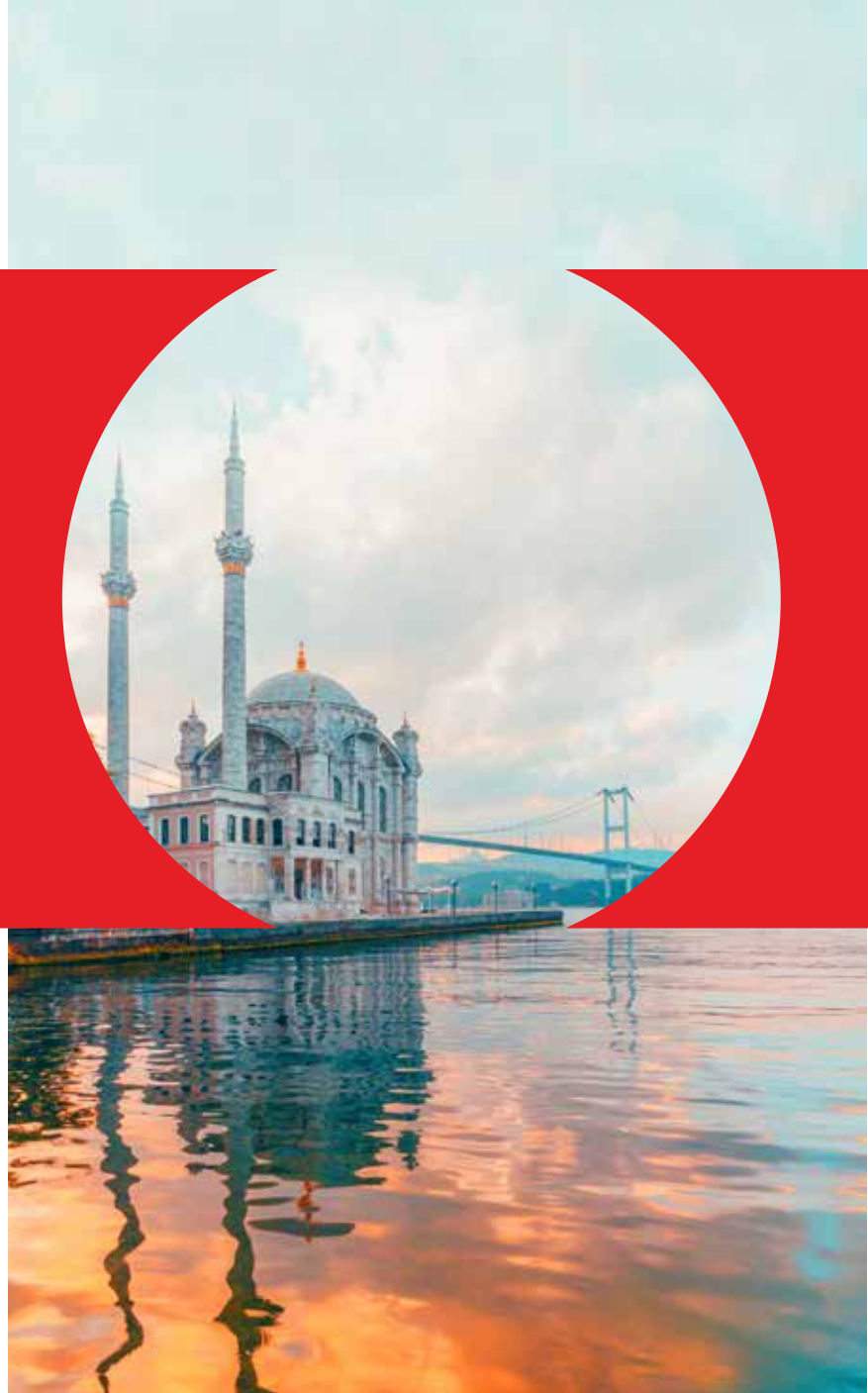


MUFG BANK TURKEY ANNUAL REPORT 2020



MUFG BANK TURKEY A.Ş. (MUFG BANK TURKEY)
A member of MUFG, a global financial group



**We build
financial
bridges
between
Turkey and
Japan.**



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2020 Highlights

Total Assets

TRY 13,805 million

Net Loan Volume

TRY 8,801 million

Capital Adequacy Ratio

18.1%

Net Profit

TRY 136 million

Deposit Volume (Except for Bank's Deposit)

TRY 1,183 million

Total Equity

TRY 1,164 million

Global Network



Approximately 180,000 employees
across over 50 countries worldwide...



Our Mission, Vision and Values

Our Mission

To contribute to the growth of Turkey by utilizing MUFG's global network and financial strength

Our Vision

Be the most trusted financial group for our clients, stakeholders and communities;

Be the financial bridge between both Turkey and Japan, and Turkey and the world;

Support our clients locally and globally.





Our Values

Integrity and Responsibility

Strive to be fair, transparent and honest. Always act responsibly in the best interest of clients and society as a whole, building long-term stakeholder relationships and giving back to our communities.

Professionalism and Teamwork

Respect the diversity of our fellow workers and foster a strong spirit of teamwork. Expect the highest levels of professionalism.

Challenge Ourselves to Grow

Adopt a global perspective to anticipate trends and opportunities for growth. Create and sustain a responsive and dynamic workplace where everyone can focus on providing outstanding client service and embrace new challenges.

Board of Directors Declaration

2020 FISCAL YEAR ANNUAL ACTIVITY REPORT

The attached annual activity report, covering our Bank's activities for the fiscal year 2020, has been prepared in line with Article 40 of the Banking Law and the Regulation on the Principles and Procedures Concerning the Preparation of the Annual Report by Banks, to present to the approval of the General Assembly.

MUFG BANK TURKEY A.Ş. BOARD OF DIRECTORS



Ali Vefa Çelik
Chairman



Hidefumi Yamamura
Vice Chairman



Çetin Özbek
Board Member/Chairman
of the Audit Committee

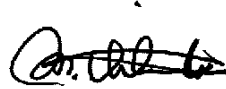
Nicola Louise Wickes
Board Member/ Audit
Committee Member



Masatoshi Ban
General Manager



Aysun Mercan
Board Member



Masashi Kikuta
Board Member

Agenda of the Ordinary General Assembly

AGENDA OF MUFG BANK TURKEY A.Ş. YEAR 2020 ORDINARY GENERAL ASSEMBLY MEETING DATED 30 MARCH 2021

1. Opening and appointment of the Meeting Board,
2. Discussion and approval of the Annual Activity Report of the Board of Directors for the financial year 2020,
3. Discussion on the Independent Auditor's Report for the financial year 2020,
4. Discussion and approval of financial statements for the financial year 2020,
5. Release of the Members of the Board of Directors for the year 2020 on an individual basis,
6. Informing the General Assembly on the bonus payment of the year 2019 which had been distributed to the employees at the year 2020,
7. Discussion on use of profit and determination of dividend distribution,
8. Discussion on the bonus payment of the year 2020 which will be distributed to employees in 2021,
9. Discussion on payments made to members of the Board of Directors with regards to their activities as the members of Audit Committee and other committees and their other work and duties at the Bank within 2020,
10. Discussion on the rights of the Board of Directors members as remuneration payment, attendance fee and bonus,
11. Appointment of the Independent Auditor for financial year 2021,
12. Discussion on the permission to Board of Directors members in line with articles 395 and 396 of TCC regarding to conduct business within the field of Bank's activity area or conduct such business on behalf of a third party,
13. Wishes and Closing.



Hülya Eroğlu
Deputy General Manager



Masatoshi Ban
General Manager

Convenience Translation Into English of Independent Auditor's Report on the Board Of Directors' Annual Report Originally Issued in Turkish

To the General Assembly of MUFG Bank Turkey A.Ş.

1. Opinion

We have audited the annual report of MUFG Bank Turkey A.Ş. (the "Bank") for the 1 January 2020 - 31 December 2020 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Bank's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set unconsolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the scope of "Regulation on Independent Audit of Banks" published on the Official Gazette No.29314 dated 2 April 2015. Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Unconsolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 8 March 2021 on the full set unconsolidated financial statements for the 1 January 2020 - 31 December 2020 period.

4. Board of Director's Responsibility for the Annual Report

Bank management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and "Regulation on Principles and Procedures Regarding Preparation and Promulgation of Annual Reports by Banks" published in Official Gazette No. 26333 dated 1 November 2006 are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Bank's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Bank may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Bank after the operating year,
- the Bank’s research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Banking Regulation and Supervision Agency, Ministry of Trade and other relevant institutions.

5. Independent Auditor’s Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited unconsolidated financial statements of the Bank and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited unconsolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep Uras, SMMM
Partner

Istanbul, 19 March 2021



Who We Are...



MUFG Bank Turkey A.Ş. (MUFG Bank Turkey) at a Glance

The roots of MUFG Bank Turkey date back to the Bank of Tokyo, which embarked on its journey in Turkey through the establishment of a Representative Office in Istanbul in 1986.



Date of Operations	November 28, 2013
Main Shareholder	MUFG Bank, Ltd.
Chairman of the Board	Ali Vefa ÇELİK
General Manager	Masatoshi BAN
Paid-in Capital	TRY 527,700 Thousand
Registered Capital	TRY 527,700 Thousand
Trade Registration No.	855649
Target Client Base	Japanese companies active in Turkey, financial institutions, subsidiaries and companies of multinational companies active in Turkey and blue-chip Turkish companies active in the public and private sectors in Turkey
Activities	Deposit, cash and non-cash credits, foreign trade transactions, supplier finance, payments, cheque collection, foreign currency and treasury transactions in corporate banking
No. of Employees	82 (as of the end of 2020)
No. of Clients	133
Total Assets	TRY13,805 Million (as of the end of 2020)

MUFG Bank is one of the oldest Japanese Institutions with an established office in Turkey.

The Foundation Date of MUFG Bank Turkey

1986

Registered Capital

**TRY 527,700
Thousand**

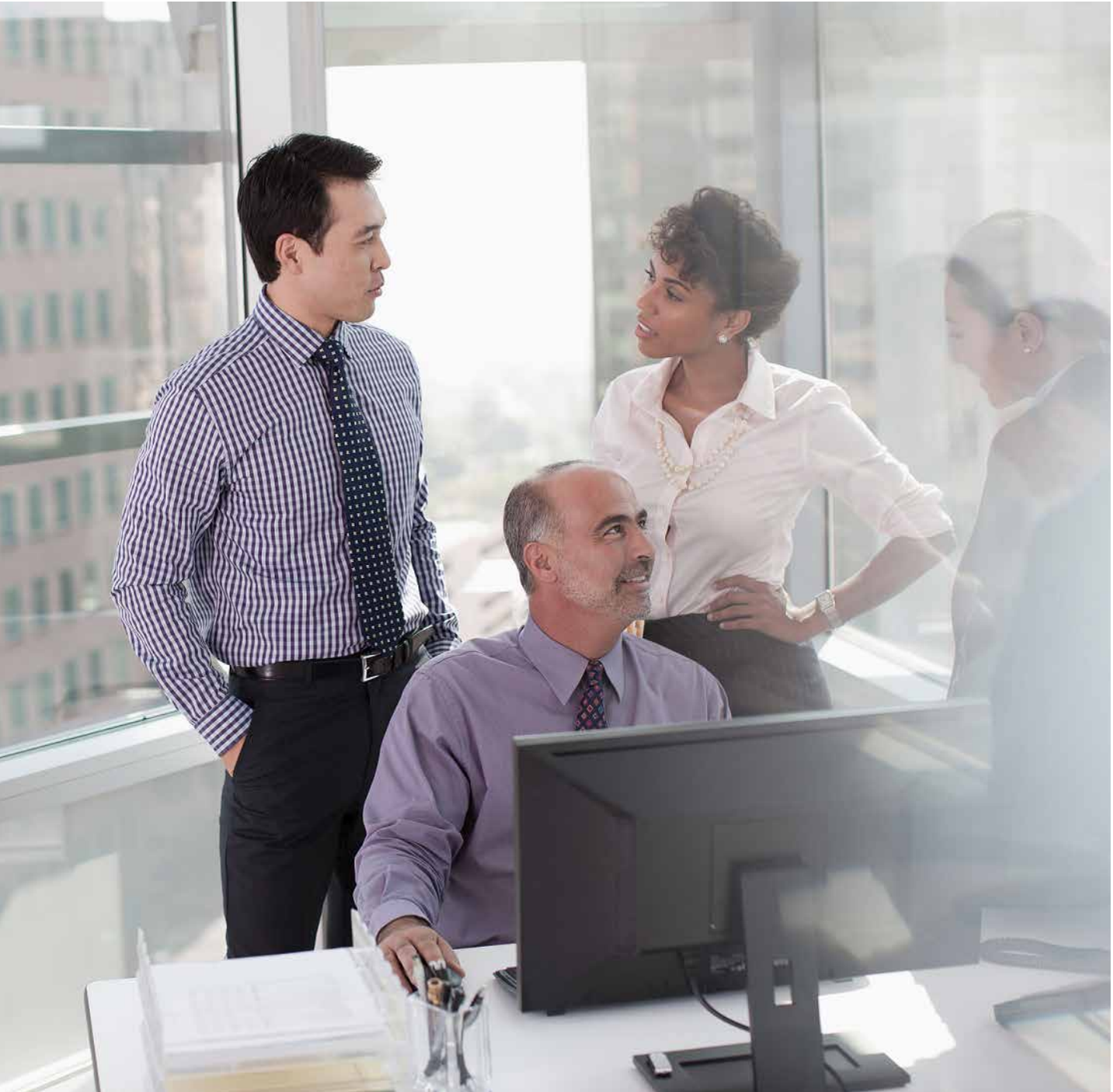
The history of our Bank dates back to the Bank of Tokyo, which embarked on its journey in Turkey through the establishment of a Representative Office in Istanbul in 1986.

Our shareholder, which merged with Mitsubishi Bank and later UFJ Bank to form what is now called MUFG Bank, Ltd., is one of the oldest Japanese institutions with an established office in Turkey.

In December 2012, MUFG obtained approval to establish a banking subsidiary in Turkey, a country of significant geostrategic importance serving as a bridge between Europe and Asia. Following the acquisition of an operation license in September 2013 with the resolution of the Banking Regulation and the Supervision Board, MUFG Bank Turkey A.Ş. (MUFG Bank Turkey) opened its doors for business on November 28, 2013.

MUFG Bank Turkey supports local and international corporate clients - especially Japanese firms located in Turkey - with a wide range of banking services. Dedicated to serving our clients through value-added products, high standards of service, and utilizing MUFG's global network, MUFG Bank Turkey continues to take concrete steps towards the delivery of its aspiration of sustainable growth from its establishment into the future.

MUFG Group Structure and MUFG Bank Turkey





* Equity method affiliates

Mitsubishi UFJ Financial Group (MUFG)

MUFG is engaged in a wide range of businesses including Securities, Asset Management and Investor Services.

Total Number of Employees in MUFG Globally

180,000

Operating in over

50 countries

Total Assets

USD 3.3 trillion

Our group, MUFG, is one of the world's leading financial groups in terms of total assets and is among the global systemically important financial institutions (G-SIFIs) with a wide range of businesses and the largest global network among Japanese financial institutions.

Under its premier commercial banking arm, MUFG Bank Ltd., encompassing the Asia Pacific region, MUFG has MUFG Union Bank, which is a retail bank in the United States, Bank of Ayudhya, Thailand's fifth largest bank, Bank Danamon, Indonesia's fifth largest bank, and consolidated subsidiaries and strategic investments in Vietin Bank and Security Bank, major commercial banks based in the Vietnam and Philippines respectively. In addition to commercial banking, MUFG is engaged in a wide range of businesses including Securities, Asset Management and Investor Services. In 2018, the tenth anniversary of the successful strategic partnership with Morgan Stanley was celebrated.

As of September 2020, MUFG's total assets are USD 3.3 trillion and its market capitalization is USD 51.5 billion. With around 180,000 employees in over 50 countries worldwide, MUFG provides comprehensive and flexible solutions to meet the wide range of financial needs for its clients.



Capital Structure, Changes within the Year, Qualified Shareholders and Executive Shares

Shareholders	TRY	(%)
MUFG Bank, Ltd	527,699,996.00	99.99% (Group A)
Kozo Taniwaki	1.00	0% (Group B)
Atsushi Yoshida	1.00	0% (Group B)
Tatsuhiko Yanagisawa/Naoya Ihara*	1.00	0% (Group B)
Shintaro Kamiya	1.00	0% (Group B)
Total	527,700,000.00	100%

*Mr. Tatsuhiko Yanagisawa has transferred his share to Mr. Naoya Ihara on the date of 23.09.2020.

There have not been any changes in the capital structure of our Bank in 2020.

We do not have any qualified shareholders in our Bank, and our Chairman of the Board of Directors, Vice Chairman and Members as well as our General Manager do not own shares. Our Deputy President Kozo Taniwaki owns a share of 0% (Group B).

Extraordinary General Assembly Meetings within the Year

We did not hold any Extraordinary General Meetings in 2020.

Amendments to the Articles of Association

There has been no amendment to the Articles of Association in the year 2020.

Subsidiaries

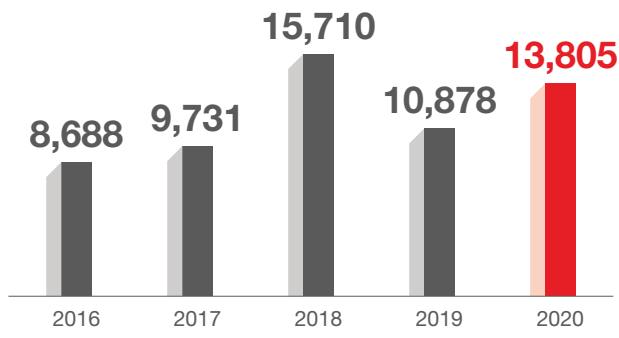
We do not have any subsidiaries.

Yearly Financial Indicators

MUFG Bank Turkey strives to establish a consistently profitable business structure.

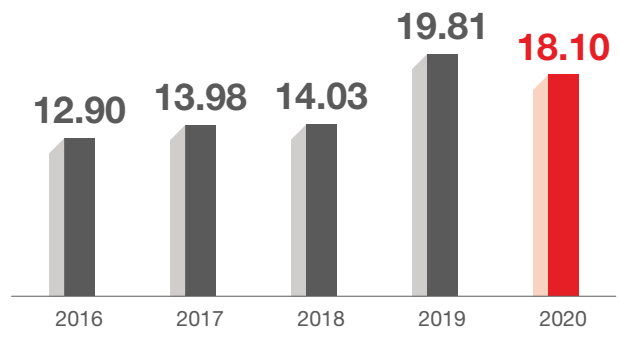
Total Assets TRY Million

MUFG Bank Turkey's total assets realized TRY 13,805 million by the end of 2020.



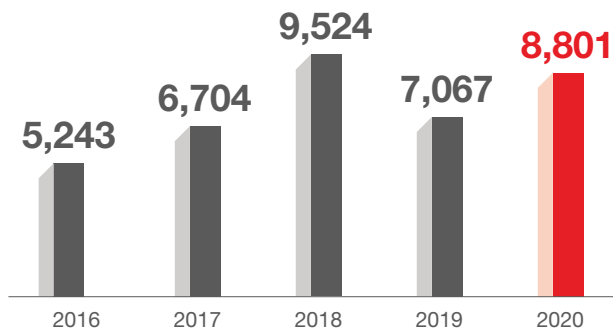
Capital Adequacy Ratio %

MUFG Bank Turkey reinforced its powerful capital structure with a capital adequacy ratio of 18.10%



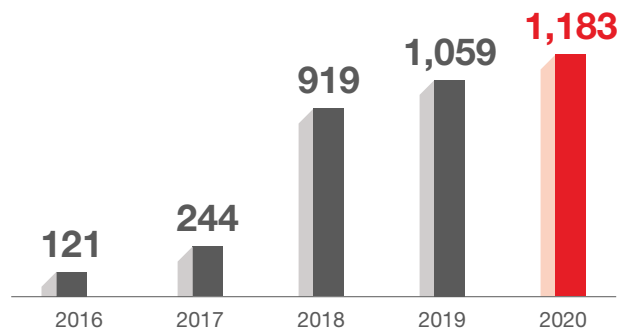
Net Credit Volume TRY Million

In 2020, MUFG Bank Turkey's net credit volume realized TRY 8,801 million.



Deposit Volume (Except for Bank's Deposit) TRY Million

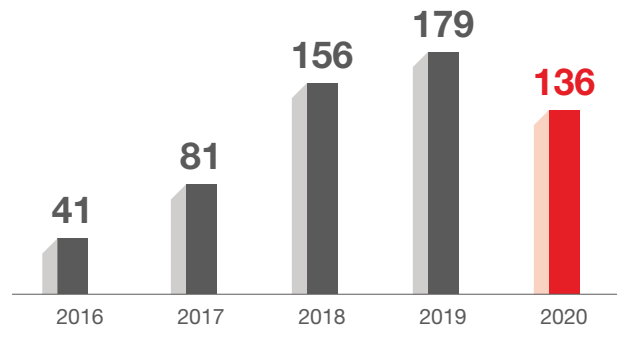
MUFG Bank Turkey's deposit volume increased by 11.7% and reached TRY 1,183 million.





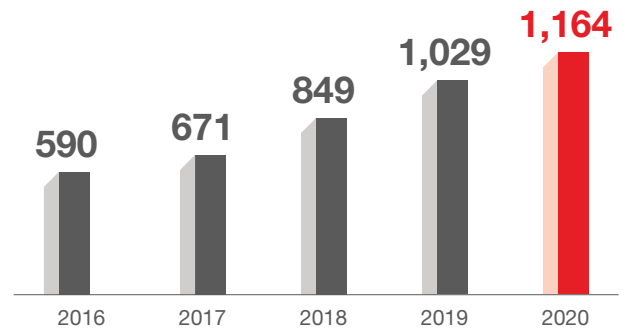
Net Profit TRY Million

In its seventh year of operations, MUFG Bank Turkey's net profit stood at TRY 136 million.



Total Equity TRY Million

As of 31 December 2020, MUFG Bank Turkey's equity has been reported as TRY 1,164 million.



Evaluation of our Bank's Position in the Sector

MUFG Bank Turkey's mission is to support the development process of Turkey and Turkish-Japanese relations by catering to the needs of our clients.

MUFG Bank Turkey operates as a single entity with the mission of acting as a boutique bank, mainly addressing Japanese clients domiciled in Turkey, top-tier Turkish corporation, local and foreign financial institutions and multinational corporation active in Turkey. Our mission is to support the development process of Turkey and Turkish-Japanese relations by catering to the needs of our clients in this strategically important market with potential for economic growth.

The business model is entirely based on the concept of tending to the corporate banking and financing needs of the above-specified client base, with no services designed for individuals.

MUFG Bank Turkey's competitive edge derives mainly from its strong financial structure, capacity to fully meet the financial needs of both local and multinational large firms through a variety of international financing services and products, the extensive global network and clients base of MUFG, especially in the Asia Pacific region, its expertise and experience in corporate banking, and most importantly its commitment to build long-standing relations with clients rooted in its vision to "Be the world's most trusted financial group."

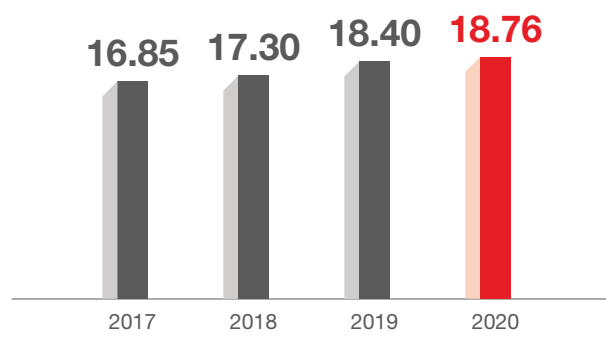
MUFG's international client base, carefully cultivated over the years to sustain long-term relationships, tend to opt for doing business with MUFG locally. In addition to the advantages brought forward by MUFG Bank Turkey's financial and technical knowledge and experience in banking, this reputational attention creates an added edge for our Bank among its peers.

Now, we are proud to have a good relationship with most Japanese companies, and our business with global and leading Turkish firms has steadily increased since our establishment.



Capital Adequacy Ratio of Turkish Banking Sector

Capital adequacy ratio of Turkish Banking Sector realized as 18.76% in December 2020.



Research and Development Activities

MUFG Bank Turkey has been working on setting the infrastructure to widen the product range to include fixed-income securities and access to alternative funding sources.

The product portfolio of MUFG Bank Turkey covers the basic commercial banking products including all types of cash and non-cash lending, cash management and trade finance on corporate banking, while spots, forwards and options are offered to clients on the treasury side. Our Bank's treasury team had finalized its long term project for setting the infrastructure for fixed-income securities to create access for alternative funding sources whereas our Bank's activity under Borsa Istanbul markets is increasing since we became member last year. On the other hand, infrastructure activities to add new treasury products are under study to expand our product list throughout 2021 in order to support our clients in hedging of their foreign exchange and various risks.

Our Bank's treasury team has a special interest with TLREF indexed instruments, which have started to become utilized more effectively in the last year. We continue to work on the project feasibility along with other important initiatives related to foreign exchange and interest rate related instruments in order to better serve our client needs under the changing market environment. In parallel to the project for start utilization of new benchmark rates in our foreign currency loan products (given Libor reform occurring in global markets) we are also planning to initiate TLREF indexed Turkish lira loan products for our clients in the upcoming year as a new product.

Separately, we successfully completed all system tests for the security investment on Turkish Treasury issued TLREF indexed bond by last year, and we are planning to invest in these in the event of more favorable market conditions and more supportive balance sheet requirements.





Credit Rating System

MUFG Bank Turkey uses a credit rating system/ methodology to ensure efficient measurement and evaluation of the Credit Risk.

Rating and Assessment Models

The credit allocation is performed on a borrower and a borrower risk group basis within the limits and updated on a defined frequency based on market developments.

The Bank uses a credit rating system/methodology to ensure efficient measurement and evaluation of the Credit Risk. The rating methodology evaluates the overall Credit Risk of each borrower.

The Bank uses three main factors for internal credit rating system. These are financial data, non-financial data and expert opinions. Financial data consists of safety, profitability, growth, asset size, cash generation ratios and turnover volume. Non-financial data consists of industry, management, funding availability and legal risks as well as business model, location and intercompany relations analysis. The Bank also measures the credit rating of companies by making comparisons with the external ratings.

Assessment of Financial Status, Profitability and Solvency

Based on its specific needs, MUFG Bank Turkey receives short, medium and long-term funding from domestic and international markets.

MUFG Bank, Ltd. (MUFG) was granted the permit to establish a deposit bank in Turkey through the Banking Regulation and Supervision Agency's 5108 numbered and 20 December 2012 dated resolution. MUFG Bank Turkey received its operational permit through the Banking Regulation and Supervision Agency's 5520 numbered and 19 September 2013 dated resolution, issued in the 28775 numbered and 24 September 2013 dated Official Gazette and launched its operations on 28 November 2013, as a foreign capital bank established in Turkey.

As of 31 December 2020, the Bank's total assets stood at TRY 13,805 million, total net loans at TRY 8,801 million and client deposits except for Bank's deposits at TRY 1,183 million. Based on its specific needs, the Bank receives short, medium- and long-term funding from domestic and international markets.

In its seventh year of operations, the Bank's net income after tax & provisions stood at TRY 136 million. As of 31 December 2020, the Bank's equity has been reported as TRY 1,164 million, while its capital adequacy ratio stood at 18.10%.





Message from the Chairman and General Manager

As a proud member of the MUFG family, we are committed to building long-standing relationships with our clients, our employees and Turkish society.

Dear Stakeholders,

MUFG Bank Turkey continued to build on its financial strength and stability in 2020. We are proud of the progress we have made since we set out on our journey in Turkey in November 2013. Dedicated to MUFG's corporate vision, "Be the world's most trusted financial group", we at MUFG Bank Turkey are committed to building long-standing relationships with our clients, our employees and Turkish society. As a proud member of MUFG, we work to pursue a consistently high level of quality that exceeds the expectations of our clients.

We place strong emphasis on client engagement, along with providing flexible and consistent support. Our mission is to expand and strengthen our global presence as the bank of choice – both in Turkey and across the globe.

