607,047**	**1,992**	**1,002,319**

(1) Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated debt instrument.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Market risk (continued)

Foreign currency sensitivity

No long or short position is taken due to the uncertainties and changes in the markets therefore; no exposure to foreign currency risk is expected. However, possible foreign currency risks are calculated on a weekly and monthly basis under the standard method in the foreign currency risk table and their results are reported to the official authorities and the Group's top management.

Thus, foreign currency risk is closely monitored. Foreign currency risk, as a part of general market risk, is also taken into consideration in the calculation of Capital Adequacy Standard Ratio.

No short position is taken regarding foreign currency risk, whereas, counter position is taken for any foreign currency risks arising from customer transactions as to avoid foreign currency risk.

The Group is mostly exposed to Euro and US Dollar currencies.

The following table details the Group's sensitivity to 10% increase/decrease in the TL against US Dollar, Euro and other currencies.

	% Increase	Effect on profit or loss (1)		Effect on equity (2)	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
US Dollar	10%	61,596	48,573	17,563	12,132
Euro	10%	62,224	39,328	6,330	-
Other	10%	142	199	-	-

	% Decrease	Effect on profit or loss (1)		Effect on equity (2)	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
US Dollar	10%	(61,596)	(48,573)	(17,563)	(12,132)
Euro	10%	(62,224)	(39,328)	(6,330)	-
Other	10%	(142)	(199)	-	-

(1) Values expressed are before the tax effect.

(2) Effect on equity does not include effect on profit/loss.

The Group's sensitivity to foreign currency has increased during the current period mainly due to the change in currency position.

4. FINANCIAL RISK MANAGEMENT (Continued)

Capital management – regulatory capital

BRSA, the regulatory body of the banking industry, sets and monitors capital requirements for the Bank. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of a minimum of 8% of total capital to total risk-weighted assets. BRSA regulation requires the calculation of the capital adequacy ratio based on the consolidated financial statements of the Bank and its financial subsidiaries.

The BRSA also requires the banks to maintain prescribed ratios of minimum 4.5% Common Equity Tier 1 and 6% Tier 1 to total value at credit, market and operational risks starting from 1 January 2016.

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, the capital adequacy ratio of the Group has been calculated as 20.80% (31 December 2020: 19.37%).

The Bank and its financial subsidiaries' consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, is composed of share capital, legal, statutory, other profit and extraordinary reserves, retained earnings, translation reserve and non-controlling interests after deduction of goodwill, prepaid expenses and other certain costs.
- Tier 2 capital, is composed of the total amount of general provisions for loans, restricted funds, fair value reserves of financial assets at fair value through other comprehensive income and equity investments, subordinated loans received and free reserves set aside for contingencies.
- Tier 1 capital, is composed of share capital, legal, statutory, other profit and extraordinary reserves, other comprehensive income, retained earnings, translation reserve and non-controlling interests after deduction of goodwill, leasehold improvements on operational leases and other certain costs.
- Tier 2 capital, which includes qualifying subordinated liabilities and general provisions.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the year and the previous year.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Capital management – regulatory capital (continued)

Total capital amount and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks", "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and "Board Decisions" in Turkey. The Bank's and its financial subsidiaries' regulatory capital position on a consolidated basis as at 31 December 2021 and 31 December 2020 is as follows:

	2021	2020
Tier 1 capital	7,249,780	6,061,535
Tier 2 capital	4,587,202	2,718,626
Deductions from capital		-
Total regulatory capital	**11,836,982**	**8,780,161**
Total Risk Weighted Assets	56,920,346	45,335,598
Capital ratios		
Total regulatory capital expressed as a percentage of total credit risk, counterparty credit risk, market risk and operational risk	20.80%	19.37%
Total Tier 1 capital expressed as a percentage of total credit risk, counterparty credit risk, market risk and operational risk	12.74%	13.37%

As at 31 December 2021, the Bank's capital adequacy ratio on an unconsolidated basis is 20.77% (31 December 2020: 19.41%). The Group's consolidated capital adequacy ratio as at 31 December 2021 is 20.80% (31 December 2020: 19.37%).

Total capital and capital adequacy ratio as of 31 December 2021 have been calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and in addition to regulations of BRSA numbered 3397 dated 23 March 2020.

Operational risk

Operational risk amount of the Group is measured with Basic Indicator Method referring to "Regulation on Measurement and Assessment of Capital Adequacy of Banks" According to this method; the calculation is performed parallel to the practice within the country, by multiplying *15% of the Group's last three years' average gross revenue with 12.5. The amount, calculated as* TL 3,282,394 as at 31 December 2021 (31 December 2020: TL 2,526,013) represents the operational risk.

Yearly gross income, as presented on the income statement; is calculated with net interest income plus net fee and commission, dividend income except from subsidiaries and associates, trading profit/loss and other operational income minus profit/loss gain on sale of assets other than of trading accounts, extraordinary income, operational expense for support service from a bank and recoveries from insurance.

Fair values of financial instruments

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued

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

using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

4. FINANCIAL RISK MANAGEMENT (Continued)

Fair values of financial instruments (continued)

• Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The consolidated financial statements include holdings in unlisted shares which are measured at their historical costs as fair values could not be determined reliably.

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follow:

31 December 2021	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Financial assets at FVPL	**299,890**	**36,793**	**-**	**263,097**
Loans	*263,097*	-	-	*263,097*
Government bonds and Treasury bills	-	-	-	-
Equity shares	-	-	-	-
Mutual funds	*32,276*	*32,276*	-	-
Debt securities issued by corporations	*4,517*	*4,517*	-	-
Derivative assets	**2,192,783**	**-**	**2,192,783**	**-**
Derivatives used for hedging purposes	**256,505**	**-**	**256,505**	**-**
Financial assets at FVOCI [(1)]	**8,963,168**	**8,484,688**	**227,740**	**250,740**
Government bonds and Treasury bills	*2,279,125*	*2,279,125*	-	-
Eurobonds	*6,096,386*	*6,096,386*	-	-
Equity shares	*308,373*	*34,696*	*227,740*	*45,937*
Mutual funds	*59,111*	*59,111*	-	-
Debt securities issued by corporations	*220,173*	*15,370*	-	*204,803*
Financial Liabilities				
Derivative liabilities	**1,121,279**	**-**	**1,121,279**	**-**
Derivatives used for hedging purposes	**-**	**-**	**-**	**-**

[(1)] As of 31 December 2021, securities that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 11,850 have been measured at cost.

31 December 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Financial assets at FVPL	**279,851**	**16,754**	**-**	**263,097**
Loans	*263,097*	-	-	*263,097*
Government bonds and Treasury bills	-	-	-	-
Equity shares	*4.152*	*4.152*	-	-
Mutual funds	*12,175*	*12,175*	-	-
Debt securities issued by corporations	*427*	*427*	-	-
Derivative assets	**1,077,807**	**-**	**1,077,807**	**-**
Derivatives used for hedging purposes	**262,699**	**-**	**262,699**	**-**
Financial assets at FVOCI [(1)]	**4,618,362**	**4,387,531**	**108,160**	**122,671**
Government bonds and Treasury bills	*1,724,827*	*1,724,827*	-	-
Eurobonds	*2,619,578*	*2,619,578*	-	-
Equity shares	*181,969*	*39,539*	*108,160*	*34,270*
Mutual funds	*3,587*	*3,587*	-	-
Debt securities issued by corporations	*88,401*	-	-	*88,401*
Financial Liabilities				
Derivative liabilities	**720,931**	**-**	**720,931**	**-**
Derivatives used for hedging purposes	**154,049**	**-**	**154,049**	**-**

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

[1)] As of 31 December 2020, securities that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 11,850 have been measured at cost.

4. FINANCIAL RISK MANAGEMENT (Continued)

Fair values of financial instruments (continued)

The reconciliation from the beginning balances to ending balances for fair value measurements in Level 3 for the year ended 31 December 2021.

	31 December 2021	**31 December 2020**
Balance at the beginning of the year	385,768	413,422
Purchases	173,202	-
Redemption or sales	(70,922)	(58,896)
Valuation differences	25,789	31,242
Transfer	-	-
Balance at the end of the year [(1)]	**513,837**	**385,768**

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

5. FINANCIAL INSTRUMENTS

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value

	Carrying amount			Fair value			
Financial assets	**Loans and receivables**	**Investments, including derivatives**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2021							
Financial assets measured at fair value							
Financial assets at FVPL	-	305,856	305,856	42,759	-	263,097	305,856
Derivative financial instruments	-	2,192,783	2,192,783	-	2,192,783	-	2,192,783
Derivative assets held for hedging purposes	-	256,505	256,505	-	256,505	-	256,505
Investment securities - FVOCI [(1)]	-	8,975,017	8,975,017	8,484,688	227,740	250,740	8,963,168
Financial assets not measured at fair value							
Cash and cash equivalents and due from banks (including central banks, excluding cash on hand)	4,243,046	-	4,243,046	-	-	-	-
Loans and advances to customers	61,234,544	-	61,234,544	-	-	-	-
Financial assets measured at amortized cost	-	3,950,945	3,950,945	-	-	-	-
	65,477,590	**15,681,106**	**81,158,696**				
31 December 2020							
Financial assets measured at fair value							
Financial assets at FVPL	-	279,851	279,851	16,754	-	263,097	279,851
Derivative financial instruments	-	1,077,807	1,077,807	-	1,077,807	-	1,077,807
Derivative assets held for hedging purposes	-	262,699	262,699	-	262,699	-	262,699
Investment securities - FVOCI [(1)]	-	4,630,211	4,630,211	4,387,531	108,160	122,670	4,618,361
Financial assets not measured at fair value							
Cash and cash equivalents and due from banks (including central banks, excluding cash on hand)	1,451,508	-	1,451,508	-	-	-	-
Loans and advances to customers	37,621,589	-	37,621,589	-	-	-	-
Financial assets measured at amortized cost	-	3,079,864	3,079,864	-	-	-	-
	39,073,097	**9,330,432**	**48,403,529**				

[(1)] As of 31 December 2021, securities that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 11,850 (31 December 2020: TL 12,256) have been measured at cost.

