Alternatifbank Anonim Şirketi
and Its Subsidiaries

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

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
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INDEPENDENT AUDITORS' REPORT

To the General Assembly of Alternatifbank A.Ş.

Qualified Opinion

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

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

Basis for Qualified Opinion

As explained in Note 21, the accompanying consolidated financial statements as at December 31, 2021 include a free provision for possible risks amounting to TL 55,000 thousands provided in the current year by the Group management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The accompanying consolidated financial statements as at December 31,2021 also includes related deferred tax asset amounting to TL 12,650 thousands over this free provision.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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Key Audit Matter	How the Key Audit Matter is addressed in our audit
Financial impact of IFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
As disclosed in footnote 10 and Note 2-2.11 the Group measured expected credit losses for financial assets in accordance with IFRS 9 "Financial Instruments Standards" in its financial statements. The reasons for selecting impairment of financial assets as key audit matter are as follows; ▪ Financial assets within balance-sheet and off-balance-sheet subject to IFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The application of IFRS 9 is complex and comprehensive ▪ The classification of financial instruments based on the Group's business models and the characteristics of contractual cash flows in line with IFRS 9 and requirement of significant judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized for IFRS 9 ▪ Estimations and assumptions used in expected credit losses are significant and complex ▪ Complex and comprehensive disclosure requirements of IFRS 9.	Our audit procedures in addition to our current audit procedures: ▪ Evaluation of the compliance of the accounting policies adopted with regard to IFRS 9, the Group's past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices ▪ Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group's business model ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group's historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses' calculation on a sample basis ▪ Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process ▪ Evaluating the impact of the Covid-19 outbreak, on macroeconomic variables in staging loans and calculating expected credit loss provision, together with important forward estimates and assumptions. ▪ Auditing of disclosures related to IFRS 9.

Responsibilities of Management and Board of Directors for the consolidated financial statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The Partner in charge of the audit resulting in this independent auditor's report is Fatma Ebru Yücel.

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

Fatma Ebru Yücel, SMMM
Partner

March 10, 2022
İstanbul, Turkey

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
ASSETS			
Cash and balances with the Central Bank of Turkey	6	7,458,531	3,594,934
Loans and advances to banks	7	3,427,518	2,332,490
Financial assets at fair value through profit or loss	8	48,601	57,312
Derivative financial assets	9	1,050,946	184,433
Loans and advances to customers	10	25,780,210	21,907,473
Investment securities	11	8,679,880	5,215,512
- *Investment securities at fair value through other comprehensive income ("FVOCI")*	*11*	*2,702,834*	*982,418*
- *Investment securities at amortised cost ("AC")*	*11*	*5,977,046*	*4,233,094*
Leasing receivables	10	2,014,051	1,543,996
Intangible assets	12	142,557	121,773
Property and equipment	13	375,986	365,416
Deferred income tax assets	19	197,976	175,953
Assets held for sale	20	594,827	224,790
Other assets	14	546,941	964,451
Total assets		**50,318,024**	**36,688,533**
LIABILITIES			
Deposits from banks	15	2,682,327	991,098
Due to customers	16	26,071,842	18,106,109
Funds borrowed	17	12,300,342	9,933,145
Debt securities issued	18	882,314	409,783
Derivative financial instruments	9	581,438	331,782
Derivatives held for risk management	9	69,614	4,332
Provisions	21	204,201	117,430
Retirement benefit obligations	22	18,608	12,021
Lease payables		38,162	47,872
Other liabilities	23	1,116,274	1,484,366
Subordinated liabilities	17	3,737,398	2,821,726
Total liabilities		**47,702,777**	**34,259,664**
EQUITY			
Share capital	24	2,213,740	2,038,390
Share premium	24	54	54
Fair value reserves	25	(135,830)	(16,614)
Hedge reserves		59,724	1,290
Revaluation surplus		34,751	34,751
Legal reserves	25	62,656	56,229
Other reserves	25	-	-
Retained earnings	25	380,130	314,750
Total equity attributable to owners of the Bank		**2,615,225**	**2,428,850**
Non-controlling interests		**22**	**19**
Total equity		**2,615,247**	**2,428,869**
Total liabilities and equity		**50,318,024**	**36,688,533**