A challenging year for both the global and domestic economy

Economic activity in Turkey continued its robust pace from the last quarter of 2019 until mid-March of 2020. However, the coronavirus outbreak dampened Turkey's economic activity via foreign trade, tourism and domestic demand channels. The strong pace of domestic economic activity was replaced by a significant slowdown in the second quarter. The pandemic-driven uncertainties regarding the global economy, the tightening of global financial conditions and the decline in risk appetite caused portfolio outflows from Turkey and an increase of risk premiums, alongside increased volatility of the exchange rate in Turkey. As in many countries, policymakers in Turkey introduced the monetary and fiscal measures to mitigate the adverse impact of the pandemic.

In the third quarter, economic activity in Turkey registered a strong recovery as a result of measures that supported domestic demand and employment that aimed to minimize the negative effects of the pandemic on economic activity. From August, in consideration of the inflation and external balance effects of the fast recovery seen in economic activity led by the strong credit growth, gradual tightening steps were taken in monetary policy.

In line with the price stability objective, a monetary tightening was conducted, where a strong message was conveyed to markets for a return to more orthodox policies, with the Central Bank raising policy rate by 675bps at the last two Monetary Policy Committee meetings of the year. The domestic macroeconomic environment sharply recovered in the second half of the year amid recovering economic activity. Turkey's economy is expected to continue positive growth in 2021 with the roll-out of vaccines, and the recovery of trading partner growth, as well as reflecting positive growth carryover from 2020.

Despite the many obstacles faced by Turkey's economy, thanks to timely and appropriate measures taken by the Central Bank and the Banking Regulation and Supervision Agency, the Turkish banking industry remained resilient and sound.



Masatoshi Ban
General Manager

Ali Vefa Çelik
Chairman of the Board

At year-end 2020, MUFG Bank Turkey reported total assets of TRY 13,805 million.

Even in this highly volatile global and domestic environment, MUFG Bank Turkey recorded strong results in 2020.

At year-end 2020, MUFG Bank Turkey reported total assets of TRY 13,805 million.

Loans, the major component of our Bank's assets, totaled TRY 8,801 million at year end. A breakdown of our loan portfolio shows that 20% of loans are denominated in TRY and 80% are in foreign currencies. Receivables from banks, the other key item of the Bank's assets, amounted to TRY 1,644 million. This excludes receivables from the Central Bank.

On the liabilities side, MUFG Bank Turkey's borrowings totaled TRY 7,531 million in 2020. Demand and time deposits from non-Bank clients amounted to TRY 1,183 million. At the end of 2020, the Bank reported total shareholders' equity of TRY 1,164 million, up TRY 136 million. Equity calculated for the capital adequacy ratio was TRY 1,214 million while the capital adequacy ratio was 18.10% for the year.

MUFG Bank Turkey reported a net interest income of TRY 233 million in 2020. Profit before taxes from continuing operations amounted to TRY 175 million. The Bank's net income after tax and provisions was TRY 136 million for the fiscal year. In 2020, our return on average equity was realized as 12.4%.

In addition to striving to achieve its financial targets, MUFG Bank Turkey is working to make a positive social impact.

MUFG Bank Turkey has contributed towards the National Solidarity Campaign, which aims to address the repercussions of Covid-19. The donation supported low-income households that were suffering as a result of the pandemic.

In 2018, MUFG entered into a four year partnership with the Laureus Sport for Good Foundation to positively impact the lives of young people. In October 2020, MUFG colleagues across EMEA ran, walked, swum and cycled the distance between our Johannesburg and London offices – a total of 30,937km, in a joint effort to fundraise for the Laureus Sport for Good Foundation. Sixteen MUFG Offices, including Turkey, participating throughout the month has helped to raise an amazing £45,540 to support the work of The Laureus Sport for Good Foundation. The money will be used directly to help young people overcome violence, discrimination and disadvantage in 180 grass-roots programs spread throughout 41 countries. The projects differ from region to region, and they all harness the power of sport to enhance the social and emotional development of children and young people.

At MUFG Bank Turkey, we aim to ramp up our business activities driven by our deep belief and commitment to our clients and the Turkish market.

We build financial bridges between Turkey and Japan

Our mission is to support Turkey's economic development and Turkish-Japanese trade and investment relations by catering to the needs of our clients in this strategically important, high growth market. At MUFG Bank Turkey – the only Japanese bank with a banking license in Turkey – we aim to ramp up our business activities, driven by our reliable financial services, and our deep conviction and commitment to both our clients and the Turkish market.

Under the current turbulent environment, MUFG Bank Turkey understands that a long-term perspective is necessary to sustain its success. First, we must accurately read emerging long-term trends and identify the real-world issues that both the country and our clients are likely to face. Secondly, we must help solve these issues using our powerful core capabilities and competitive advantages. Finally, we must invest in preparing our team for this ever-challenging and evolving landscape.

At MUFG Bank Turkey, we provide strong support to our client base – such as Japanese companies operating in Turkey or looking for opportunities to operate in Turkey, and Turkish and multinational enterprises seeking to collaborate with Japanese companies – by capitalizing on our robust commercial banking capabilities and global network.

We believe that this approach will have a positive impact on our clients, on Japan-Turkey relations and for Turkey, as we work together to address hurdles and to grow.

To serve our clients better and keep pace with rapid changes in client requirements, MUFG Bank Turkey will continuously strengthen our organization, expand our product and service coverage, and diversify our funding capabilities, as well as maintaining the highest standards of stability and trustworthiness.

We are grateful to our more than 80 employees for supporting us in our operations and ensuring exceptional success; our strategic partners for their unwavering support; and, most importantly, to our clients whose trust in us is essential to the sustainability and success of our business.

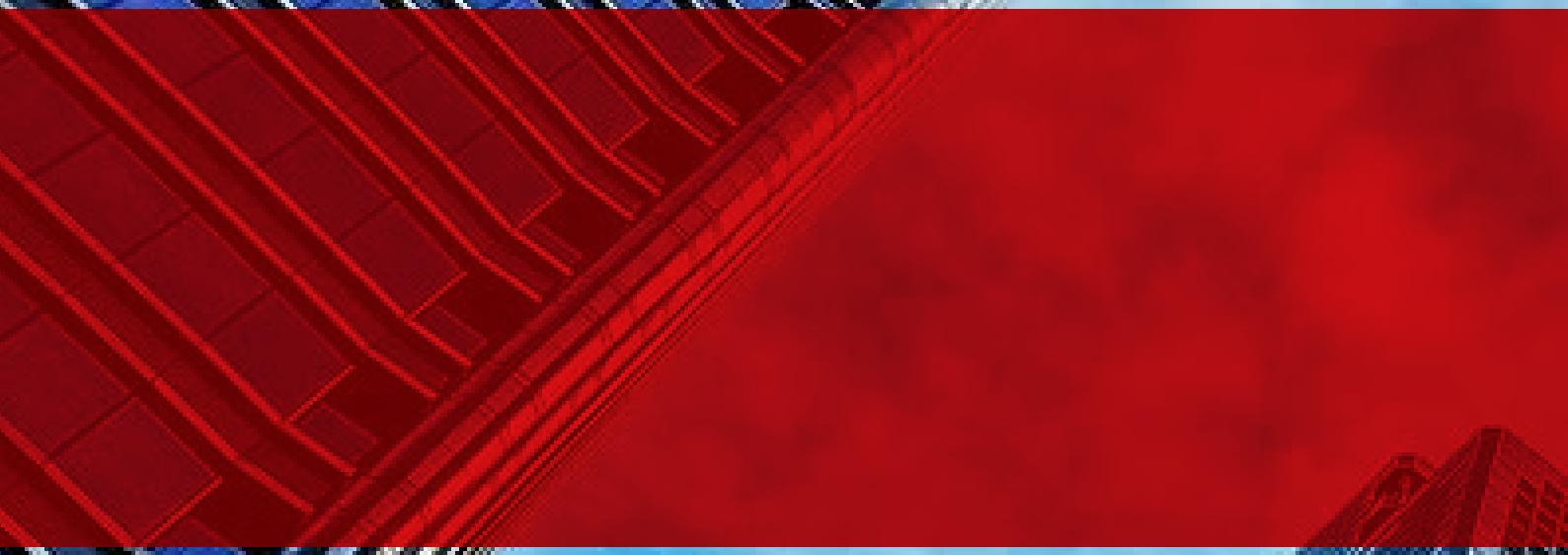
Respectfully yours,



Ali Vefa Çelik
Chairman of the Board



Masatoshi Ban
General Manager





Management and Corporate Governance



Board of Directors

Ali Vefa Çelik Board Chairman

Ali Vefa Çelik graduated from the Management Department of the Administrative Sciences Faculty of Middle East Technical University, Turkey. He began his banking career at the Central Bank of the Republic of Turkey (CBRT) in 1978 after receiving his Master's degree from Meiji University, Tokyo. He worked at CBRT between 1978-2006 in various high-level posts as the General Manager of Banking, General Manager of Accounting, General Manager for Credits and as the Representative of CBRT in Tokyo. He also served as the Secondary Chairman of the Banking Regulation and Supervision Agency of Turkey and the Savings Deposit and Insurance Fund in 2001 and as a Member of the Board of Directors of the Central Bank of the Turkish Republic of Northern Cyprus between 2002 and 2003. As a member of the Board of Directors of the MUFG Bank Turkey since June 2013, Mr. Çelik undertook the role of Chairman of the Audit Committee between 2013 and 2016. He was assigned the role of Vice Chairman in July 2015 and Chairman of the Board of Directors in February 2016.

Hidefumi Yamamura Board Vice Chairman

Hidefumi Yamamura is Chief Operating Officer for EMEA of MUFG Bank, Ltd., which covers 21 countries through 28 offices and approximately 2,600 employees in EMEA, since May 2018. He has over 25 years' experience in banking, having worked across Japan, the USA and EMEA and mainly developing his career in strategic planning, corporate governance and regulatory related matters. Hidefumi Yamamura was educated at Keio University in Tokyo, where he received a Bachelor's of Economics degree. He also holds a Master's degree in Law and Diplomacy from Tufts University, Fletcher School of Law & Diplomacy. In October 2018, he was appointed as the Vice Chairman of the Board of Directors of MUFG Bank Turkey.

Masatoshi Ban Board Member and General Manager

Masatoshi Ban received a Bachelor's of Economics degree from Seikei University of Japan. He started his banking career in 1993 at Mitsubishi Bank Ltd. He has worked across Japan, Singapore, Australia and Canada, taking key roles throughout his 28 years' experience in banking. He has developed his career mainly in corporate banking. In May 2019, he was appointed as General Manager of MUFG Bank Turkey.

Çetin Özbek Board Member and Chairman of the Audit Committee

Çetin Özbek graduated from the Economic and Administrative Sciences Department of Hacettepe University and the MBA program of the Fox Business School of Temple University. He started his career as a deputy inspector at Yapı ve Kredi Bankası A.Ş. in 1987. He served as an internal auditor as well as the Deputy Chief Audit Executive at the same bank until he was appointed as the Chief Audit Executive at the Central Bank of the Republic of Turkey (CBRT). Besides his past as a Chief Audit Executive, he served at various posts at CBRT including as the Representative of CBRT in Tokyo and Advisor until 2016. He was appointed as Board Member in January 2016, and as the Chairman of the Audit Committee in February 2016.

Aysun Mercan
Board Member

Aysun Mercan, graduated from the Faculty of Administrative Sciences of the Middle East Technical University (BS) and the Executive MBA program of the University of Wales-Manchester Business School. She started her banking career in 1982 and undertook executive roles related to Corporate Banking, Credits, Foreign Transactions, Project Finance, and Corporate Governance in various local and foreign banks. After the 2001 financial crisis, she joined the Banking Regulatory and Supervision Agency to lead, manage rehabilitation, sale and liquidation projects of many failed banks and their related companies. She also acted on the collection of public receivables of Savings Deposit Insurance Fund from the controlling shareholders of these banks, whose shareholder rights were transferred to the Fund. She has also served as BOD member on BODs and Liquidation Boards for such companies. She was appointed as a member of the Board of Directors of MUFG Bank Turkey in January 2016. Currently she also serves as Independent BOD Member on other Public Company BOD's.

Nicola Wickes
Board Member

Nicola Wickes is the Chief Risk Officer for MUFG EMEA; she was educated at Oxford Brookes University, where she graduated with a First Class Honors. She has over 30 years of experience within the financial sector, working extensively across all risk disciplines, specializing in Credit Risk at UBS and CIBC London. In April 2019 Nicola joined MUFG EMEA and since November 2019, has served as Chief Risk Officer for EMEA. Before joining MUFG, she held the position of Chief Risk Officer at CIBC for Europe, Asia and Australia and as a Director on the Board for CIBC World Markets plc. In 2018 she gained her FT Non-Executive Director BTEC Level 7 Advanced Professional Diploma. She was appointed a member of the Audit Committee and the Board of Directors for MUFG Bank Turkey in July 2019.

Masashi Kikuta
Board Member

Masashi Kikuta is a Co-Head of Corporate Banking Credit of MUFG Bank. He leads an office responsible for sanctioning credit for non-Japanese corporates, sovereign, FI across the EMEA region, at EMEA Head Quarters, of MUFG Bank. He has over 25 years' experience in banking, both in and outside Japan, mainly in credit risk management and business promotion area. He also experienced working in the Foreign Ministry of Japan for 2 years. Masashi Kikuta graduated from Keio University in Tokyo, where he received a Bachelor's of Economics degree. He was appointed as a member of the Board of Directors of MUFG Bank Turkey in March 2019.

Board Changes

The Board of Directors Members have been appointed in the General Assembly on the date of 27.03.2020.

Top Management

Masatoshi Ban General Manager

Masatoshi Ban received a Bachelor's of Economics degree from Seikei University of Japan. He started his banking career in 1993 at Mitsubishi Bank Ltd. He has worked across Japan, Singapore, Australia and Canada, taking key roles throughout his 28 years' experience in banking. He has developed his career mainly in corporate banking. In May 2019, he was appointed as General Manager of MUFG Bank Turkey.

Hülya Eroğlu Deputy President – IT, Operations, Human Resources and General Affairs

Hülya Eroğlu graduated from Department of Management of the Middle East Technical University, Turkey and started her career in 1987. 24 years of her 34-year career in the finance sector has been in banking, with 10 years spent in brokerage and asset management companies and independent audit companies. She started working at MUFG Bank Turkey in 2013 and was assigned as the Deputy President responsible for Information Systems, Operations, Human Resources and General Affairs in April 2016.

Kozo Taniwaki Deputy President – Japanese Corporate Banking, Transaction Banking, Treasury

Kozo Taniwaki received Bachelor degree of Arts in Policy Management from Keio University in Japan in 1997 and started his career at Bank of Tokyo-Mitsubishi UFJ, the predecessor of MUFG Bank, in the same year. He has 24 years of experience in the banking industry, including relationship management with large Japanese Corporates and its subsidiaries in both Japan and U.S., and Planning in the Head Office. He was expatriated to MUFG Bank Turkey in January 2017 as the head of Planning and was assigned in August 2019 as the Deputy President responsible for Japanese Corporate Banking, Transaction Banking and Treasury.

Burak Kaya Managing Director – Corporate Banking

Burak Kaya has a BA from Boğaziçi University, He joined MUFG in January 2020 to lead the non-Japanese business in Turkey from Türk Ekonomi Bankası (a joint venture of BNP Paribas), where he was Head of Corporate Client Coverage under the Corporate and Institutional Banking platform. He also worked for RBS in various positions in Istanbul and in London and was Head of Corporate Client Coverage in Turkey and Head of Portfolio Management in CEE prior to joining TEB in 2015. He had worked for ABN Amro and Citi earlier in his career. Burak carries more than 20 years of experience in banking.

Atsushi Yoshida Director – Planning

Atsushi Yoshida graduated (BA) from Waseda University, School of Commerce in 1999 and started his career at Bank of Tokyo-Mitsubishi UFJ, the predecessor of MUFG Bank, in the same year. He has 22 years of experience in the banking industry, including relationship management with Japanese Corporates in Tokyo and London and Planning in Banco MUFG Brasil. He has been working at MUFG Bank Turkey as the head of Planning since August 2019.

Önder Gökcalp Director – Finance

Önder Gökcalp received a Bachelor's of Economics degree from Istanbul University, Department of Economics in English and holds a master's degree in International Business Management. 22 years of his 25 years work experience has been in the banking industry. He has been working at MUFG Bank Turkey since May 2013.

Tatsuhiko Yanagisawa Director – Corporate Banking

Tatsuhiko Yanagisawa graduated from Waseda University, Political Science and Economics Department. He joined MUFG in 2000 and has more than 20 years' experience in commercial and corporate banking industry. He began to work at MUFG Bank Turkey in May 2014. Due to his appointment in Japan, he resigned from his duties in MUFG Bank Turkey in September 2020.

Naoya Ihara Director – Corporate Banking

Naoya Ihara graduated (BA) from College of International Relations, Ritsumeikan University in Japan. He started his career with MUFG in 2002, spending most of his time in Structured Finance with various roles including business promotion, portfolio management and strategic planning in Japan and the UK. He joined MUFG Bank Turkey in October 2020.

Berna Canbulat Director – Operations

Berna Canbulat is a university graduate and has 28 years of experience in the banking industry. She has been working at MUFG Bank Turkey since March 2013.

Tuğba Özmen Director – Corporate Banking

Tuğba Özmen graduated from Istanbul University, Department of Economics and holds a Master's degree from Marmara University, Management and Organization. Having over 16 years banking experience, she joined MUFG Bank Turkey as of December 2018.

Cenk Ertunç Ulak
Director – Credit

Ertunç Ulak graduated from Boğaziçi University, Department of Management and holds an MBA from Koç University. He has more than 20 years of banking experience. He joined in MUFG Bank Turkey in November 2016 and resigned in February 2020.

Mete Kunter
Director – Credit

Mete Kunter holds a BS degree in Industrial Engineering from Marmara University and an MBA degree from Koc University. He has 25 years of experience in the finance industry and joined MUFG in his current role in February 2020.

Mehmet Ersoylu
Director – Information Technology

Mehmet Ersoylu graduated from the Computer Engineering Department of Yıldız Technical University in 1994. He also has a Master's degree in Computer Engineering from the Department of Yıldız Technical University in 1997. 21 years of his 26-year work experience has been in the field of Information Technologies in the banking industry, and he has been working as a Department Manager since 2004 in different parts of Information Technologies. He has been working at MUFG Bank Turkey since June 2013.

Fatma Eylem Ekmekçi
Director – Transactional Banking

Fatma Eylem Ekmekci, is a university graduate from the Department of Business Administration of Middle East Technical University, Having more than 25 years of banking experience in Corporate Banking, Commercial Banking, Strategy and Business Development and Transaction Banking; she has been working at MUFG Bank Turkey since May 2018.

Onur İlgen
Director – Treasury

Onur İlgen is a graduate from Galatasaray University Economics Department and holds a Master's degree in Financial Engineering from Boğaziçi University. He has 13 years of experience in the banking industry and has been working at MUFG Bank Turkey since May 2013.

Sinem Emiroğlu
Director – Financial Institutions

Sinem Emiroğlu, graduated from Faculty of Administrative Sciences from the Middle East Technical University, Turkey and started her banking career in 1996. After 22 years of experience in the banking sector both in Turkey and abroad, she joined MUFG Bank Turkey in 2018.

Seda Erkan
Director – Human Resources and General Affairs

Seda Erkan graduated from Işık University, Department of Business Administration and holds a certification degree in Human Resources from Boğaziçi University and Master's degree from Marmara University in Management and Organization. Having over 19 years of Human Resources experience, she joined MUFG Bank Turkey as of February 2020.

Management of Internal Systems Departments

Oğuzhan Öner
Director – Internal Audit

Oğuzhan Öner graduated from Faculty of Administrative Sciences from the Middle East Technical University and holds a Master of Business Administration degree. He has 21 years of experience in banking industry and has been working at MUFG Turkey since October 2015.

Selçuk Altun
Director – Risk Management

Selçuk Altun is a university graduate and holds a Master's degree on Capital Markets and Stock Exchange. 16 years of his 17 years work experience has been in the field of Risk Management in the banking industry. He has been working at MUFG Turkey since August 2014.

Onur Üre
Director – Compliance and Internal Control

Onur Üre is a graduate from Ankara University Faculty of Political Science Business administration. He has a total of 22 years of experience in several local and international banks in the Internal Audit, Internal Control and Regulatory and Financial Crimes Compliance related areas. He has been working at MUFG Turkey since July 2016.

Committees

CORPORATE GOVERNANCE COMMITTEE

Ali Vefa Çelik – Chairman
Masatoshi Ban – Member

The members of the Corporate Governance Committee are selected from among the members from the Board of Directors to monitor compliance to Corporate Governance principles, execute improvement studies and present recommendations to the Board of Directors. The Committee is made up of at least two members and convenes at least once a year. The Chairman of Board is also the Chairman of the Corporate Governance Committee. The committee held one meeting in 2020.

The main objective of the Corporate Governance Committee is to establish structures within the organization to ensure our Bank's corporate and ethic culture is based on solid foundations and compliance with the corporate governance principles are maintained at the utmost level.

AUDIT COMMITTEE

Çetin Özbek – Chairman
Nicola Wickes – Member

Created further to Article 24 of the Banking Law 5411, the Audit Committee is responsible for monitoring and ensuring the effectiveness, eligibility and compliance of the Bank's internal systems to laws, regulations and internal policies of the Bank; assess whether the required methods, tools and application procedures are available for identifying, measuring, monitoring and controlling the risks of the Bank; supervise the operation of the accounting and reporting systems and the integrity of the data produced, perform the required preliminary assessments in the selection of the independent audit organizations and grading, assessment and outsourcing organizations by the Board of Directors; and regularly monitor the activities of these organizations chosen by the Board of Directors and with whom contracts are signed. The Chairman of the Audit Committee is also a member of the Board of Directors responsible for Internal Systems.

The committee executes the roles stated in the regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process. The Audit Committee convened seven times in 2020.

REMUNERATION COMMITTEE

Ali Vefa Çelik – Chairman
Hidefumi Yamamura – Member

The purpose of the Remuneration Committee is to monitor, audit and evaluate the Remuneration policies and procedures on behalf of the Board of Directors. In this scope, the Committee works on the review of trends related to human resources management, comparing the Bank's remuneration to those in the market, and taking the necessary measures to continue to recruit and retain the most talented employees for the Bank. The committee meets at least once a year, additionally when necessary, and reports its activities to the Board of Directors annually. The Remuneration Committee held two meetings in 2020.

RISK COMMITTEE

Çetin Özbek – Chairman
Selçuk Altun – Member
Onur Üre – Member

The Board of Directors is responsible for instituting the Bank's risk appetite, review and approval of the risk framework and policies, analyzing periodic risk reports and activities related to the alignment of risk management policies and procedures. The Risk Committee's purpose is to provide information and present reports to the Audit Committee so that they may fulfil their risk management responsibilities. The Risk Committee meets once a month and it is chaired by the Member of the Board responsible for Internal Systems. The committee convened eight times in 2020.

OTHER COMMITTEES

Asset-Liability Committee

The Assets and Liability Committee is in charge of carrying out the management of the assets and liabilities of the Bank in order to maximize revenues within the scope of the risk appetite and tolerance identified by the Board of Directors; assessing the interest, exchange rate, liquidity and market risks in the context of the strategy and competition conditions of the Bank, taking the decisions to be executed by the related Departments to manage the Bank's balance sheet. The Committee is chaired by the General Manager at its meetings. The Committee convened 18 times in 2020.

Executive Committee

The Executive Committee is held for sharing information between top management and discussing the issues that requires to be resolved. At this Committee top management gets informed about the developments within the Bank. The Committee convenes on a weekly basis.

In addition to the above, the below mentioned committees are also working to ensure the efficient implementation of corporate governance principles and our bank strategies.

Disciplinary Committee

Outsourcing and Procurement Committee

Compliance Committee

Operational Control Committee

New Product Committee

Business Continuity and Crises Management Committee

IT Strategy and Steering Committee

Participation of Board Members to Committees and Meetings

As a rule, physical / tele-video conference meetings of the Board of Directors are held minimum of four times a year at MUFGBank Turkey. Additional meetings are held whenever necessary.

The meeting agendas are prepared by consideration of the proposals received from the departments of our Bank.

The agenda and related files are distributed to the members before the meeting, and the meetings are held further to article 390/4 of the Turkish Code of Commerce unless the members request a physical meeting.

In 2020, the Board of Directors held 198 meetings, three of which were physical meetings, and the attendances were regular with respect to quorum.

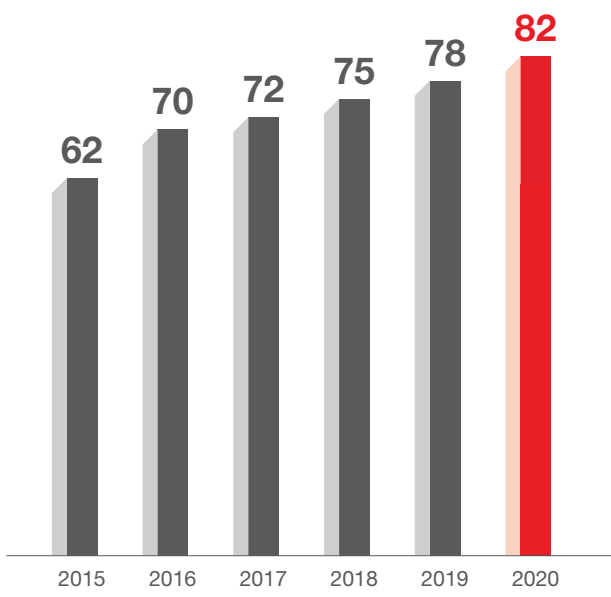
Human Resources

To assure a transparent and methodical approach to remuneration, MUFG Bank Turkey applies a standardized organizational grading structure with partnership of IMA Consultancy.

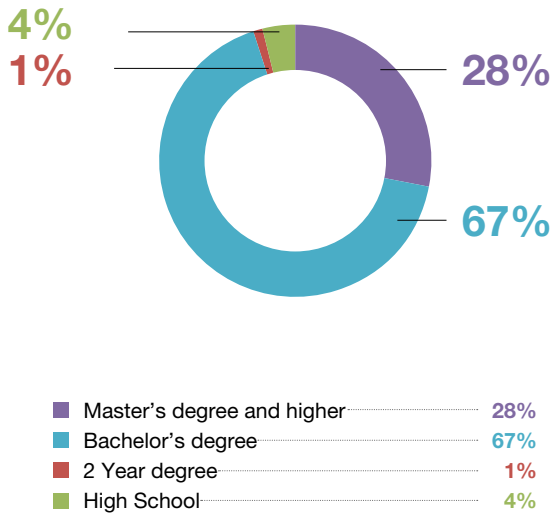
In line with our corporate vision “to be the world’s most trusted financial group,” we paid special attention to gather high caliber professionals committed to this vision.

Our team has grown from 78 at the end of 2019 to 82 people by the end of 2020.

The year-on-year breakdown of the number of our employees is below:

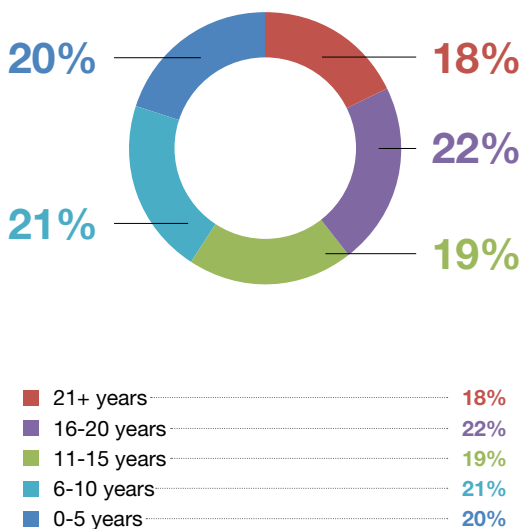


96% of our employees with an average age of 39 hold bachelor's degree or higher:



MUFG Bank Turkey is keen to on-board seasoned and qualified bankers to secure the high standards of service to which we hold ourselves.