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

5. FINANCIAL INSTRUMENTS (Continued)

Carrying amounts and fair values (continued)

	Carrying amount			Fair value			
Financial liabilities	**Loans and borrowings**	**Derivatives**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2021							
Financial liabilities measured at fair value							
Derivative financial instruments held for trading	-	1,121,279	1,121,279	-	1,121,279	-	1,121,279
Derivative liabilities held for hedge accounting	-	-	-	-	-	-	-
Financial liabilities not measured at fair value							
Obligations under repurchase agreements	774,469	-	774,469	-	-	-	-
Funds borrowed	54,226,908	-	54,226,908	-	-	-	-
Payables to stock exchange money market	636,750	-	636,750	-	-	-	-
Debt securities issued [1]	19,836,637	-	19,836,637	-	-	-	-
	75,474,764	**1,121,279**	**76,596,043**				

31 December 2020							
Financial liabilities measured at fair value							
Derivative financial instruments held for trading	-	720,931	720,931	-	720,931	-	720,931
Derivative liabilities held for hedge accounting	-	154,049	154,049	-	154,049	-	154,049
Financial liabilities not measured at fair value							
Obligations under repurchase agreements	1,045,103	-	1,045,103	-	-	-	-
Funds borrowed	32,332,210	-	32,332,210	-	-	-	-
Payables to stock exchange money market	345,023	-	345,023	-	-	-	-
Debt securities issued [1]	10,761,889	-	10,761,889	-	-	-	-
	44,484,225	**874,980**	**45,359,205**				

[1] *Includes Tier 2 subordinated bonds which are classified on the balance sheet as subordinated loans.*

6. OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For management purposes, the Group is currently organized into two operating divisions – "banking" and "stock brokerage and other". These divisions are the basis on which the Group reports its primary segment information.

Principal activities of the Group are as follows:

<u>Banking:</u> investment and development bank with all corporate and commercial banking activities excluding accepting customer deposits.

<u>Stock brokerage and other:</u> intermediary stock brokerage activities, portfolio management and investment management and real estate investment trust activities.

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

6. OPERATING SEGMENTS (Continued)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (1 January – 31 December 2021)	**Banking**	**Stock brokerage and other**	**Combined**	**Eliminations**	**Total**
Interest income	4,541,358	143,593	4,684,951	(9,749)	4,675,202
Interest expense	(1,678,023)	(115,153)	(1,793,176)	16,233	(1,776,943)
Net interest income	**2,863,335**	**28,440**	**2,891,775**	**6,484**	**2,898,259**
Net fee and commission income	70,855	84,650	155,505	-	155,505
Net securities trading income / (loss)	8,587	295	8,882	(10,068)	(1,186)
Net derivative trading income / (loss)	1,966,654	34,413	2,001,067	-	2,001,067
Net foreign currency gain / (loss)	(1,466,610)	(16,887)	(1,483,497)	-	(1,483,497)
Net impairment loss on financial assets	(1,965,550)	(2,256)	(1,967,806)	-	(1,967,806)
Net operating income after impairment losses	**1,477,271**	**128,655**	**1,605,926**	**(3,584)**	**1,602,342**
Other operating income	12,085	403,330	415,415	(104,435)	310,980
Other operating expenses	(263,092)	(324,976)	(588,068)	25,679	(562,389)
Dividend income	2,973	5,287	8,260	-	8,260
Share of profit of equity-accounted investees	129,008	-	129,008	-	129,008
Profit before income tax	**1,358,245**	**212,296**	**1,570,541**	**(82,340)**	**1,488,201**

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

6. OPERATING SEGMENTS (Continued)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (1 January – 31 December 2020)	Banking	Stock brokerage and other	Combined	Eliminations	Total
Interest income	3,266,501	71,338	3,337,839	(1,165)	3,336,674
Interest expense	(1,267,018)	(56,660)	(1,323,678)	9,389	(1,314,289)
Net interest income	**1,999,483**	**14,678**	**2,014,161**	**8,224**	**2,022,385**
Net fee and commission income	50,145	68,770	118,915	-	118,915
Net securities trading income / (loss)	7,122	1,862	8,984	(3,865)	5,119
Net derivative trading income / (loss)	(105,898)	44,700	(61,198)	-	(61,198)
Net foreign currency gain / (loss)	138,944	(93,672)	45,272	-	45,272
Net impairment loss on financial assets	(1,008,512)	(3,152)	(1,011,664)	-	(1,011,664)
Net operating income after impairment losses	**1,081,284**	**33,186**	**1,114,470**	**4,359**	**1,118,829**
Other operating income	5,891	174,566	180,457	(41,923)	138,534
Other operating expenses	(221,899)	(202,356)	(424,255)	17,731	(406,524)
Dividend income	4,392	6,465	10,857	-	10,857
Share of profit of equity-accounted investees	74,651	-	74,651	-	74,651
Profit before income tax	**944,319**	**11,861**	**956,180**	**(19,833)**	**936,347**

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

6. OPERATING SEGMENTS (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Banking	Stock brokerage and other	Combined	Eliminations	Total
At 31 December 2021					
Total assets	**83,719,905**	**2,940,061**	**86,659,966**	**(727,675)**	**85,932,291**
Total liabilities	**76,896,224**	**1,966,331**	**78,862,555**	**(51,405)**	**78,811,150**
Equity before net profit & non-controlling interests	5,835,733	782,033	6,617,766	(666,845)	5,950,921
Net profit attributable to equity holders of the Bank	987,948	191,697	1,179,645	(98,536)	1,081,109
Non-controlling interests	-	-	-	89,111	89,111
Total equity	**6,823,681**	**973,730**	**7,797,411**	**(676,270)**	**7,121,141**
Total liabilities and equity	**83,719,905**	**2,940,061**	**86,659,966**	**(727,675)**	**85,932,291**
At 31 December 2020					
Total assets	**51,410,971**	**1,736,130**	**53,147,101**	**(716,807)**	**52,430,294**
Total liabilities	**45,261,803**	**1,110,553**	**46,372,356**	**(172,205)**	**46,200,151**
Equity before net profit & non-controlling interests	5,418,203	627,240	6,045,443	(581,764)	5,463,679
Net profit attributable to equity holders of the Bank	730,965	(1,663)	729,302	(17,008)	712,294
Non-controlling interests	-	-	-	54,170	54,170
Total equity	**6,149,168**	**625,577**	**6,774,745**	**(544,602)**	**6,230,143**
Total liabilities and equity	**51,410,971**	**1,736,130**	**53,147,101**	**(716,807)**	**52,430,294**

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

7. CASH AND CASH EQUIVALENTS, BALANCES WITH CENTRAL BANK, LOANS AND ADVANCES TO BANKS, MONEY MARKET PLACEMENTS

Cash and cash equivalent comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, deposits from banks and other short-term highly liquid investments with original maturities of three months or less.

	31 December 2021	31 December 2020
Cash on hand	25	20
Loans and advances to banks (with original maturity of less than 3 months) (1)	2,206,021	428,446
Unrestricted balances with the Central Bank	31,397	12,365
Funds lent under repurchase agreements	294	663
Interbank money market placements (2)	1,428,788	1,423,368
Total cash and cash equivalents in the consolidated statement of financial position	**3,666,525**	**1,864,862**
Accruals on cash and cash equivalents	(5,407)	(238)
Total cash and cash equivalents in the consolidated statement of cash flows	**3,661,118**	**1,864,624**

(1) As of 31 December 2021, provision amounting to TL 1,740 is allocated in "Loans and advances to banks" due to transiton of IFRS 9 (31 December 2020: TL 1,019).

(2) As of 31 December 2021, provision amounting to TL 85 is allocated in "Interbank Money Market Placements" due to transiton of IFRS 9 (31 December 2020: TL 145).

Cash And Cash Equivalents

	31 December 2021	31 December 2020
Cash on hand – Turkish Lira ("TL")	25	20
Total cash on hand	**25**	**20**

There is no blockage on the use of cash and cash equivalents as of 31 December 2021 (31 December 2020: None).

Balances With Central Bank

a) Unrestricted balances with Central Bank

	31 December 2021	31 December 2020
Demand deposits – TL	14,402	2,227
Demand deposits – FC	16,706	10,138
Total	31,108	**12,365**

b) Reserve Deposits at Central Bank

	31 December 2021	31 December 2020
Foreign currency reserves (1)	2,006,713	1,011,244
Total	**2,006,713**	**1,011,244**

(1) As of 31 December 2021, provision amounting to TL 1,086 is allocated in "Balance with the Central Bank of Turkey" due to transiton of IFRS 9 (31 December 2020: 546)

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

7. CASH AND CASH EQUIVALENTS, BALANCES WITH CENTRAL BANK, LOANS AND ADVANCES TO BANKS (Continued)

Balances With Central Bank (continued)

b) Reserve Deposits at Central Bank (continued)

As at 31 December 2021 balances with Central Bank include restricted reserve deposits amounting to TL 2,005,627 (31 December 2020: TL 1,010,698) at the Central Bank of Turkey and unrestricted reserve deposits amounting to TL 31,397 (31 December 2020: TL 12,365). As of 31 December 2021, provision amounting to TL 1,086 is allocated in “Balance with the Central Bank of Turkey” due to transiton of IFRS 9 (31 December 2020: TL 546).

As per the Communiqué numbered 2005/1 “Reserve Deposits” of the CBRT, banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. Reserves are calculated and set aside every two weeks on Fridays for 14 days periods. The CBRT Required reserves of May 2, 2015 has started to pay interest to the Required reserves, reserve options and unrestricted account held in US dollars according to regulation released at May 5, 2015. Interest rate for the required reserves in Turkish Lira is paid effective rate since September 21, 2018.

The required reserves in Turkish lira is applied 8,5% the following interest rates as of December 17, 2021.

As per the “Communiqué on Amendments to be Made on Communiqué on Required Reserves” of Central Bank of Turkey, numbered 2011/11 and 2011/13, required reserves for Turkish Lira and Foreign currency liabilities are set at Central Bank of Turkey based on rates mentioned below. Reserve rates prevailing at December 31, 2021 are presented in table below:

Reserve Rates for Turkish Lira Liabilities (%)	
Original Maturity	**Reserve Ratio**
Borrower Funds	8
Until 1 year maturity (1 year included)	8
1-3 year maturity (3 year included)	5,5
More than 3 year maturity	3
Reserve Rates for FC Liabilities (%)	
Original Maturity	**Reserve Ratio**
Borrower Funds	25
Until 1 year maturity (1 year included)	21
1-2 year maturity (2 year included)	16
2-3 year maturity (3 year included)	11
3-5 year maturity (5 year included)	7
More than 5 year maturity	5

Loans And Advances To Banks

	31 December 2021	31 December 2020
Domestic Banks		
Demand deposits – TL	94,505	58,059
Time deposits – TL	187,952	28,873
Demand deposits – FC	339,630	94,918
Time deposits – FC	132,199	80,540
	754,286	**262,390**
Foreign Banks		
Time deposits – TL	-	-
Demand deposits – FC	1,453,475	167,075
Time deposits – FC	-	-
	1,453,475	**167,075**
Total		**429,465**

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

7. CASH AND CASH EQUIVALENTS, BALANCES WITH CENTRAL BANK, LOANS AND ADVANCES TO BANKS (Continued)

Loans And Advances To Banks (continued)

The time deposits above mature within 3 - 70 days and earn interest at rates 16.55 – 27.57% for TL balances, 0.03 – 0.75% for foreign currency balances as at the reporting date (31 December 2020: Maturity: 2 – 44 days; interest 7.60% for TL balances and 0.33-1.55% for foreign currency).