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

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	Audited 31 December 2021	Audited 31 December 2020
Interest income	26	3,329,316	2,343,295
Interest expense	26	(2,753,955)	(1,731,973)
Net interest income		**575,361**	**611,322**
Fee and commission income	27	198,338	226,517
Fee and commission expense	27	(11,459)	(37,058)
Net fee and commission income		**186,879**	**189,459**
Foreign exchange gains and losses, net		151,478	94,928
Trading gains and losses, net	28	(95,178)	(110,859)
Gains/losses from investment securities, net		20,357	16,619
Total operating income		**838,897**	**801,469**
Impairment losses on loans and credit related commitments, net	29	(251,507)	(269,973)
Other operating expenses	29	(486,865)	(401,596)
Total operating expense		**(738,372)**	**(671,569)**
Profit before income tax		**100,525**	**129,900**
Tax expense	19	(23,981)	(24,337)
Profit for the year		**76,544**	**105,563**
Profit attributable to:			
Equity holders of the Bank		76,541	105,561
Non-controlling interest		3	2
		76,544	**105,563**
Earnings per share			
Basic earnings per share attributable to the equity holders of the Bank (expressed in TL per thousand share)	2.28	0.0350	0.0536

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

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Profit for the year		**76,544**	**105,563**
Items that will not be reclassified to profit or loss		**(4,734)**	**5,329**
Remeasurements of defined benefit liability	22	(5,918)	(2,050)
Property and Plant Revaluation Differences		-	8,711
Related tax		1,184	(1,332)
Items that are or may be reclassified subsequently to profit or loss:		**(60,782)**	**30,765**
Changes in the fair value of debt instruments at fair value through OCI		(155,123)	24,386
Net change in financial assets at fair value through other comprehensive income		-	-
Gain/(Loss) from cash flow hedges		75,905	11,539
Related tax		18,436	(5,160)
Other comprehensive income, net of tax		**(65,516)**	**36,094**
Total comprehensive income		**11,028**	**141,657**
Total comprehensive income attributable to			
Equity holders of the Bank		11,025	141,655
Non-controlling interests		3	2
Total comprehensive income		**11,028**	**141,657**

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

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

		Attributable to equity holders of the Bank										
					Items that will not be reclassified to profit or loss	Items that are or may be reclassified subsequently to profit or loss						
	Note	Share Capital	Share Premium	Legal Reserves	Revaluation Surplus	Hedge Reserves	Fair Value Reserves	Other Reserves	Retained Earnings	Total	Non-controlling Interest	Total Equity
Balance at 1 January 2020		**1,730,655**	**54**	**46,650**	**27,782**	**(7,930)**	**(38,159)**	**-**	**220,408**	**1,979,460**	**17**	**1,979,477**
Corrections Made According to IAS 8		-	-	-	-	-	-	-	-	-	-	-
Restated balances at 1 January 2020		**1,730,655**	**54**	**46,650**	**27,782**	**(7,930)**	**(38,159)**	**-**	**220,408**	**1,979,460**	**17**	**1,979,477**
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	-	**105,561**	**105,561**	**2**	**105,563**
Other comprehensive income		-	-	-	6,969	**9,220**	**21,545**	-	**(1,640)**	**36,094**	-	**36,094**
Net change in fair value of debt instruments measured at FVOCI		-	-	-	-	-	21,545	-	-	21,545	-	21,545
Cash flow hedges		-	-	-	-	9,220	-	-	-	9,220	-	9,220
Net change on revaluation surplus		-	-	-	6,969	-	-	-	-	6,969	-	6,969
Remeasurements of defined benefit liability		-	-	-	-	-	-	-	(1,640)	(1,640)	-	(1,640)
Total other comprehensive income		-	-	-	6,969	**9,220**	**21,545**	-	**(1,640)**	**36,094**	-	**36,094**
Total comprehensive income for the year		-	-	-	6,969	**9,220**	**21,545**	-	**103,921**	**141,655**	**2**	**141,657**
Contributions by and distributions to owners												
Transfer to legal reserves		-	-	9,579	-	-	-	-	(9,579)	-	-	-
Capital Increase	24	307,735	-	-	-	-	-	-	-	307,735	-	307,735
Balance at 31 December 2020	**24**	**2,038,390**	**54**	**56,229**	**34,751**	**1,290**	**(16,614)**	**-**	**314,750**	**2,428,850**	**19**	**2,428,869**
Balance at 1 January 2021	24	**2,038,390**	**54**	**56,229**	**34,751**	**1,290**	**(16,614)**	**-**	**314,750**	**2,428,850**	**19**	**2,428,869**
Corrections Made According to IAS 8		-	-	-	-	-	-	-	-	-	-	-
Balances at 1 January 2021		**2,038,390**	**54**	**56,229**	**34,751**	**1,290**	**(16,614)**	**-**	**314,750**	**2,428,850**	**19**	**2,428,869**
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	-	-
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	-	**76,541**	**76,541**	**3**	**76,544**
Other comprehensive income		-	-	-	-	**58,434**	**(119,216)**	-	**(4,734)**	**(65,516)**	-	**(65,516)**
Net change in fair value of debt instruments measured at FVOCI		-	-	-	-	-	(119,216)	-	-	(119,216)	-	(119,216)
Cash flow hedges		-	-	-	-	58,434	-	-	-	58,434	-	58,434
Net change on revaluation surplus		-	-	-	-	-	-	-	-	-	-	-
Remeasurements gain/loss on defined benefit liability		-	-	-	-	-	-	-	(4,734)	(4,734)	-	(4,734)
Total other comprehensive income		**-**	**-**	**-**	**-**	**58,434**	**(119,216)**	**-**	**(4,734)**	**(65,516)**	**-**	**(65,516)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**58,434**	**(119,216)**	**-**	**71,807**	**11,025**	**3**	**11,028**
Contributions by and distributions to owners												
Transfer to legal reserves		-	-	6,427	-	-	-	-	(6,427)	-	-	-
Capital Increase	24	175,350	-	-	-	-	-	-	-	175,350	-	175,350
Balance at 31 December 2021	**24**	**2,213,740**	**54**	**62,656**	**34,751**	**59,724**	**(135,830)**	**-**	**380,130**	**2,615,225**	**22**	**2,615,247**