The average seniority of our employees in the banking industry is 13 years:



A fair and objective remuneration policy applies to all employees at MUFG Bank Turkey. To assure a transparent and methodical approach to remuneration, MUFG Bank Turkey requests market data analysis from IMA Consultancy and evaluates the remuneration of employees.

Employee performance and development is closely monitored both via online tools and informal one to one feedback by line managers.

In 2020, 82 members of staff received 921,5 hours of professional training provided by both internal and external parties. Throughout the year, each MUFG employee received an average 11,2 hours of training.

Employees are provided with certain benefits to attract and retain our talent in a highly competitive market.

CORPORATE SOCIAL RESPONSIBILITY

MUFG Bank Turkey has contributed towards the National Solidarity Campaign, which aims to address the repercussions of Covid-19. The donation supported low-income households that were suffering as a result of the pandemic.

As a result of a photo contest held among MUFG employees across EMEA in April 2020, on behalf of one of our colleague who is the winner of the competition, MUFG Bank Ltd. donated £ 500 to the Association for Supporting Contemporary Life.

In 2018, MUFG entered into a four year partnership with the Laureus Sport for Good Foundation to positively impact the lives of young people.

In October 2020, MUFG colleagues across EMEA ran, walked, cycled and swam the distance between our Johannesburg and London offices – a total of 30,937km, in a joint effort to fundraise for the Laureus Sport for Good Foundation. Sixteen MUFG Offices, including Turkey, participated throughout the month, raising an amazing £45,540 to support the work of the Laureus Sport for Good Foundation. The money will be used directly to help young people overcome violence, discrimination and disadvantage in 180 grass-roots programs spread throughout 41 countries. The projects differ from region to region, and they all harness the power of sport to enhance the social and emotional development of children and young people.

Transactions of MUFG Bank Turkey with the Related Risk Group

(TRY Thousand)

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Current						
Loans and Other Receivables						
Balance at Beginning of Period	0	0	3,697	180,565	36,717	180,559
Balance at End of Period	0	0	9,589	170,092	390,021	144,924
Interest and Commission Income	0	0	0	392	25,616	451

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Past						
Loans and Other Receivables						
Balance at Beginning of Period	0	0	4,501	169,894	17,018	90,789
Balance at End of Period	0	0	3,697	180,565	36,717	180,559
Interest and Commission Income	0	0	0	345	1,185	475

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Balance at Beginning of Period	0	0	0	0	3,343,663	4,990,937
Balance at End of Period	0	0	0	0	3,853,762	3,343,663
Deposit Interest Expense	0	0	0	0	26,488	89,994

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Funds Borrowed						
Balance at Beginning of Period	0	0	0	0	5,070,666	8,695,691
Balance at End of Period	0	0	0	0	7,529,087	5,070,666
Interest Expense	0	0	0	0	30,033	114,266

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Derivative Financial Instruments at Fair Value through Profit or Loss						
Balance at Beginning of Period	0	0	86,398	83,527	5,403,121	9,480,708
Balance at End of Period	0	0	0	86,398	5,029,832	5,403,121
Total Profit/Loss	0	0	0	27	(18,435)	(27,214)

Information on Outsourced Operations

Name of Outsourcing Company	Definition of Outsourcing Service
MUFG Bank Ltd.	Third level infrastructure support service
Intertech Bilgi İşlem ve Pazarlama Tic. A.Ş.	Core banking system maintenance and support services
Fineksus Bilişim Çözümleri Ticaret Anonim Şirketi	Purchase of Paygate suite systems (Inspector, search, maestro) maintenance and support services
KDDI Europe Limited	Information systems maintenance and support services
Teknotel Telekomünikasyon Data Center and Hosting Services (KDDI sub contractor)	Data center and hosting services
Aktive Bilgisayar Hizmetleri ve Ticaret Limited Şirketi	Procurement of the fixed income implementation module to our core banking system
Fıgo Ticari Bilgi ve Uygulama Platformu A.Ş.	Payable Finance Platform
Reisswolf Döküman Yönetimi Hizmeti A.Ş.	Physical Archiving Service
Maro Uluslararası Bilgi Teknolojileri Danışmanlık Geliştirme Destek Hizmetleri San. Tic. A.Ş.	Electronic Letter of Guarantee maintenance and support service

Board of Directors Summary Report

Welcome to our Bank's Ordinary General Meeting of 2020. We would like to sincerely thank our stakeholders and guests who join our meeting where the reports of both the Board of Directors and Auditors, and the statements of profit for the fiscal year 2020 will be submitted for your review and consent.

Before reporting our financial results, we would like to review the market in 2020.

Nationwide lockdowns impacted the economy from March 2020. The government introduced a set of measures including a policy rate cut to inject much-needed liquidity into markets and improving the cash flow of firms to mitigate the effects of the pandemic. However, Turkey's risk premium remained volatile and high due to global uncertainties as well as country-specific factors. The widening current account deficit drove up the need for external finance, which caused exchange rates to be highly volatile. In addition, inflation followed a higher than envisaged path as a result of fast economic recovery with credit extension and financial market developments.

The recent shift to more orthodox policy settings has helped to restore confidence in the lira and Turkish assets. The appointment of a new Governor at the Central Bank, Naci Agbal has had a positive impact. Monetary policy has both simplified and tightened significantly. Inflation accelerated more sharply than expected to 14.6% in December. However, we have been encouraged by comments from the Governor emphasizing that they stand ready to tighten policy further, and committing to keep higher rates in place until a permanent fall in inflation is achieved.

As a result, Turkey's economy grew at a rate of 1.80% in 2020 thanks to strong growth in the third quarter, IMF said in the most recent March 2021 update. The economy is expected to see continued positive growth in 2021 with the roll-out of vaccines, and the recovery of trading partner growth, as well as reflecting positive growth carryover from 2020.

Despite the many difficulties faced by Turkey's economy, thanks to timely and appropriate measures taken by the Central Bank and the Banking Regulation and Supervision Agency, the Turkish banking industry remained resilient and sound.

Even in this highly volatile global and domestic environment, MUFG Bank Turkey recorded strong results in 2020.

At year-end 2020, MUFG Bank Turkey reported total assets of TRY 13,805 million.

Net loans, the major component of our Bank's assets, totaled TRY 8,801 million at year's end. A breakdown of our loan portfolio shows that 20% of loans are denominated in TRY and 80% are in foreign currencies. Receivables from banks, the other key item of the Bank's assets, amounted to TRY 1,644 million. This excludes receivables from the Central Bank.

On the liabilities side, MUFG Bank Turkey's borrowings totaled TRY 7,531 million in 2020. Demand and time deposits from non-Bank clients amounted to TRY 1,183 million. At year-end 2020, the Bank reported total shareholders' equity of TRY 1,164 million, up TRY 136 million. Equity calculated for the capital adequacy ratio was TRY 1,214 million while the capital adequacy ratio was 18.10% for the year.

MUFG Bank Turkey reported net interest income of TRY 233 million in 2020. Profit before taxes from continuing operations amounted to TRY 175 million. The Bank's net income after tax and provisions was TRY 136 million for the fiscal year. In 2020, our return on average equity was realized as 12.4%.

We will continuously strengthen our organization, expand our product and service coverage, and diversify our funding capabilities to better serve our clients and achieve further sustainable growth.

Respectfully yours,

BOARD OF DIRECTORS





Internal Systems



Assessment of Functioning of Internal Systems by Audit Committee

Our internal systems departments fall under the responsibility of the Bank's Board of Directors, and are composed of Internal Audit, Compliance and Internal Control with Risk Management departments. These departments constituting internal systems act in coordination and independently from the units with executive activities. The Bank's Audit Committee is authorized and responsible for supervising the effectiveness and eligibility of the Bank's internal systems on behalf of the Board of Directors; seeking the operation of these systems and the accounting and reporting systems in accordance with the Banking Law and related regulations and the integrity of the information produced; conducting the required preliminary assessments for the selection of independent audit organizations and grading, appraisal and outsourcing services organizations by the Board of Directors; regularly monitoring the activities of these contracted organizations; continuing and ensuring the coordination of internal audit activities.

The Audit Committee Chairman is also responsible for internal systems monitors internal systems departments' activities on a daily basis. The Audit Committee receives quarterly based reports from the departments constituting Internal Systems Departments in order to evaluate the adequacy of the methods for the identification, control and monitoring of risks that the Bank is exposed to, and to report its findings to the Board of Directors in compliance with its legal responsibilities related to informing Board of Directors regarding activities of the Committee. Furthermore, the Audit Committee submits its opinions and recommendations on significant matters to the Board of Directors.

Internal Audit Department

The purpose of the Internal Audit department is to provide assurance that the activities of the Bank are conducted in accordance with the Law and other applicable legislation and with the internal strategies, policies, principles and targets of the Bank. It also serves to ensure that the internal control and risk management systems are effective and adequate.

The Internal Audit Department is responsible for ensuring that internal audit activities are in line with applicable laws, rules and regulations and the Bank's strategies, policies, principles and targets. The Internal Audit Department oversees the efficiency and adequacy of internal control and risk management systems and audits the Bank operations with its risks.

The audit reports that are a result of the audits performed in the departments in line with the risk focused annual audit plan, were submitted to the relevant divisions, top management and Audit Committee to ensure that necessary actions were taken.

Within the scope of internal audit activities in 2020, business processes were prioritized as a result of the risk assessment conducted, and process audits and information systems audits were carried out.

Internal Audit Department have also completed the audits that are required to be carried out every year in accordance with the legislation which are ICAAP Validation, ICAAP Evaluation and Management Declaration that covers 7 Banking Processes and 14 COBIT Control Objectives in the scope as well as risk-based process audits.

In addition to the planned audit engagements, in 2020 the Internal Audit Department also participated in various projects and provided a range of consultancy services requested by the Bank's executive management, when deemed necessary.

Compliance and Internal Control Department

The Compliance and Internal Control Department aims to establish an effective internal control system, fulfilling the internal control applications, establishing a strong internal control culture and conforming to legal regulations and the general practices of MUFG to remove any inconsistencies. For this purpose, preventive control points are defined to identify and prevent discrepancies related to legal and internal regulations; system and function faults, human error or malicious conduct and related material damages or legal sanctions that the Bank might face. Efforts are also spent identifying missteps that may have occurred within the scope of controls, and preventing the damages that may occur.

At MUFG Bank Turkey, Compliance and Internal Control activities are accepted as a business culture practiced throughout the Bank, beyond just being a function that is under the responsibility of the Internal Control Department. The main goals of the Internal Control activities are to protect the Bank's assets, ensure that all operations are carried out in compliance with the banking laws and regulations and bylaws, and to ensure the accuracy and safety of all accounts and records. Therefore, control activities at different levels have been added to all regulations and application procedures issued by the Bank, and the above mentioned control culture has been adapted as a part of the daily activities of all employees.

Compliance and Internal Control Department carries out Internal Control activities independent from other departments as a second line of defense function, and it also functions as a supervisor to design and ensure the sound operation of such first line of defense control activities within departments.

The Compliance and Internal Control Department executes periodic controls that are required for business processes in accordance with the objectives specified above. It also identifies the control defects with an integral approach towards critical activities of the Bank's departments, identifying the control defects

as soon as possible, ensuring the necessary actions are executed. The mentioned control activities may be second level controls that are implemented by the Compliance and Internal Control Department directly in certain circumstances, and they may also include the control of the effectiveness of internal first level controls of a department under certain circumstances.

With regard to the preventive control function of the Compliance and Internal Control Department, the Compliance and Internal Control Department's opinion is taken and managed, to ensure compliance with legal and internal regulations both before new products and services are applied, and for all actions and decisions which are considered to have the potential of creating a material or legal risk, including all procurements, customer acquisitions and payments to third parties. As the continuity of these activities is inspected during internal control activities, it is also secured by the internal regulations approved by the Bank's Board of Directors.

As a result of Internal Control activities, detection and follow-up reports created are primarily submitted to the Audit Committee and are periodically shared with the Bank's executive Management. In line with the changes and requirements in the Regulation on Information Systems and Electronic Banking Services of Banks, starting from 2021, Internal Control activities on information systems will be carried out as a secondary level in the Bank.

In addition, different systematic infrastructures have been created at the Bank to prevent Anti-Money Laundering and the Financing of Terrorism, and to maintain compliance with the generally accepted international rules and principles such as Sanctions. In order to ensure the inspection of all account openings in accordance with legal regulations and the principles of the Bank, (in addition to the review of Compliance Department where needed and risk based approach), payments made at the Bank are held subject to electronic filters, and the transactions retained at the filters are inspected by both the Operations and

Assessment of Functioning of Internal Systems by Audit Committee

Compliance Departments before they are finalized. As an effective post-control method and in accordance with the regulations of the Financial Crimes Investigation Board, the transactions made at the bank are held subject to comparative analyses with suspected transaction typologies by means of special computer software, and the results are systematically reported to the Compliance and Internal Control Department to ensure the implementation of additional control activities.

In addition, internet banking services are also given by MUFG Bank Turkey, there are system applications providing early warning mechanisms in Internet Banking. Moreover, necessary coordination activities are being conducted by AML Officers to make sure that all the requests by MASAK have been fulfilled on a timely basis.

Compliance and Internal Control activities and related trainings are an important topic at MUFG Bank Turkey and Groupwide. The Compliance and Internal Control department carries out training and awareness activities on several topics, especially related to MASAK rules and international sanctions, to support training conducted at Group level. Training and training results are being reported to MASAK and executive Management in the Bank.

The Bank considers that effective control of the complicated banking systems and transactions is only possible with effective internal control personnel. Therefore, Compliance and Internal Control employees are both held subject to hands-on training in the department, and the international training means of the MUFG family are utilized and the required training and information activities to increase the knowledge and skills of the employees are organized.

Risk Management Department

The Risk Management Department aims to measure, monitor and manage the risks the bank may be exposed to with reference to methodologies complying with international standards and local regulations.

Credit risk, operational risk, market risk, liquidity risk and business continuity management are executed in Risk Management Department.

Risk Management policies consist of Risk Appetite, Credit Risk, Market Risk, Liquidity Risk and Operational Risk, as well as Business Continuity Management, Product Service Risk Management and Reputational Risk policies. The functions and authorities of the departments and committees included in the risk and control processes are stated in the risk policies.

The design and application of the risk management system, preparation of the risk management policies and procedures, their revision at least once a year, capital adequacy calculations and reporting, submission of the risk measurement and risk monitoring results to the Board of Directors, Audit Committee and senior management through regular reporting; ensuring the retention of quantifiable risks within the determined limits and monitoring the use of these limits; execution of stress test activities and internal capital adequacy assessment process are carried out by the Risk Management Department.

Within the scope of the business continuity plans, the employees are informed via necessary trainings on business continuity management, crisis management and disaster recovery in order to increase awareness. The Risk Management Department owns the organization of business continuity and crisis management tests and drills on the dates determined in the annual business continuity plan.

a) Credit Risk

The Bank monitors and manages credit risks after lending, until the loan is completely reimbursed, cancelled or deleted. According to related regulation, bank assigns credit worthiness to credit customers and uses credit rating system. Besides, legal lending limits and industry and customer-based concentrations are closely monitored.

b) Market Risk

Considering the limits defined in the Market Risk policy, risk measurements, daily limit checks are realized and market risk reports are prepared and reported to legal bodies. Stress tests and scenario analysis is regularly made in accordance with the regulations. The values and indicators related with market risk are shared with Asset and Liability Committee.

c) Operational Risk

With regard to operational risk management, the Bank's operational risks are identified, measured, assessed and risk mitigation actions are taken. In this regard, operational risk losses and key risk indicators are monitored. The Bank's operational risks are assessed on a semi-annually basis by the Risk Management Department. The results of Control and Self-Assessment study performed once a year throughout the Bank is shared with senior management. The activities regarding operational risk areas are shared with Risk Committee on a monthly basis and Board of Directors via Audit Committee on quarterly basis.

d) Liquidity Risk

The liquidity risk is managed in order to ensure the Bank is taking the required measures in a timely and correct manner against the liquidity tightness which may arise from the balance sheet structure and the market conditions (within the framework of the risk management policies approved by the Board of Directors). The liquidity risk is monitored in a corporate framework taking into account the risk levels mentioned in the risk policy and the stress scenarios related with the Bank's cash flows. The reports related with liquidity risk are shared with senior management and the Risk Committee.

e) Business Continuity Management

The Bank's business continuity management policy aims to minimize the risks which may endanger the continuity of the Bank's activities, ensuring critical products and services function within acceptable time periods in the cases of potential disruption. The required periodic tests and drills regarding business continuity management are performed and employees are trained periodically. The business continuity plan is regularly reviewed. Practices related with business continuity and crisis management are assessed in Risk Committee on monthly basis. Business Continuity and Crisis Management Committee chaired by General Manager is convened when needed to assess a crisis/disaster.



MUFG BANK TURKEY ANONİM ŐİRKETİ
2020 Fiscal Period
Affiliate Report
March 2021



1. INTRODUCTION

1.1. Reference

This Affiliate Report (hereinafter shall be referred as the “Report”) has been prepared in line with the liabilities of the board of directors of the controlled companies in accordance with the article 199/1 and 3 of TCC titled as “Reports of controlled and controlling company”. The referred article reads as follows;

“(1) The BoD of the dependent company shall prepare a report regarding the company’s relations with controlling and dependent companies within the first quarter of the activity year. All legal transactions which the company conducted in the previous activity year with the controlling company, with a company dependent on the controlling company, through the direction of the controlling company that serves to its advantage or the advantage of its dependent company and all other measures taken or refrained from being taken to the advantage of the controlling company or of its dependent company in the previous activity year shall be explained in the report. In legal proceedings, the performances and counter performances and the measures used to assess them shall be specified, as well as their advantages and disadvantages to the company. Where there is a provision for compensation for disadvantages, the way the compensation was obtained within the activity year or the advantages gained by the company which provided a right to claim shall also be declared.

....

(3) At the end of the BoD report it shall be explained whether the company, in the circumstances and conditions known to the board at the time at which the company conducted the legal proceeding or took or refrained from taking the measure, obtained appropriate counter performance in relation to each legal proceeding and whether the company incurred any loss due to taking or refraining from taking the measure. If the company incurred loss, the BoD shall specify whether the loss has been compensated for. This explanation shall be only made in the annual report.”

1.2. Principles of the Report

This Report has been prepared in line with the true and fair view accounting principle.

1.3. Period of the Report

This report includes the transactions which carried out by MUFG BANK TURKEY ANONİM ŞİRKETİ (“Company”) with the controlling company and the other controlled companies of the controlling company in 2020 fiscal period.

1.4. Subject Transactions of the Report

The legal transactions of our Company with the group companies realized in 2020 fiscal year is given below and are subject to detailed explanation with the aim to inform within the content of this Report.

Company	Transaction Detail	Amount (FCY)
MUFG Bank, Ltd., Canada Branch	Payment for travel expense	4,869.00 CAD
MUFG Bank, Ltd., London Branch	Payment fee for Workday application	7,353.31 USD
MUFG Bank, Ltd., London Branch	Payment for background research of employees	2,236.00 GBP
MUFG Bank, Ltd., London Branch	Payment for the annual maintenance service which is utilised for IT systems.	83,935.73 GBP
MUFG Bank, Ltd., London Branch	Payment for Mail-gateway Migration support	31,512.06 GBP
MUFG Bank, Ltd., London Branch	Pledge fee due to pledged deposit agreement	704,927.42 EUR
MUFG Bank, Ltd., London Branch	Pledge fee due to pledged deposit agreement	3,409,875.01 USD
MUFG Bank, Ltd., London Branch	Payment for commission of securities lending transaction	10,970,630.00 JPY
MUFG Bank, Ltd., New York Branch	Payment fee web site using to check sanctioned matters for vessel and transportation.	1,303.30 USD
MUFG BANK, Ltd	Payment for maintenance fee of Open Portal system.	2,844.00 JPY
MUFG BANK, Ltd	Payment for maintenance fee of GCI	17,220.00 JPY
MUFG BANK, Ltd	Payment fee Factiva, World Check and FCC service fees	216,811.00 JPY
MUFG BANK, Ltd	Payment fee for global credit application and rating system	2,818,380.00 JPY

2. GENERAL INFORMATION REGARDING THE COMPANY

2.1. MUFG Bank Turkey Anonim Şirketi

Our Company is registered to the İstanbul Trade Registry with the trade registry number of 855649 and located at the address of Fatih Sultan Mehmet Mahallesi, Poligon Caddesi, Buyaka 2 Sitesi No: 8B, K. 20-21 34771 Tepeüstü, Ümraniye, İstanbul with the activity and scope of engaging in all kinds of banking activities and performing all activities set forth in the relevant articles of Banking Law and other activities as permitted by relevant legislation and Articles of Association of the Company, to be carried out and performed by banks. The Company is registered to the Alemdağ Tax Office with the tax number of 140 036 1237.

The contact details of the Company are given as follows:

Type	Number
Telephone	0216 600 3000
Fax	0216 290 6473

The Company has been established as a Joint Stock Company and operating as a bank in line with the operational license permission of Banking Regulation and Supervision Board announced at Official Gazette dated 24.09.2013 and numbered 28755. The Company is not subject to any public offer.

Web site of the Company is <http://www.tu.bk.mufg.jp/index-tr.html>.

2.2. Capital and Organization Structure of the Company

The capital of the Company amounting to TL 527,700,000.00 has been fully paid in cash prior to its' establishment in line with article 7/f of Banking Law numbered as 5411 and the title of the shareholders, share group, number of shares, share amount, and the ratios have been listed as follows.

Title of the Shareholder	Share Number	Share Amount (TL)
MUFG Bank Ltd.	527,699,996	527,699,996.00
Atsushi Yoshida	1	1.00
Kozo Taniwaki	1	1.00
Tatsuhiko Yanagisawa/Naoya Ihara*	1	1.00
Shintaro Kamiya	1	1.00
TOPLAM	527,700,000	527,700,000.00

*Mr. Tatsuhiko Yanagisawa has transferred his share to Mr. Naoya Ihara on the date of 23.09.2020.

3. CONTROLLING AND CONTROLLED COMPANIES

3.1. Information regarding the Controlling and Controlled Companies

The information of the controlling company and the controlled companies of the controlling company which the Company has engaged a legal transaction in 2020 fiscal period is summarized as below.

Title	Tax ID Number	Address	Status in the Group Companies
MUFG Bank, Ltd.	8430357946	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388 Japan	Parent Company
MUFG Bank, Ltd., London	2689255625962	Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9AN, United Kingdom	Branch of Parent Company
MUFG Bank, Ltd., Canada - Branch	-	200 Bay Street, South Tower, 18 th floor, Toronto, ON M5J 2J1, Canada	Branch of Parent Company
MUFG Bank, Ltd., New York Branch	-	New Jersey 07311 07311 500 Plaza 3 (5 th Floor) Jersey City, US	Branch of Parent Company
Mitsubishi UFJ Financial Group, INC	-	-	Ultimate Parent Company

4. LEGAL TRANSACTIONS REALIZED WITH THE GROUP COMPANIES

The details of the transactions with the group companies are provided in section 1.4. Apart from the fee payments related with pledged deposit agreement, major transactions with MUFG Bank Ltd., Head Office are related with the license and service fees paid to Tokyo for the systems and applications with an amount of JPY 3,055,255.

5. PREVENTIONS

With respect to the above stated transactions of our Company with the controlling company and the controlled companies of the controlling company, there is no provided or avoided prevention which may result against our Company.

All legal transactions had been subjected to same procedure, principals and conditions as conducting with other parties outside the group companies by considering Transfer Pricing rules and intercompany SLA. No prevention had been taken as the result of a loss as per the interest or enterprise of the parent and affiliate companies.

6. BOARD OF DIRECTORS DECLARATION

All suitable counter acts has been provided for each legal transaction in line with the known circumstances and conditions on the dates of the realization of the legal transactions mentioned in this report. There is no provided or avoided prevention and within this framework our Company has no losses.

As a consequence of the evaluation, made in line with the article 199 of TCC, of the transactions of our company with the controlling company and the controlled companies of the controlling company; it is understood that all the transactions realized has been made in line with the market conditions and precedents/market values applicable at the date of the transaction as it is made with the third parties.

MUFG BANK TURKEY A.Ş. BOARD OF DIRECTORS

Ali Vefa Çelik*
Chairman

Hidefumi Yamamura
Vice Chairman

Çetin Özbek*
Board Member / Chairman
of the Audit Committee

Nicola Louise Wickes
Board Member/ Audit
Committee Member

Masatoshi Ban
Board Member/
General Manager

Aysun Mercan*
Board Member

Masashi Kikuta
Board Member

* İşbu Bağıllık Raporu Türkçe olarak da sunulmuş olup, raporu anladım ve hiçbir itirazım olmadan tümüyle mutabık kaldım.

MUFG BANK TURKEY A.Ş

**PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES AT**

31 DECEMBER 2020 WITH INDEPENDENT AUDITOR'S REPORT

(Convenience translation of publicly announced unconsolidated financial statements, related disclosures and independent auditor's report originally issued in Turkish, See Note. I.III of Section three)





**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH
(See Note I of Section Three)
INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of MUFG Bank Turkey A.Ş.;

A. Audit of the Unconsolidated Financial Statements

1. Opinion

We have audited the unconsolidated balance sheet of MUFG Bank Turkey A.Ş. ("the Bank") at 31 December 2020 and the related unconsolidated statement of profit or loss, unconsolidated statement of equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements and a summary of significant accounting policies and unconsolidated financial statements notes.

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

2. Basis for Opinion

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

3. Key Audit Matters

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

*PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
BJK Plaza, Süleyman Şeba Caddesi No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul-Turkey
T: +90 212 326 6060, F: +90 212 326 6050, www.pwc.com.tr Mersis Numaramız: 0-1460-0224-0500015*



Key Audit Matters	How Our Audit Addressed the Key Audit Matter
<p data-bbox="276 577 791 633"><i>Expected Credit Loss in Accordance with TFRS 9</i></p> <p data-bbox="276 663 842 965">The Bank has total expected credit losses of TL 53,471 thousand in respect to loans of TL 8,854,485 thousand which represent a significant portion of the Bank's total assets in its unconsolidated financial statements as at 31 December 2020. Explanations and notes related to provision for impairment of loans are presented Section Three Part VIII, Section Four Part II, Section Four Part XI-2, Section Five Part I-5 and Section Five Part II-7 in the accompanying unconsolidated financial statements as at 31 December 2020.</p> <p data-bbox="276 987 842 1536">The Bank recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements and the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Bank exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. As of 31 December 2020, the impacts of COVID-19 global pandemic have increased the importance of the estimations and assumptions used by the Bank management in determination of the expected credit loan loss provision. The uncertainties arising from these impacts have been evaluated by the management in their judgements and estimations.</p> <p data-bbox="276 1559 842 1912">Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment; the significance of the loan balances; the classification of loans as per their credit risk (staging) in accordance with applicable regulation and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p data-bbox="871 663 1445 853">With respect to stage classification of loans and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Bank including COVID-19 effects within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p data-bbox="871 887 1445 1290">Within the framework of the policies and procedures applied by the Bank, together with our financial risk experts, we have checked and assessed the appropriateness of the methods used in the model developed for staging of loans and calculation of expected credit losses in accordance with TFRS 9. For forward looking assumptions (including macroeconomic factors) made by the Bank's management in its expected credit loss calculation, we held discussions with management and evaluated the assumptions using publicly available information that includes the impacts of COVID-19. We have tested model calculations through re-performance together with our modelling specialists on a sample selection basis.</p> <p data-bbox="871 1323 1445 1514">We have carried loan review on a selected sample of loans with the objective to identify whether the classification of loans is performed appropriately in accordance with the applicable regulation, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the TFRS 9 framework.</p> <p data-bbox="871 1547 1445 1648">We have reviewed the appropriateness and sufficiency of disclosures made in the financial statements of the Bank with respect to loan and related impairment provision.</p>



4. Other Matter

The unconsolidated financial statements of the Bank as of 31 December 2019 and for the year then ended were audited by another auditor whose audit report dated 4 March 2020 expressed an unqualified opinion on those unconsolidated financial statements.

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

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

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

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

6. Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with "Regulation on Independent Audit of Banks" published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.



As part of an independent audit conducted in accordance with “Regulation on Independent Audit of Banks” published by the BRSA on the Official Gazette No.29314 dated 2 April 2015 and SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe 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.