Expected credit loss for balances with Central Bank at 31 December 2021 is as follows:

	31 December 2021		
	Stage 1	**Stage 2**	**Stage 3**
Balances at 1 January 2021	546	-	-
Transfer to Stage 1	-	-	-
Transfer to Stage 2	-	-	-
Transfer to Stage 3	-	-	-
Debt sales and write offs	-	-	-
Recoveries and reversals	(98)	-	-
Provision for the period	638	-	-
Effects of movements in exchange rates	-	-	-
Balances at the end of the period	**1,086**	**-**	**-**

Expected credit loss for banks as at 31 December 2021 is as follows:

	31 December 2021		
	Stage 1	**Stage 2**	**Stage 3**
Balances at 1 January 2021	1,019	-	-
Transfer to Stage 1	-	-	-
Transfer to Stage 2	-	-	-
Transfer to Stage 3	-	-	-
Debt sales and write offs	-	-	-
Recoveries and reversals	(203)	-	-
Provision for the period	924	-	-
Effects of movements in exchange rates	-	-	-
Balances at the end of the period	**1,740**	**-**	**-**

Expected credit loss for interbank money market placements as at 31 December 2021 is as follows:

	31 December 2021		
	Stage 1	**Stage 2**	**Stage 3**
Balances at 1 January 2021	145	-	-
Transfer to Stage 1	-	-	-
Transfer to Stage 2	-	-	-
Transfer to Stage 3	-	-	-
Debt sales and write offs	-	-	-
Recoveries and reversals	(281)	-	-
Provision for the period	221	-	-
Effects of movements in exchange rates	-	-	-
Balances at the end of the period	**85**	**-**	**-**

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	31 December 2020
Debt securities issued by corporations	5,966	427
Equity shares	32,276	4,152
Mutual funds	4,517	12,175
Loans measured at FVPL *(*)*	263,097	263,097
Total	**305,856**	**279,851**

(*)Include the loan granted to the special purpose entity is accounted under loans measured at fair value through profit/loss as per IFRS 9. As of 31 December 2021, the fair value is based on the results of an independent valuation Company.

There are no government bonds and treasury bills include securities given as collateral or blocked as at the reporting date (31 December 2020: None).

9. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2021	31 December 2020
Short-term and current portion of long term loans	8,775,499	4,476,560
Long-term loans	53,496,268	33,213,259
Total performing loans	**62,271,767**	**37,689,819**
Non-performing loans	2,081,519	1,689,788
Total loans	**64,353,286**	**39,379,607**
Less: Specific provision for stage 3	(1,125,058)	(756,354)
Less: Generic provision for impairment losses on loans	(1,993,684)	(1,001,664)
Total loans	**61,234,544**	**37,621,589**

Movements in the reserve for impairment losses on loans for the year ended 2021 and 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Specific provision for cash loans:		
As at 1 January 2021	756,354	358,343
Charge for the year	568,617	431,607
Collections	(199,913)	(33,596)
Reserve released and write offs	-	-
As at 31 December	**1,125,058**	**756,354**
Collective provision for cash loans:		
As at 1 January 2021	1,001,664	524,863
Charge for the year	992,020	476,801
Provision released and write offs	-	-
As at 31 December	**1,993,684**	**1,001,664**
Total reserve for impairment losses on loans	**3,118,742**	**1,758,018**

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

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Loans can be further analysed by customer groups as follows:

	31 December 2021
Corporate customers	49,498,211
SME bussiness	14,668,143
Other	562,520
Less: Allowance for ECL/impairment losses	(3,118,742)
Total	**61,610,132**
	31 December 2020
Corporate customers	31,764,269
SME bussiness	7,254,882
Other	360,456
Less: Allowance for ECL/impairment losses	(1,758,018)
Total	**37,621,589**

	31 December 2021	**31 December 2020**
Currency		
US Dollar	25,690,064	18,268,735
Euro	32,864,765	15,743,774
Turkish Lira	1,634,946	3,956,454
Foreign currency indexed TL loans	4,276,002	1,410,644
Total	**64,465,777**	**39,379,607**

Foreign currency indexed loans represent loans extended in Turkish Lira but the related principal and interest are repaid in Turkish Lira equivalent of the currency to which they are indexed.

As at 31 December 2021 and 31 December 2020, the aging analysis of past due but not impaired loans per customer groups is as follows:

	31 December 2021				
	Less than 30 days	**31-60 days**	**61-90 days**	**More than 91 days**	**Total**
Current Period					
Corporate and Commercial Loans	241	254	-	-	495
SME Loans	41,379	-	-	-	41,379
Others	-	-	-	-	-
Total	**41,620**	**254**	**-**	**-**	**41,874**

	31 December 2020				
	Less than 30 days	**31-60 days**	**61-90 days**	**More than 91 days**	**Total**
Prior Period					
Corporate and Commercial Loans	5	-	-	-	5
SME Loans	723	-	-	-	723
Others	-	-	-	-	-
Total	**728**	**-**	**-**	**-**	**728**

Of the total aggregate amount of gross past due but not yet impaired loans and advances to customers, the fair value of collaterals, capped with the respective outstanding loan balances including those not past due, that Parent Bank has TL 301,772 of loans as of 31 December 2021 (31 December 2020: TL 7,585).

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

9. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Loans and advances to customers not impaired amounting to TL 32,161,382 have floating interest rates (31 December 2020: TL 19,135,485) and the remaining TL 30,222,876 have fixed interest rates (31 December 2020: TL 18,554,334).

Expected credit loss of loans and advances to customers movement as at 31 December 2021 is as follows:

	31 December 2021		
	Stage 1	**Stage 2**	**Stage 3**
Balances at 1 January 2021	425,830	575,834	756,354
Transfer to Stage 1	26,720	(26,720)	-
Transfer to Stage 2	(253,131)	253,131	-
Transfer to Stage 3	-	-	-
Debt sales and write offs	-	-	-
Recoveries and reversals	(1,431,713)	(529,637)	(733,154)
Provision for the period	1,566,116	632,884	851,408
Effects of movements in exchange rates	223,084	531,287	250,450
Balances at the end of the period	**556,906**	**1,436,779**	**1,125,058**

10. INVESTMENT SECURITIES

Financial assets at fair value through profit or loss

	31 December 2021	**31 December 2020**
Debt securities issued by corporations	5,966	427
Equity shares	32,276	4,152
Mutual funds	4,517	12,175
Loans measured at FVPL *(*)*	263,097	263,097
Total	**305,856**	**279,851**

(*)Include the loan granted to the special purpose entity is accounted under loans measured at fair value through profit/loss as per IFRS 9.

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

10. INVESTMENT SECURITIES (Continued)

Financial assets at fair value through other comprehensive income

	31 December 2021	31 December 2020
Government bonds and treasury bills in TL	2,254,125	1,695,394
Eurobonds	6,096,386	2,619,578
Debt securities issued by corporations	304,284	121,420
Equity shares	320,222	193,819
Total	**8,975,017**	**4,630,211**

The above government bonds and treasury bills include those pledged under securities repurchase agreements with customers amounting to TL 774,730 as at the reporting date (31 December 2020: TL 351,821).

The blocked securities kept in the Central Bank, the Istanbul Stock Exchange and Takasbank ISE Settlement and Custody Bank Inc. (Clearing House) for the purposes of liquidity requirement and trading guarantee on interbank, bond, repurchase and reverse repurchase markets as at 31 December 2021 and 31 December 2020 are as follows:

Government Bonds and Treasury Bills	2021 Nominal Value	2021 Carrying Value	2020 Nominal Value	2020 Carrying Value
Central Bank- Open Market Operations	1,197,949	1,188,598	365,000	391,755
Clearing House – Blocked Securities	300,000	270,954	308,100	300,026
Other (International Bank) Foreign Currency	2,062,251	2,016,640	1,211,724	1,214,869
	3,560,200	**3,476,192**	**1,884,824**	**1,906,650**

The Group's equity shares in Financial assets at fair value through other comprehensive income investment securities are as follows:

	Ownership %	31 December 2021	Ownership %	31 December 2020
Investee				
İstanbul Takas ve Saklama AŞ	1.62	27,481	1.62	27,481
İş Yatırım Ortaklığı AŞ	6.95	34,697	6.95	39,539
European Investment Fund-EIF	0.11	59,398	0.18	31,457
Turkish Growth and Innovation Fund-TGIF	10.00	137,333	10.00	45,695
İş Portföy Yönetimi AŞ	9.90	6,197	9.90	6,197
Ege Tarım Ürünleri Lisanslı Depoculuk AŞ	10.05	1,788	10.05	2,123
TSKB Gayrimenkul Değerleme AŞ (1)	99.99	28,989	99.99	23,719
Borsa İstanbul A.Ş.	0.10	3,527	0.10	3,527
TSKB Sürdürülebilirlik Danışmanlığı AŞ (1)	100	7,126	99.85	1,634
JCR Avrasya Derecelendirme AŞ	2.86	2,786	2.86	2,786
Birleşik İpotek Finansmanı AŞ	8.33	4,167	8.33	4,167
Kredi Garanti Fonu	1.49	4,897	1.49	4,897
Others	<1.00	1,836	<1.00	597
Total equity shares in financial assets at fair value through other comprehensive income		**320,222**		**193,819**

The investments in TSKB Gayrimenkul Değerleme AŞ and TSKB Sürdürülebilirlik Danışmanlığı AŞ have not been consolidated since their effect on consolidated income and net assets is not significant.

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

10. INVESTMENT SECURITIES (Continued)

Financial assets measured at amortized cost

	31 December 2021	31 December 2020
Government bonds and treasury bills in TL	3,950,945	3,079,864
Total	**3,950,945**	**3,079,864**

(1) As of 31 December 2021, provision amounting to TL 4,757 is allocated in "Financial assets measured at amortized cost" due to transiton of IFRS 9.

11. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

As at 31 December 2021 and 31 December 2020, the following entities are accounted for under the equity method in the accompanying consolidated financial statements:

	Ownership (%)	Nominal	31 December 2021
Investee			
İş Finansal Kiralama AŞ	29.46	204,850	589,665
İş Faktoring AŞ	21.75	32,625	140,176
İş Girişim Serm. Yat. Ort. AŞ	16.67	12,442	45,922
		249,917	**775,763**

	Ownership (%)	Nominal	31 December 2020
Investee			
İş Finansal Kiralama AŞ	29.46	204,850	475,792
İş Faktoring AŞ	21.75	32,625	104,009
İş Girişim Serm. Yat. Ort. AŞ	16.67	12,442	43,969
		249,917	**623,770**

The Group's share of profit in its equity-accounted investees for the year ended 31 December 2021 was TL 22,198 (31 December 2020: TL 37,982). In 2021 the Group has received no cash dividends from its investments in equity-accounted investees (31 December 2020: None).