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

ALTERNATİFBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 DECEMBER 2021
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated).

	Note	Audited 1 January- 31 December 2021	Audited 1 January - 31 December 2020
Cash flows from operating activities			
Interest received		2,894,713	2,188,319
Interest paid		(2,643,997)	(1,661,849)
Fees and commissions received		327,677	224,043
Trading income		56,300	(15,931)
Recoveries of loans previously impaired	10	630,345	184,602
Fees and commissions paid	27	(11,459)	(37,058)
Cash payments to employees and other parties		(259,278)	(209,967)
Cash received from other operating activities		1,973,894	523,904
Cash paid for other operating activities		(11,140,406)	(2,090,486)
Taxes paid		(35,539)	(41,505)
Cash flows from operating profits before changes in operating assets and liabilities		**(8,207,750)**	**(935,928)**
Changes in operating assets and liabilities:			
Trading securities		8,420	(36,491)
Loans and advances		(914,226)	(3,459,030)
Other assets		(1,200,881)	(964,067)
Deposits from other banks		924,516	50,764
Deposits due to customers		6,962,510	485,771
Other money market deposits		781,988	700,250
Other liabilities		125,338	1,464,017
Net cash from operating activities		**(1,520,085)**	**(2,694,714)**
Cash flows from investing activities			
Purchases of financial assets at fair value through other comprehensive income securities		(2,690,734)	(1,052,423)
Proceeds from sale and redemption of investment securities through OCI		257,988	326,935
Purchases of investment securities at Amortized Cost		-	-
Redemption of investment securities at Amortized Cost		121,121	304,375
Purchases of premises and equipment	11	(61,856)	(70,964)
Proceeds from sale property and equipment	11	29,716	20,683
Purchase of intangible assets, net	12	(51,011)	(12,461)
Net cash used in investing activities		**(2,394,776)**	**(483,855)**
Cash flows from financing activities			
Proceeds from funds borrowed	17	9,799,804	7,697,703
Payments for funds borrowed	17	(8,109,193)	(5,451,600)
Proceeds from bond issue		3,376,540	451,503
Payments for bonds issued		(2,444,599)	(1,009,950)
Share capital increase	23	175,350	307,735
Payments of finance lease liabilities		(22,389)	(59,204)
Net cash from financing activities		**2,775,513**	**1,936,187**
Net increase in cash and cash equivalents		**(1,139,348)**	**(1,242,382)**
Effects of foreign exchange-rate changes on cash and cash equivalents		4,146,947	961,154
Cash and cash equivalents at beginning of the year	**5**	**4,208,493**	**4,489,721**
Cash and cash equivalents at end of the year	**5**	**7,216,092**	**4,208,493**

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

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

NOTE 1 - GENERAL INFORMATION

Alternatifbank A.Ş. ("the Bank" or "the Parent Bank"), was established in Istanbul on 6 November 1991 and started Banking activities on February 1992. The Bank's ordinary shares started to be traded in Istanbul Stock Exchange on 3 July 1995.

The sale of the shares of the Bank belonging to Anadolu Group companies to The Commercial Bank (P.S.Q.C.) has been finalised on 18 July 2013 and the share transfer has been registered in accordance with the Board of Directors meeting at the same date.

The Bank made an application to Capital Market Boards of Turkey (CMB) and Borsa İstanbul A.Ş. about to delisting from the stock-exchange quotation in accordance with clauses of Capital Market Board "Squeeze-out and Sell-out Rights Communiqué" on 11 July 2014. "Capital Issue Document" prepared for the capital increase allocated to controlling shareholder Commercial Bank of Qatar in the context of the process of squeeze-out and sell-out rights from the minority in accordance with "Squeeze-out and Sell-out Rights Communiqué" has been approved by Capital Market Board on 23 July 2015. As of this date, Alternatifbank A.Ş. is not quoted to stock-exchange.