B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Bank’s bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Bank’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep Uras, SMMM
Partner

Istanbul, 8 March 2021

**UNCONSOLIDATED FINANCIAL REPORT OF MUFG BANK TURKEY A.Ş.
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2020**

Address : FSM Mahallesi Poligon Caddesi, Buyaka 2
Sitesi, No 8B, Kat 20-21 34771 Tepeüstü
Ümraniye/İstanbul
Telephone : (0216) 600 30 00
Fax : (0216) 290 64 73
Web Site : www.tu.bk.mufg.jp
Contact E-Mail : mufg.turkey.iletisim@tu.mufg.jp

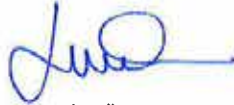
The unconsolidated year-end financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

1. GENERAL INFORMATION ABOUT THE BANK
2. UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
3. EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
4. INFORMATION ON FINANCIAL STRUCTURE OF THE BANK AND RISK MANAGEMENT
5. EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
6. OTHER EXPLANATIONS
7. INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures unless otherwise indicated, are prepared in **thousands of Turkish Lira**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.



ALİ VEFA ÇELİK
Chairman of the Board of
Directors



ÇETİN ÖZBEK
Chairman of the Audit
Committee



NİCOLA LOUISE WICKES
Member of the Audit
Committee



MASATOSHİ BAN
General Manager



ATSUSHİ YOSHİDA
Director



ÖNDER GÖKALP
Director

Information related to personnel to whom questions related to this financial report may be directed.

Name-Surname/Title : Melizan ÜZÜLMEZ / Vice President
Telephone Number : (0216) 600 30 84
Fax Number : (0216) 290 64 73

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MUFG BANK TURKEY A.Ş.

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Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020

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

SECTION ONE

GENERAL INFORMATION

I. Bank's foundation date, start-up status, history regarding the changes in this status

MUFG Bank Turkey A.Ş. ("Bank") began its activities in Turkey through a representative office of MUFG Bank, Ltd. opened in 1986. Banking Regulation and Supervisory Agency (BRSA) authorized the Bank to establish a deposit bank in Turkey with the decision numbered 5108 dated 20 December 2012. In accordance with the operation license granted by the BRSA as per the decision numbered 5520 dated 19 September 2013 and published on the Official Gazette no 28775 dated 24 September 2013, the Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. commenced its operations within the group of foreign banks established in Turkey as of 28 November 2013. According to the decision of Board of Directors dated 16 November 2017, the procedures had been decided to start to change the name of the Bank from Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. to MUFG Bank Turkey A.Ş. and name of bank changed with MUFG Bank Turkey A.Ş. at 2 April 2018.

II. Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the Group that the Bank belongs to

Established by the merger of Tokyo-Mitsubishi Ltd and UFJ Ltd on 1 January 2006, the Bank of Tokyo-Mitsubishi UFJ Ltd., which have 100 years of experience both in Japan and international financial markets, have the resources to meet the needs of growing customer base quickly and effectively. On 1 April 2018, the name of MUFG's commercial bank changed from "The Bank of Tokyo-Mitsubishi UFJ, Ltd." to "MUFG Bank, Ltd." (MUFG Bank).

MUFG Bank has a branch network exceeding 750 branches in Japan. MUFG Bank has branches over the world's 79 leading financial and commercial centers. MUFG Bank offers an option of comprehensive financial products and services to institutions, governments and individual customers. It provides a wide range of products and services on commercial banking, investment banking and investment advisory area through overseas branches and subsidiaries. BTMU integrated as a unit to respond to all the financial needs of its customers comprehensively and flexible and is the main branch of Mitsubishi UFJ Financial Group Inc. (MUFG) in the field of commercial banking.

III. Explanations regarding the shares of the bank owned by and areas of responsibility of the Chairman and the members of Board of Directors, Audit Committee members, Chief Executive Officer, Deputy General Managers

Responsibility Area	Name and Surname	Responsibility Area	Appointment Date	Education	Experience
Chairman of Board of Directors	Ali Vefa Çelik	Chairman of Board of Directors Member of Board of Directors Head of the Corporate Governance Committee Head of Remuneration Committee	16.02.2016 26.06.2013 16.02.2016 16.02.2016	Graduate	42 Years
Vice Chairman of Board of Directors	Hidefumi Yamamura	Vice Chairman of Board of Directors Member of Remuneration Committee	16.10.2018 19.12.2018	Under-graduate	28 Years
Member of Board of Directors / General Manager	Masatoshi Ban	Member of Board of Directors General Manager Member of Corporate Management Committee	10.05.2019 10.05.2019 22.05.2019	Under-graduate	27 Years
Member of Board of Directors	Çetin Özбек	Member of Board of Directors Head of Audit Committee	29.12.2015 16.02.2016	Under-graduate	33 Years
Member of Board of Directors	Aysun Mercan	Member of Board of Directors	29.12.2015	Graduate	38 Years
Member of Board of Directors	Masashi Kikuta	Member of Board of Directors	28.03.2019	Under-graduate	27 Years
Member of Board of Directors	Nicola Louise Wickes	Member of Board of Directors Member of Audit Committee	03.07.2019 03.07.2019	Graduate	33 Years
Assistant General Manager	Hülya Eroğlu	Deputy General Manager in charge of Operation, Information Technologies, Human Resources and Support Services	19.07.2018	Under-graduate	29 Years
Assistant General Manager	Kozo Taniwaki	Deputy General Manager in charge of Treasury, Corporate Banking 1 and Transaction Banking	19.08.2019	Under-graduate	23 Years

The individuals above do not have any significant shares in the Bank.

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020

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

GENERAL INFORMATION (Continued)

IV. Individuals and institutions that have qualified shares in the Bank

Name Surname/ Commercial Title	Share Amount (Nominal)	Ownership Ratios	Paid in Capital (Nominal)	Unpaid Portion
MUFG Bank Ltd.	527,700	%100	527,700	-

V. Summary information on the Bank's services and activity areas

The Bank is organized in corporate banking with the permission to do all the activities as set out in the Article 4 of the Banking Act. The Bank's General Directorate is located in Istanbul, Turkey. As of 31 December 2020, the Bank serves with 82 employees (31 December 2019: 78).

VI. Other information

The financial statements, related disclosures and notes in this report are prepared, unless otherwise indicated, in thousands of Turkish Lira (TL).

VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries

None.

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

ASSETS	Notes	Current Period 31 December 2020			Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		763,577	4,094,486	4,858,063	454,896	3,221,929	3,676,825
1.1 Cash and cash equivalents		742,717	4,076,598	4,819,315	452,013	3,209,957	3,661,970
1.1.1 Cash and balances Central Bank	(5.1.1)	11,939	3,164,050	3,175,989	68,186	2,435,507	2,503,693
1.1.2 Banks	(5.1.3)	731,428	912,548	1,643,976	384,321	774,450	1,158,771
1.1.3 Receivables from Money Markets		-	-	-	-	-	-
1.1.4 Expected credit losses (-)	(5.1.5)	650	-	650	494	-	494
1.2 Financial assets at fair value through profit or loss		-	-	-	-	-	-
1.2.1 Public debt securities		-	-	-	-	-	-
1.2.2 Equity instruments		-	-	-	-	-	-
1.2.3 Other financial assets		-	-	-	-	-	-
1.3 Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
1.3.1 Public debt securities		-	-	-	-	-	-
1.3.2 Equity instruments		-	-	-	-	-	-
1.3.3 Other financial assets		-	-	-	-	-	-
1.4 Derivative financial assets	(5.1.2)	20,860	17,888	38,748	2,883	11,972	14,855
1.4.1 Derivative financial assets at fair value through profit or loss		20,860	17,888	38,748	2,883	11,972	14,855
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST		1,803,829	6,997,185	8,801,014	750,082	6,317,305	7,067,387
2.1 Loans	(5.1.6)	1,857,300	6,997,185	8,854,485	789,501	6,317,305	7,106,806
2.2 Receivables from leasing transactions		-	-	-	-	-	-
2.3 Factoring receivables		-	-	-	-	-	-
2.4 Other financial assets measured at amortized cost		-	-	-	-	-	-
2.4.1 Public debt securities		-	-	-	-	-	-
2.4.2 Other financial assets		-	-	-	-	-	-
2.5 Expected credit losses (-)	(5.1.6)	53,471	-	53,471	39,419	-	39,419
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
3.1 Held for sale		-	-	-	-	-	-
3.2 Held from discontinued operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
4.1 Investments in associates (Net)		-	-	-	-	-	-
4.1.1 Associates accounted by using equity method		-	-	-	-	-	-
4.1.2 Non-consolidated associates		-	-	-	-	-	-
4.2 Investments in subsidiaries (Net)		-	-	-	-	-	-
4.2.1 Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		-	-	-	-	-	-
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)		-	-	-	-	-	-
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		6,671	-	6,671	6,879	-	6,879
VI. INTANGIBLE ASSETS AND GOODWILL (Net)		6,438	-	6,438	7,083	-	7,083
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		6,438	-	6,438	7,083	-	7,083
VII. INVESTMENT PROPERTIES (Net)		-	-	-	-	-	-
VIII. CURRENT TAX ASSETS		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS		12,656	-	12,656	16,070	-	16,070
X. OTHER ASSETS	(5.1.16)	29,024	91,310	120,334	36,788	66,762	103,550
TOTAL ASSETS		2,622,195	11,182,981	13,805,176	1,271,798	9,605,996	10,877,794

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

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Current Period 31 December 2020			Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(5.2.1)	331,814	4,705,563	5,037,377	545,720	3,862,291	4,408,011
II. BORROWINGS	(5.2.3)	708,084	6,822,787	7,530,871	57,993	5,295,814	5,353,807
III. MONEY MARKET FUNDS		-	-	-	-	-	-
IV. MARKETABLE SECURITIES (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(5.2.2)	3,776	18,062	21,838	4,509	28,489	32,998
7.1 Derivative financial liabilities at fair value through profit or loss		3,776	18,062	21,838	4,509	28,489	32,998
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (NET)	(5.2.6)	3,820	-	3,820	4,651	-	4,651
X. PROVISIONS	(5.2.8)	22,006	-	22,006	15,312	-	15,312
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		17,551	-	17,551	11,795	-	11,795
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions		4,455	-	4,455	3,517	-	3,517
XI. CURRENT TAX LIABILITIES	(5.2.9)	12,626	-	12,626	16,006	-	16,006
XII. DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)		-	-	-	-	-	-
13.1 Held for sale		-	-	-	-	-	-
13.2 Related to discontinued operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES		12,393	80	12,473	18,465	34	18,499
XVI. SHAREHOLDERS' EQUITY	(5.2.10)	1,164,165	-	1,164,165	1,028,510	-	1,028,510
16.1 Paid-in capital		527,700	-	527,700	527,700	-	527,700
16.2 Capital reserves		-	-	-	-	-	-
16.2.1 Equity share premiums		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		-	-	-	-	-	-
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		(64)	-	(64)	(6)	-	(6)
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		-	-	-	-	-	-
16.5 Profit reserves		23,902	-	23,902	14,936	-	14,936
16.5.1 Legal reserves		23,902	-	23,902	14,936	-	14,936
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		-	-	-	-	-	-
16.5.4 Other profit reserves		-	-	-	-	-	-
16.6 Profit or loss		612,627	-	612,627	485,880	-	485,880
16.6.1 Prior years' profits or losses		476,914	-	476,914	306,559	-	306,559
16.6.2 Current period net profit or loss		135,713	-	135,713	179,321	-	179,321
16.7 Minority interests		-	-	-	-	-	-
TOTAL EQUITY AND LIABILITIES		2,258,684	11,546,492	13,805,176	1,691,166	9,186,628	10,877,794

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

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

**MUFG BANK TURKEY A.Ş.
UNCONSOLIDATED OFF BALANCE SHEET COMMITMENTS
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)

	Notes	Current Period 31 December 2020			Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		1,606,376	7,567,338	9,173,714	2,233,804	8,006,852	10,240,656
I. GUARANTEES AND WARRANTIES	(5.3.1)	501,606	916,408	1,418,014	332,828	575,346	908,174
1.1. Letters of guarantee		501,606	352,627	854,233	332,828	379,283	712,111
1.1.1. Guarantees subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		501,606	352,627	854,233	332,828	379,283	712,111
1.2. Bank acceptances		-	418	418	-	8,901	8,901
1.2.1. Import letter of acceptance		-	418	418	-	8,901	8,901
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	556,686	556,686	-	181,816	181,816
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		-	556,686	556,686	-	181,816	181,816
1.4. Pre-financing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Purchase guarantees for Securities issued		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	6,677	6,677	-	5,346	5,346
1.9. Other warranties		-	-	-	-	-	-
II. COMMITMENTS	(5.3.1)	132,731	156,249	288,980	379,347	1,184,190	1,563,537
2.1. Irrevocable commitments		132,731	156,249	288,980	379,347	1,184,190	1,563,537
2.1.1. Asset purchase and sales commitments		14,021	156,249	288,980	195,207	1,184,190	1,379,397
2.1.2. Deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		118,710	-	118,710	184,140	-	184,140
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve requirements		-	-	-	-	-	-
2.1.7. Commitments for checks payments		-	-	-	-	-	-
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10. Commitments for credit cards and banking services promotions		-	-	-	-	-	-
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		-	-	-	-	-	-
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		972,039	6,494,681	7,466,720	1,521,629	6,247,316	7,768,945
3.1. Derivative financial instruments held for hedging		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2. Trading transactions		972,039	6,494,681	7,466,720	1,521,629	6,247,316	7,768,945
3.2.1. Forward foreign currency purchase and sale transactions		618,491	1,592,748	2,211,239	229,480	620,304	849,784
3.2.1.1. Forward foreign currency purchase transactions		334,698	786,305	1,121,003	217,535	207,046	424,581
3.2.1.2. Forward foreign currency sale transactions		283,793	806,443	1,090,236	11,945	413,258	425,203
3.2.2. Currency and interest rate swaps		353,548	4,901,933	5,255,481	1,292,149	5,627,012	6,919,161
3.2.2.1. Currency swap purchase transactions		13,213	2,607,401	2,620,614	784,530	2,666,561	3,451,091
3.2.2.2. Currency swap sale transactions		340,335	2,294,532	2,634,867	507,619	2,960,451	3,468,070
3.2.2.3. Interest rate swap purchase transactions		-	-	-	-	-	-
3.2.2.4. Interest rate swap sale transactions		-	-	-	-	-	-
3.2.3. Currency, interest rate and securities options		-	-	-	-	-	-
3.2.3.1. Currency purchase options		-	-	-	-	-	-
3.2.3.2. Currency sale options		-	-	-	-	-	-
3.2.3.3. Interest rate purchase options		-	-	-	-	-	-
3.2.3.4. Interest rate sale options		-	-	-	-	-	-
3.2.3.5. Securities purchase options		-	-	-	-	-	-
3.2.3.6. Securities sale options		-	-	-	-	-	-
3.2.4. Currency futures		-	-	-	-	-	-
3.2.4.1. Currency purchase futures		-	-	-	-	-	-
3.2.4.2. Currency sale futures		-	-	-	-	-	-
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate purchase futures		-	-	-	-	-	-
3.2.5.2. Interest rate sale futures		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		5,295	1,189,421	1,194,716	41,667	917,247	958,914
IV. ITEMS HELD IN CUSTODY		5,295	-	5,295	41,667	-	41,667
4.1. Assets under management		-	-	-	-	-	-
4.2. Securities held in custody		-	-	-	-	-	-
4.3. Checks received for collection		5,295	-	5,295	41,667	-	41,667
4.4. Commercial notes received for collection		-	-	-	-	-	-
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Securities received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		-	-	-	-	-	-
5.1. Marketable securities		-	-	-	-	-	-
5.2. Guarantee notes		-	-	-	-	-	-
5.3. Commodity		-	-	-	-	-	-
5.4. Warrant		-	-	-	-	-	-
5.5. Immovables		-	-	-	-	-	-
5.6. Other pledged items		-	-	-	-	-	-
5.7. Depositories receiving pledged items		-	-	-	-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		-	1,189,421	1,189,421	-	917,247	917,247
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		1,611,671	8,756,759	10,368,430	2,275,471	8,924,099	11,199,570

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

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)

	Notes	Current Period 1 January 2020- 31 December 2020	Prior Period 1 January 2019- 31 December 2019	
I.	INTEREST INCOME	(5.4.1)	330,439	725,644
1.1	Interest on loans		278,331	433,423
1.2	Interest received from reserve deposits		484	27,764
1.3	Interest received from banks		46,359	257,882
1.4	Interest received from money market transactions		3,619	6,514
1.5	Interest received from marketable securities portfolio		-	-
1.5.1	Financial assets at fair value through profit or loss		-	-
1.5.2	Financial assets at fair value through other comprehensive income		-	-
1.5.3	Financial assets measured at amortised cost		-	-
1.6	Finance lease income		-	-
1.7	Other interest income		1,646	61
II.	INTEREST EXPENSES (-)	(5.4.2)	97,894	364,373
2.1	Interest on deposits		64,774	246,012
2.2	Interest on funds borrowed		30,492	116,054
2.3	Interest on money market transactions		485	1,578
2.4	Interest on securities issued		-	-
2.5	Lease interest expense		965	726
2.6	Other interest expenses		1,178	3
III.	NET INTEREST INCOME/EXPENSE (I - II)		232,545	361,271
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		(4,662)	8,572
4.1	Fees and commissions received		31,028	52,812
4.1.1	Non-cash loans		5,221	3,366
4.1.2	Other		25,807	49,446
4.2	Fees and commissions paid (-)		35,690	44,240
4.2.1	Non-cash loans		-	-
4.2.2	Other		35,690	44,240
V.	DIVIDEND INCOME		-	-
VI	TRADING PROFIT/LOSS (Net)	(5.4.4)	54,110	(31,652)
6.1	Profit/losses from capital market transactions		-	-
6.2	Profit/losses from derivative financial transactions		45,644	117,556
6.3	Foreign exchange profit/losses		8,466	(149,208)
VII.	OTHER OPERATING INCOME	(5.4.5)	507	1,741
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		282,500	339,932
IX.	EXPECTED CREDIT LOSSES (-)	(5.4.6)	15,108	25,870
X.	OTHER PROVISION EXPENSES (-)	(5.4.6)	13,299	8,829
XI.	PERSONNEL EXPENSES (-)		45,448	36,243
XII.	OTHER OPERATING EXPENSES (-)	(5.4.7)	34,044	35,745
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		174,601	233,245
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)		174,601	233,245
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.4.8)	38,888	53,924
18.1	Current tax provision		35,459	58,242
18.2	Expense effect of deferred tax (+)		3,429	-
18.3	Income effect of deferred tax (-)		-	4,318
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	(5.4.9)	135,713	179,321
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from assets held for sale		-	-
20.2	Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3	Other income from discontinued operations		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3	Other expenses from discontinued operations		-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current tax provision		-	-
23.2	Expense effect of deferred tax (+)		-	-
23.3	Income effect of deferred tax (-)		-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSSES (XIX+XXIV)	(5.4.10)	135,713	179,321
25.1	Equity holders of the Bank		-	-
25.2	Non-controlling interest (-)		-	-
	Profit/Loss per 100 shares (full TL)		-	-

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

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020

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

	Current Period 1 January 2020- 31 December 2020	Prior Period 1 January 2019- 31 December 2019
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
I. PROFIT (LOSS)	135,713	179,321
II. OTHER COMPREHENSIVE INCOME	(58)	(13)
2.1. Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	(58)	(13)
2.1.1. Gains (Losses) on Revaluation of Property, Plant and Equipment	-	-
2.1.2. Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3. Gains (losses) on remeasurements of defined benefit plans	(73)	(16)
2.1.4. Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	-	-
2.1.5. Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	15	3
2.2. Other Comprehensive Income That Will Be Reclassified Through Profit or Loss	-	-
2.2.1. Exchange Differences on Translation	-	-
2.2.2. Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	-	-
2.2.3. Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4. Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5. Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6. Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	135,655	179,308

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

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)

	Paid in Capital	Share Premiums	Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense That Will Be Reclassified in Profit or Loss			Prior Period Net Income / (Loss)	Current Period Net Income / (Loss)	Total Shareholders' Equity
					1	2	3			
Prior Period 31 December 2019										
I. Balance at the beginning of the period	527,700	-	-	-	-	7	-	314,348	-	849,202
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-
2.1. Effect of adjustment	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
III. New Balance (I-II)	527,700	-	-	-	-	7	-	314,348	-	849,202
IV. Total Comprehensive Income	-	-	-	-	-	(13)	-	-	179,321	179,308
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase through Internal Reserves	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-
X. Increase/(Decrease) through Other Changes, equity	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	7,789	(7,789)	-
II.1. Dividends distributed	-	-	-	-	-	-	-	7,789	(7,789)	-
II.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-
II.3. Other	-	-	-	-	-	-	-	-	-	-
Period End Balance	527,700	-	-	-	-	(6)	-	306,859	179,321	1,028,510
Current Period 31 December 2020										
I. Balance at the beginning of the period	527,700	-	-	-	-	(6)	-	485,880	-	1,028,510
II. Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-
2.1. Effect of adjustment	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
III. New Balance (I-II)	527,700	-	-	-	-	(6)	-	485,880	-	1,028,510
IV. Total Comprehensive Income	-	-	-	-	-	(88)	-	-	135,713	135,655
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase through Internal Reserves	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-
X. Increase/(Decrease) through Other Changes, equity	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	8,966	(8,966)	-
II.1. Dividends distributed	-	-	-	-	-	-	-	8,966	(8,966)	-
II.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-
II.3. Other	-	-	-	-	-	-	-	-	-	-
Period End Balance	527,700	-	-	-	-	(64)	-	23,902	476,914	1,164,165

1. Property & Equipment Revaluation Increase /Decrease
2. Defined Benefit Pension Plan Remeasurement Gain/Loss
3. Other (Accumulated Amount of the Shares Stated as Other Comprehensive Income Not Reclassified Through Profit or Loss and Components Not Reclassified as Other Profit or Loss of the Investments Valued by Equity Method), Translation Differences from Foreign Currency Transactions
4. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income,
5. Accumulated Amount of the Shares Stated as Other Comprehensive Income be Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)
6. Other (Cash Flow Hedges Income/Loss, Accumulated Amount of the Shares Stated as Other Comprehensive Income be Reclassified Through Profit or Loss and Components Reclassified as Other Profit or Loss of the Investments Valued by Equity Method)

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

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

**MUFG BANK TURKEY A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020**

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

	Notes	Current Period 31 December 2020	Prior Period 31 December 2019
A.			
CASH FLOWS FROM BANKING OPERATIONS			
1.1		214,785	182,187
Operating profit before changes in operating assets and liabilities			
1.1.1		376,593	761,140
1.1.2		(115,531)	(397,714)
1.1.3		-	-
1.1.4		31,028	52,812
1.1.5		507	1,741
1.1.6		-	-
1.1.7		(53,366)	(41,848)
1.1.8		(39,535)	(124,200)
1.1.9	(5.6.3)	15,089	(69,744)
1.2		380,067	(1,474,021)
Changes in operating assets and liabilities			
1.2.1		-	-
1.2.2		(623,414)	982,638
1.2.3		(1,793,473)	2,404,999
1.2.4	(5.6.3)	(17,033)	(65,851)
1.2.5		505,614	(1,659,445)
1.2.6		128,298	173,102
1.2.7		-	-
1.2.8		2,191,120	(3,341,339)
1.2.9		-	-
1.2.10	(5.6.3)	(11,045)	31,875
I.		594,852	(1,291,834)
Net cash provided from banking operations			
B.			
CASH FLOWS FROM INVESTING ACTIVITIES			
II.		(4,829)	(3,528)
Net cash provided from investing activities			
2.1		-	-
2.2		-	-
2.3		(3,425)	(1,633)
2.4		1	-
2.5		-	-
2.6		-	-
2.7		-	-
2.8		-	-
2.9		(1,405)	(1,895)
C.			
CASH FLOWS FROM FINANCING ACTIVITIES			
III.		(2,826)	(2,454)
Net cash flows from financing activities			
3.1		-	-
3.2		-	-
3.3		-	-
3.4		-	-
3.5		(2,753)	(2,454)
3.6		(73)	-
IV.	(5.6.3)	(53,893)	(17,761)
Effect of change in foreign exchange rate on cash and cash equivalents			
V.		533,304	(1,315,577)
Net increase/(decrease) in cash and cash equivalents			
VI.	(5.6.1)	1,135,237	2,450,814
Cash and cash equivalents at beginning of the period			
VII.	(5.6.1)	1,668,541	1,135,237
Cash and cash equivalents at end of the period			

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

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.
PROFIT APPROPRIATION STATEMENT
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020

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

	Notes	Current Period 31 December 2020	Prior Period 31 December 2019
I. DISTRIBUTION OF CURRENT YEAR PROFIT			
1.1 CURRENT YEAR'S PROFIT		174,601	233,245
1.2 TAXES AND LEGAL DUTIES PAYABLE		38,888	53,924
1.2.1 Corporate tax (income tax)		35,459	58,242
1.2.2 Withholding tax		-	-
1.2.3 Other taxes and duties		3,429	(4,318)
A. NET PROFIT FOR THE YEAR (1.1-1.2)		135,713	179,321
1.3 ACCUMULATED LOSSES		-	-
1.4 FIRST LEGAL RESERVES		-	8,966
1.5 OTHER STATUTORY RESERVES		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [A-(1.3+1.4+1.5)]		135,713	170,355
1.6 FIRST DIVIDEND TO SHAREHOLDERS		-	-
1.6.1 To owners of ordinary shares		-	-
1.6.2 To owners of privileged shares		-	-
1.6.3 To owners of redeemed shares		-	-
1.6.4 To profit sharing bonds		-	-
1.6.5 To holders of profit and loss sharing certificates		-	-
1.7 DIVIDENDS TO PERSONNEL		-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS		-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS		-	-
1.9.1 To owners of ordinary shares		-	-
1.9.2 To owners of privileged shares		-	-
1.9.3 To owners of redeemed shares		-	-
1.9.4 To profit sharing bonds		-	-
1.9.5 To holders of profit and loss sharing certificates		-	-
1.10 SECOND LEGAL RESERVES		-	-
1.11 STATUS RESERVES		-	-
1.12 EXTRAORDINARY RESERVES		-	-
1.13 OTHER RESERVES		-	-
1.14 SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		-	-
2.1 DISTRIBUTION OF RESERVES		-	-
2.2 SECOND LEGAL RESERVES		-	-
2.3 DIVIDENDS TO SHAREHOLDERS		-	-
2.3.1 To owners of ordinary shares		-	-
2.3.2 To owners of privileged shares		-	-
2.3.3 To owners of redeemed shares		-	-
2.3.4 To profit sharing bonds		-	-
2.3.5 To holders of profit and loss sharing certificates		-	-
2.4 DIVIDENDS TO PERSONNEL		-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS		-	-
III. EARNINGS PER SHARE		-	-
3.1 TO OWNERS OF ORDINARY SHARES (Earning per 100 shares)		-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
3.3 TO OWNERS OF PRIVILEGED SHARES		-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1 TO OWNERS OF ORDINARY SHARES		-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3 TO OWNERS OF PRIVILEGED SHARES		-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		-	-

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

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

**MUFG BANK TURKEY A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020**

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Explanations on the basis of presentation

1. Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and the Communiqué on Principles and Procedures on the Accounting Practice and Documentation of Banks

The Bank prepares its financial statements in accordance within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to reporting principles on accounting records of Banks published by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standard 34 “Interim Financial Reporting” put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) for those matters not regulated by the aforementioned regulations. The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The financial statements are prepared in Turkish Lira (TL) based on the historical cost convention, except for the financial assets and liabilities carried at fair value.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being audited regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The Bank had taken the permission to launch as a deposit accepting bank from the Banking Regulation and Supervision Agency (“BRSA”) at 20 December 2012. In order to start operations the Bank initiated the necessary procedures as of 14 February 2013. Banking operations permit was obtained at 19 September 2013 and the Bank started its operations on 28 November 2013.