The Group's equity-accounted investees are listed on BIST, except for İş Faktoring AŞ. Based on their closing prices of TL 3.127 of İş Finansal Kiralama AŞ and TL 8.188 of İş Girişim Serm. Yat. Ort. AŞ, the fair value of the Group's investment in listed entities is TL 742,443 (31 December 2020: TL 3.90 of İş Finansal Kiralama AŞ and TL 19.09 of İş Girişim Serm. Yat. Ort. AŞ, the fair value of the Group's investment is TL 1,035,543).

Summary financial information for equity-accounted investees is as follows:

31 December 2021	Total assets	Equity	Current Period Profit	Fair Value
İş Finansal Kiralama AŞ	20,380,326	2,142,003	312,623	640,567
İş Faktoring AŞ	6,949,706	644,486	131,372	-
İş Girişim Serm. Yat. Ort. AŞ	279,025	275,530	11,976	101,876
	27,609,057	**2,786,489**	**455,971**	**742,443**

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

11. INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES (Continued)

31 December 2020	Total assets	Equity	Current Period Profit	Fair Value
İş Finansal Kiralama AŞ	12,762,218	1,719,238	198,772	798,024
İş Faktoring AŞ	4,646,794	478,204	56,926	104,009
İş Girişim Serm. Yat. Ort. AŞ	267,841	263,814	2,050	237,519
	17,676,853	**2,461,256**	**257,748**	**1,139,552**

	Current Period	Prior Period
Balance at the Beginning of the Period	**623,770**	**464,920**
Effect of IFRS 9	**-**	**-**
Balance at January 1, 2021	**623,770**	**464,920**
Movements During the Period	151,993	158,850
Purchases	-	-
Bonus Shares Received	-	-
Current Year Share of Profit	-	-
Sales	-	-
Revaluation Increase/Decrease [1]	151,993	158,850
Provision for Impairment / Reversals	-	-
Other	-	-
Balance at the End of the Period	**775,763**	**623,770**
Capital Commitments	**-**	**-**
Share Percentage at the End of the Period (%)	**-**	**-**

(1) Includes the differences of the equity method accounting.

12. GOODWILL

Cost	
Balance at 1 January 2020	383
Balance at 31 December 2020	383
Balance at 31 December 2021	**383**
Impairment	
At 1 January 2020	-
At 31 December 2020	-
At 31 December 2021	**-**
Carrying Amount	
Balance at 1 January 2020	383
Balance at 31 December 2020	383
Balance at 31 December 2021	**383**

The above goodwill is attributable to Yatırım Finansman Menkul Değerler AŞ.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the investees are determined from cash flows projections. The Bank's management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investees. The growth rates are based on industry growth forecasts. As at 31 December 2021, the recoverable amount of the investee is higher than the amount of goodwill; therefore, no impairment on goodwill is realized.

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

13. PROPERTY AND EQUIPMENT

Current Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	373,474	-	-	93,096	466,570
Assets held under finance leases	-	-	-	-	-
Vehicles	2,535	-	(207)	-	2,328
Right of use Assets	7,699	2,766	-	-	10,465
Assets held for resale	-	-	-	-	-
Other	35,047	11,184	(486)	-	45,745
Total Cost	**418,755**	**13,950**	**(693)**	**93,096**	**525,108**
Accumulated depreciation					
Land and buildings	(1,233)	(586)	-	-	(1,819)
Assets held under finance leases	-	-	-	-	-
Vehicles	(750)	(429)	104	-	(1,075)
Right of use Assets	(4,114)	(2,659)	-	-	(6,773)
Assets held for resale	-	-	-	-	-
Other	(31,996)	(4,516)	432	-	(36,080)
Total accumulated depreciation	**(38,093)**	**(8,190)**	**536**	**-**	**(45,747)**
Impairment provision	-	-	-	-	-
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Right to use Securities	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
Total impairment provision	-	-	-	-	-
Net book value	**380,662**	**5,760**	**(157)**	**93,096**	**479,361**

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

13. PROPERTY AND EQUIPMENT (Continued)

Prior Period	Prior Period End	Current Period Additions	Current Period Disposals	Revaluation Surplus	Current Period End
Cost					
Land and buildings	341,070	-	-	32,407	373,477
Assets held under finance leases	-	-	-	-	-
Vehicles	2,535	-	-	-	2,535
Right to use Assets	6,542	1,565	(408)	-	7,699
Assets held for resale	-	-	-	-	-
Other	28,399	6,919	(274)	-	35,044
Total Cost	**378,546**	**8,484**	**(682)**	**32,407**	**418,755**
Accumulated depreciation					
Land and buildings	(1,054)	(179)	-	-	(1,233)
Assets held under finance leases	-	-	-	-	-
Vehicles	(272)	(478)	-	-	(750)
Right to use Assets	(1,925)	(2,189)	-	-	(4,114)
Assets held for resale	-	-	-	-	-
Other	(28,089)	(4,155)	248	-	(31,996)
Total accumulated depreciation	**(31,340)**	**(7,001)**	**248**	**-**	**(38,093)**
Impairment provision					
Land and buildings	-	-	-	-	-
Assets held under finance leases	-	-	-	-	-
Vehicles	-	-	-	-	-
Right to use Securities					
Assets held for resale	-	-	-	-	-
Other	-	-	-	-	-
Total impairment provision	-	-	-	-	-
Net book value	**347,206**	**1,483**	**(434)**	**32,407**	**380,662**

(1) Impairment on assets for resale is classified under other assets from tangible assets in prior period.

14. INVESTMENT PROPERTY

	31 December 2021	31 December 2020
Fair value of investment properties	336,177	279,523
	336,177	**279,523**

The Group's investment properties are held under freehold interests.

In the current period, the Group has 3 investment properties with a total net book value of TL 336,177 (31 December 2020: TL 279,523) belonging to the Bank's subsidiary operating in the real-estate investment trust sector.

The total external rent income earned by the Group from its investment properties is TL 8,614 in the current period (31 December 2020: TL 5,558).

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

14. INVESTMENT PROPERTY (Continued)

The movement of investment properties as at 31 December 2021 and 31 December 2020 are as follows:

Current Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	37,195	-	-	13,205	50,400
Pendorya Mall	158,430	844	-	26,228	185,502
Adana Hotel Project	83,898	-	(1,893)	18,270	100,275
Total	**279,523**	**844**	**(1,893)**	**57,703**	**336,177**

Prior Period	Closing Balance of Prior Period	Additions	Disposals	Change in Fair Value	Closing Balance of Current Period
Tahir Han	36,960	-	-	235	37,195
Pendorya Mall	155,555	4,046	-	(1,171)	158,430
Adana Hotel Project	81,403	-	(172)	2,667	83,898
Total	**273,918**	**4,046**	**(172)**	**1,731**	**279,523**

Fair value measurement

The Group's investment properties are valued annually by an independent real estate appraisal company. The fair value of investment properties are within the scope of Level 3 according to valuation techniques. Reconciliation of Level 3 is given at the following table:

	1 January – 31 December 2021	1 January – 31 December 2020
Balance 1 Januarry	242,328	236,958
Addition	844	4,046
Disposal	(1,893)	(172)
Recognized in other income from other operations		
Change in fair value	-	-
Recognized in other expense from other operations		
Change in fair value	44,498	1,496
Transfer	-	-
Total	**285.777**	**242,328**

Tahir Han has considered as Level 2 as of December 31, 2021.

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

15. INTANGIBLE ASSETS

The intangible fixed assets include software that are amortised principally on straight line basis which amortise the assets over their expected useful lives.

	31 December 2021	31 December 2020
Acquisition cost		
Balance at 1 January	12,738	10,935
Additions	2,031	2,342
Disposals	-	(539)
Balance at 31 December	**14,769**	**12,738**
Accumulated amortisation		
Balance at 1 January	(8.677)	(6,866)
Charge for the year	(2.583)	(2,350)
Disposals	-	539
Balance at 31 December	**(11.260)**	**(8,677)**
Net Book Value, as at 31 December	**3,509**	**4,061**

16. OTHER ASSETS

	31 December 2021	31 December 2020
Cash guarantees given	104,168	456,097
Prepaid expenses	105,848	105,224
VAT carried forward	370	1,690
Deposits, guarantees and colleterals given	189	69
Prepaid taxes	26,023	19,665
Trade receivables	60,249	34,758
Receivables from brokerage customers	-	-
Other (1)	991,462	456,990
Total	**1,288,309**	**1,074,493**

(1) Current period includes 776.940 TL Securities issued by private sector under the brokerege services Yatırım Varlık Kiralama A. Ş, are presented in the "OtherAssets" account.

Expected credit loss for other assets at 31 December 2021 is as follows:

	31 December 2021		
	Stage 1	**Stage 2**	**Stage 3**
Balances at 1 January 2021	3,993	12	-
Transfer to Stage 1	-	-	-
Transfer to Stage 2	-	-	-
Transfer to Stage 3	-	-	-
Debt sales and write offs	-	-	-
Recoveries and reversals	(1,959)	-	-
Provision for the period	173	-	-
Effects of movements in exchange rates			
Balances at the end of the period	**2,207**	**12**	**-**

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

17. ASSETS HELD FOR SALE

	Current Period	**Prior Period**
Net book value at beginning of period	**64,403**	**64,403**
Cash Paid for Purchase	-	-
Expected Loss (-)	-	-
Net book value at end of period	**64,403**	**64,403**

The Bank have reached an agreement on restructuring the debts of Ojer Telekomünikasyon A.Ş. (OTAŞ), the major shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) provided under the loan agreements. It was completed that 192,500,000,000 Class A shares owned by OTAŞ in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing loan facilities of OTAŞ, would be taken over by a special purpose vehicle incorporated or to be incorporated in the Republic of Turkey, owned directly or indirectly by the creditors. The Bank has participated in LYY Telekominakasyon A.Ş. which was established within this context with 1.6172% stake and amounting to TL 64,403. The Bank considered the related investment within the scope of IFRS 5 “Assets Held for Sale and Discontinued Operations” (31 December 2020: TL 64,403).

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

18. OBLIGATIONS UNDER REPURCHASE AGREEMENTS

The securities sold under repurchase agreements and corresponding obligations are as follows:

	2021 Carrying Value of Underlying Securities	2021 Carrying Value of Corresponding Liability	2021 Repurchase Value
Financial assets at fair value through other comprehensive income	1,179,328	774,722	774,730
Financial assets measured at amortized cost	-	-	-
	1,179,328	**774,722**	**774,730**

	2020 Carrying Value of Underlying Securities	2020 Carrying Value of Corresponding Liability	2020 Repurchase Value
Financial assets at fair value through other comprehensive income	384,612	351,817	351,821
Financial assets measured at amortized cost	603,584	608,001	608,393
	988,196	**959,818**	**960,214**

The repurchase agreements have maturity periods between 1-6 days (31 December 2020: 1-7 days). The Group has applied interest rates of 0.10%-0.30% for foreign currency, 11-13.00% for Turkish Lira agreements (31 December 2020: 0.10%-0.30% for foreign currency, 7.50-17.00% for Turkish Lira). Included in the carrying value of the obligations under repurchase agreements, the interest accrued amounts to TL 8 (31 December 2020: TL 396).