In March 2018, the Bank has changed its brand name, formerly known as ABank, to Alternatif Bank. As of 31 December 2021, The shareholder structure of the Bank is as follows:

	31 December 2021 (*)		31 December 2020	
Name of Shareholders	**Paid in capital**	**%**	**Paid in capital**	**%**
The Commercial Bank (P.S.Q.C.)	2,213,740	100	2,038,390	100
Total	**2,213,740**	**100**	**2,038,390**	**100**

(*) With the decision of number 20 of the Board of Directors dated on 18 February 2021 and with the approval of BRSA dated on 11 March 2021, the capital increase is registered in Commercial Registry Gazette number of 10312 and the capital is increased from TL 2,038,390 to TL 2,213,740. In this respect, The Commercial Bank (P.S.Q.C) was included in the capital increase with TL 175,350 by cash and this amount transferred it to the capital account.

The registered office address of the Bank is at Ayazağa Mah. Azerbaycan Cad. No: 3M/1 2D Blok Sarıyer/İstanbul.

The consolidated financial statements of the Group were authorized for issue by the Management of the Bank on 4 March 2022. The General Assembly has the power to amend the consolidated financial statements after its issue.

For the purposes of the consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as "the Group".

The operations of the Group consist of banking, leasing and portfolio management conducted mainly with local customers.

The Bank provides banking services through 41 branches (31 December 2020: 44) in Turkey. At 31 December 2021, the Group has 961 employees (31 December 2020: 933).

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

NOTE 1 - GENERAL INFORMATION (Continued)

The subsidiaries and the Bank's shareholding interest as at 31 December 2021 and 31 December 2020 are as follows:

	Place of Incorporation	Effective shareholding (%) 31 December 2021	Effective shareholding (%) 31 December 2020
Alternatif Yatırım Menkul Değerler A.Ş.	Istanbul/Turkey	100.00	100.00
Alternatif Finansal Kiralama A.Ş.	Istanbul/Turkey	99.99	99.99

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Presentation of Financial Statements

The Bank and its subsidiaries located in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), regulations promulgated by the Capital Markets Board of Turkey and also the Turkish Commercial Code.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit and loss, investment securities at fair value through other comprehensive income, derivative financial instruments and headquarter building that have been measured at fair value.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of Consolidation

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

The consolidated financial statements comprise the financial statements of the Bank and all its subsidiaries, as of 31 December 2021 and 31 December 2020.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to benefit from its activities. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

The Bank also consolidates a subsidiary in which it has less than 50% shareholding since it has power to govern the financial and operating policies of such subsidiary under a statute, to appoint or remove the majority of the members of the board of directors and to cast the majority of votes at the meetings of board of directors.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies.

The equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position and statement of profit or loss, respectively.

All intra-group balances, transactions and unrealized gains on intra-group transactions are eliminated including inter-company profits and unrealized profits and losses. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

2.3 Use of Estimates and Judgments

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in related accounting policies (Note 3).

The COVID-19 epidemic, which has emerged in China, has spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 around the world, various measures have been taken in our country as well as in the world in order to prevent the transmission of the virus and it is still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide. While preparing the financial statements as of December 31, 2021, the Group reflected the possible effects of the COVID-19 outbreak on the estimates ad judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected loan losses are explained in the statements on impairment of financial assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The consolidated financial statements are presented in Turkish Lira ("TL"), which is the Group's functional and the presentation currency.

2.5 Foreign Currency Transactions and Translation

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise.

2.6 Due from Banks

Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

2.7 Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Furniture and fixtures and motor vehicles	3 years to 15 years
Office equipment	5 years
Leasehold improvements	5 years, or over the period of the lease if less than 5 years
Buildings	50 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of premises and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement. There is no impairment recorded related to premises and equipment.

An item of premises and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The Bank has started to account properties under the tangible assets with their revalued amount instead of cost values in accordance with "IAS 16 Plant and Equipment" on 31 December 2018. The revaluation difference arising from the valuations made by the appraisal firms authorized by Capital Markets Board ("CMB") and BRSA is accounted in Investment Properties Revaluation Differences line under the Shareholders' Equity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Premises and Equipment（Continued)

Financial leasing transactions as lessee

The Parent Bank assesses whether the contract has the quality of a lease or whether the lease includes the transaction at the beginning of a contract. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Parent Bank reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

Right of use assets

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

- The initial measurement amount of the lease obligation,
- The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- All initial direct costs incurred by the Bank and

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

- Accumulated depreciation and accumulated impairment losses are deducted and
- Measures the restatement of the lease obligation at the restated cost.