The COVID-19 virus, which first appeared in China and spread rapidly worldwide in a short time, started to appear in our country in March. The COVID-19 virus, which was declared epidemic by the World Health Organization, had economic and social impacts worldwide. In order to slow down the epidemic, many measures have been taken, including in our country, to restrict travels around the world, to take quarantine measures, to increase remote work, and various arrangements, which are followed by the Bank, are made to reduce the economic effects of the epidemic. The Bank explained the effects of COVID-19, which it reflects in the financial statements dated 31 December 2020, in the following sections.

2. Accounting policies and valuation principles applied in preparation of financial statements

The accounting policies and valuation principles used in the preparation of the financial statements are selected and applied in accordance with the requirements set out in Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), the Communiqué “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette numbered 26333 on 1 November 2006, the Communiqué “Publicly Disclosed Financial Statements and the Accompanying Explanations and Footnotes by Banks” published in the Official Gazette numbered 28337 on 28 September 2012. The accounting policies and valuation principles applied in the preparation of the accompanying financial statements are explained in Notes II and XXIV below.

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

**MUFG BANK TURKEY A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

I. Explanations on the basis of presentation (Continued)

3. Explanation for convenience translation to English

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

II. Explanations on financial instruments

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

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

Initial measurement of financial instruments:

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model.

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.

Business model assessment:

As per TFRS 9, the 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.

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

**MUFG BANK TURKEY A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

II. Explanations on financial instruments (Continued)

During assessment of the business model for management of financial assets, it must be considered all relevant evidence that is available at the date of the assessment. Such relevant evidence includes below:

- How the performance of the business model and the financial assets held within that business model are reported to the Bank's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

A business model whose objective is to hold assets in order to collect contractual cash flows: A business model whose objective is to hold the assets of the Bank 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 amortised 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.

Measurement categories of financial assets and liabilities:

As of 1 January 2018, the Bank classified all its financial assets based on the business model for managing the financial assets. Accordingly, financial assets are classified in three main categories as listed below:

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

As of 31 December 2020, the Bank revised the valuation of its financial assets due to the negative effects of the COVID-19 pandemic. For the determination of the probability of default and loss given default parameter values, 5 years Turkey Credit Risk (CDS) levels were taken into account as fundamental macroeconomic factors. The average CDS level of the last one year was used retrospectively for the calculated expected credit losses as of 31 December 2020.

As of 31 December 2020, the impact of the COVID-19 pandemic on expected credit losses, in terms of the bank's customer profile and the banking products and services it provided, was indirect, and remained limited, through changes in CDS and exchange rates. The Bank will reevaluate the relevant parameter weights and the effects of the pandemic in the upcoming reporting periods within the framework of macroeconomic expectations.

Financial assets measured at fair value through profit/loss

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the statement of profit or loss. Interest income earned on trading securities 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 securities are recorded under trading account income/losses in the statement of profit or loss. In cases where such securities are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses. The Bank does not have any FVPL instruments except Derivative transactions.

Convenience translation of publicly announced unconsolidated financial statements, related disclosures originally issued in Turkish, See Note I. of Section three

MUFG BANK TURKEY A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY-31 DECEMBER 2020

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

II. Explanations on financial instruments (Continued)

Financial assets measured at fair value through other comprehensive income

In accordance with TFRS 9, if the following conditions are met, the related financial assets should be measured at fair value through other comprehensive income. The Bank does not have any FVOCI instruments as of 31 December 2020.

- Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost

If an asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, a financial asset is measured at amortized cost

Loans:

Financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors.

Loans and receivables are recognized at cost and measured at amortized cost using the effective interest method. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Section 5, Note 6.2.

Due to the disruptions in economic and commercial activities as a result of the COVID-19 pandemic, based on BRSA's decisions of 17 March 2020 number 8948 and also 27 March 2020 number 8970 to be effective as 17 March 2020, within the scope of the 4th and 5th articles of the Regulation on the Classification of Loans and the Procedures and Principles Regarding Provisions to be Reserved for them, 30 days delay period envisaged for the classification of loans in the second group, for the loans monitored in the first group applied as 90 days until 31 December 2020 and 90 days delay period envisaged for the classification of non-performing loans, applied as 180 days for the loans monitored in the first and second group until 30 June 2021. The regulation has no effect on the classification since the bank does not have any overdue loan.

Impairment:

A loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, commitments and financial guarantee contracts in accordance with TFRS 9 principles. Equity instruments are not subject to impairment assessment as they are measured at fair value. Measurement of the expected credit losses reflects:

- ✓ Neutral weighted amount determined by evaluating potential results
- ✓ Time value of money
- ✓ Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

II. Explanations on financial instruments (Continued)

Measurement of expected credit losses:

The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition. Impairment is classified as the following three categories depending on the outstanding balance in each category:

- Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.
- Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.
- Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

It is expected that the estimated impairment, calculated in accordance with the expected loan loss model under TFRS 9, will have a positive effect on own funds due to the cancellation of general loan provision. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financial statements until announcement of the first time adoption financial statements including the opening balance sheet as of 1 January 2018. Besides, the Bank will calculate deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset will be accounted for under equity during transition.

III. Explanations on the usage strategy of financial instruments and on foreign currency transactions

1. Usage strategy of the financial instruments

The Bank uses financial instruments in accordance with its nature. The major strategy for the usage of financial instruments is to maintain the balance between the yields of assets and associated risks.

The main funding source of the Bank is its own reserves in its equity and borrowings from foreign financial institutions. While the Bank follows an asset liability strategy which enables to consider these sources in high yield and high quality financial assets, the Bank also manages its interest rate risk, liquidity risk, exchange rate risk and credit risk within the limits set by the Bank management and the prudential limits. High profitability and strong shareholders equity is aimed with an efficient asset-liability management strategy. The Bank is aiming to operate with a positive margin between the cost of resources and product yield and create an optimum maturity risk while undertaking its asset-liability management.

As a part of the Bank's risk management strategy, the position management for all kinds of short term currency, interest and price risks are managed by Treasury within the limits defined by the Board of Directors.

2. Foreign currency transactions

2.1 Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements

The Bank recognizes the foreign currency transactions in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from the foreign currency transactions as of 31 December 2020 are translated into Turkish Lira by using the exchange rates at the date of the transaction and recognized in accounting records. At the end of the periods, foreign currency assets and liabilities are translated into Turkish Lira by using the spot foreign currency exchange rates of the Bank at the end of the period and the related currency translation differences are recognized as foreign exchange gains and losses.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. Explanations on the usage strategy of financial instruments and on foreign currency transactions (Continued)

2. Foreign currency transactions (Continued)

2.1 Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements (Continued)

As at the end of the period, the Bank's foreign currency exchange rates are as follows:

	31 December 2020	31 December 2019
USD Dollar	7.4194	5.9400
Euro	9.1164	6.6621

IV. Explanations on subsidiaries and affiliates

The bank has no subsidiaries and affiliates as of 31 December 2020.

V. Explanations on forward transactions, options and derivative instruments

The Bank does not have any embedded derivatives separated from the host contract.

Forward foreign currency purchase/sale contracts, swaps and options are classified as "hedging purpose" and "trading purpose" transactions. Derivatives are initially recognized at cost including the transaction costs. Also, the assets and liabilities arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts. The derivative transactions held for trading are valued at fair-value using market prices or pricing models subsequent to initial recognition and are presented in "derivative financial assets" or "derivative financial liabilities" items of the balance sheet depending on the difference's being positive or negative. The derivative transactions held for hedging are valued at fair value using market prices or pricing models subsequent to initial recognition and are presented in "derivative financial assets held for hedging purpose" or "derivative financial liabilities held for hedging purpose" items of the balance sheet depending on the difference's being positive or negative. Gains and losses arising from a change in the fair value are recognized in the income statement.

VI. Explanations on interest income and expenses

Interest income and expenses calculated using internal rate of return are recognized on accrual basis.

VII. Explanations on fee and commission income and expenses

Fees and commissions, which is except other than those that are an integral part of the effective interest rate of financial instruments measured at amortized cost, it is accounted in accordance with TFRS 15 Revenue from Customer Contracts.

Except for certain fees related with certain banking transactions and recognized when received, fees and commissions received or paid are accounted for under accrual basis of accounting using effective interest rate. The income derived from agreements or asset purchases or sales from real-persons or corporate third parties are recognized as income when realized.

VIII. Explanations on impairment of financial assets

As of 1 January 2018, the Bank recognises a loss allowance for expected credit losses on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts in accordance with TFRS 9 principles and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. Explanations on impairment of financial assets (Continued)

Equity instruments are not subject to impairment assessment as they are measured at fair value. At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that financial instrument 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 Bank calculates the expected credit loss on a collective basis by means of grouping the financial assets having common credit risk features.. The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occurring over the expected life of the financial instrument.

IX. Explanations on offsetting financial instruments

If the fair values of equity shares held for trading and quoted on stock exchanges are lower than their carrying values, allowance for impairment is recognized and the recognized impairment is offset with the related assets on the balance sheet.

Within the framework of the “Regulation on the Determination of the Qualifications of Loans and Other Receivables to be Set aside by Banks and the Principles and Procedures on Provisions to Be Set Aside,” the expected loss provisions are set aside, and these provisions are deducted from the non-performing loans in balance sheet. Apart from this, financial assets and liabilities are only offsetted when they are legally applicable.

X. Explanations on sale and repurchase agreements and securities lending transactions

Securities subject to repurchase agreements (repo) are classified as “Financial assets at fair value through profit and loss”, “Financial assets at fair value through other comprehensive income” or “Financial assets measured at amortised cost” according to their purposes to be held in the Bank’s portfolio and measured at the principles of the relevant portfolio. Funds obtained from repurchase agreements are followed under the “Money Market Funds” account in liabilities, and interest expense accruals are calculated using the effective interest (internal rate of return) method on the difference between the sales and repurchase prices corresponding to the period designated by a repurchase agreement.

Reverse repurchase agreements transactions (reverse repo) are recorded under the “Money Market Funds” account.

XI. Explanations on non-current assets held for sale and discontinued operations and related liabilities

In accordance with TFRS 5 - "Assets Held for Sale and Discontinued Operations", a fixed asset (or group of assets to be disposed of) classified as assets held for sale is measured by the lower of its book value and fair value with reduced sales costs

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XI. Explanations on non-current assets held for sale and discontinued operations and related liabilities (Continued)

A tangible asset (or a disposal group) classified as “asset held for sale” is measured at the lower of the carrying value or fair value less costs to sell. Assets held for sale are not depreciated and presented in the financial statements separately. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a part of the Bank’s business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. As of 31 December 2020, the Bank does not have fixed assets held for sale and related to discontinued operations and also has no liability related to this asset.

XII. Explanations on goodwill and other intangible assets

As of 31 December 2020, there is no goodwill that should be presented in the financial statements.

The intangible assets of the Bank consist of software. The useful lives of these assets determined as 5 years.

The costs associated with outsourced computer software in use and related expenditures to develop the computer software are capitalized if it’s intended to increase useful life and original content. The capitalized expenses are amortized with “straight line method” throughout remaining useful lives.

XIII. Explanations on tangible assets

Gains/losses from the sale of the tangible assets are calculated as the difference between the net book value and the net sales price and recorded in the income statement as profit or loss.

Maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction, or commitments to purchase or rights vested on tangible assets.

Depreciation rates and estimated useful lives used for the tangible assets are as follows:

Tangible asset	Estimated useful lives (Years)	Depreciation rate (%)
Vaults	50	2
Vehicles	5	20
Other Tangible Assets	4	25

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. Explanations on leasing transactions

With the “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognised under “Tangible Assets” as an asset (tenure) and under “Lease Liabilities” as a liability.

IFRS 16 Leases was published in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information and faithful representation. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements.

Recognition, measuring and presenting the leases to the financial statements

Lease obligations under the contract in the amount of liabilities on the balance sheet equal to the sum of all cash payments and offset with the form shown gross interest expense arising from the contract. The right of use arising from the leasing transactions, at the date of commencement, the present value of the lease payments which have not been paid at that date is measured. Discount rate for the lease liabilities in the type of TL is calculated based on the survey of expectation report published by CBRT. Bank's borrowing rate of interest calculated by Finance Department is used for discount rate of the lease liabilities in the type of foreign currency.

XV. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities are accounted for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. In the financial statements, a provision is made if there is a present obligation that arises from past events as of the balance sheet date, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

Provisions recognized during the period are recognized within “other operating expenses”; reversals of provisions recognized in the prior periods are recognized within “other operating income”.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. Explanations on contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the notes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XVII. Explanations on liabilities for employee benefits

As per the existing labor laws and agreements in Turkey, entities are required to pay severance for the employees retired or fired. These payments are qualified as recognized retirement benefit plan according to revised TAS 19 Standard on the Benefits Provided to Employees. Severance payment liability recognized in the balance sheet is calculated according to the net present value of expected amount in the future arising from all employees' retirements and presented in the financial statements. The amendments to TAS 19 have changed the accounting of defined benefit plans and severance indemnity. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus. The amendments to TAS 19 require retrospective application.

XVIII. Explanations on taxation

1. Current tax

Effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes.

The corporate tax rate which has been applied at the rate of 20% in accordance with the Article 32 – paragraph 1 of the Corporate Tax Law No: 5520, was set as 22% for the tax bases of the years 2018, 2019, and 2020 (applicable as of the beginning of the accounting periods in the related year for institutions designated a special accounting period) as per the provisional article 10 incorporated by the Article 91 of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down up to 20%.

There is no further taxes on profits if not distributed. Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions numbered 2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette numbered 27130 dated 3 February 2009, certain withholding rates included in the articles numbered 15 and 30 of the new Corporate Tax Law numbered 5520 are revised.

Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident 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 nonresident 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.

The temporary taxes are calculated and paid at the rates applicable for the earnings of the related years. The prepayments can be offset against the annual corporate tax calculated for the whole year earnings.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. Explanations on taxation (Continued)

1. Current tax (Continued)

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

2. Deferred tax

The Bank calculates and recognizes deferred tax for taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base according to the TAS 12 “Income Taxes”.

Deferred tax asset was not made over the general provision amount within the framework of the circular of BRSA numbered 8 December 2004, BRSA.DZM.2 / 13/1-a-3. However, as of January 1, 2018, the deferred tax asset has been calculated over the expected loss provisions that constitute the temporary difference with the provisions of TFRS 9.

The corporate income tax rate is increased from 20% to 22% for the years 2018, 2019 and 2020. The Bank calculated its deferred tax assets or liabilities over 20%, which is the tax rate that will be valid as of 2021, as of 31 December 2020 within the scope of TAS 12 and according to the tax law in force.

3. Transfer pricing

The article 13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at 18 November 2007, explains the application related issues on this matter.

According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions are not deducted from the corporate tax base for tax purposes.

As stated in the “7.1 Annual Documentation” section of this communiqué, taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIX. Additional explanations on borrowings

The Bank obtains resources from foreign entities through borrowings.

Borrowing funds are initially measured at acquisition cost and subsequently measured at amortized cost. In the accompanying financial statements, foreign currency denominated borrowing funds are translated to Turkish Lira with the Bank's spot foreign exchange buying rates and interest expenses incurred during the period relating to the borrowing funds are recognized in the income statement.

The Bank applies general hedging techniques for mitigating the liquidity risk, interest rate risk and currency risk of the borrowing funds. Those techniques do not meet the definition of hedge accounting according to TFRS 9. There are no convertible bonds issued by the Bank as at the balance sheet date.

XX. Explanation on share certificates issued

None.

XXI. Explanation on bank acceptances and bills of guarantee

Bank acceptances and bills of guarantee are presented within off-balance sheet liabilities as contingent liabilities and commitments. Cash transactions relating to bank acceptances and bills of guarantee are realized concurrently with the customer payments.

As of the balance sheet date, there are no bank acceptances and bills of guarantee recognized as liability against an asset.

XXII. Explanation on government incentives

As of the balance sheet date, the Bank does not have any government incentives.

XXIII. Explanation on segment reporting

The Bank mainly operates in corporate banking and treasury. Explanations and notes related to the segment reporting are disclosed in Section 4 Note IX.

XXIV. Other matters

None.

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SECTION FOUR

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations on total capital

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2020, the Bank's calculated equity amount TL 1,214,297 (31 December 2019: TL 1,062,809) and capital adequacy ratio is 18.10 % (31 December 2019: 19.81%).

Due to the fluctuations in the financial markets as a result of the COVID-19 epidemic, the BRSA brought the following flexibilities as of 31 December 2020 regarding the capital adequacy standard ratio calculation with the additional regulation dated 23 March 2020 and numbered 3397.

- In calculating the principle amount to credit risk; When calculating the valued amounts in foreign currency, the exchange rates used in the preparation of the financial statements dated 31 December 2019 can be used.
- If the net valuation differences of the securities owned by the banks in the portfolio of "Fair Value Differences Reflected in Other Comprehensive Income" as of 23 March 2020 are negative, these differences may not be taken into consideration in the equity amount.

As of 31 December 2020, the Bank did not need to use the flexibilities included in the additional regulation of COVID-19 mentioned above while calculating the capital adequacy standard ratio and did not consider it in its calculations.

1. Components of total capital

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	527,700	
Share Premium	-	
Reserves	23,901	
Other Comprehensive Income according to TAS	(63)	
Profit	612,627	
Current Period Profit	135,713	
Prior Period Profit	476,914	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	1,164,165	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-
Leasehold Improvements on Operational Leases (-)	62	-
Goodwill Netted with Deferred Tax Liabilities	6,761	6,761
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	-	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	6,823	
Total Common Equity Tier I Capital	1,157,342	

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. Components of total capital (Continued)

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
ADDITIONAL TIER I CAPITAL	-	-
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by 24ort he24 Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I)Capital)	1,157,342	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	56,955	-
Total Deductions from Tier II Capital	56,955	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	56,955	-
Total Equity (Total Tier I and Tier II Capital)	1,214,297	-
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-

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I. Components of total capital (Continued)

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	1,214,297	-
Total Risk Weighted Assets	6,709,259	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	17.25	-
Tier I Capital Ratio (%)	17.25	-
Capital Adequacy Ratio (%)	18.10	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	2.50	-
a) Bank-specific total CET1 Capital Ratio	2.50	-
b)Capital Conservation Buffer Ratio (%)	-	-
c)Higher bank buffer requirement ratio (%)(**)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	10.10	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	12,656	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	-	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	56,955	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts in this column represents the amounts of items that are subject to transitional provisions.

(**) Since it will be filled in systematically important banks with no obligation to prepare consolidated financial statements in the context of the fourth paragraph Regulation on Systematic Significant Banks, it has been stated as 0.00%.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. Components of total capital (Continued)

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	527,700	
Share Premium	-	
Reserves	14,936	
Other Comprehensive Income according to TAS	(6)	
Profit	485,880	
Current Period Profit	179,321	
Prior Period Profit	306,559	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	1,028,510	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-
Leasehold Improvements on Operational Leases (-)	164	-
Goodwill Netted with Deferred Tax Liabilities	7,384	7,384
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	-	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	7,548	
Total Common Equity Tier I Capital	1,020,962	

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. Components of total capital (Continued)

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by 27ort he27 Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I))Capital	1,020,962	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	41,847	
Total Deductions from Tier II Capital	41,847	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	41,847	
Total Equity (Total Tier I and Tier II Capital)	1,062,809	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

I. Components of total capital (Continued)

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	1,062,809	-
Total Risk Weighted Assets	5,363,951	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	19.03	-
Tier I Capital Ratio (%)	19.03	-
Capital Adequacy Ratio (%)	19.81	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	2.50	-
a) Bank-specific total CET1 Capital Ratio	2.50	-
b)Capital Conservation Buffer Ratio (%)	-	-
c)Higher bank buffer requirement ratio (%)(**)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	11.81	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	16,070	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	41,847	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	60,451	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022))		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Under this item fully loaded amounts were reported for items that are subject to phasing in according to “Bank Capital Regulation” dated 1 January 2014.

The Bank plans its Common Equity Tier 1 (CET1) Capital by considering 10% as the minimum target while considering its additional CET 1 requirements during the phase-in period due to aforementioned regulations.

2. Items included in capital calculation

None.

3. Reconciliation of capital items to balance sheet

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the expected credit losses. In the calculation of Total Capital, expected credit losses up to %1.25 credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities are taken into consideration as amounts deducted from Total Capital.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set.

In accordance with the regulation, credit risk limits is allocated in line with regulations according to financial position and needs of credit customers under the authorized limits of General Manager, Credit Committee and Board of Directors. If it is needed related limits can be changed by the Bank.

The Bank follows the customers of loans and other receivables in terms of the credit worthiness with respect to the relevant legislation. In addition, the status of accounts for new loans are checked and updated if needed. In accordance with relevant legislation, the Bank follows the risk limits on the basis of debtor and the debtor group.

The Bank uses a credit rating system to measure and evaluate the credit risk effectively. This is a mandatory step for all loan applications. The credit rating system is assessing the total credit risk of each customer. The Bank performs valuation of collaterals to reduce the loan risk at first step of receiving collateral and the results of risk rating system at least once a year.

The Bank manages and monitors its credit risk until the loan repayment is completed, related loan is cancelled or derecognized. The Bank has control limits held on the positions of forward transactions and other similar contracts, and these limits are monitored daily.

The share of the top 100 and 200 cash and non-cash loan customers in the total loans portfolio:

The Bank has 43 cash loan customers as of 31 December 2020. (31 December 2019: 36). The Bank's largest 100 and 200 cash loan customers comprise 100% (31 December 2019: 100%) of the total cash loan portfolio, respectively.

The share of the top 100 and 200 cash and non-cash loan customers in the total non-cash loans portfolio:

The Bank has 34 non cash loan customers as of 31 December 2020. (31 December 2019: 36). The Bank's largest 100 and 200 non-cash loan customers comprise 100% (31 December 2019: 100%) of the total non-cash loan portfolio.

At 31 December 2020 the Bank has total 77 cash and non-cash loan customers. (31 December 2019: 72 cash and non-cash customers) The Bank's largest 100 and 200 cash and non-cash loan customers represent 100% of the total "on and off balance sheet" exposures (31 December 2019: 100%).

In accordance with the Article 43 of Internal Systems Regulation, the Bank performs monthly stress tests in order to measure the effects of exceptional but a possible instance that may result with great credit losses in the portfolio.

The Bank senior management is informed regarding details of the Bank's credit risk in monthly meeting of Credit Committee.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (Continued)

	Current Period Risk Amount	Average Risk Amount
Exposure Categories		
Conditional and unconditional exposures to central governments or central banks	3,270,726	3,020,124
Conditional and unconditional exposures to banks, brokerage houses and corporates	3,760,538	2,517,635
Conditional and unconditional exposures to corporates	7,546,663	7,362,523
Other receivables	63,216	69,452
Total	14,641,143	12,969,734

	Prior Period Risk Amount	Average Risk Amount
Exposure Categories		
Conditional and unconditional exposures to central governments or central banks	2,587,394	3,394,839
Conditional and unconditional exposures to banks, brokerage houses and corporates	2,038,981	3,851,119
Conditional and unconditional exposures to corporates	6,734,802	7,123,886
Other receivables	89,967	94,310
Total	11,451,144	14,464,154

1. Profile of significant exposures in major regions

	Conditional and Unconditional exposures to central governments or central banks	Conditional and Unconditional exposures to banks and brokerage houses	Conditional and Unconditional exposures to corporates	Other receivables	Total
Current Period*					
Domestic	3,270,726	3,525,757	7,225,714	63,216	14,085,413
European Union (EU) Countries	-	10	314,271	-	314,281
OECD Countries **	-	224,970	-	-	224,970
Off-Shore Banking Regions	-	-	-	-	-
USA, Canada	-	3	-	-	3
Other Countries	-	9,799	6,677	-	16,476
Associates, Subsidiaries and Joint – ventures	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	3,270,726	3,760,539	7,546,662	63,216	14,641,143

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

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

	Conditional and Unconditional exposures to central governments or central banks	Conditional and Unconditional exposures to banks and brokerage houses	Conditional and Unconditional exposures to corporates	Other receivables	Total
Prior Period*					
Domestic	2,587,394	1,774,071	6,162,591	89,967	10,614,023
European Union (EU) Countries	-	96	566,865	-	566,961
OECD Countries **	-	244,278	-	-	244,278
Off-Shore Banking Regions	-	-	-	-	-
USA, Canada	-	2	-	-	2
Other Countries	-	20,534	5,346	-	25,880
Associates, Subsidiaries and Joint – ventures	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	2,587,394	2,038,981	6,734,802	89,967	11,451,144

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

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

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (Continued)

2. Risk profile by sectors or counterparties

Sectors / Counterparties Current Period	1	2	3	4	TL	FC	Total
Agricultural	-	-	355,403	-	235,913	119,490	355,403
Farming and Stockbreeding	-	-	355,403	-	235,913	119,490	355,403
Forestry	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-
Manufacturing	-	-	5,311,959	-	867,496	4,444,463	5,311,959
Mining and Quarrying	-	-	-	-	-	-	-
Production	-	-	5,311,959	-	867,496	4,444,463	5,311,959
Electricity, Gas and Water	-	-	-	-	-	-	-
Construction	-	-	2,177	-	1,250	927	2,177
Services	3,270,726	3,760,539	1,847,108	63,216	1,879,172	7,062,417	8,941,589
Wholesale and Retail Trade	-	-	647,488	-	622,332	25,156	647,488
Accommodation and Dining	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	628,029	-	59,515	568,514	628,029
Financial Institutions	3,270,726	3,760,539	552,318	63,216	1,183,011	6,463,788	7,646,799
Real Estate and Rental Services	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-
Health and Social Services	-	-	19,273	-	14,314	4,959	19,273
Other	-	-	30,015	-	30,015	-	30,015
Total*	3,270,726	3,760,539	7,546,662	63,216	3,013,846	11,627,297	14,641,143

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

- 1: Conditional and unconditional exposures to central governments or central
- 2: Conditional and unconditional exposures to banks and brokerage houses
- 3: Conditional and unconditional exposures to corporates
- 4: Other receivables

Sectors / Counterparties Prior Period	1	2	3	4	TL	FC	Total
Agricultural	-	-	235,670	-	148,297	87,373	235,670
Farming and Stockbreeding	-	-	235,670	-	148,297	87,373	235,670
Forestry	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-
Manufacturing	-	-	4,968,613	-	407,076	4,561,537	4,968,613
Mining and Quarrying	-	-	-	-	-	-	-
Production	-	-	4,968,613	-	407,076	4,561,537	4,968,613
Electricity, Gas and Water	-	-	-	-	-	-	-
Construction	-	-	2,992	-	2,250	742	2,992
Services	2,587,394	2,038,981	1,527,527	89,967	1,038,013	5,205,856	6,243,869
Wholesale and Retail Trade	-	-	955,988	-	267,073	688,915	955,988
Accommodation and Dining	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	478,661	-	98,865	379,796	478,661
Financial Institutions	2,587,394	2,038,981	76,200	89,967	655,691	4,136,851	4,792,542
Real Estate and Rental Services	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-
Health and Social Services	-	-	16,678	-	16,384	294	16,678
Other	-	-	-	-	-	-	-
Total	2,587,394	2,038,981	6,734,802	89,967	1,595,636	9,855,508	11,451,144

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

- 1: Conditional and unconditional exposures to central governments or central
- 2: Conditional and unconditional exposures to banks and brokerage houses
- 3: Conditional and unconditional exposures to corporates
- 4: Other receivables

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (Continued)

3. Analysis of maturity-bearing exposures according to remaining maturities

Exposure Categories / Current Period	Up to 1 Month	Term To Maturity			Over 1 Year
		1-3 Months	3-6 Months	6-12 Months	
Conditional and Unconditional Exposures to Central Governments or Central Banks	3,107,418	-	-	-	-
Conditional and Unconditional Exposures to Banks and Brokerage Houses	759,571	233,386	1,888,735	770,802	62,121
Conditional and Unconditional Exposures to Other Corporates Other Receivables	1,140,327	1,259,171	722,169	1,932,263	2,492,732
Total	5,007,316	1,492,557	2,610,904	2,703,065	2,554,853

Exposure Categories / Current Period	Up to 1 Month	Term To Maturity			Over 1 Year
		1-3 Months	3-6 Months	6-12 Months	
Conditional and Unconditional Exposures to Central Governments or Central Banks	2,434,050	6,476	-	-	-
Conditional and Unconditional Exposures to Banks and Brokerage Houses	446,058	643,089	714,822	152,732	41,784
Conditional and Unconditional Exposures to Other Corporates Other Receivables	547,463	1,393,090	527,479	1,741,702	2,525,069
Total	3,427,571	2,042,655	1,242,301	1,894,434	2,566,853

An international rating firm external risk ratings are used for the risk categories (defined in the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks") of the whole receivables from central governments and central banks and for the receivables where the counterparties are located in foreign countries.