19. FUNDS BORROWED

	31 December 2021(*)	31 December 2020
Short-term funds	30,018	129,498
Short-term portion of medium and long-term funds	9,883,587	5,843,133
Medium and long-term funds	44,313,303	26,359,579
Total	**54,226,908**	**32,332,210**

	31 December 2021(*)	31 December 2020
Foreign currencies	54,107,677	32,212,225
Turkish Lira	119,231	119,985
Total	**54,226,908**	**32,332,210**

The Group did not have any default of principal, interest on redemption amounts or other breaches of loan covenants as of 31 December 2021 (31 December 2020: None).

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

19. FUNDS BORROWED (Continued)

As at 31 December 2021, interest rates and maturities of bank borrowings are as follows:

31 December 2021	Amount	Maturity		Interest Rate (%)	
		Min	Max	Min	Max
Foreign Currency Borrowings					
International Bank for Reconstruction and Development (IBRD)					
-EFIL IV	2,478,393	15/07/2036	15/07/2036	0,20	0,20
-IBRD-Renewable Energy Loan	12,165,801	15/03/2029	15/04/2047	0,18	1,09
-IBRD EFIL IV Limit Increase	2,966,757	15/12/2038	15/12/2038	0,18	1,03
-IBRD Innovative Access to Finance	3,078,043	15/03/2042	15/03/2042	0,21	0,88
	20,688,994				
European Investment Bank (EIB)	8,181,605	15/03/2022	26/10/2030	0,02	2,21
Kreditanstalt Für Wiederaufbau (KFW)	4,743,099	30/12/2022	30/12/2032	1,29	3,35
Council of European Development Bank (CEB)	1,091,363	30/06/2022	29/05/2026	0,28	0,48
Association of French Development (AFD)	2,338,408	01/10/2024	31/10/2029	0,78	2,46
Foreign bank borrowings	86,523	18/05/2022	18/05/2022	0,71	0,71
Syndicated Loan	2,462,544	28/07/2022	28/07/2022	1,75	1,91
European Bank for Reconstruction and Development EBRD	321,128	10/03/2022	27/01/2025	2,89	3,10
Islam Development Bank (IDB)	2,487,757	19/02/2023	24/03/2030	2,72	3,95
International Finance Corporation (IFC)	690,738	15/12/2022	17/03/2025	2,90	3,15
Credit Suısse	1,311,538	23/03/2023	23/03/2023	2,00	2,09
Banco De Sabadell	301,063	27/11/2028	03/01/2029	1,37	1,37
Oesterreichische Entwicklungsbank AG (OEB)	141,567	15/12/2026	15/12/2026	2,60	2,60
Citibank	394,711	26/09/2022	28/11/2022	1,01	2,63
Japan Bank for International Cooperation (JBIC)	1,277,938	27/03/2027	27/03/2027	1,66	1,66
Asya Altyapı Yatırım Bankası (AIIB)	4,993,649	15/04/2024	15/10/2033	0,81	1,06
China Development Bank (CDB)	2,642,184	06/03/2028	06/03/2028	2,45	2,45
	33,465,815				
Total foreign currency borrowings	**54,154,809**				
Turkish Lira Borrowings					
Credit Suisse	89,213	13/04/2022	13/04/2022	16,35	16,35
Domestic bank borrowings	30,018	03/01/2022	03/01/2022	20,50	20,50
Total Turkish Lira borrowings	**119,231**				
Total	**54,274,040**				

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

19. FUNDS BORROWED (Continued)

As at 31 December 2020, interest rates and maturities of bank borrowings are as follows:

31 December 2020	**Amount**	**Maturity**		**Interest Rate (%)**	
		Min	Max	Min	Max
Foreign Currency Borrowings					
International Bank for Reconstruction and Development (IBRD)					
-EFIL III	110,181	15/01/2021	15/01/2021	0.59	0.59
-EFIL IV	1,514,783	15/07/2036	15/07/2036	0.39	0.39
-IBRD SME	44,744	15/03/2021	15/03/2021	0.33	0.33
-IBRD-Renewable Energy Loan	6,141,198	15/03/2029	15/04/2047	0.18	1.18
-IBRD EFIL IV Limit Increase	1,811,101	15/12/2038	15/12/2038	0.18	0.95
-IBRD Innovative Access to Finance	1,796,441	15/03/2042	15/03/2042	0.24	0.98
	11,418,448				
European Investment Bank (EIB)	6,346,474	15/03/2022	26/10/2030	0.06	2.21
Kreditanstalt Für Wiederaufbau (KFW)	3,443,081	30/12/2022	30/12/2032	1.29	3.35
Council of European Development Bank (CEB)	1,001,467	26/03/2021	29/05/2026	0.14	1.20
Association of French Development (AFD)	1,592,605	31/07/2021	31/10/2029	0.25	2.49
Domestic bank borrowings	236,064	04/01/2021	04/01/2021	0.01	0.06
Foreign bank borrowings	322,002	01/03/2021	20/12/2021	0.73	2.05
Syndicated Loan	1,363,355	26/07/2021	29/11/2021	1.75	2.24
European Bank for Reconstruction and Development EBRD	304,974	10/03/2022	27/01/2025	2.95	3.25
Islam Development Bank (IDB)	1,684,552	19/02/2023	24/03/2030	2.72	3.95
International Finance Corporation (IFC)	520,926	15/12/2022	17/03/2025	3.03	3.10
Credit Suısse	733,829	23/03/2023	23/03/2023	2.00	2.09
Banco De Sabadell	208,381	27/11/2028	03/01/2029	1.37	1.37
Oesterreichische Entwicklungsbank AG (OEB)	103,198	15/12/2026	15/12/2026	2.60	2.60
Citibank	74,004	26/09/2022	26/09/2022	1.12	1.12
Japan Bank for International Cooperation (JBIC)	845,255	27/03/2027	27/03/2027	1.77	1.77
Asya Altyapı Yatırım Bankası (AIIB)	1,168,818	15/10/2024	15/10/2033	0.90	1.15
China Development Bank (CDB)	844,792	06/03/2028	06/03/2028	2.54	2.60
	20,793,777				
Total foreign currency borrowings	**32,212,225**				
Turkish Lira Borrowings					
Credit Suisse	90,985	23/09/2021	23/09/2021	9.95	9.95
Domestic bank borrowings	29,000	04/01/2021	04/01/2021	17.00	17.80
Total Turkish Lira borrowings	**119,985**				
Total	**32,332,210**				

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

20. DEBT SECURITIES ISSUED

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Nominal	857,450	14,420,450	514,482	7,701,750
Cost	853,809	14,346,814	512,718	7,657,597
Book Value	879,492	14,927,941	441,111	8,021,275

As of January 16, 2018, the Parent Bank issued the debt instrument which have nominal value of full USD 350 Million, redemption date of January 16, 2023 with fixed interest rate of 5,608%, 5 years maturity and semiannual coupon payment.

As of January 23, 2020, the Parent Bank issued Eurobond with the nominal amount of full USD 400 Million. Interest rate of these debt instruments determined as 6% which have the redemption date of January 23, 2025 with fixed interest rate, 5 years maturity and semiannual coupon payment.

Yatırım Finansman Menkul Değerler A.Ş. has issued debt instruments with a nominal amount of TL 111 millon as of December 3, 2021 and a maturity of 75 days at a simple interest rate of 16,50 with a maturity date of February 16, 2022.

Information on securities issued during the period are as follows :

ISIN Code	Fund User	Issue Amount(TL)	Issue Date	Redemption Date
TRDYVKS32217	Altınmarka Gıda San. ve Tic. A.Ş.	75,000,000	11/03/2020	09/03/2022
TRDYVKSE2214	MNG Kargo Yurtiçi ve Yurtdışı Taşımacılık A.Ş.	75,000,000	14/10/2020	12/10/2022
TRDYVKS12326	MLP Sağlık Hizmetleri A.Ş.	70,000,000	15/01/2021	12/01/2023
TRDYVKS32225	MLP Sağlık Hizmetleri A.Ş.	150,000,000	12/03/2021	14/03/2022
TRDYVKS52215	MLP Sağlık Hizmetleri A.Ş.	250,000,000	24/05/2021	25/05/2022
TRDYVKS12219	Zorlu Enerji Elektrik Üretim A.Ş.	61,430,000	30/07/2021	06/01/2022
TRDYVKS42216	Zorlu Enerji Elektrik Üretim A.Ş.	61,980,000	17/09/2021	14/04/2022
TRDYVKS52223	Zorlu Enerji Elektrik Üretim A.Ş.	33,530,000	27/10/2021	25/05/2022

(*)The amount of thousand of TL 30,490 included in the portfolio of Group is eliminated in financials.

	31 December 2021	31 December 2020
Debt securities issued	15,807,433	8,462,386
Total	**15,807,433**	**8,462,386**

Cash Flow Movement

	31 December 2021	31 December 2020
Balance as at 1 January 2021	8,504,776	6,277,368
Proceed during the year	3,289,669	2,658,089
Repayments during the year	(2,812,508)	(2,558,503)
Other non-cash movements	6,825,496	2,085,432
Balances as at 31 December 2021	**15,807,433**	**8,462,386**

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

21. OTHER LIABILITIES

	31 December 2021	31 December 2020
Unearned revenue	18,685	113,500
Payables to clearing accounts	370,299	143,033
Guarantees given	425,416	101,972
Other	3,613	2,182
Total	**818,013**	**360,687**

22. TAXATION

Corporate Tax

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Corporate income tax is 25% (for 2018, 2019 and 2020, corporate tax income announced as 22%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes as at 31 December 2021 (31 December 2020: 22%). Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the year.

50% of gain from the sale of real estate which are held more than two years in the assets of the Bank and 75% of gain on disposal of subsidiary shares which are held for more than two years in the assets of the Bank are exemption from tax according to Corporate Tax Law in condition with adding these gains into equity or allocating into a specific fund account in the Bank's liabilities for five years.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2021 is 25% (31 December 2020: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

There is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

22. TAXATION (Continued)

Income Withholding Tax

In addition to corporate taxes, companies should also calculkonsolate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Ministers' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions no.2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette no.27 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Income Taxes

The income tax charge is composed of the sum of current tax charge and deferred tax benefit or charge.

The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. Article 14 of the Law on the Amendment of the Law on Collection of Public Claims and Certain Laws, which was submitted to the Grand National Assembly of Turkey on 2 April 2021, will be issued as of 1 July 2021, with its publication in the Official Gazette dated 22 April 2021 and numbered 31462. Starting from the required declarations and being valid for the corporate earnings for the taxation period starting from 1 January 2021, 25% for 2021 and 23% for 2022 corporate earnings (31 December 2020: 22%).