The Parent Bank applies depreciation provisions in IAS 16 "Tangible Fixed Assets" while depreciating the right of use asset.

The Lease Obligations

At the effective date of the lease, the Parent Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the the Parent Bank's average borrowing interest rates. The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

After the effective date of the lease, the Parent Bank measures the leasing liability as follows:

- Increase the book value to reflect the interest on the lease obligation
- Reduces the book value to reflect the lease payments made and
- The book value is measured to reflect reassessments and restructuring, or reflect to fixed lease payments as of revised nature.

The interest on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic interest rate to the remaining balance of the lease liability. "IFRS 16 Leasing" Standard was promulgated in Official Gazette No. 29826, dated 16 April 2018 to be applied in the accounting period starting on 31 December 2018. The Parent Bank applied IFRS 16 "Leasing" standard, which replaced IAS 17 "Leasing", as of 1 January 2019, the date of first implementation.

As of 31 December 2021, net right of use assets and net lease liabilities are amounting to TL 28,967 and TL 38,162 respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Goodwill

The acquisition method of accounting is used for acquired businesses. The acquisition method of accounting includes allocating the cost of the business combination to the fair value of assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The Group has TL 49,017 goodwill (31 December 2020: TL 49,017). If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in the income statement as a bargain purchase gain. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units.

2.9 Intangible Assets

Intangible assets acquired separately from a business are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. There is no impairment recorded related to intangible assets. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Patents and licenses were amortized over their useful economic lives of 15 years. Software and development costs for software were amortized over their useful economic lives of 3 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets

The Group categorizes its financial assets as "Fair Value through Profit/Loss", "Fair Value through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to IFRS 9 Financial Instruments. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

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

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit/loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and re-measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Financial Assets at Fair Value through Other Comprehensive Income

A financial asset is measured at fair value through other comprehensive income when both of the following conditions are provided:

- Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell,

- Financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates.

Valuation of such assets is based on its fair value. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income reflected and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the income statement.

During initial recognition an entity may irrevocably elect to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

Financial Assets Measured at Amortized Cost

A financial asset is measured at amortized cost when both of the following conditions are provided:

- Financial assets within a business model that aims to hold to collect contractual cash flows,

- Financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates.

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

Derivative Financial Assets

The Group uses derivative financial instruments to hedge its foreign currency and interest rate risk.

The major derivative instruments utilized by the Group are foreign currency swaps, interest rate swaps, currency forwards, currency futures and currency options.

Derivatives are initially recorded with their fair values and related transaction costs as of the contract date are recorded on gain or loss. The following periods of initial reporting, they are measured with their fair values. The result of this assessment, offsetting debit and credits stemming from each contract debit and credits are reflected to the financial statements as a contract-based single asset and liability. The recognition method of profit/loss is based on whether the related derivative is hedged or not, and the content of the hedged instrument.

The Group notifies in written the relationship between hedging instrument and related account, risk management aims of hedge and strategies and the methods using to measure of the hedge effectiveness. The Group evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Trading Gains/Losses on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. In case of inferring hedge accounting, corrections made to the value of hedge account using straight-line amortization method within the days to maturity are reflected to "Trading gains/losses on derivative financial instruments" account in income statement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

Derivative Financial Assets (Continued)

Derivative financial instruments of the Group are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income". In accounting policy choice, IFRS 9 provides the option of postponing the acceptance of IFRS 9 hedge accounting and continuing with IAS 39 "Hedge accounting". In this context, the Group continued to apply IAS 39 "Hedge accounting".

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts. "Financial instruments at fair value through profit or loss" are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "derivative financial assets held for trading" and if the fair value difference is negative, it is disclosed under "derivative financial liabilities held for trading". Fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Referring to to the regulations by BRSA on swap markets, regulations dated 9th February 2020 and 12nd February 2020, the Bank has updated the yield curves used in the fair value calculations of the forward-swap derivatives from FX Implied Swap (up to 2 years) and FX CCS (for more than 2 years) to Overnight Index Swap (up to 3 months, inclusive), FX Implied Swap (from 3 months to 2 years), and FX CCS (for more than 2 years). The changes in question did not cause any significant impact on financial statements.

Loans

Loans are financial assets which are created by providing money, goods or services to the debtor. Loans are recognized at acquisition cost which is reflecting the fair value after that measured at amortized cost using the effective interest rate method. Any fees and other similar charges paid for assets received as collateral are not considered as part of the transaction cost and reflected in the expense accounts.

Cash loans in personal and corporate loans, according to the Uniform Chart of Accounts ("UCA") and Prospectus are recognized in accordance with their original balances in the account specified.