The risk weights are used as unrated for central governments and central banks that are not rated by an international rating agency. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

4. Exposures by risk weights

Risk Weights/ Current Period	%0	%2	%10	%20	%35	%50	%75	%100	%150	%200	Deductions from Equity
Exposures Before Credit Risk Mitigation	3,175,989	94,737	-	797,723	-	2,952,976	-	7,619,717	-	-	6,823
Exposures After Credit Risk Mitigation	3,175,989	94,737	-	797,723	-	2,874,016	-	4,385,079	-	-	6,823

Risk Weights / Prior Period	%0	%2	%10	%20	%35	%50	%75	%100	%150	%200	Deductions from Equity
Exposures Before Credit Risk Mitigation	1,860,429	83,711	-	447,658	-	2,214,030	-	6,845,318	-	-	7,548
Exposures After Credit Risk Mitigation	1,860,429	83,711	-	447,658	-	2,214,030	-	3,637,846	-	-	7,548

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (Continued)

5. Information by major sectors and type of counterparties

Major Sectors / Counterparties (Current Period)	Credit Risks		
	Significant Increase on Credit Risk (Stage II)	Default (Stage III)	Expected Credit Losses (IFRS 9)
Agriculture	-	-	-
<i>Farming and Stockbreeding</i>	-	-	-
<i>Forestry</i>	-	-	-
<i>Fishery</i>	-	-	-
Manufacturing	28,884	-	489
<i>Mining and Quarrying</i>	-	-	-
<i>Production</i>	28,884	-	489
<i>Electricity, Gas and Water</i>	-	-	-
Construction	-	-	-
Services	-	-	-
<i>Wholesale and Retail Trade</i>	-	-	-
<i>Accommodation and Dining</i>	-	-	-
<i>Transportation and Telecommunication</i>	-	-	-
<i>Financial Institutions</i>	-	-	-
<i>Real Estate and Rental Services</i>	-	-	-
<i>Professional Services</i>	-	-	-
<i>Educational Services</i>	-	-	-
<i>Health and Social Services</i>	-	-	-
Others	-	-	-
Total	28,884	-	489

Major Sectors / Counterparties (Prior Period)	Credit Risks		
	Significant Increase on Credit Risk (Stage II)	Default (Stage III)	Expected Credit Losses (IFRS 9)
Agriculture	-	-	-
<i>Farming and Stockbreeding</i>	-	-	-
<i>Forestry</i>	-	-	-
<i>Fishery</i>	-	-	-
Manufacturing	26,662	-	227
<i>Mining and Quarrying</i>	-	-	-
<i>Production</i>	26,662	-	227
<i>Electricity, Gas and Water</i>	-	-	-
Construction	-	-	-
Services	-	-	-
<i>Wholesale and Retail Trade</i>	-	-	-
<i>Accommodation and Dining</i>	-	-	-
<i>Transportation and Telecommunication</i>	-	-	-
<i>Financial Institutions</i>	-	-	-
<i>Real Estate and Rental Services</i>	-	-	-
<i>Professional Services</i>	-	-	-
<i>Educational Services</i>	-	-	-
<i>Health and Social Services</i>	-	-	-
Others	-	-	-
Total	26,662	-	227

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (Continued)

6. Information on movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Stage III Expected Credit Loss	-	-	-	-	-
Stage I and Stage II Expected Credit Loss	41,847	27,766	(12,658)	-	56,955

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Stage III Expected Credit Loss	-	-	-	-	-
Stage I and Stage II Expected Credit Loss	16,651	26,180	(984)	-	41,847

7. Information on collaterals, impairment, rating and maturity related to loans granted to individuals and corporates

Details of collaterals of standard and close monitoring loans granted to individuals and corporates are as follows:

Cash loans granted to individuals and corporates	Standard Loans Current Period	Standard Loans Prior Period	Loans Under Close Monitoring Current Period	Loans Under Close Monitoring Prior Period
Secured Loans:	5,329,688	5,300,148	19,768	-
Secured by Cash Collateral	4,280,090	4,167,875	-	-
Secured by Mortgages	-	-	-	-
Secured by Treasury Guarantees or Securities Issued by Public Sector	-	-	-	-
Guarantees Issued by Financial Institutions	-	-	-	-
Other Collaterals (pledges, corporate and personal guarantees, promissory notes)	1,049,598	1,132,273	19,768	-
Non-Secured Loans	3,524,797	1,806,658	-	-
Total	8,854,485	7,106,806	19,768	-

III. Explanations on currency risk

Currency risk position limit is determined in line with foreign currency net general position standard ratio. The Bank does not take foreign exchange and parity risk; transactions are usually hedged. Measurable and manageable risks are taken within legal limits.

As of 31 December 2020, the Bank has a net long position of TL 298,283 (31 December 2019: TL 520 long position) resulting from short position on the off-balance sheet amounting to TL 487,970 (31 December 2019: TL 487,450 short) and long position on the balance sheet amounting to TL 297,244 (31 December 2019: TL 487,450 long). The Bank uses "Standard Method" which is also used in statutory reporting to measure the foreign exchange risk.

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

US Dollar purchase rate as at the balance sheet date	TL 7.4194
Euro purchase rate as at the balance sheet date	TL 9.1164

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. Explanations on currency risk (Continued)

Date	USD Dollar	Euro
25 December 2020	7.5517	9.2037
28 December 2020	7.4738	9.1370
29 December 2020	7.4063	9.0697
30 December 2020	7.3405	9.0079
31 December 2020	7.4194	9.1164

For December 2020, arithmetic average of US Dollar purchase rate is TL (full) 7.4383 and Euro purchase rate is TL (full) 9.1069 (For December 2019, arithmetic average of US Dollar purchase rate is TL (full) 5.8421 and Euro purchase rate is TL (full) 6.4925).

Current Period	EUR	USD	Other	Total
Assets				
Cash and Balances with the Central Bank of Turkey	1,862,725	1,301,325	-	3,164,050
Banks	876,268	11,118	25,162	912,548
Financial Assets Measured at Fair Value through Profit/Loss (*)	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans (**)	2,602,434	4,393,887	65,918	7,062,239
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortised Cost	-	-	-	-
Derivative Financial Assets Held for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	91,206	98	6	91,310
Total Assets	5,432,633	5,706,428	91,086	11,230,147
Liabilities				
Banks Deposits	611,071	3,242,823	-	3,853,894
Foreign Currency Deposits	622,068	166,367	63,234	851,669
Interbank Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	2,389,092	4,387,022	46,673	6,822,787
Sundry Creditors	-	-	80	80
Marketable Securities Issued	-	-	-	-
Derivative Financial Liabilities Held for Hedging Purposes	-	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	3,622,231	7,796,212	109,987	11,528,430
Total Liabilities	1,810,402	(2,089,784)	(18,901)	(298,283)
Net Balance Sheet Position	(1,811,177)	2,089,627	18,794	297,244
Financial Derivative Assets	654,151	2,783,191	36,745	3,474,087
Financial Derivative Liabilities	2,465,328	693,564	17,951	3,176,843
Non-Cash Loans	133,698	779,173	3,537	916,408
Prior Period				
Total Assets	4,490,276	5,101,024	54,809	9,646,109
Total Liabilities	2,862,164	6,220,208	75,767	9,158,139
Net Balance Sheet Position	1,628,112	(1,119,184)	(20,958)	487,970
Net Off Balance Sheet Position	(1,629,532)	1,121,210	20,872	(487,450)
Derivative Financial Assets	700,188	2,745,115	26,725	3,472,028
Derivative Financial Liabilities	2,329,720	1,623,905	5,853	3,959,478
Non-Cash Loans	132,467	415,971	26,908	575,346

(*) Derivative financial assets held for trading of TL 17,888 and derivative financial liabilities held for trading of TL 18,062 are not included in currency risk table.

(**) The foreign currency-indexed loans amounting to TL 65,054 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

IV. Explanations interest rate risk

The Bank's interest rate sensitive assets and liabilities are monitored and sensitivity analysis are carried out for the impact of the interest rate fluctuations on the financial statements. The results are reported regularly to Asset Liability Committee, Risk Committee and the top management. The effects of interest rate fluctuations (volatility) on the Bank's financial statements in the forthcoming periods are assessed through sensitivity and scenario analysis. Potential losses due to changes in fair value of interest-sensitive products are calculated during these assessment through applying shocks to interest rates. The Bank considers interest rate risk in accordance with the Market Risk-Banking Book Policy and daily differences (gap) are controlled to be within the predetermined limits and are reported to top management.

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IV. Explanations interest rate risk (Continued)

“Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)”:

Current Period End	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,313,263	-	-	-	-	1,862,726	3,175,989
Banks	730,471	182,462	684,219	-	-	46,824	1,643,976
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-
Loans	3,013,733	2,741,700	2,954,294	144,758	-	-	8,854,485
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	130,726	130,726
Total Assets	5,057,467	2,924,162	3,638,513	144,758	-	2,040,276	13,805,176
Liabilities							
Bank Deposits	2,419,024	838,441	597,103	-	-	2	3,854,570
Other Deposits	320,094	-	-	-	-	862,713	1,182,807
Interbank Money Market Borrowings	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	1,696	1,696
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	3,313,652	1,198,952	2,873,750	144,517	-	-	7,530,871
Other Liabilities (**)	-	-	-	-	-	1,235,232	1,235,232
Total Liabilities	6,052,770	2,037,393	3,470,853	144,517	-	2,099,643	13,805,176
Balance Sheet Long Position	-	886,769	167,660	241	-	-	1,054,670
Balance Sheet Short Position	(995,303)	-	-	-	-	(59,367)	(1,054,670)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(995,303)	886,769	167,660	241	-	(59,367)	-

(*) Derivative financial assets, tangible and intangible assets, expected loss provisions, deferred tax assets and other assets are shown in the Non-interest Bearing column.

(**) Shareholders' equity, derivative financial liabilities and lease liabilities are shown in the Non-interest Bearing column.

Prior Period End	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,191,197	-	-	-	-	1,312,496	2,503,693
Banks	380,850	566,512	167,497	-	-	43,912	1,158,771
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Loans	1,186,368	1,702,728	3,503,878	713,832	-	-	7,106,806
Investment Securities Held-to-Maturity	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	108,524	108,524
Total Assets	2,758,415	2,269,240	3,671,375	713,832	-	1,464,932	10,877,794
Liabilities							
Bank Deposits	1,221,264	664,924	1,129,631	333,134	-	3	3,348,956
Other Deposits	524,495	191,094	-	-	-	343,466	1,059,055
Interbank Money Market Borrowings	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	8,580	8,580
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	2,026,097	1,376,704	1,501,793	449,213	-	-	5,353,807
Other Liabilities (**)	-	-	-	-	-	1,107,396	1,107,396
Total Liabilities	3,771,856	2,232,722	2,631,424	782,347	-	1,459,445	10,877,794
Balance Sheet Long Position	-	36,518	1,039,951	-	-	5,487	1,081,956
Balance Sheet Short Position	(1,013,441)	-	-	(68,515)	-	-	(1,081,956)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(1,013,441)	36,518	1,039,951	(68,515)	-	5,487	-

(*) Derivative financial assets, tangible and intangible assets, expected loss provisions, deferred tax assets and other assets are shown in the Non-interest Bearing column.

(**) Shareholders' equity, derivative financial liabilities and lease liabilities are shown in the Non-interest Bearing column.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. Explanations interest rate risk (Continued)

Average interest rates applied to financial instruments

Current Period End	EUR%	USD%	JPY%	TL%
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	12.00
Banks	0.54	-	-	17.33
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans	1.54	1.67	0.50	17.23
Financial Assets Measured at Amortised Cost	-	-	-	-
Liabilities				
Bank Deposits	0.04	0.21	-	3.00
Other Deposits	-	0.05	-	15.35
Interbank Money Market Borrowings	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.03	0.24	-	5.51
Prior Period End				
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	5.39
Banks	0.11	-	-	11.00
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-
Loans	1.46	3.30	0.50	14.93
Investment Securities Held-to-Maturity	-	-	-	-
Liabilities				
Bank Deposits	0.03	1.92	-	5.00
Other Deposits	-	1.47	-	9.95
Interbank Money Market Borrowings	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.07	1.96	-	11.30

As per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published by the BRSA on 23 August 2011, the Bank analyses and reports to the Bank’s senior management the interest rate sensitivity of its equity on a monthly basis by applying positive and negative shocks to the interest sensitive on balance sheet and off-balance sheet positions which are distributed into groups based on their cashflows.

Current Period	Shock Applied (+ / - x bps)	Gains/ Losses	Gains / Equity Losses / Equity
TRY	500	(24,382)	(2.01%)
TRY	(400)	21,140	1.74%
USD Dollar	200	2,579	0.21%
USD Dollar	(200)	(2,620)	(0.22%)
EURO	200	11,517	0.95%
EURO	(200)	(11,881)	(0.98%)
Total (For Negative Shocks)		6,639	0.55%
Total (For Positive Shocks)		(10,286)	(0.85%)

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. Explanations interest rate risk (Continued)

Prior Period	Shock Applied (+ / - x bps)	Gains/ Losses	Gains / Equity Losses / Equity
TRY	500	(8,888)	(0.84%)
TRY	(400)	7,748	0.73%
USD Dollar	200	20	0.00%
USD Dollar	(200)	(34)	0.00%
EURO	200	4,431	0.42%
EURO	(200)	(4,704)	(0.44%)
Total (For Negative Shocks)		3,010	0.28%
Total (For Positive Shocks)		(4,437)	(0.42%)

V Explanations on equity securities position risk

The Bank does not have a position of equity securities as of 31 December 2020.

VI. Explanations on liquidity risk

The Bank diversifies its funding resources with deposits and foreign bank borrowings to avoid the liquidity risk, monitors maturity mismatch between assets and liabilities and keeps liquid assets to meet probable liquidity needs that might result from market fluctuations.

Liquidity Coverage Ratio (LCR), aims for the banks having the ability to cover 30 days of liquidity needs with their own cash and high quality liquid assets that are easy to convert to cash during liquidity shortages in the markets. With that perspective and according to "Regulation for Banks' Liquidity Coverage Ratio Calculations" (the Regulation) terms LCR ratio is calculated by having high quality liquid assets divided by net cash outflows.

Items in balance sheet and off balance sheet items are taken into account after being multiplied by the coefficients envisaged in the Regulation. In LCR calculation cash inflows are limited by 75% of cash outflows and cash inflows from high quality liquid assets are not included.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages.

The Bank's main funding sources are deposits, funds borrowed and money market borrowings.

In LCR calculation, cash outflows are mainly consist of deposits, secured and unsecured borrowings and off balance sheet items.

The cash flows from derivative financial instruments are included in LCR calculations according to provisions of the Regulation. The Bank also considers changes in fair value of the liabilities that result in margin calls when calculating cash outflows.

There was not any material changes in items included in LCR calculations during the period.

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VI. Explanations on liquidity risk (Continued)

Liquidity coverage ratio

<i>Current Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				
1	Total high-quality liquid assets (HQLA)		3,213,507	3,192,106
Cash Outflows				
2	Retail deposits and deposits from small business customers, of which:		75,030	61,365
3	Stable deposits		72,320	61,100
4	Less stable deposits		2,710	265
5	Unsecured wholesale funding, of which:		3,642,982	3,518,909
6	Operational deposits		237,794	165,275
7	Non-operational deposits		190,287	149,692
8	Unsecured funding		3,214,901	3,203,942
9	Secured wholesale funding		-	-
10	Other cash outflows of which:		369,204	21,197
11	Outflows related to derivative exposures and other collateral requirements		369,204	21,197
12	Outflows related to restructured financial instruments		-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets		-	-
14	Other revocable off-balance sheet commitments and contractual obligations		-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations		1,812,247	817,828
16	Total Cash Outflows		4,267,939	3,735,327
Cash Inflows				
17	Secured receivables		-	-
18	Unsecured receivables		1,560,381	625,927
19	Other cash inflows		364,286	343,480
20	Total Cash Inflows		1,924,667	969,407
21	Total HQLA		3,213,507	3,192,106
22	Total Net Cash Outflows		2,343,271	2,765,920
23	Liquidity Coverage Ratio (%)		137.14	115.41

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

The table below presents highest, lowest and average liquidity coverage ratios of the last three month period ended 31 December 2020:

	Highest (%)	Date	Lowest (%)	Date	Average (%)
TL+FC	180.16	27 November 2020	82.16	30 October 2020	131.16
FC	123.63	20 November 2020	93.24	4 December 2020	108.43

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. Explanations on liquidity risk (Continued)

Liquidity coverage ratio

	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)		
	TL+FC	FC	TL+FC	FC	
<i>Prior Period</i>					
High-Quality Liquid Assets					
1	Total high-quality liquid assets (HQLA)		2,911,067	2,763,145	
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	64,100	33,257	3,248	1,736
3	Stable deposits	63,300	33,180	3,165	1,659
4	Less stable deposits	800	77	83	77
5	Unsecured wholesale funding, of which:	3,696,959	3,555,376	3,725,343	3,555,376
6	Operational deposits	87,542	13,494	87,542	13,494
7	Non-operational deposits	227,076	145,704	230,420	145,704
8	Unsecured funding	3,382,341	3,396,178	3,407,381	3,396,178
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	255,822	85,867	266,100	85,867
	Outflows related to derivative exposures and other collateral requirements	255,822	85,867	266,100	85,867
11	Outflows related to restructured financial instruments	-	-	-	-
12	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
13	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
14	Other irrevocable or conditionally revocable off-balance sheet obligations	2,638,190	1,124,359	222,700	175,455
15	Total Cash Outflows			4,217,391	3,818,434
Cash Inflows					
16	Secured receivables	-	-	-	-
17	Unsecured receivables	2,419,059	948,905	2,438,728	948,905
18	Other cash inflows	261,363	183,358	271,673	183,358
19	Total Cash Inflows	2,680,422	1,132,263	2,710,401	1,132,263
20	Total HQLA			2,911,067	2,763,145
21	Total Net Cash Outflows			1,506,990	2,686,171
22	Liquidity Coverage Ratio (%)			193.17	102.87

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

The table below presents highest, lowest and average liquidity coverage ratios of the last three month period ended 31 December 2019:

	Highest (%)	Date	Lowest (%)	Date	Average (%)
TL+FC	194.12	8 November 2019	126.55	22 November 2019	151.72
FC	103.11	8 November 2019	77.02	6 December 2019	89.02

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. Explanations on liquidity risk (Continued)

1. Contractual maturity analysis of liabilities according to remaining maturities

The remaining maturities table of the contractual liabilities includes the undiscounted future cash outflows for the principal amounts of the Bank's financial liabilities as per their earliest likely contractual maturities.

31 December 2020	Carrying value	Gross nominal outflows	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
Non-derivative financial liabilities								
Bank deposits	3,854,570	3,855,725	2	2,419,295	838,955	597,473	-	-
Other deposits	1,182,807	1,183,715	862,713	321,002	-	-	-	-
Interbank money market takings	7,530,871	7,542,232	-	3,314,704	1,205,808	2,927,807	93,913	-
Total	12,568,248	12,581,672	862,715	6,055,001	2,044,763	3,525,280	93,913	-

31 December 2019	Carrying value	Gross nominal outflows	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
Non-derivative financial liabilities								
Bank deposits	3,348,956	3,358,022	3	1,222,000	665,757	1,136,822	333,440	-
Other deposits	1,059,055	1,059,994	343,466	524,967	191,561	-	-	-
Interbank money market takings	5,353,807	5,379,125	-	2,028,645	1,381,749	1,542,720	423,597	2,414
Total	9,761,818	9,797,141	343,469	3,775,612	2,239,067	2,679,542	757,037	2,414

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. Explanations on liquidity risk (Continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand Deposits	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Years and Over	Unallocated	Total
Assets								
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	71,241	3,104,748	-	-	-	-	-	3,175,989
Banks	46,824	730,471	182,462	684,219	-	-	-	1,643,976
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-
Loans	-	1,140,840	1,315,529	4,641,783	1,667,300	89,033	-	8,854,485
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-	-
Other Assets (*)	-	15,045	16,833	6,870	-	-	91,978	130,726
Total Assets	118,065	4,991,104	1,514,824	5,332,872	1,667,300	89,033	91,978	13,805,176
Liabilities								
Bank Deposits	2	2,419,024	838,441	597,103	-	-	-	3,854,570
Other Deposits	862,713	320,094	-	-	-	-	-	1,182,807
Funds Borrowed from Other Financial Institutions	-	3,314,202	1,205,495	2,918,641	92,533	-	-	7,530,871
Interbank Money Market Borrowings	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	1,696	1,696
Other Liabilities (**)	-	8,081	6,443	9,225	1,909	-	1,209,574	1,235,232
Total Liabilities	862,715	6,061,401	2,050,379	3,524,969	94,442	-	1,211,270	13,805,176
Net Liquidity Gap	(744,650)	(1,070,297)	(535,555)	1,807,903	1,572,858	89,033	(1,119,292)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	4,711	11,649	220	-	-	-	16,580
Derivative Financial Liabilities	-	2,569,028	690,621	567,136	-	-	-	3,826,785
Non-Cash Loans	-	2,564,317	678,972	566,916	-	-	-	3,810,205
	-	8,723	666,191	105,470	111,844	-	525,786	1,418,014
Prior Period								
Total Assets	120,744	3,344,303	1,091,008	4,138,627	2,041,923	47,520	93,669	10,877,794
Total Liabilities	343,469	3,795,990	2,244,257	2,665,973	749,778	-	1,078,327	10,877,794
Net Liquidity Gap	(222,725)	(451,687)	(1,153,249)	1,472,654	1,292,145	47,520	(984,658)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(15,401)	(262)	(2,294)	3	-	-	(17,954)
Derivative Financial Liabilities	-	3,489,400	770,812	272,594	32,388	-	-	4,565,194
Non-Cash Loans	-	3,504,801	771,074	274,888	32,385	-	-	4,583,148
	-	87,059	208,777	124,909	49,635	2,688	435,106	908,174

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short term such as tangible assets, stationary supplies and prepaid expenses are included in this column.

(**) Shareholders' equity and provisions are classified in other liabilities in unallocated column.

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VI. Explanations on liquidity risk (Continued)

Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	568,051	305,434	332,686	-	-	1,206,171
Forward Contracts – Sell	560,089	286,550	328,699	-	-	1,175,338
Swaps – Buy	2,000,977	385,187	234,450	-	-	2,620,614
Swaps – Sell	2,004,228	392,422	238,217	-	-	2,634,867
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	-	-	-	-	-
Forward Precious Metal - Sell	-	-	-	-	-	-
Money Buy Options	-	-	-	-	-	-
Money Sell Options	-	-	-	-	-	-
Swaps Interest – Buy	-	-	-	-	-	-
Swaps Interest – Sell	-	-	-	-	-	-
Total	5,133,345	1,369,593	1,134,052	-	-	7,636,990

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	831,866	103,007	149,586	29,644	-	1,114,103
Forward Contracts – Sell	831,778	104,369	149,243	29,688	-	1,115,078
Swaps – Buy	2,701,707	623,632	123,008	2,744	-	3,451,091
Swaps – Sell	2,716,769	622,959	125,645	2,697	-	3,468,070
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	-	-	-	-	-
Forward Precious Metal - Sell	-	-	-	-	-	-
Money Buy Options	-	-	-	-	-	-
Money Sell Options	-	-	-	-	-	-
Swaps Interest – Buy	-	-	-	-	-	-
Swaps Interest – Sell	-	-	-	-	-	-
Total	7,082,120	1,453,967	547,482	64,773	-	9,148,342

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. Explanations on leverage ratio

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

	<i>Current Period (*)</i>	<i>Prior Period (*)</i>
On-balance sheet assets		
1 On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals)	13,707,542	11,403,239
2 (Assets deducted in determining Tier 1 capital)	-	-
3 Total on-balance sheet risks (sum of lines 1 and 2)	13,707,542	11,403,239
Derivative financial instruments and credit derivatives		
4 Replacement cost associated with all derivative instruments and credit derivatives	30,170	19,620
5 Add-on amounts for potential future exposure associated with all derivative instruments and credit derivatives	6,707	4,980
6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	36,877	24,600
Securitisation or commodity financing transactions (SCFT)		
7 Risks from SCFT assets	-	-
8 Risks from brokerage activities related exposures	-	-
9 Total risks related with securitisations or commodity financing transactions (sum of lines 7 to 8)	-	-
Off-balance sheet transactions		
10 Gross notional amounts of off-balance sheet transactions	1,489,199	990,403
11 (Adjustments for conversion to credit equivalent amounts)	-	-
12 Total risks of off-balance sheet items (sum of lines 10 and 11)	1,489,199	990,403
Capital and total risks		
13 Tier 1 capital	1,146,029	1,008,816
14 Total risks (sum of lines 3, 6, 9 and 12)	15,233,618	12,418,242
Leverage ratio		
15 Leverage ratio	7.52	8.16

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

VIII. Explanations on presentation of financial assets and liabilities at their fair values

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	13,674,450	10,769,270	13,674,450	10,769,270
Central Banks	3,175,989	2,503,693	3,175,989	2,503,693
Banks	1,643,976	1,158,771	1,643,976	1,158,771
Loans	8,854,485	7,106,806	8,854,485	7,106,806
Financial Liabilities	12,573,764	9,775,049	12,573,764	9,775,049
Banks Deposits	3,854,570	3,348,956	3,854,570	3,348,956
Other Deposits	1,182,807	1,059,055	1,182,807	1,059,055
Borrowings from Other Financial Institutions	7,530,871	5,353,807	7,530,871	5,353,807
Miscellaneous Payables	1,696	8,580	1,696	8,580
Lease Obligations	3,820	4,651	3,820	4,651

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IX. The classification of fair value measurements

The table below analyses financial instruments measured at fair value by valuation method. The fair value measurement methods according to levels are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative financial assets	-	38,748	-	38,748
Financial Liabilities				
Derivative financial liabilities	-	21,838	-	21,838
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative financial assets held for trading	-	14,855	-	14,855
Financial Liabilities				
Derivative financial liabilities held for trading	-	32,998	-	32,998

X. Explanations on transactions carried out on behalf of customers and fiduciary activities

None (31 December 2019: None).

XI. Explanations on risk management

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 also have taken effect on 31 March 2016.

Risk Management Strategy

The Bank does not apply any netting on balance sheet and off-balance sheet. Guarantees and derivatives are not used as credit mitigation techniques; but only financial collaterals consisting of cash blokages are used.

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

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

Risk Management Strategy (Continued)

As part of the Risk Management System, the Asset Liability Committee presentation is prepared on a weekly basis and the Risk Committee presentation is made on a monthly basis. The presentations mainly consists of the Bank's financial statements, profit and loss analysis, Credit Risk, Market Risk, Liquidity Risk, Concentration Risk, Interest Rate Risk on Banking Book, and Operational Risk as well as the risk that the Bank is currently exposed to or possible risks.

The Bank's risk management strategy is to ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, an integrated risk management system is established which pursues risk-return-capital relationship. Essential principles are adopted in order to ensure that policies determined to assess and manage risks the Bank is exposed to, are kept updated, adapted to changing conditions, applied and managed.

It is the ultimate responsibility of the senior management to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits.

Risk management activities are structured under the responsibility of the board of directors. The Risk Committee composed of the members of the board is responsible to oversee the Bank's risk management policies and practices, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities including capital adequacy and planning and liquidity adequacy, as well as all other risk management functions envisioned under the applicable laws and regulations. Upper level management is responsible against the board of directors for the monitoring and management of risks that their departments are exposed to. Accordingly, the Risk Management Department, which performs risk management functions, reports to the board of directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, and the Internal Control and Compliance Department, performing internal control functions, report directly to the board of directors.

The Bank aims the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured in decision making and implementation mechanisms process by all employees for risk management activities.

The Bank measures and monitors risks exposed, by considering methods in line with international standards being in compliant with legislation. Risk measurement and reporting are performed via advanced methods, risk management software, and internal models. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this respect, periodic and non-periodic reports are prepared for board of directors, relevant committees and senior management.