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

22. TAXATION (Continued)

Deferred Tax

Taxes on income for the year also comprise deferred taxes. Deferred income tax is provided, using the balance sheet method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability and asset are recognized when it is probable that the future economic benefits resulting from the reversal of temporary differences will flow to or from the Bank. Deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Currently enacted or substantively enacted tax rates are used to determine deferred taxes on income. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

As explained above, this rate is determined as 22% to be applied to corporate earnings for the taxation periods of 2018, 2019 and 2020. In addition, the Council of Ministers is authorized to reduce the corresponding rate from 22% to 20%. As deferred tax assets or liabilities within the scope of IAS 12, are calculated by using the tax rates based on the effective tax rates or tax rates (and tax laws) expected to enter into force as of the reporting period (balance sheet date), to be applied in the periods when the assets turn into income or the debts are paid, the Bank made deferred tax calculation according to the rate of 25% for assets and liabilities as of 31 December 2021.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Currently enacted or substantively enacted tax rates are used to determine deferred taxes on income. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes. In the deferred tax calculations, 25% for the transactions that will be valid in the calculation of the corporate tax until the end of 2021 for the companies in Turkey, 23% for the transactions that will be valid within 2022, and 20% for the transactions that will be valid after 2022. As of 31 December 2021, assets and liabilities evaluated according to their maturities and calculated deferred tax at the rate of 25%, 23% or 20% corresponding to the relevant maturities (December 31, 2020 : 20%).

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

22. TAXATION (Continued)

Deferred Tax (continued)

a) Statement of financial position:

	31 December 2021	31 December 2020
Corporate tax provision	505,768	369,402
Corporate tax paid in advance	(307,078)	(232,679)
Corporate tax liability	**198,690**	**136,723**

b) Statement of Profit or Loss:

	31 December 2021	31 December 2020
Corporate tax expense	519,118	372,725
Deferred tax (income)/expense	(128,226)	(145,851)
	390,892	**226,874**

The deferred taxes on major temporary differences as at the reporting dates are as follows:

	31 December 2021	31 December 2020
Loan commissions	24,877	22,687
Impairment losses on loans	536,267	234,627
Reserve for employee severance indemnity and unused vacation provision	6,794	4,178
Valuation of marketable securities	134,352	28,888
Others	12,187	14,565
Total deferred tax asset	**714,477**	**304,945**
Valuation of marketable securities	(1,064)	(1,142)
Borrowing commissions	(17,086)	(16,122)
Accruals on derivative financial instruments	(292,102)	(102,189)
Useful life differences on property and equipment	(732)	(561)
Others	(6,910)	(11,020)
Total deferred tax liability	**(317,894)**	**(131,034)**

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

22. TAXATION (Continued)

Deferred Tax (continued)

Reflected as:

	31 December 2021	31 December 2020
Deferred tax assets	714,477	304,945
Deferred tax liabilities (-)	(317,894)	(131,034)
Total deferred tax assets, net	**396,583**	**173,911**

Taxation can be reconciled to the profit per the income statement as follows:

	%	31 December 2021	%	31 December 2020
Reconciliation of Taxation				
Income before taxation		1,488,201		936,347
Tax at the statutory income tax rate	25.00	(372,050)	22.00	(205,996)
Tax effect of income that is deductible in determining taxable income	(4.66)	69,279	(0.31)	2,905
Tax effect of non-deductable expenses	(3.89)	(57,892)	0.28	(2,642)
Tax effect of dividend income	(0.03)	379	(0.03)	261
Other	2.06	(30,608)	2.29	(21,402)
Income tax expense	**26.27**	**(390,892)**	**24.23**	**(226,874)**

Movements in temporary differences for the years ended 31 December 2021 and 2020 are as follows:

	Balance at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance at 31 December
2021				
Loan commissions	22,687	2,190	-	24,877
Impairment losses on loans	234,627	301,640	-	536,267
Reserve for employee severance indemnity and unused vacation provision	4,178	1,082	1,534	6,794
Valuation of marketable securities	27,746	11,608	93,934	133,288
Useful life differences on property and equipment	(561)	(171)	-	(732)
Borrowing commissions	(16,122)	(964)	-	(17,086)
Accruals on derivative financial instruments	(102,189)	(189,913)	-	(292,102)
Other	3,545	2,754	(1,022)	5,277
Net deferred tax asset / (liability)	**173,911**	**128,226**	**94,446**	**396,583**

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

22. TAXATION (Continued)

	Balance at 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Balance at 31 December
2020				
Loan commissions	22,138	549	-	22,687
Impairment losses on loans	129,195	105,432	-	234,627
Reserve for employee severance indemnity and unused vacation provision	3,897	1,003	(722)	4,178
Valuation of marketable securities	1,123	37,190	(10,567)	27,746
Useful life differences on property and equipment	(846)	285	-	(561)
Borrowing commissions	(14,744)	(1,378)	-	(16,122)
Accruals on derivative financial instruments	(104,207)	2,018	-	(102,189)
Other	3,374	752	(581)	3,545
Net deferred tax asset / (liability)	**39,930**	**145,851**	**-11,870**	**173,911**

23. EMPLOYEE BENEFITS

	2021	2020
Movement of reserve for employee severance indemnity		
Balance at 1 January	16,468	14,568
Interest cost	2,625	1,570
Service cost	4,040	5,144
Loss/(Gain) due to Settlements / Reductions / Terminations	109	103
Payment during the year	(2,927)	(1,410)
Actuarial difference	7,561	(3,507)
Balance at 31 December	**27,876**	**16,468**
Movement of provision for unused vacations		
Balance at 1 January	4,673	3,526
Provision for the year	2,908	2,572
Provisions released	(2,090)	(1,425)
Balance at 31 December	**5,491**	**4,673**
Movement of provision for bonus payments		
Balance at 1 January	22.505	18,108
Provision for the year	26.686	21,456
Bonus paid	(20.720)	(17,059)
Income and expenses of the prior period	-	-
Balance at 31 December	**28,471**	**22,505**
Employee benefits	**61,838**	**43,646**

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

23. EMPLOYEE BENEFITS (Continued)

a) Pension scheme

The Parent Bank has established two pension schemes, "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" which are funded defined benefit plans covering substantially all employees. The assets of the plan are held independently of the Group's assets in the Pension Funds. As per the latest actuarial valuation carried out as at 31 December 2021, the Bank has no obligation to book any provision for the Pension Fund "Türkiye Sınai Kalkınma Bankası Anonim Şirketi Memur ve Müstahdemleri Yardım ve Emekli Vakfı".

b) Reserve for employee severance indemnity

Under the Turkish Labour Law, the Group entities are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to the length of service prior to retirement.

Such payments are calculated on the basis of 30 days pay maximum full TL 8,285 as at 31 December 2021 (31 December 2020: full TL 7,117) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the consolidated financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the Government.

The principal assumptions used for the purpose of the calculations are as follows:

	2021	**2020**
Interest rate	19.10%	12.40%
Expected rate of increase in salaries and eligible ceiling	15.07%	8.00%
Discount rate	3.42%	4.07%

24. SUBORDINATED LOAN

As of 28 March 2017, the Parent Bank issued the sustainable subordinated debt securities which have nominal value of USD 300 million, redemption date of 29 March 2022 with fixed interest rate of 7.625% semiannual coupon payment. As of the end of the period, the value of the borrowing instrument is TL 4,029,204 (31 December 2020: TL 2,299,503).

25. PAYABLES TO MONEY MARKET

	31 December 2021	**31 December 2020**
Interbank money market transactions	-	-
Istanbul Stock Exchange money market transactions	636,750	430,050
Obligations under repurchase agreements	774,469	960,076
Total	**1,411,219**	**1,390,126**

Payables to stock exchange money markets have a maturity of 3-97 days (31 December 2020: 4-95 days) with between 0.10% and 13.00% (31 December 2020: between 0.10% and 17.90%) of interest rates.

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

26. PROVISIONS

	31 December 2021	31 December 2020
Free Provision	340,000	120,000
Legal Cases	10,488	295
Unindemnified non-cash loans	1,458	1,220
Expected credit loss for non-cash loans	60,635	31,962
Other Provision	1,221	-
	413,802	**153,477**

Free provision amounting to TL 340,000 has been provided by the Bank management in the current period for possible results of the circumstances which may arise from possible changes in the economy and market conditions (31 December 2020: TL 120,000).

27. CAPITAL AND RESERVES

Share Capital

	31 December 2021	31 December 2020
TL 1 (in full TL), par value	2,800,000	2,800,000
Share increase	-	-
Total number of shares	**2,800,000**	**2,800,000**
Paid-in capital	2,800,000	2,800,000
Inflation restatement effect	13,563	13,563
Shared capital issued	**2,813,563**	**2,813,563**

In the meeting of the General Assembly held on 25 March 2021, it has been resolved that, there is no capital increase in the current period.

In the prior period, in the meeting of the General Assembly held on 26 March 2020, it has been resolved that, there is no capital increase.

As at 31 December 2021, the authorized and issued capital consists of 280,000,000,000 shares of 0.01 Turkish Lira (full) each as reflected in the statutory consolidated financial statements. Ordinary shares carry voting rights in proportion to their nominal value.

31 December 2021	%	Authorized Capital	Paid-In Capital
Shareholders			
T. İş Bankası AŞ [(1)]	51.37	1,438,280	1,438,280
T. Vakıflar Bankası T.A.O.	8.38	234,570	234,570
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	40.25	1,127,150	1,127,150
	100.00	**2,800,000**	**2,800,000**
Components of Capital:			
Nominal capital		2,800,000	2,800,000
Effect of inflation		13,563	13,563
		2,813,563	**2,813,563**

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

27. CAPITAL AND RESERVES (Continued)

31 December 2020	%	Authorized Capital	Paid-In Capital
Shareholders			
T. İş Bankası AŞ [(1)]	50.92	1,425,781	1,425,781
T. Vakıflar Bankası T.A.O.	8.38	234,570	234,570
Under Custody at Merkezi Kayıt Kuruluşu (Other Institutions and Individuals)	40.70	1,139,649	1,139,649
	100.00	**2,800,000**	**2,800,000**
Components of Capital:			
Nominal capital		2,800,000	2,800,000
Effect of inflation		13,563	13,563
		2,813,563	**2,813,563**

[(1)] T. İş Bankası A.Ş. Group share is calculated by considering T. İş Bankası A.Ş.'s purchases in free floating of BIST as of 31 December 2021 of Bank shares.

In the meeting of the General Assembly held on 26 March 2020, it has been resolved that the Parent Bank has no capital increase.

Prior period, in the meeting of the General Assembly held on 28 March 2019, it has been resolved that, the Parent Bank has no capital increase.

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets at fair value through other comprehensive income, until the assets are derecognised or impaired.