The foreign exchange indexed commercial and individual loans are being monitored by the exchange rate of the opening date over Turkish Lira in the TL accounts. Repayments are calculated at the exchange rate at the date of payment, the resulting exchange differences are recognized in the income and expense account.

Starting from 24 March 2014, the Parent Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of 24 March 2019, the difference of TL 379 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 25 December 2023.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial Assets (Continued)

Repurchase and Resale Transactions

The Group enters into sales of securities under agreements to repurchase such securities at a fixed price at a fixed future date. Such securities, which have been sold subject to a repurchase agreement ("repos"), are recognized in the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreement using the effective interest method. Securities sold subject to repurchase agreements ("repos") are reclassified in the financial statements as loaned securities when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability for amounts received under these agreements is included in deposits from banks.

Securities purchased with a corresponding commitment to resell at a fixed price at a specified future date ("reverse repos") are not recognized in the statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using the effective interest method.

Netting off Financial Assets and Liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Recognition and Derecognition of Financial Instruments

The Group recognizes a financial asset or financial liability in its statement of financial position when and only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Group has also assumed an obligation to pay them in full without material delay to a third party; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of Financial Assets

The Group allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

The Group estimates the expected credit losses for a financial lease based on the probabilities determined by taking into account the probable outcomes and estimates the fair value of the money and the estimates of past events, current conditions and future economic conditions at reasonable rates, and reflects supportable information during the reporting period.

Within the scope of internal policies, the Group, evaluates the calculation of credit losses in accordance with IFRS 9, as an individual assessment based on expert opinion. In this context, the Bank takes into account the weight of the estimating the probability of scenario of the occurrence or failure of the related loan losses and reduced expected cash flows to the reporting date with effective interest rate.

The Group uses three basic parameters in the calculation of expected credit loss as default rate, loss in default and default amount. The calculation is also based on these scenarios, time value of money, the historical observed data and the forecasting of the macroeconomic situation.

In the calculation of expected credit loss, the Group includes the prospective macroeconomic information in to the credit risk parameters. In this context, economic models based on the relationship of credit risk parameters with macroeconomic variables are established based on multi-scenario, and the models mainly take into account the basic macroeconomic variables such as Gross Domestic Product (GDP) and Unemployment Rates. The efficiency and adequacy of the models used in the calculation of credit losses are reviewed at regular intervals. In this context, as of 31 December 2021, The Parent Bank separately calculated the possible effects of the COVID-19 outbreak on the estimates and judgments used in the calculation of Expected Credit Losses with the best estimation method. In the light of the said data, the Parent Bank has been revised the macroeconomic indicators for the future in the expected credit loss calculation.

- Stage 1: For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.
- Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. For these assets, lifetime expected credit losses are recognized.
- Stage 3: Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

Definition of Default:

Default means, when the borrower's payment obligations which against to the Bank, delays more than 90 days from the date of payment in part or in full, or he is not pay.

Considered as a significant increase in credit risk:

- Overdue receivables of more than 30 days
- Receivables followed in close monitoring portfolio
- Restructured receivables due to payment difficulties
- Receivables from non-problematic consumer loans from individual customers with problematic consumer loans.
- Receivables exceeding the established thresholds for the differences between the default probabilities measured at the time of the financial statements and the default probabilities observed at the reporting date

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Cash and Cash Equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and balances with the Central Bank of Republic of Turkey, deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

2.13 Financial Liabilities

Financial liabilities including deposits from banks, due to customers and other borrowed funds are recognised initially at cost. Subsequently, financial liabilities are stated at amortised cost, including transaction costs, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective interest method.

2.14 Employee Benefits

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("IAS 19") and are classified under "Reserve for Employee Rights" account in the statement of financial position.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Group arising from this liability.

According to the IAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013.

Defined Contribution Plans

For defined contribution plans the Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Share Capital

Share capital is recognized at the nominal amount and amounts received in excess of the par value are recognized in share premium account. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction.

2.17 Leases

The Group as the lessee

Finance leases

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the estimated useful life of the asset.

The Group as the lessee

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

The Group as the lessor

Finance leases

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

Operating leases

Assets leased out under operating leases are included in investment property in the consolidated financial statements. They are depreciated over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised in the profit or loss on a straight-line basis over the lease term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Income and Expense Recognition

Interest income and expense are recognized in the profit or loss for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees and custody service fees that are continuously provided over an extended period of time are recognized over the period service is provided. Fee for bank transfers and other banking transaction services are recorded as income when collected. Borrowing fees and commissions expenses paid to other financial institutions are recognized as transaction costs and recorded using the “Effective interest rate method”.