The Bank's risk framework determines the risk level that the board of directions is prepared to accept in order to accomplish the goals and strategies with due consideration to the capacity of the institution to safely absorbing those risks and risk based limits are regularly monitored. Risks that the Bank is exposed, is managed by providing effective control environment and monitoring limits.

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XI. Explanations on risk management (Continued)

Risk Management Strategy (Continued)

The Risk Management conducts the implementation of internal capital adequacy assessment report to be sent to the BRSA, by coordinating relevant parties. Stress test report is sent to the BRSA, which evaluates how adverse effects on macroeconomic parameters, in the scope of determined scenarios, affect the Bank's 3 budget plan and results, and certain ratios, including capital adequacy.

Training programs for employees, risk reports to the board of directors, senior management and committees, risk appetite framework established by the Bank and internal capital adequacy assessment process generate significant inputs to ensure that risk management culture is widely embraced.

1. Risk weighted amounts

		<i>Risk Weighted Amounts</i>		<i>Minimum Capital Requirements</i>
		<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>
1	Credit risk (excluding counterparty credit risk) (CCR) ^(*)	5,929,013	4,813,548	474,321
2	Of which standardised approach (SA)	5,929,013	4,813,548	474,321
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	54,513	22,519	4,361
5	Of which standardised approach for counterparty credit risk (SA-CCR)	54,513	22,519	4,361
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	179,109	149,042	14,329
17	Of which standardised approach (SA)	179,109	149,042	14,329
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	546,624	378,842	43,730
20	Of which basic indicator approach	546,624	378,842	43,730
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	6,709,259	5,363,951	536,741

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

2. Linkages between financial statements and risk amounts

2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards			
		Subject to credit risk	Subject to counterparty credit risk	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	3,175,989	3,175,989	-	-	-
Financial Assets Held for Trading	38,748	38,748	38,748	38,748	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	1,643,976	1,643,976	-	911,924	-
Interbank Money Markets Placements	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-
Loans and Receivables	8,854,485	8,854,485	-	6,997,185	-
Factoring Receivables	-	-	-	-	-
Investment Held-to-Maturity	-	-	-	-	-
Investment in Associates	-	-	-	-	-
Investment in Subsidiaries	-	-	-	-	-
Investment in Joint-Ventures	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-	-
Tangible Assets	6,671	6,615	-	-	-
Intangible Assets	6,438	6,438	-	-	-
Investment Property	-	-	-	-	-
Tax Asset	12,656	-	-	-	-
Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Other Assets	66,213	66,213	-	-	-
Total Assets	13,805,176	13,792,464	38,748	7,947,857	-
Liabilities					
Deposits	5,037,377	-	-	5,037,377	-
Derivative Financial Liabilities Held for Trading	21,838	-	-	21,838	-
Funds Borrowed	7,530,871	-	-	7,530,871	-
Interbank Money Markets	-	-	-	-	-
Securities Issued	-	-	-	-	-
Funds	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-
Other External Fundings Payable	12,473	-	-	12,473	-
Factoring Payables	-	-	-	-	-
Lease Payables	3,820	-	-	3,820	-
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	-
Provisions	22,006	-	-	22,006	-
Tax Liability	12,626	-	-	12,626	-
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Shareholders' Equity	1,164,165	-	-	1,164,165	-
Total Liabilities	13,805,176	-	-	13,805,176	-

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

2. Linkages between financial statements and risk amounts

2.2 Major items causing differences between assets and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

		<i>Total</i>	<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	13,805,176	13,792,464	38,748	7,947,857
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS	-	-	-	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS	13,805,176	-	-	13,805,176
4	Carrying Value of Other Liabilities as per TAS	-	-	-	-
5	Total Net Amount	-	13,792,464	38,748	(5,857,319)
6	Off-balance Sheet Amounts (**)	-	-	-	-
7	Differences Resulted from the BRSA's Applications	-	-	-	-
8	Credit Valuation Adjustment	-	-	-	-
9	Repurchase Transactions	-	-	-	-
10	Risk Amounts	-	-	-	-

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.

(**) Off-balance sheet amounts subject to capital adequacy ratios.

2.3 Explanations on differences between carrying values in financial statements and risk amounts in capital adequacy calculation of assets and liabilities in accordance with TAS

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

3. Credit Risk

3.1 General information on credit risk

3.1.1 General qualitative information on credit risk

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set.

In accordance with the regulation, credit risk limits are allocated in line with regulations according to financial position and needs of credit customers under the authorized limits of General Manager, Credit Committee and Board of Directors. If it is required the aforementioned limits can be changed by the Bank.

The Bank keeps track of the loans of customers and other receivables in terms of the credit worthiness with respect to the relevant legislation. Additionally, the status of accounts for new loans are checked and updated if needed. In accordance with relevant legislation, the Bank follows the risk limits on the basis of debtor and the debtor group.

The Bank uses a credit rating system to measure and evaluate the credit risk effectively. This is a mandatory step for all loan applications. The credit rating system assesses the total credit risk of each customer. The Bank evaluates the collaterals obtained for the reduction of credit risk when initially obtaining the collaterals and subsequently at least once every year taking into consideration the results of the risk rating system.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

3. Credit Risk (Continued)

The Bank manages and monitors its credit risk until the loan repayment is completed, related loan is cancelled or derecognized. The Bank has limits to control the positions of derivatives and other similar contracts and these limits are monitored daily.

3.1.2 Credit quality of assets

		<i>Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted exposures</i>		
1	Loans	-	10,537,209	53,803	10,483,406
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	1,418,014	-	1,418,014
4	Total	-	11,955,223	53,803	11,901,420

3.1.3 Changes in the stock of default loans and debt securities

None.

3.1.4 Additional information on credit quality of assets

Breakdown according to maturity:

31 December 2020	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans	-	1,140,840	1,315,529	4,641,783	1,667,300	89,033	8,854,485

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2020

Loans Structured from Standard Loans and Other Receivables	773,067
Loans Composed of Follow-up Loans and Other Receivables	19,768
Loans Restructured from Non-Performing Loans	-

Ageing analysis of accounting past-due exposures

The Bank has no past-due exposures.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

3.2 Credit risk mitigation techniques

3.2.1 Qualitative disclosure on credit risk mitigation techniques

The Bank assesses the cash flow of the activity or investment subject to credit as the primary repayment source during the credit assignment process.

The value of the collateral that is calculated depends on the margins determined according to market and currency risks. Standard margins applied throughout the Bank are specific to type of the collateral and changes according to the type, maturity and currency of the collateral.

If the assignment of the credit is based on a collateral, the relevant data of the collaterals must be entered to Banking information system. These transactions are handled by the centralized Operation Department.

The Bank monitors the up-to-date values of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and the risk besides the creditworthiness of the customer.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive financial collateral method that includes risk mitigation calculations based on the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remain unprotected after the use of credit risk mitigation techniques. Cash or cash equivalents or borrowing instruments that have a high credit quality are used in credit risk mitigation.

3.2.2 Credit risk mitigation techniques

	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	4,582,056	4,272,429	3,313,598	-	-	-
2	Debt securities	-	-	-	-	-	-
3	Total	4,582,056	4,272,429	3,313,598	-	-	-
4	Of which defaulted	-	-	-	-	-	-

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

3.3 Credit risk under standardised approach

3.3.1 Credit risk exposure and credit risk mitigation techniques

	Risk classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to sovereigns and their central banks	3,268,056	-	3,270,726	-	1,895	0.06%
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	3,571,620	413,244	3,517,609	163,969	1,606,391	43.63%
7	Exposures to corporates	6,925,938	1,208,784	3,739,698	572,327	4,312,025	100.00%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial property	-	-	-	-	-	-
11	Past-due items	-	-	-	-	-	-
12	Exposures in high-risk categories	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	63,216	-	63,216	-	63,216	100.00%
17	Equity share investments	-	-	-	-	-	-
18	Total	13,828,830	1,622,028	10,591,249	736,296	5,983,527	52.82%

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

3.3 Credit risk under standardised approach (Continued)

3.3.2 Exposures by asset classes and risk weights

	Regulatory portfolio	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	3,175,989	-	-	-	-	-	-	-	-	94,737	3,270,726
2	Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	797,723	-	2,874,016	-	-	9,839	-	-	-	3,681,578
7	Exposures to corporates	-	-	-	-	-	-	4,312,025	-	-	-	4,312,025
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10	Exposures secured by commercial property	-	-	-	-	-	-	-	-	-	-	-
11	Past-due items	-	-	-	-	-	-	-	-	-	-	-
12	Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-	-	-	-	-	-
17	Other exposures	-	-	-	-	-	-	63,216	-	-	-	63,216
18	Total	3,175,989	-	797,723	2,874,016	-	4,385,080	-	-	-	94,737	11,327,545

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

4. Explanations on counterparty credit risk (CCR)

4.1 Qualitative disclosure on counterparty credit risk

Counterparty credit risk management policies include evaluating and monitoring risk developments, taking necessary preventative measures, establishing risk limits, ensuring that the risks remain within the limits, and establishing required reporting, control and audit mechanisms by using the methods aligned with both international standards and local regulations. The policies regarding counterparty credit risk measurement, monitoring, and limits are defined by the Board of Directors.

Counterparty credit risk arising from derivative transactions is periodically being monitored and reported by Risk Department based on product, country, counterparty and counterparty type.

4.2 Counterparty credit risk (CCR) approach analysis

		<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach -CCR (for derivatives)	76,017	-		1.40	76,017	54,513
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						54,513

4.3 Capital requirement for credit valuation adjustment (CVA)

		<i>EAD post-CRM</i>	<i>RWA</i>
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	73,345	54,460
4	Total subject to the CVA capital obligation	73,345	54,460

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XI. Explanations on risk management (Continued)

4. Explanations on counterparty credit risk (CCR) (Continued)

4.4 CCR exposures by risk class and risk weights

Regulatory portfolio	Risk weight								Total credit exposure
	0%	10%	20%	50%	75%	100%	150%	Other	
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	2,670	2,670
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	21,370	3,579	-	-	-	-	24,949
Exposures to corporates	-	-	-	-	-	48,397	-	-	48,397
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	21,370	3,579	-	48,397	-	2,670	76,016

4.5 Collaterals for CCR

None.

4.6 Credit derivatives

None.

5. Securitisations

None.

6. Market risk

6.1 Qualitative disclosure on market risk

In order to comply with the regulations, the Bank set its activities related to market risk management in accordance with “the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks” published in the Official Gazette no. 29057 dated 11 July 2014.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

6. Market risk

6.1 Qualitative disclosure on market risk

Market risk management activities in the Bank, includes the measurement of risks due to price, interest and exchange rate fluctuations in the financial market. In this context, risk measurement and limit checks on a daily basis are performed taking into account the limits specified in the market risk- trading book policy. Risk Committee, Asset-Liability-Committee and the top management of the Bank are informed about the results of the controls.

At 2020, the Bank calculated capital requirement for interest rate risk, currency risk and counterparty risk. In 2020 and within the scope of the Bank's activities, no capital requirements arised from equity, commodity, swap risks due to no positions existing that requires any calculation for these risks. The Bank reviews its stress tests by the end of year. Stress tests are applied in the predetermined frequencies during the year and reported to the BRSA as of the year end.

6.2 Standardised approach

		<i>RWA</i>	
		<i>Current Period</i>	<i>Prior Period</i>
	Outright products	179,109	149,042
1	Interest rate risk (general and specific)	24,033	26,273
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	155,076	122,769
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	179,109	149,042

7. Operational Risk

Current Period	31 December 2018	31 December 2019	31 December 2020	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	190,947	315,992	367,659	3	15%	43,730
Value at Operational Risk (Total*12.5)						546,624

Prior Period	31December 2017	31December 2018	31 December 2019	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	99,209	190,947	315,992	3	15	30,307
Value at Operational Risk (Total*12.5)						378,842

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (Continued)

8. Banking book interest rate risk

The interest rate risk describes the negative position in the the Bank's financial structure resulting from negative movements in interest rates. Changes in interest rates influence the Banks's earnings by changing level of net interest income, other interest sensitive income and net operating expenses. In the same manner, relating to assets, liabilities and off-balance sheet items and their economic values of future cash flows (in some cases the cash flows themselves) are affected by interest rate changes.

XII. Explanations on segment reporting

The Bank operations are mainly in corporate banking and treasury.

	Corporate Banking	Treasury	Unallocated (*)	Total
Current Period (1 January -31 December 2020)				
Profit before tax	281,409	10,467	(117,275)	174,601
Provision for taxes	-	-	(38,888)	(38,888)
Net Profit	281,409	10,467	(156,163)	135,713
Current Period (31 December 2020)				
Segment Assets	8,801,014	4,858,063	-	13,659,077
Unallocated Assets	-	-	146,099	146,099
Total Assets	8,801,014	4,858,063	146,099	13,805,176
Segment Liabilities	5,037,377	7,552,709	-	12,590,086
Unallocated Liabilities	-	-	1,215,090	1,215,090
Total Liabilities	5,037,377	7,552,709	1,215,090	13,805,176
	Corporate Banking	Treasury	Unallocated (*)	Total
Current Period (1 January -31 December 2019)				
Profit before tax	436,060	(103,075)	(99,740)	233,245
Provision for taxes	-	-	(53,924)	(53,924)
Net Profit	436,060	(103,075)	(153,664)	179,321
Current Period (31 December 2019)				
Segment Assets	7,067,387	3,676,825	-	10,744,212
Unallocated Assets	-	-	133,582	133,582
Total Assets	7,067,387	3,676,825	133,582	10,877,794
Segment Liabilities	4,408,011	5,386,805	-	9,794,816
Unallocated Liabilities	-	-	1,082,978	1,082,978
Total Liabilities	4,408,011	5,386,805	1,082,978	10,877,794

(*) Income, expenses, assets and liabilities that could not be properly allocated to segments.

XIII. Explanations on Remuneration Policy

Purpose, structure and working principles of the committee

The Remuneration Committee oversees remuneration policies, processes and applications on behalf of the Board of Directors to ensure an independent and efficient remuneration structure.

The Remuneration Committee is comprised of at least two non-executive Board members who have adequate knowledge and experience on internal systems and remuneration policies as a whole.

The Committee shall meet at least once a year, more frequently when necessary, and shall report their activities to the Board of Directors annually.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XIII. Explanations on Remuneration Policy (Continued)

Purpose, structure and working principles of the committee (Continue)

The Remuneration Policy enables the Bank to attract and retain talent to support the Bank achieving strategic targets and assures they are rewarded according to performances.

Fundamental principles of the Remuneration Policy are stated with a view to manage remuneration of all members of staff effectively.

Policies and procedures on remuneration are transparent and available to access of all and transparent, as well as set in writing employees.

In line with the principle of proration, the Bank Remuneration Policy is compatible with the complexity of the bank's operations, as well as its risk profile, and risk appetite and strategies.

Remuneration is fair across genders, ethnicities, religions or other belief systems, sexual orientations, disabilities, and age groups.

In order to prevent excessively individualistic attitude, the bonus policy applied for Key Employees should be set with an eye for the positive and negative results of the risk assumed, and to constitute a combination of the Key Employee's individual performance, the final performance of the bank, as well as the performance of the department the Key Employee belongs to. Both financial and non-financial criteria are carefully examined while assessing individual performance of Key Employees.

Furthermore, overall compensation package of each individual employee seeks a balance of fixed and variable components. The portion of fixed component should be high enough to secure a comfortable income in cases of very low or zero variable pay. For 2020 number of employees within this scope is 10.

Basic Principles – Base salary Policy

The base pay is the main component of the Bank remuneration scheme. Base pay is defined as the base salary of an employee granted with employment contract of the employee. The Bank's remuneration philosophy aims to provide all employees with internally fair and externally competitive base salary. This means:

- Base pay of an employee should be compatible with those of other peers in the Bank. This means, the committee reviews any imbalance or unfair compensation within the organization, and base pay depends primarily on the qualifications and experiences of the incumbent, and the requirements of the role).
- Positioning of the role in the peer market where the Bank operates is also considered while determining base pay for each individual employee.
- Opportunity to discuss on his/her own compensation is secured for all employees via this policy.
- The Bank supports horizontal and vertical career development opportunities within the organization

Within the framework of this Remuneration Policy, a single methodology applies to govern compensation of all employees of which all remuneration reviews are based while being approved by Remuneration Committee.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XIII. Explanations on Remuneration Policy (Continued)

According to this methodology, all employees are paid according to their organizational grading and salary categories; for each individual, the overall compensation review shall depend on the following regardless of any performance criteria:

- ✓ The level of the role.
- ✓ It's positioning within the remuneration scheme.
- ✓ "Talent" status

Basic Principles – Variable Payment Policy and Benefits

Variable pay refers to monetary payments and allowances payments added on top of the base pay, with a view to rewarding the employee based on performance, should he/she achieve certain objectives. the Bank's Annual Bonus Plan is the primary element regarding the implementation of performance based variable pay scheme.

With a view to enabling the assessment of risks and results a performance-related matter leads to with respect to the bank, as well as on a contractual basis, variable pay might be extended in a subsequent period, after the earning period. Such variable pay figures shall be labeled as deferred variable pay. Furthermore, the bank can engage in variable pay cancellation and revocation agreements, taking into account the effect of the procedures on the bank's overall performance in subsequent periods.

In addition to the base and variable compensation items, the Bank provides certain monetary and non-monetary benefits such as commuting allowance, private health plan, life coverage, company car entitlement, special discounts, mobile phones, etc. The Bank reserves the right to revise or revoke the employee benefits at its sole discretion.

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SECTION FIVE

INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL /Foreign Currency	-	-	-	-
Balances with the Central Bank of Turkey	11,939	3,164,050	68,186	2,435,507
Other	-	-	-	-
Total	11,939	3,164,050	68,186	2,435,507

1.1 Information related to the account of the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	11,939	59,755	33,176	43,666
Unrestricted Time Deposits	-	820,476	35,010	599,589
Restricted Time Deposits	-	2,283,819	-	1,792,252
Total	11,939	3,164,050	68,186	2,435,507

As per the Communiqué no. 2005/1 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey are required to keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit at the Central Bank of Republic of Turkey rates vary according to their maturity compositions; the reserve deposit rates are realized between 1%-7% for TL deposits and other liabilities between 5%-21% for FC deposits for other FC liabilities.

2. Information on financial assets at fair value through profit or loss:

2.1 Information on financial assets at fair value through profit and loss given as collateral or blocked

None (31 December 2019: None).

2.2 Financial assets at fair value through profit and loss subject to repurchase agreements

None (31 December 2019: None).

2.3 Positive differences relating to derivative financial assets held-for-trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	20,858	14,756	624	1,349
Swap transactions	2	3,132	2,259	10,623
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	20,860	17,888	2,883	11,972

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to assets (Continued)

3. Information on Banks

3.1 Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
- Domestic	731,428	866,681	384,321	734,010
- Foreign	-	45,867	-	40,440
- Foreign head-offices and branches	-	-	-	-
Total	731,428	912,548	384,321	774,450

3.2 Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
EU Countries	25,034	21,327	-	-
USA and Canada	11,121	15,382	-	-
OECD Countries	9,626	3,711	-	-
Off-Shore Banking Regions	-	-	-	-
Other	86	20	-	-
Total	45,867	40,440	-	-

4. Information on financial assets measured at fair through other comprehensive income, subject to repo transactions and collateral/blocked

4.1 Financial assets provided as collateral/blocked

None (31 December 2019: None).

4.2 Financial assets subject to repurchase agreements

None (31 December 2019: None).

5. Expected credit losses for financial assets

5.1 Expected credit losses for banks

Expected credit loss for banks and other financial assets are TL 650 (31 December 2019: TL 494).

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to assets (Continued)

6. Information on loans

6.1 Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-Cash
Direct Loans to Shareholders	9,589	170,092	3,697	180,565
Corporates	9,589	170,092	3,697	180,565
Individuals	-	-	-	-
Indirect Loans to Shareholders	-	-	-	-
Loans to Employees	-	-	-	-
Total	9,589	170,092	3,697	180,565

6.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans

Current Period	Performing Loans	Loans under Follow-up		
		Non-Restructured	Restructured	
Cash Loans			Contract Terms	Revised
Loans	8,825,601	28,884	-	-
Working Capital Loans	-	-	-	-
Export Loans	914,479	-	-	-
Import Loans	-	-	-	-
Loans to Financial Sector	2,123,241	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Others	5,787,881	28,884	-	-
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	8,825,601	28,884	-	-

Prior Period	Performing Loans	Loans under Follow-up		
		Non-Restructured	Restructured	
Cash Loans			Contract Terms	Revised
Loans	7,080,144	26,662	-	-
Working Capital Loans	-	-	-	-
Export Loans	1,981,670	-	-	-
Import Loans	-	-	-	-
Loans to Financial Sector	730,010	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Others	4,368,464	26,662	-	-
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	7,080,144	26,662	-	-

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I. Explanations and disclosures related to assets (Continued)

6. Information on loans (Continued)

6.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans (Continued)

	Current Period		Prior Period	
	Performing Loans	Loans under Follow-up	Performing Loans	Loans under Follow-up
12-Month ECL	52,982	-	39,192	-
Lifetime ECL Significant Increase in Credit Risk	-	489	-	227

Distribution of cash loans by maturity structure

Current Period	Standard Loans	Loans in Close Monitoring	
		Loans not Subject to Restructuring	Restructured
Short Term Loans	4,985,274	19,768	-
Medium and Long Term Loans	3,840,327	9,116	-
Prior Period	Standard Loans	Loans in Close Monitoring	
		Loans not Subject to Restructuring	Restructured
Short Term Loans	3,570,347	26,662	-
Medium and Long Term Loans	3,509,797	-	-

The following is a reclassification of provision for impairment on loans by stage;

Commercial	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2019	39,192	227	-	39,419
Transfers;	(400)	400	-	-
- Stage 1 to Stage 2	(400)	400	-	-
- Stage 1 to Stage 3	-	-	-	-
- Stage 2 to Stage 3	-	-	-	-
- Stage 2 to Stage 1	-	-	-	-
Transferred within the Period	13,180	-	-	13,180
Collections	-	(154)	-	(154)
Sold Portfolio	-	-	-	-
Currency Differences	1,010	16	-	1,026
Total Expected Credit Losses				
31 December 2020	52,982	489	-	53,471

6.3 Overdue dates of loans under close monitoring

None (31 December 2019: None).

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to assets (Continued)

6. Information on loans (Continued)

6.4 Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	8,854,485	6,699,257
Foreign Loans	-	407,549
Total	8,854,485	7,106,806

6.5 Allocation of loans by customers

	Current Period	Prior Period
Public Sector	527,218	-
Private Sector	8,327,267	7,106,806
Total	8,854,485	7,106,806

6.6 Information on consumer loans, individual credit cards and credit cards given to personnel

None (31 December 2019: None).

6.7 Information on commercial loans with installments and corporate credit cards

None (31 December 2019: None).

6.8 Loans granted to subsidiaries and associates

None (31 December 2019: None).

6.9 Specific provisions provided against loans

None (31 December 2019: None).

6.10 Information on non-performing loans (Net)

6.10.1 Information on loans and other receivables included in non-performing loans which are restructured or rescheduled

None (31 December 2019: None).

6.10.2 Movement on non-performing loans

None (31 December 2019: None).

6.10.3 Information on non-performing loans and other receivables in foreign currencies

None (31 December 2019: None).

6.10.4 Information regarding gross and net amounts of non-performing loans with respect to user groups

None (31 December 2019: None).

6.11 Liquidation policy for uncollectible loans and other receivables

None (31 December 2019: None).

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to assets (Continued)

6. Information on loans (Continued)

6.12 Explanations related to write-off policy

None (31 December 2019: None).

7. Information on investments investments measured at amortized cost

None (31 December 2019: None).

8. Information on associates

None (31 December 2019: None).

9. Information on subsidiaries

None (31 December 2019: None).

10. Information on entities under common control

None (31 December 2019: None).

11. Information on lease receivables

None (31 December 2019: None).

12. Information on derivative financial assets held for hedging purposes

None (31 December 2019: None).

13. Information on investment properties

None (31 December 2019: None).

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to assets (Continued)

14. Information on tangible asset

Current Period	Right of Use Assets(*)	Other Tangible Assets	Total
Cost			
Beginning Balance, 1 January 2020	6,379	16,925	23,304
Additions	958	1,507	2,465
Disposals	-	5	5
Ending Balance, 31 December 2020	7,337	18,427	25,764
Accumulated Depreciation			
Beginning Balance, 1 January 2020	1,985	14,440	16,425
Depreciation Charge	1,827	847	2,674
Disposals	1	5	6
Ending Balance, 31 December 2020	3,811	15,282	19,093
Net Book Value, 31 December 2020	3,526	3,145	6,671

(*) Consists of vehicle and building rents accounted according to the TFRS 16 standart

Current Period	Right of Use Assets(*)	Other Tangible Assets	Total
Cost			
Beginning Balance, 1 January 2019	3,471	15,292	18,763
Additions	2,908	1,633	4,541
Disposals	-	-	-
Ending Balance, 31 December 2019	6,379	16,925	23,304
Accumulated Depreciation			
Beginning Balance, 1 January 2019	-	13,741	13,741
Depreciation Charge	1,985	699	2,684
Disposals	-	-	-
Ending Balance, 31 December 2019	1,985	14,440	16,425
Net Book Value, 31 December 2019	4,394	2,485	6,879

(*) Consists of vehicle and building rents accounted according to the TFRS 16 standart

15. Information on intangible asset

15.1 Useful lives and amortization rates

The useful life of an asset is determined by taking the asset's expected economic life, technical, technological or other kinds of obsolescence, and maintenance costs into account. The amortization rates used are in accordance with the useful lives of the underlying assets. The useful lives are determined as defined by TAS 38 "Intangible Assets".

The Bank's intangible assets comprise software programs and intangible rights, and their useful life is considered as 5 years.

15.2 Amortization Methods

The amortization charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remains in asset account on a straight line basis.

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to assets (Continued)

15. Information on intangible asset(Continued)

15.3 Balances of book value and accumulated amortization at beginning and end of the period

	Current Period		Prior Period	
	Book Value	Accumulated Amortization	Book Value	Accumulated Amortization
Intangible Assets	68,752	62,314	67,347	60,264

15.4 Movements of intangible assets for the period

	Current Period
Cost	
Beginning Balance, 1 January 2020	67,347
Additions	1,405
Ending Balance, 31 December 2020	68,752
Accumulated Amortization	
Beginning Balance, 1 January 2020	60,264
Amortization Charge	2,050
Ending Balance, 31 December 2020	62,314
Net Book Value, 31 December 2020	6,438

	Prior Period
Cost	
Beginning Balance, 1 January 2019	65,452
Additions	1,895
Ending Balance, 31 December 2019	67,347
Accumulated Amortization	
Beginning Balance, 1 January 2019	58,346
Amortization Charge	1,918
Ending Balance, 31 December 2019	60,264
Net Book Value, 31 December 2019	7,083

15.5 Information on any intangible assets which are important for financial statements in case of existence

None.

15.6 Information on intangible assets capitalized under government incentives at fair values

None.

15.7 Revaluation method of intangible assets capitalized under government incentives and valued at fair values at capitalization dates

None.

15.8 Net book value of intangible asset that are restricted in usage or pledged

None.

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to assets (Continued)

15. Information on intangible asset(Continued)

15.9 Commitments to acquire intangible assets

None.

15.10 Disclosure on revalued intangible assets

None.

15.11 Research and development costs expensed during the period in case of existence

None.

15.12 Information on goodwill

None.

16. Information on deferred tax asset

16.1 Amount of deferred tax asset recognized in the balance sheet in respect of deductible temporary differences, unused tax losses and unused tax credits

Detailed information about deferred tax asset/liability presented under Section Five Note II.9.2.

16.2 Amount and expiry date of deductible temporary differences, unused tax losses, unused tax credits for which no deferred tax asset is recognized in prior periods in the balance sheet

None (31 December 2019: None).

16.3 Deferred tax asset resulting from the cancellation of the provision for impairment losses related to the deferred taxes

None (31 December 2019: None).

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to assets (Continued)

17. Information on assets held for sale and non-current assets related to discontinued operations

None (31 December 2019: None).