Revaluation reserve

As of the third quarter of 2015, the Bank, has changed its accounting policies from historical cost method to revaluation method for the real estate properties which are held for own use in accordance with "IAS 16 - Property, Plant and Equipment". The positive difference between the net book value of real estate property values and the expertise values which are determined by the certifiedvaluation companies are recorded in "Revaluation surplus on tangible assets" under the shareholders' equity.

Dividends

None.

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

27. CAPITAL AND RESERVES (Continued)

Non-controlling interests

As at the reporting date the non-controlling interests are as follows:

	31 December 2021	31 December 2020
Capital	74,882	56,267
Share premium	122	88
Fair value reserve	1,579	1,055
Legal reserve	295	204
Retained earnings	(3,965)	(608)
Actuarial gain/loss	(2)	(15)
Current period net income	16,200	(2,821)
	89,111	**54,170**

28. DIVIDENDS

In March 2021, dividends amounting to TL 73,551 were paid. In March 2020, the dividends paid were TL 134.

29. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period concerned.

A summary of the weighted average number of shares outstanding for the year ended 31 December 2021 and 2020 and the basic earnings per share calculation is as follows (assuming that the cash increases did not involve a bonus element):

	1 January – 31 December 2021	1 January – 31 December 2020
Number of shares outstanding at 1 January	2,800,000,000	2,400,000,000
New shares issued		
Conversion of existing reserves (1)	-	400,000,000
Number of shares outstanding at the period end	**2,800,000,000**	**2,800,000,000**
Weighted average number of shares during the period	**2,800,000,000**	**2,800,000,000**
Profit for equity holders of the Bank	1,081,109	712,294
Basic earnings per share (in full TL)	**0.3861**	**0.2544**

(1) Capital increase is made through internal resources and prior period’s earnings per share figure is revised by using the number of shares subsequent to the capital increase.

There is no dilution of shares as of 31 December 2021 and 2020.

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

30. NET INTEREST INCOME

	1 January- 31 December 2021	1 January- 31 December 2020
Interest income		
Interest income on loans and advances to customers	3,272,487	2,422,360
Interest on money market placements	244,548	90,413
Interest income on securities	1,117,107	774,466
Interest income on loans and advances to banks	20,188	32,779
Interest income on reserve deposits at central banks	998	72
Interest income on finance leases	9,239	8,460
Other interest income	10,635	8,124
Total interest income	**4,675,202**	**3,336,674**
Interest expenses		
Interest expense on obligations under repurchase agreements and money market borrowings	(95,655)	(56,029)
Interest expense on funds borrowed and subordinated loan	(640,141)	(606,235)
Interest expense on debt securities issued	(1,035,540)	(649,385)
Other interest expenses	(5,607)	(2,640)
Total interest expense	**(1,776,943)**	**(1,314,289)**
Net interest income	**2,898,259**	**2,022,385**

31. NET FEE AND COMISSION INCOME

	1 January- 31 December 2021	1 January- 31 December 2020
Non-Cash Loans	30,572	35,030
Gains on Brokerage Commissions	81,830	71,904
Commissions from Initial Public Offering	17,314	2,904
Investment Fund Management Income	5,014	4,408
Other	39,869	23,035
Fee and commission income	**174,599**	**137,281**
Non-Cash Loans	(3,773)	(2,859)
Other	(15,321)	(15,507)
Fee and commission expense	**(19,094)**	**(18,366)**
Net fee and commission income	**155,505**	**118,915**

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

32. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	1 January-31 December 2021	1 January-31 December 2020
Expected credit loss for stage 1 and 2	1,034,037	488,039
Free provision	220,000	-
Expected credit loss for stage 3	370,212	399,955
Marketable securities impairment expenses	343,557	123,670
Associates and subsidiaries	-	-
	1,967,806	**1,011,664**

33. OTHER OPERATING INCOME

	1 January-31 December 2021	1 January-31 December 2020
Rent income	57,703	3,856
Increase in value of investment properties	7,381	1,731
Provisions released	85	1,997
Gain on sale of assets	779	85
Other (1)	245,032	130,865
	310,980	**138,534**

(1) Includes 227.604 TL of income regarding the intermediary issues of Yatırım Varlık Kiralama A.Ş. The same amount is included in other operating expenses as well, and is shown as gross without netting for reporting purposes.

34. DIVIDEND INCOME

	1 January-31 December 2021	1 January-31 December 2020
Financial assets at FVOCI	8,260	10,857
Other	-	-
	8,260	**10,857**

35. OTHER OPERATING EXPENSES

	1 January-31 December 2021	1 January-31 December 2020
Personnel expenses	223,587	184,356
Other administrative expenses	73,870	59,251
Depreciation, impairment and amortisation	10,771	9,351
Marketing expenses	931	1,069
Taxes and dues other than on income	9,747	7,212
Other (1)	243,483	145,285
	562,389	**406,524**

(1) Includes 227,604 TL of income regarding the intermediary issues of Yatırım Varlık Kiralama A.Ş. The same amount is included in other operating income as well, and is shown as gross without netting for reporting purposes.

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

36. DERIVATIVE FINANCIAL INSTRUMENTS

The Group is party to a variety of foreign currency forward contracts, swaps and options in the management of its exchange rate exposures. The instruments are primarily denominated in TL, US Dollar and Euro.

As part of its economic hedging strategy, the Parent Bank has implemented TL cross currency interest rate swap transactions in which the Bank's default risk is the reference. These swap agreements are subject to a direct closing condition for both the Bank and the counterparty, in the event of a credit default event (such as a non-payment) related to the Bank, to cancel the amounts accrued in the contract and all future payments. The market rediscount value of these swaps with a nominal value of USD 120 million as of 31 December 2021 is TL 774,589 and the average maturities are between 2022 and 2027.

	2021 Assets	2021 Liabilities	2020 Assets	2020 Liabilities
Currency swaps	1,798,642	(640,156)	630,624	(340,386)
Options	33	(33)	4,070	(4,070)
Foreign currency forward contracts	39,734	(210,732)	66,249	(64,964)
Interest rate swaps	354,374	(270,358)	376,864	(311,511)
	2,192,783	**(1,121,279)**	**1,077,807**	**(720,931)**

Derivatives held for risk management

Due to the Bank and its affiliates' overall interest rate risk position and funding structure, its risk management policies require that it should minimize its exposure to changes in interest rates within certain guidelines. Interest rate swaps are used for this puposes as derivative financial instruments.

In this respect, the fixed rate Eurobond issued by the Bank and a portion of fixed rate funds borrowed are subject to fair value hedge accounting. The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial liabilities. The changes in the fair value of the hedged fixed rate financial liabilities and hedging interest rate swaps are recognised under the statement of profit/loss. At the beginning and later period of the hedging transaction, the aforementioned hedging transactions are expected to offset changes occurred in the relevant period of the hedging transaction and hedged risk (attributable to hedging risk) and effectiveness tests are performed in this regard.

The fair value of derivatives designated as fair value hedges are as follows:

Instrument type	31 December 2021 Assets	31 December 2021 Liabilities	31 December 2020 Assets	31 December 2020 Liabilities
Interest Rate Swap	256,505	-	262,699	-
Cross Currency swap	-	-	-	(154,049)
	256,505	**-**	**262,699**	**(154,049)**

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

36. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

At the reporting date, the total amounts of outstanding derivatives to which the Group is committed are as follows:

	31 December 2021	**31 December 2020**
Forward foreign exchange contracts – buy	1,064,395	677,121
Forward foreign exchange contracts – sell	1,221,682	674,677
Currency swaps – buy	14,271,391	7,203,349
Currency swaps – sell	13,103,648	6,944,555
Interest rate swaps – buy	16,050,046	10,224,628
Interest rate swaps – sell	16,050,046	10,224,628
Currency option – buy	12,355	138,967
Currency option – sell	12,355	138,967
Currency futures – buy	15,943	-
Currency futures – sell	15,663	-
Other – sell	35,335	12,574

37. COMMITMENTS AND CONTINGENCIES

	31 December 2021	**31 December 2020**
Swap and forward agreements	61,828,149	35,961,532
Derivative financial instruments for hedging purposes	27,012,103	19,840,766
Revocable and irrevocable commitments	11,367,023	6,740,918
Letters of credit	5,199,272	2,681,761
Letters of guarantee	2,912,801	2,086,162
Bank acceptences	170,742	170,915
Capital commitments for subsidiaries and associates (*)	157,380	127,172
Option agreements	24,710	277,934
Other commitments		-
	108,672.180	**67,887,160**

(*) *The Bank, the European Investment Fund (European Investment Fund - EIF), to be established by Turkey, Growth and Innovation Fund (Turkish Growth and Innovation Fund - TGIF) purchase of shares of the fund established under the name situated remaining amount that commitment.*

Fiduciary Activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying consolidated financial statements.

The nominal values of the assets held by the Group in agency or custodian capacities and financial assets under portfolio management amounted to TL 1,868,643 as at 31 December 2021 (31 December 2020: TL 2,359,781). As at 31 December 2021, securities at custody with market value amounted to TL 11,834,000 (31 December 2020: TL 10,755,000).

37. COMMITMENTS AND CONTINGENCIES (Continued)

Securities Blocked and Letters of Guarantee Given to Borsa Istanbul (BIST) as Collateral for Trading on Markets

As at 31 December 2021, according to the general requirements of the BIST, letters of guarantee amounting to TL 441,600 (31 December 2020: TL 391,600) had been obtained from various local banks and were provided to BIST for bond and stock market transactions. Also, as at 31 December 2021 there is no letter of guarantee were given to the CMB (31 December 2020: none).

There is no The Group's trading securities given as collateral or blocked amount at the reporting date (31 December 2020: none).

Litigations

In the normal course of its operations, the Group can be constantly faced with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

There are 58 legal cases against the Group which are amounting to TL 921 as of the reporting date (31 December 2020: TL 6,024 for 70 legal cases). Tax Audit Committee inspectors made an investigation for the years 2008-2011 about the payments made by the Bank and employees to "Türkiye Sınai Kalkınma Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı" ("the Foundation") established in accordance with the decisions of the Turkish Commercial Law and the Civil Law as made to all foundations in the sector. According to this investigation it has been communicated that the amount the Bank is obliged to pay is a benefit in the nature of fee for the members of the Foundation worked at the time of payment, the amount the Foundation members are obliged to pay should not been deducted from the basis of fee; accordingly tax audit report was issued with the claim that it should be taken penalized income tax surcharge / penalized stump duty deducted from allowance and total amount of TL 17,325 tax penalty notice relating to period in question to the Bank relying on this report.

Some of the lawsuits are decided favourable, remaining of lawsuits are decided unfavourable by the tax courts of first instance. On the other hand, appeal and objection have been requested by the Parent Bank against the decision of the Court with respect to the Parent Bank and by the administration against the decision of the Court with respect to the administration and completion of appeal process is waited. The tax and penalty notices related to the decision of the tax court of first instance against the Parent Bank are accrued by administration depending on legal process and as of 31 July 2014 the Parent Bank has made total payments amounting to TL 22,091.