2.19 Income Tax

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

Income taxes currently payable

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Taxes other than on income are recorded within operating expenses (Note 28).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Income Tax (Continued)

Deferred taxes

Deferred tax is recognized, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted, or substantively enacted, at the reporting date are used to determine deferred income tax. The principal temporary differences arise from measurement of financial assets and liabilities at fair value, loan loss provisions and provision for employment termination benefits.

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Group. Deferred income tax assets resulting from temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised (Note 19).

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes related to the same taxable entity and the same taxation authority.

Income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

As of 31 December 2021, the corporate tax rate has been applied as 25% in the financial statements. In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, the corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of July 1, 2021 and being effective for the taxation period starting from January 1, 2021, this rate will be applied as 23% for the taxation period of 2022 and 20% for the taxation periods of 2023 and beyond.

2.20 Derivative Financial Instruments

The Group enters into transactions with derivative instruments including forwards, swaps and options in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group's risk management policies; however since they do not qualify for hedge accounting under the specific provisions of IAS 39, they are treated as derivatives held-for-trading. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently re-measured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in the profit or loss.

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and the fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Derivative Financial Instruments (Continued)

In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency forward and swap transactions are determined by comparing the period end foreign exchange rates with the forward rates discounted to the reporting date. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and re-pricing date are used. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- The host contract is not itself carried at fair value through profit or loss;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

Derivatives held for risk management purposes and hedge accounting

Starting from 24 March 2014, the Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loan with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of 24 March 2019, the difference of TL 379 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 25 December 2023.

The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Trading Gains/Losses on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the "Trading Gains/Losses on derivative financial instruments" account.

The Bank applies cash flow hedge accounting using interest rate swaps to hedge its TL deposits with short term cyclical basis. The Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in IAS 39, in financial statements under equity "Hedging reserves", whereas the amount concerning ineffective part is associated with income statement.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Derivative Financial Instruments (Continued)

Derivatives held for risk management purposes and hedge accounting (Continued)

	31 December 2021			31 December 2020		
	Principal Amount (*)	**Assets**	**Liabilities**	**Principal Amount (*)**	**Assets**	**Liabilities**
Derivative financial instruments						
Interest rate swaps	15,562,132	88,498	69,614	5,787,446	7,778	4,332
Total	**15,562,132**	**88,498**	**69,614**	**5,787,446**	**7,778**	**4,332**

(*) The sum of buy and sell legs of the transactions.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged items are realized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are treated as contingent assets or liabilities.

2.22 Fiduciary Assets

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

2.23 Other credit related commitments

In the normal course of business, the Group enters into other credit related commitments including loan commitments, letters of credit and guarantees. These are reported as off-balance sheet items at their notional amounts and are assessed using the same criteria as originated loans. Specific provisions are therefore established when losses are considered probable and recorded as other provisions. The provision for credit related commitments also covers losses from the collective assessment where the commitments are grouped using the internal models developed by the Group stemming from the classification of credit related commitments into risk rating classes based on the observation of a series of parameters related to the borrower and/or to the utilisation of the loan.

2.24 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments (Note 32).

2.25 Related Parties

For the purpose of these consolidated financial statements, shareholders, companies controlled by or affiliated with them and other companies within the shareholders are considered and referred to as related parties (Note 33).

2.26 Explanations on Accounting Policies, Changes in Accounting Estimates and Errors Standard

None.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations

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

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

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

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

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

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

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

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations (Continued)

Separately identifiable risk components

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

Additional disclosures

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

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.
The amendments did not have a significant impact on the financial position or performance of the Group.

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

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

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations (Continued)

Standards issued but not yet effective and not early adopted

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

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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

Amendments to IAS 16 – Proceeds before intended use

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

There is no transition relief for the first time adopters.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations (Continued)

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

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

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IAS 8 - Definition of Accounting Estimates

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

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations (Continued)

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

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

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

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

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 The new standards, amendments and interpretations (Continued)

Annual Improvements – 2018–2020 Cycle

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

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

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

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

2.28 Earnings per share

Earnings per share disclosed in the consolidated statement of profit or loss are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

	31 December 2021	**31 December 2020**
Profit attributable to equity holders of the Bank	76,544	105,563
Weighted average number of ordinary shares in issue (thousand) (*)	2,184,515	1,968,074
Basic earnings and diluted per thousand share (expressed in full TL)	**0.0350**	**0.0536**

The Bank do not have diluted shares.

(*) Earnings per share disclosed in the consolidated statement of profit or loss are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 4).

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- **Notes 2.11** -Impairment of financial assets;
- **Note 4 (H)-**determination of the fair value of financial instruments with significant unobservable inputs;
- **Note 12-**impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts; and
- **Note 19-**recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;
- **Note 21-**measurement of defined benefit obligations: key actuarial assumptions;

NOTE 4 - FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

To maintain and improve the soundness of its operations, the Bank accords top management priority to upgrading its risk management systems and capabilities.