18. Information on other assets

Other assets do not exceed 10% of total assets excluding the off-balance sheet items.

18.1 Information on prepaid expenses, tax and similar items

As of 31 December 2020, total prepaid expenses are TL 5,486 (31 December 2019: TL 5,704).

II. Explanations and disclosures related to liabilities

1. Information on deposits

1.1 Information on maturity structure of deposits

Current Period

	7 Day							Accumulating Deposit Accounts	Total
	Demand	Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over		
Saving Deposits	-	-	-	-	-	-	-	-	-
Foreign Currency Deposits	850,477	-	1,193	-	-	-	-	-	851,670
Residents of Turkey	839,903	-	1,193	-	-	-	-	-	841,096
Residents Abroad	10,574	-	-	-	-	-	-	-	10,574
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	12,150	-	318,900	-	-	-	-	-	331,050
Other Ins. Deposits	87	-	-	-	-	-	-	-	87
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Interbank Deposits	2	-	1,128,447	1,884,983	362,780	22,266	456,092	-	3,854,570
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	2	-	1,128,447	1,884,983	362,780	22,266	456,092	-	3,854,570
Special Finan.Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	862,716	-	1,448,540	1,884,983	362,780	22,266	456,092	-	5,037,377

Prior Period

	7 Day							Accumulating Deposit Accounts	Total
	Demand	Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over		
Saving Deposits	-	-	-	-	-	-	-	-	-
Foreign Currency Deposits	305,115	-	207,232	-	1,505	-	-	-	513,852
Residents of Turkey	305,115	-	207,232	-	1,505	-	-	-	513,852
Residents Abroad	-	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	38,034	-	462,200	44,652	-	-	-	-	544,886
Other Ins. Deposits	317	-	-	-	-	-	-	-	317
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Interbank Deposits	3	-	725,261	-	1,369,150	861,448	393,094	-	3,348,956
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	3	-	725,261	-	1,369,150	861,448	393,094	-	3,348,956
Special Finan.Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	343,469	-	1,394,693	44,652	1,370,655	861,448	393,094	-	4,408,011

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to liabilities (Continued)

1. Information on deposits (Continued)

1.2 Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance

None (31 December 2019: None).

1.3 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance.

1.4 Saving deposits that are not under the guarantee of deposit insurance fund

None (31 December 2019: None).

2. Negative differences relating to derivative financial liabilities held-for-trading

Derivative Financial Liabilities	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	156	4,983	1,702	2,893
Swap transactions	3,620	13,079	2,807	25,596
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	3,776	18,062	4,509	28,489

3. Information on banks and other financial institutions

3.1 Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	-	-	267,300
From Foreign Banks, Institutions and Funds	708,084	6,822,787	57,993	5,028,514
Total	708,084	6,822,787	57,993	5,295,814

3.2 Maturity analysis of borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	708,084	6,730,254	57,993	4,882,031
Medium and Long Term	-	92,533	-	413,783
Total	708,084	6,822,787	57,993	5,295,814

3.3 Additional explanation related to the concentrations of the Bank's major liabilities

In the normal course of banking operations, the Bank funds itself through deposits and bank borrowings.

4. Informations related with securities issued

None (31 December 2019: None).

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II. Explanations and disclosures related to liabilities (Continued)

5. Miscellaneous payables and other liabilities

Miscellaneous payables and other liabilities on balance sheet do not exceed %10 of the balance sheet total.

6. Explanations on leasing obligations (Net):

6.1 Explanation on financial lease obligations

None (31 December 2019: None).

6.2 Information on operational leases and disclosures

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	2,347	1,911	2,477	1,904
1-4 years	2,079	1,909	3,054	2,747
More than 4 years	-	-	-	-
Total	4,426	3,820	5,531	4,651

7. Information on derivative financial liabilities for hedging purposes

None (31 December 2019: None).

8. Information on provisions

8.1 Explanations on reserves for employee benefits

As of 31 December 2020, provision for employee termination benefits of TL 17,551 (31 December 2019: TL 11,795), comprise TL 1,216 provision for employee termination benefits (31 December 2019: TL 802), TL 1,303 unused vacation accruals (31 December 2019: TL 893) and TL 15,032 bonus accruals (31 December 2019: TL 10,100).

The current value of Company's probable liability is calculated by using the estimates shown in the table below:

	Current Period	Prior Period
Discount rate (%)	3.85	5.18
Turnover rate to estimate the probability of retirement (%)	93.34	93.87

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate represents the expected real rate after adjusting for the anticipated effects of future inflation. Company has used the upper limit amounting full TL 7,638.96 from 1 January 2021 (1 January 2020: full TL 6,730.15).

8.2 Foreign exchange losses on the foreign currency indexed loans and finance lease receivables

None (31 December 2019: None).

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to liabilities (Continued)

8. Information on provisions (Continued)

8.3 The specific provisions provided for unindemnified non cash loans

None (31 December 2019: None).

8.4 Explanation on other provisions

8.4.1 Provisions for probable losses

None (31 December 2019: None).

8.4.2 The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total provisions

As of 31 December 2020 other provisions amounting to TL 4,455 consist of law suit provisions amounting to TL 550 and sundry provisions amounting to TL 1,071 and expected credit losses for non cash loans amounting to TL 2,834 (31 December 2019: TL 3,517, 512 law suit provisions, TL 1,071 sundry provisions and expected credit losses for non cash loans TL 1,934).

9. Explanations on tax liabilities

9.1 Explanations on current tax liability

9.1.1 Explanations on tax provision

As of 31 December 2020, the Bank has a current tax liability of TL 8,028 after offsetting advance taxes (As of 31 December 2019, the Bank had a current tax liability of TL 11,824 after offsetting advance taxes).

9.1.2 Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	8,028	11,824
Taxation on securities	210	1,036
Property tax	12	26
Banking and Insurance Transaction Tax (BITT)	2,479	1,706
Taxes on foreign exchange transactions	9	2
Value added taxes payable	169	128
Other	1,238	884
Total	12,145	15,606

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to liabilities (Continued)

9. Explanations on tax liabilities

9.1.3 Information on premiums

	Current Period	Prior Period
Social Security Premiums- Employee	200	166
Social Security Premiums- Employer	241	201
Bank Social Aid Pension Fund Premium- Employee	-	-
Bank Social Aid Pension Fund Premium- Employer	-	-
Pension Fund Membership Fees and Provisions- Employee	-	-
Pension Fund Membership Fees and Provisions- Employer	-	-
Unemployment Insurance- Employee	13	11
Unemployment Insurance- Employer	27	22
Other	-	-
Total	481	400

9.2 Explanations on deferred tax liabilities

As of 31 December 2020, the deferred tax assets of TL 12,656 (31 December 2019: TL 16,070 deferred tax asset) is calculated.

Deferred tax assets consist of deferred tax assets and liabilities arising from the differences between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base which will be considered in the calculation of taxable profit/loss in the following periods. The deferred tax assets and liabilities are offset in the accompanying financial statements.

Current Period	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Reserve for Employee Benefits	22,267	4,453
Derivative Financial Instruments Fair Value Differences	(16,911)	(3,382)
Tangible and Intangible Assets Tax Base Differences	(2,209)	(442)
Deferred Commissions	4,139	828
Lawsuit Provisions	550	110
Loan Accrual Differences between Tax and IFRS	(1,608)	(322)
Loan Reserve Requirements	56,955	11,391
Other	102	20
Deferred Tax Asset/(Liability) (Net)	63,285	12,656
Prior Period	Deferred Tax Base	Deferred Tax Asset/(Liability)
Reserve for Employee Benefits	11,707	2,576
Derivative Financial Instruments Fair Value Differences	18,143	3,991
Tangible and Intangible Assets Tax Base Differences	(1,884)	(415)
Deferred Commissions	2,996	659
Lawsuit Provisions	512	113
Loan Accrual Differences between Tax and IFRS	(1,616)	(355)
Loan Reserve Requirements	41,847	8,369
Other	5,145	1,132
Deferred Tax Asset/(Liability) (Net)	76,850	16,070

Current period deferred tax assets and liabilities movement table are as follows:

	Current Period	Prior Period
Deferred Tax Asset, Beginning Balance	16,070	11,749
Deferred Tax Benefit / (Charge)	(3,429)	4,318
Deferred Tax Recognized Directly Under Equity	15	3
Deferred Tax Asset, Ending Balance	12,656	16,070

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II. Explanations and disclosures related to liabilities (Continued)

10. Information on liabilities regarding assets held for sale and discontinued operations

None (31 December 2019: None).

11. Explanations on subordinated loans

None (31 December 2019: None).

12. Information on shareholders' equity

12.1 Paid-in capital

	Current Period	Prior Period
Common Stock	527,700	527,700
Preferred Stock	-	-

12.2 Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital ceiling

Registered capital system is not applied.

12.3 Information on share capital increases and their sources; other information on increased capital shares in current period

None (31 December 2019: None).

12.4 Information on share capital increases from revaluation funds

None (31 December 2019: None).

12.5 Information on capital commitments the purpose and the sources until the end of the fiscal year and the subsequent period

The capital is totally paid in and there are no capital commitments.

12.6 Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Bank's equity

None (31 December 2019: None).

12.7 Information on privileges given to stocks representing the capital

The Bank does not have any preferred shares.

12.8 Common stock issue premiums, shares and equity instruments

None (31 December 2019: None).

12.9 Information on marketable securities value increase fund

None (31 December 2019: None).

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II. Explanations and disclosures related to liabilities (Continued)

12. Information on shareholders' equity

12.10 Information on revaluation reserve

None (31 December 2019: None).

12.11 Bonus shares of Subsidiaries, Associates and Joint Ventures

None (31 December 2019: None).

12.12 Information on legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	23,902	14,936
II. Legal Reserve	-	-
Special Reserves	-	-

12.13 Information on extraordinary reserves

None (31 December 2019: None).

13. Information on minority shares

None (31 December 2019: None).

III. Explanations and disclosures related to off-balance sheet contingencies and commitments

1. Information on off-balance sheet commitments

1.1 Nature and amount of irrevocable loan commitments

Type of Irrevocable Commitments	Current Period	Prior Period
Time Deposit Purchase and Sale Commitments	170,270	1,379,397
Loan Granting Commitments	118,710	184,140
Total	288,980	1,563,537

1.2 Possible losses and commitments related to off-balance sheet items, including the ones listed below

1.2.1 Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits

	Current Period	Prior Period
Letters of Guarantee in TL	501,606	332,828
Letters of Guarantee in Foreign Currency	352,627	379,283
Letters of Credit	556,686	181,816
Bills of Exchange and Acceptances	418	8,901
Other Guarantees	6,677	5,346
Total	1,418,014	908,174

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III. Explanations and disclosures related to off-balance sheet contingencies and commitments (Continued)

1. Information on off-balance sheet commitments (Continued)

1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies

	Current Period	Prior Period
Temporary Letters of Guarantee	43,057	49,615
Permanent Letters of Guarantee	598,757	423,802
Advance Letters of Guarantee	28,969	48,659
Custom Letters of Guarantee	183,450	190,035
Other Letters of Guarantee	-	-
Total	854,233	712,111

2. Information on Non-cash Loans

2.1 Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Risks	-	-
With Original Maturity of 1 Year or Less	-	-
With Original Maturity of More Than 1 Year	-	-
Other Non-Cash Loans	1,418,014	908,174
Total	1,418,014	908,174

2.2 Information on Sectorial risk concentration of non_cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	334,056	66.60	564,341	61.58	124,106	37.29	162,928	28.32
Mining and Quarrying	-	-	-	-	-	-	-	-
Production	334,056	66.60	564,341	61.58	124,106	37.29	162,928	28.32
Electricity, Gas, Water	-	-	-	-	-	-	-	-
Construction	2,500	-	1,855	0.20	4,500	1.35	1,485	0.26
Services	165,050	32.90	350,212	38.22	204,222	61.36	410,933	71.42
Wholesale and Retail Trade	54,492	10.86	46,416	5.06	49,101	14.75	76,117	13.23
Accommodation and Dining	-	-	-	-	-	-	-	-
Transportation and Telecommunication	71,543	14.26	2,578	0.28	99,174	29.80	2,533	0.44
Financial Institutions	36,638	7.30	291,299	31.79	53,190	15.98	331,695	57.65
Real Estate and Rental Services	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-
Health and Social Services	2,377	0.47	9,919	1.08	2,757	0.83	588	0.10
Others	-	-	-	-	-	-	-	-
Total	501,606	100	916,408	100	332,828	100	575,346	100

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III. Explanations and disclosures related to off-balance sheet contingencies and commitments (Continued)

2. Information on Non-cash Loans (Continued)

2.3 Information on the first and second group of non-cash loans

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans				
Letters of Guarantee	500,920	352,627	686	-
Bills of Exchange and Bank Acceptances	-	418	-	-
Letters of Credit	-	556,686	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	6,677	-	-
Total	500,920	916,408	686	-
Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans				
Letters of Guarantee	332,828	379,283	-	-
Bills of Exchange and Bank Acceptances	-	8,901	-	-
Letters of Credit	-	181,816	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	5,346	-	-
Total	332,828	575,346	-	-

3. Information related to derivative financial instruments

	Current Period	Prior Period
Derivative Financial Instruments held for Risk Management	-	-
A. Total Derivative Financial Instruments held for Risk Management	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Net Foreign Investment Hedges	-	-
Trading Derivatives		
Foreign Currency related Derivative Transactions (I)	7,466,720	7,768,945
Currency Forwards-Purchases	1,121,003	424,581
Currency Forwards-Sales	1,090,236	425,203
Currency Swaps-Purchases	2,620,614	3,451,091
Currency Swaps-Sales	2,634,867	3,468,070
Currency Options-Purchases	-	-
Currency Options-Sales	-	-
Currency Futures-Purchases	-	-
Currency Futures-Sales	-	-
Interest Rate related Derivative Transactions (II)	-	-
Interest Rate Swaps-Purchases	-	-
Interest Rate Swaps-Sales	-	-
Interest Rate Options-Purchases	-	-
Interest Rate Options-Sales	-	-
Securities Options-Purchases	-	-
Securities Options-Sales	-	-
Interest Rate Futures-Purchases	-	-
Interest Rate Futures-Sales	-	-
Other Trading Derivative Transactions (III)	-	-
B. Total Trading Derivatives (I+II+III)	7,466,720	7,768,945
Total Derivative Transactions (A+B)	7,466,720	7,768,945

(*) Assets purchase and sale commitments are included

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III. Explanations and disclosures related to off-balance sheet contingencies and commitments (Continued)

4. Credit derivatives and risk exposures on credit derivatives

None (31 December 2019: None).

5. Explanations on contingent liabilities and assets

As per the precautionary principle, a provision of TL 550 (31 December 2019: TL 512) has been provided for court cases filed against the Bank; these provisions are classified in the “Other provisions” in the balance sheet. There are no ongoing lawsuits, apart from the provisions accounted for.

6. Explanation on custodian and intermediary services

None (31 December 2019: None).

IV. Explanations and disclosures related to income statement

1. Interest income

1.1 Information on interest income on loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest on loans				
Short Term Loans	116,660	61,434	174,346	97,810
Medium and Long Term Loans	12,755	87,482	37,337	123,930
Interest on Non-Performing Loans	-	-	-	-
Premiums received from Resources Utilization Support Fund	-	-	-	-
Total	129,415	148,916	211,683	221,740

1.2 Information on interest income on bank

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	716	-	33,715	-
Domestic Banks	33,172	2,797	221,216	1,766
Foreign Banks	9,674	-	1,168	17
Branches and Head Office Abroad	-	-	-	-
Total	43,562	2,797	256,099	1,783

1.3 Interest received from marketable securities portfolio

None (31 December 2019: None).

1.4 Information on interest income received from associates and subsidiaries

None (31 December 2019: None).

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to income statement (Continued)

2. Interest expenses

2.1 Information on interest on funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
<i>The Central Bank of Turkey</i>			-	-
<i>Domestic Banks</i>	66	358	224	1,486
<i>Foreign Banks</i>	9,772	20,296	2,460	111,884
<i>Branches and Head Office Abroad</i>	-	-	-	-
Other Institutions	-	-	-	-
Total	9,838	20,654	2,684	113,370

2.2 Information on interest expenses to associates and subsidiaries

None (31 December 2019: None).

2.3 Information on interest expenses to securities issued

None (31 December 2019: None).

2.4 Interest expenses on deposit based on maturity of deposits

Current Period Account Description	Demand Deposits	Time Deposits					1 Year and Over	Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months				
Turkish Lira									
Bank Deposits	-	880	-	-	-	-	-	880	
Saving Deposits	-	-	-	-	-	-	-	-	
Public Sector Deposits	-	-	-	-	-	-	-	-	
Commercial Deposits	-	35,963	1,482	7	-	-	-	37,452	
Other	-	-	-	-	-	-	-	-	
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	
Total	-	36,843	1,482	7	-	-	-	38,332	
Foreign Currency									
Foreign Currency Deposits	-	450	162	2	-	-	-	614	
Bank Deposits	-	3,334	9,903	5,763	6,585	243	-	25,828	
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	-	-	-	-	-	-	-	
Total	-	3,784	10,065	5,765	6,585	243	-	26,442	
Grand Total	-	40,627	11,547	5,772	6,585	243	-	64,774	

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to income statement (Continued)

2. Interest expenses (Continued)

Prior Period Account Description	Demand Deposits	Up to 1 Month	Time Deposits				1 Year and Over	Accumulating Deposit Accounts	Total
			1-3 Months	3-6 Months	6-12 Months				
Turkish Lira									
Bank Deposits	-	461	-	-	-	-	-	-	461
Saving Deposits	-	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	-	96,489	44,056	13,941	-	-	-	-	154,486
Other	-	-	-	-	-	-	-	-	-
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Total	-	96,950	44,056	13,941	-	-	-	-	154,947
Foreign Currency									
Foreign Currency Deposits	-	1,088	66	2	-	-	-	-	1,156
Bank Deposits	-	23,849	34,374	23,680	6,574	1,432	-	-	89,909
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Total	-	24,937	34,440	23,682	6,574	1,432	-	-	91,065
Grand Total	-	121,887	78,496	37,623	6,574	1,432	-	-	246,012

3. Information on dividend income

None (31 December 2019: None).

4. Information on net trading income/loss

	Current Period	Prior Period
Income	39,729,764	21,198,567
Gains on Capital Market Operations	-	-
Gains on Derivative Financial Instruments	486,094	637,907
Foreign Exchange Gains	39,243,670	20,560,660
Losses	39,675,654	21,230,219
Losses on Capital Market Operations	-	-
Losses on Derivative Financial Instruments	440,450	520,351
Foreign Exchange Losses	39,235,204	20,709,868
Net Trading Income / (Loss)	54,110	(31,652)

5. Information on other operating income

In the current period, TL 505 of other operating income comprise of reversal of prior year provisions amounting to TL 211 and other income amounting to TL 294 (31 December 2019: TL 1,741 of other operating income comprise of reversal of prior year general provision amounting to TL 461 of and other income amounting to TL 1,280 of other operating income).

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IV. Explanations and disclosures related to income statement (Continued)

6. Provisions of impairment on loans and other receivables

	Current Period	Prior Period
Expected Credit Losses	15,108	25,870
12-Month ECL (Stage 1)	14,789	25,643
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	319	227
Lifetime ECL Impaired Credits (Stage 3)	-	-
Impairment Losses on Securities	-	-
Financial Assets Measured at Fair Value through Profit/Loss	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-	-
Associates	-	-
Subsidiaries	-	-
Other(*)	13,299	8,829
Total	28,407	34,699

(*) Other expenses comprise of premium expenses amounting to TL 12,889 (31 December 2019: TL 8,599) and unused vacation provision expenses amounting to TL 410 (31 December 2019: 230 TL)

7. Information related to other operating expenses

	Current Period	Prior Period
Personnel Expenses	45,448	36,243
Provision for Employee Termination Benefits	341	161
Provision for Bank's Social Aid Fund Deficit	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Charges of Tangible Assets	2,674	2,684
Impairment Losses on Intangible Assets	-	-
Amortization Charges of Intangible Assets	2,050	1,918
Goodwill Impairment Expense	-	-
Impairment Losses on Investments Accounted for under Equity Method	-	-
Impairment of Assets to be Disposed	-	-
Depreciation of Assets to be Disposed	-	-
Impairment of Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	17,316	15,040
Operational Lease Expenses	229	664
Repair and Maintenance Expenses	94	136
Advertisement Expenses	11	17
Other Expenses(*)	16,982	14,223
Losses on Sale of Assets	-	-
Other(**)	11,663	15,942
Total	79,492	71,988

(*) Other expenses in other operating expenses comprise of TL 9,232 information technology hardware and software expenses (31 December 2019: TL 7,335), TL 7,750 communication expenses (31 December 2019: TL: 6,888 and other expenses.)

(**) Within the "other" item of other operating expenses consists of amounting to TL 4,817 (31 December 2019: TL 3,886) audit, consulting and consultancy service expenses, BITT expenses TL 3,091 (31 December 2019: TL 6,770) and operating fee expenses TL 738 (31 December 2019: TL 602).

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IV. Explanations and disclosures related to income statement (Continued)

8. Information on tax provision from continued and discontinued operations

8.1 Current tax income or expense and deferred tax income and expense

The Bank has a current tax charge of TL 35,459 (31 December 2019: 58,242). For the period ended 31 December 2020, the deferred tax expense of the Bank is TL 3,429 (31 December 2019: TL 4,318 deferred tax expense)

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

	Current Period	Prior Period
Profit/(loss) before tax from continuing operations	174,601	233,245
Tax income/(expense) on continuing operations	(38,888)	(53,924)
Net profit/(loss) from continuing operations	135,713	179,321

10. Information on net profit/loss for the period

10.1. In the current and prior period, the Bank's income from ordinary banking transactions are interest income from loans and placements and other banking services income. Main expenses are interest expenses on deposits and similar debt items which are funding resources of loans and placements.

10.2. Changes in estimations made by the Bank with respect to the financial statement items do not have a material effect on profit/loss.

11. If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items

None.

V. Explanations on changes in shareholders' equity

There is no adjustment differences to equity for inflation.

There is not an increase from revaluation of available for sale assets.

There is not an increase from the cashflow hedge items.

There is not a reconciliation issue of foreign exchange differences between the beginning and ending period.

There is not a dividend declaration after the balance sheet date but before the issuance of the financial statements.

There is not an amount related with issuance of share certificates.

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VI. Explanations and disclosures related to the statement of cash flows

1. Information on cash and cash equivalents

Cash and cash equivalents components and accounting policies defining these components:

Cash, foreign currency cash, money on transfer, bank cheques in clearance and deposits in all banks including Central Bank of Turkey are defined as "Cash", and interbank money market placements, term placements with banks and investments on marketable securities all with original maturity of less than 3 months are defined as "Cash equivalents".

Cash and cash equivalents at the beginning of the period:

	1 January 2020	1 January 2019
Central Bank of Turkey	711,441	849,656
Banks and Other Financial Institutions	423,796	1,601,158
Cash Equivalents	1,135,237	2,450,814

Cash and cash equivalents at the end of the period:

	31 December 2020	31 December 2019
Central Bank of Republic of Turkey	891,717	711,441
Banks and Other Financial Institutions	776,824	423,796
Cash Equivalents	1,668,541	1,135,237

2. Restricted cash and cash equivalents due to legal requirements or other reasons

In the current period, TL 2,283,819 (31 December 2019: TL 1,792,252) restricted balances is kept at the Central Bank of Turkish Republic for foreign currency as reserve requirements also the Bank has TL 866,058 (31 December 2019: TL 733,768) of saving account with maturity more than 3 months.

3. Information on other item in cash flow statement and the effect of the exchange rate change on cash and cash equivalents

Other item" amounting to TL 15,089 in "Operating profit before changes in assets and liabilities" consists of other operating expenses, realized gains and losses on derivatives, foreign currency losses and impairment for loan losses (31 December 2019 :TL : (69,744)).

"Net increase in other liabilities" amounting to TL (11,045) in "Changes in banking operations assets and liabilities" consists of changes in miscellaneous payables and taxes and dues payable (31 December 2019: TL 31,875 decrease).

"Net increase in other assets" amounting to TL (17,033) in "Changes in assets and liabilities" consists of changes in current tax assets and other receivables. (31 December 2018: TL (65,851) decrease).

As of 31 December 2020, the effect of the changes in the currency rates on cash and cash equivalents has been calculated approximately as TL (53,893) (31 December 2019: TL (17,761)). The effect of the currency rates on cash and cash equivalents is calculated by first finding the exchange difference between the date of the cash inflow and the balance sheet date and then multiplying it by the related inflow amount.

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations on risk group of the Bank

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses

1.1 Current Period

Bank's Risk Group (**)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables (*)						
Balance at the Beginning of the Period	-	-	3,697	180,565	36,717	180,559
Balance at the End of the Period	-	-	9,589	170,092	390,021	144,924
Interest and Commission Income	-	-	-	392	25,616	451

(*) Including described in article 48 of the Banking Act No: 5411.

(**) Described in article 49 of the Banking Act No: 5411.

Prior Period

Bank's Risk Group (**)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables (*)						
Balance at the Beginning of the Period	-	-	4,501	169,894	17,018	90,789
Balance at the End of the Period	-	-	3,697	180,565	36,717	180,559
Interest and Commission Income	-	-	-	345	1,185	475

(*) Including described in article 48 of the Banking Act No: 5411..

(**) Described in article 49 of the Banking Act No: 5411.

1.2 Information on deposits to the Bank's risk group

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	-	-	-	-	3,343,663	4,990,937
Balance at the end of the period	-	-	-	-	3,853,762	3,343,663
Interest expenses	-	-	-	-	26,488	89,994

(*) Described in article 49 of the Banking Act No: 5411.

1.3 Information on funds obtained from Bank's risk group

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Funds Borrowed						
Balance at the beginning of the period	-	-	-	-	5,070,666	8,695,691
Balance at the end of the period	-	-	-	-	7,529,087	5,070,666
Interest expense	-	-	-	-	30,033	114,266

(*) Described in article 49 of the Banking Act No: 5411.

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations on risk group of the Bank (Continued)

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses (Continued)

1.4 Information on forward and option agreements and similar agreements made with Bank's risk group

	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Bank's Risk Group (*)						
Derivative financial instruments at fair value through profit or loss:						
Balance at the beginning of the period	-	-	86,398	83,527	5,403,121	9,480,708
Balance at the end of the period	-	-	-	86,398	5,029,832	5,403,121
Total profit/(loss)	-	-	-	27	(18,435)	(27,214)

(*) Described in article 49 of the Banking Act No: 5411.

2. Information on transactions with the Bank's risk group

2.1 Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

None.

2.2 In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

As of 31 December 2020, cash loans and other receivables of the risk group amounts to TL 399,610 and comprises less than 4.5% of the total loans and other receivables (31 December 2019: Cash loans and other receivables of the risk group amounts to TL 40,414 and comprises less than 1% of the total loans and other receivables). Non-cash loans of the risk group amounts to TL 315,016 and comprises 22% of total non-cash loans (31 December 2019: Non-cash loans of the risk group amounts to TL 361,124 and comprises 40% of total non-cash loans). The short and long term borrowings of the Bank from the risk group amounts to TL 7,529,087 and comprises 100% of the loans obtained (31 December 2019: The short and long term borrowings of the Bank from the risk group amounts to TL 5,070,666 and comprises all of the loans obtained). As of 31 December 2020, net benefits paid to key management of the Bank is TL 2,094 (31 December 2019: TL 1,650).

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INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Explanations on the Bank's domestic, foreign, off-shore branches or investments in associates and foreign representative offices

	Number	Number of Employees			
Domestic Branch	1	82			
Foreign Representation Offices			Country		
			1-		
			2-		
			3-		
Foreign Branches				Total Assets	Statutory Share Capital
			1-		
			2-		
Off-shore Banking Region Branches			3-		
			1-		
			2-		
			3-		

IX. Explanations and disclosures related to subsequent events

None.

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SECTION SIX

OTHER EXPLANATIONS

I. Other explanations

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

I. Explanations on independent auditor's report

The Bank's publicly available financial statements and disclosures have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the audited report dated 8 March 2021 is presented in front of the financial statements.

II. Explanations on notes prepared by independent auditors

None.



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