A similar case has been submitted to the Constitutional Court (AYM) in the form of individual remedies by the main shareholder of the parent Bank in relation to the parent Bank's liabilites to pay, the Constitutional Court gave the decision with court file number 2014/6192. According to court decision published in the Official Gazette dated 21 February 2015 and numbered 29274, the assessments against the parent Bank was contrary to the principle of legality and the Parent Bank's property rights has been violated. This decision is considered to be a precedent for the parent Bank and an amount of TL 12,750 corresponding to the portion that the parent Bank was obliged to pay for the related period is recognised as income in the prior period.

There is a lawsuit for Pendorya Mall of TSKB GYO registered in Pendik, Doğu District, plot 105, map 865, parcel 64 against IBB and Karacan Yapı at Pendik 2nd Court of First Instance Pendorya Mall claiming the road intersects his own property and demanding compensation amounting TL 7. TSKB GYO has been involved in the lawsuit as intervening party.

37. COMMITMENTS AND CONTINGENCIES (Continued)

Litigations (continued)

Relating to immovable property, subject of litigation discovery review and expert reports were submitted to the court file. Objections to the report and statement of TSKB GYO has been given. IBB Presidency has declared that expropriation proceedings related to the subject have been initiated. For this reason, lawsuit was removed from “Possessory Actions” and converted to the “Confiscating without expropriating” by the judge.

Accepting in the new case, the plaintiff claimed compensation from the Administration and in order to determine the amount of compensation the Court decided an expert examination since the information provided by the Land Registry and the Municipality was not deemed sufficient.

Expert reports submitted to the Court on 30 May 2013 and the Court decided to add Pendik Municipality as a defendant in the case. At the latest hearing on 24 December 2013 it was decided to accept the expert reports and Pendik Municipality to pay the relevant amount (TL 645) to the plaintiff. The reasoned decision has been notified, the decision which has been appealed by the appellant and the respondent Pendik Municipality has turned deteriorate the Supreme Court decision was a request for the correction requested by the İstanbul Metropolitan Municipality (IMM). The decision has been requested adjustment by IMM and plaintiff Sağlam Satış ve Paz. A.Ş. (Malazlar A.Ş.). Breaking decision of the Supreme Court is expected to evaluate the requests for correction of decision. The Court decided to apply of Supreme Court’s decision to dismiss.

Beyoglu Municipality approved the reclaim of TSKB GYO for the Building II which has the location as 1486 map and 76 parcel in Fındıklı in Beyoglu, Istanbul for the forfeiture because of zoning change. However, Municipality of Beyoglu sued because of no approbation by Istanbul Metropolitan Municipality, in order to keep rights on the subject.

The court made a decision as no solution for the relevant claim due to Beyoglu Municipality approved the reclaim. However, There has to be permission by Istanbul Metropolitan Municipality, and Cultural and Natural Heritage Preservation Board for the exact result. That’s why, decision was appealed by the company. The Council of State reversed the judgement based on unappropriate zoning plan changes with the decision of 28 March 2014.

In addition, a new implementation development plan covering the Fındıklı Building II, which has been canceled by the judicial authorities and which is owned by TSKB GYO, is being prepared by the Municipality of Beyoğlu on December 21, 2010, the 1/1000 Scaled Beyoğlu District Protected Urban Site Protected Development Plan. For this content, TSKB GYO’s application were made in writing to the Beyoğlu Municipality on 28 October 2014 in order to plan by taking into account the 1/1000 Scale Implementation Plan which is being prepared by the Municipality of Beyoğlu and the Istanbul Metropolitan Municipality. The court requested the Municipality to ask the plan including the immovable subject to the decision of the Council of State is still in force as a result of the decision of dismissal and that the plan canceled by the court in the letter sent from the Municipality is still valid answered in the form. In the case which was started to discuss again in court; an expert opinion examination was made. The Court has ruled in favor of the Parent Bank by canceling the administrative proceeding. Against decision, within the legal period, Beyoglu Municipality has applied for the appeal law and it is expected that the file will be sent to Istanbul Regional Administrative Court for examination and, if necessary, for re-trial.

A lawsuit was filed by one of the investors of TSKB GYO on the cancellation of the 5th, 7th and 9th articles decided at the Ordinary General Assembly meeting on 27 April 2018. Although the request for the case was demanded to stop the execution of the 5th and 7th articles, no decision was taken as of 31 December 2018. Responded with a petition and a legal opinion presented to lawsuit. The trial is ongoing.

According to Legal Department of the Bank, it is not expected that the other lawsuits against the Bank will have a significant impact on the financial statements.

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

37. COMMITMENTS AND CONTINGENCIES (Continued)

Other

The Group's head office and 9 branches, including branches of subsidiaries, are subject to operational leasing. Additionally, 21 cars and 355 computers are within the context of operational leasing. The Group has no liability for operational leases as of the reporting date (31 December 2020: 8 branches and 24 cars and 327 computers are subject to operational leasing). In the current period, the Bank has Lease liability amounting to TL 4,678 related to operational lease transactions.

38. RELATED PARTIES

For the purposes of the accompanying consolidated financial statements, shareholders of the Group and related companies, consolidated and non-consolidated equity participations and related companies, directors and key management personnel together with their families and related companies are referred to as "Related Parties" in this report. During the conduct of its business the Group had various significant transactions and balances with Related Parties during the year.

The accompanying consolidated financial statements include the following balances due from or due to related parties:

	31 December 2021	**31 December 2020**
Balances with related parties		
Funds Borrowed	-	36,077
Loans and advances to customers	1,499,938	948,273
Balances with Parent Bank	489,070	293,400
Balances with other related parties	1,010,868	654,873
Non-cash loans	9,754	515
Loans and advances to banks	2,191	1,291
Financial assets at fair value through other comprehensive income investment securities	47,666	63,608
Other assets	98	280
Other liabilities	31,345	1,211
Derivative financial instruments	-	15,247

	1 January – 31 December 2021	**1 January – 31 December 2020**
Transactions with related parties		
Income from associates	129,008	74,651
Dividend income	8,260	10,857
Interest income	39,922	38,450
- *Balances with Parent Bank*	*13,543*	*10,764*
- *Balances with other related parties*	*26,379*	*27,686*
Foreign exchange gain (loss), net	16,263	14,697
Net fee and commission income / (expense), net	691	193
- *Balances with Parent Bank*	-	-
- *Balances with other related parties*	*691*	*193*
Other income	898	4,332
- *Balances with Parent Bank*	*28*	*26*
- *Balances with other related parties*	*870*	*4,306*
Derivative financial instruments gains/losses	-	(35,665)

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

38. RELATED PARTIES (Continued)

Compensation of Key Management Personnel of the Group

Benefits provided to key management personnel in the current period amount to TL 23,531 (31 December 2020: TL 21,782).

39. RATINGS

As at and for the year ended 31 December 2021, the Bank's, ratings assigned by international rating agencies are as follows;

Moody's – 18 June 2019	**Rating**	**Outlook**
Long-term Foreign Currency Issuer Rating	B3	Negative
Short-term Foreign Currency Issuer Rating	NP	-
Long-term Local Currency Issuer Rating	B3	Negative
Short-term Local Currency Issuer Rating	NP	-
Long-term Foreign Currency Senior Debt	B3	Negative

Fitch Ratings– 25 February 2022	**Rating**	**Outlook**
Long-term Foreign Currency Issuer Default Rating	B	Negative
Long-term Local Currency Issuer Default Rating	B+	Negative
Short-term Foreign Currency Issuer Default Rating	B	-
Short-term Local Currency Issuer Default Rating	B	-
National Long Term Rating	AA(tur)	Stable
Government Support Rating	b-	-
Senior Unsecured Long Term Debt	B	-
Subordinated Debt Rating	B-	RWN
Viability Rating	b+	RWN

40. EVENTS AFTER THE REPORTING PERIOD

It is decided to call the subordinated notes (Tier II) issued on 28 March 2017 , amounting USD 300 million with 10 years maturity and having a call option at the end of 5 years. Accordingly, the application to the Banking Regulation and Supervision Agency to call subordinated notes has been approved. All Notes will be redeemed on 29 March 2022.

In the Parent Banks's Ordinary General Assembly Meeting dated 29.03.2022, It has been approved that of the net profit for the year 2021 which is TRY 1,089,008,091.09, TRY 54,450,404.55 be reserved as legal reserve, TRY 43,124,611 be reserved as special funds for the purpose of purchasing venture capital funds in accordance with the tax legislation and the remaining TRY 991,443,075.54 be set aside as extraordinary reserves under shareholders' equity in accordance with article 47 of Articles of Association of the Bank.

Board of Directors of Parent Bank resolved that Parent Bank shall use a loan in the amount of USD 200.000.000 from our shareholder, Türkiye İş Bankası A.Ş., which will be included in the additional Tier 1 capital calculation in accordance with Article 7 of the Regulation on Own Funds of Banks from the Banking Regulation and Supervision Agency. The approval of the BRSA has been obtained with respect to this transaction and our Bank and Türkiye İş Bankası A.Ş. have executed a facility agreement thereof.

40. EVENTS AFTER THE REPORTING PERIOD (Continued)

The tension between Russia and Ukraine since January 2022 has turned into a crisis and an armed conflict as of the date of the report. The Bank does not carry out any activities in these two countries that are subject to the crisis. Considering the geographies in which the Bank operates, no direct impact is expected on Bank operations. However, as of the date of this report, it is not possible to reasonably estimate the effects of the global developments and their potential impact on the global and regional economy, on the Bank’s operations because of the uncertainty about how the crisis will evolve.

As per the amendments published in the Official Gazette No. 31810, dated 15 April 2022, on Law No. 7394 “Law on Evaluation of Immovable Property Owned by the Treasury and Amendment to the Value Added Tax Law” and Law No. 5520 “Corporate Tax Law”, the corporate tax rate will be applied as 25% for the corporate earnings for the taxation period of 2022.

A share purchase agreement was signed on 10 March 2022 with Turkish Wealth Fund for the sale of Türk Telekomünikasyon A.Ş.'s ("TTKOM") 192,500,000,000 Group A registered shares which represent 55% of TTKOM's share capital and which are held by LYY Telekomünikasyon A.Ş ("LYY"). In this context, the sale and transfer, to Turkish Wealth Fund of 192,500,000,000 Group A registered shares which represent 55% of TTKOM's share capital and which are held by LYY, for a purchase price of USD 1,650,000,000 completed on 31 March 2022. In addition, pursuant to the agreement, LYY will be paid an amount corresponding to 55% of the shares, which were transferred by LYY, out of the dividend amount that was resolved, by the TTKOM General Assembly, to be distributed based on the independently audited 2021 financial statements.