Risk Management is responsible for monitoring and managing all potential risks for the Bank in a centralized and efficiently coordinated manner. The primary goal of Risk Management is to provide business lines appropriate capital allocation for risks they are exposed to and increase value-added by maximizing risk adjusted return on capital. In this connection, each business line is geared to design appropriate cost-benefit schedule to maximize its return expectation with minimum cost of capital.

The Bank's Risk Management Policy covers market, structural interest rate, credit, operational and liquidity risks management.

The risk management governance at the Bank starts with the Board of Directors. The Bank Risk Committee, Asset Liability Committee (ALCO), Credit Risk Committee (CRC), Management Risk Committee (MRC), Operational Risk Committee (ORC) and the Risk Management Department are the most important bodies of the risk management structure.

The Board of Directors determines the general risk policy and the risk appetite of the Bank. The Bank Risk Committee defines risk policies and strategies, reviews all types of risks the Bank is exposed to in its quarterly meetings, monitors the implementation of the risk management strategies and brings the important risk issues to the attention of the Board. The ALCO, meeting bi-weekly, is responsible for monitoring and managing any structural asset liability mismatch of the Bank, as well as monitoring and controlling liquidity risk and foreign currency exchange rate risk. The CRC meets quarterly and is responsible for monitoring and evaluating the Bank's lending portfolio and determining principles and policies regarding credit risk management processes, such as loan approval, limit setting, rating, monitoring and problem management. The MRC is responsible for implementing risk policies regarding both the trading book and the investment book and establishing relevant control systems. In addition, it defines certain limits and regularly reviews these in order to limit and minimize the potential adverse effects of market conditions on the Bank's profitability and economic value. The ORC also meets quarterly and is responsible for reviewing the Bank's operational risks and defining the necessary actions to be taken to minimize these risks.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A. Credit risk

Credit risk is defined as the potential loss arising from a borrower's inability to meet its financial obligations to the Bank. Credit risk is the risk of highest concern due to its large presence on the statement of financial position. Consequently, the Bank's credit risk management framework was designed in a manner to ensure that non-performing loans are kept as low as possible. In order to keep the quality of the Bank's credit portfolio at a predefined level, the credit portfolio is regularly analysed and reported in terms of economic sectors, large exposures, rating distribution, collateral structure, non-performing loans amount, and other various aspects. In measuring credit risk, the Bank estimates the probability of default and the potential size of loss in the event of such default. Probability of default is generated by the Bank's internal rating tool and outputs for potential size of loss are derived from assessments of collateral quality and recovery rates. This grading process draws upon a scorecard containing quantitative and qualitative measures and the expertise of the Bank's credit officers. The validation and on-going monitoring of the grading models are the responsibilities of the Risk Management Department and depending on validation results models are continuously reviewed and improved if necessary.

Credit quality per class of financial assets is as follows;

a. Information on types of loans and allowance for impairment:

31 December 2021	Corporate/ Commercial	SME	Consumer	Credit Cards	Total
Standard Loans	18,831,835	4,726,245	229,486	60,631	23,848,197
Loans under Close Monitoring	3,347,234	979,127	17,495	3,399	4,347,255
Non-performing Loans	461,277	397,479	13,657	1,051	873,464
Allowance for impairment (-)	947,751	313,004	12,282	1,618	1,274,655
Total(*)	**21,692,595**	**5,789,847**	**248,356**	**63,463**	**27,794,261**

(*) Net leasing receivables for 31 December 2021 amounting to TL 2,014,051 are included.

31 December 2020	Corporate/ Commercial	SME	Consumer	Credit Cards	Total
Standard Loans	15,745,361	3,575,692	245,805	40,665	19,607,523
Loans under Close Monitoring	2,531,300	934,857	33,225	1,900	3,501,282
Non-performing Loans	779,507	409,499	12,292	1,035	1,202,333
Allowance for impairment (-)	635,491	213,441	9,695	1,042	859,669
Total(*)	**18,420,677**	**4,706,607**	**281,627**	**42,558**	**23,451,469**

(*) Net leasing receivables for 31 December 2020 amounting to TL 1,543,996 are included.

b. Information on loans and receivables past due but not impaired:

31 December 2021	Corporate	SME	Consumer	Credit Card	Total
Past due up to 30 days	372,242	308,854	13,127	744	694,967
Past due 30-60 days	18,283	3,914	2,046	118	24,361
Past due 60-90 days	16,707	15,510	5,638	53	37,908
Total	**407,232**	**328,278**	**20,811**	**915**	**757,236**

31 December 2020	Corporate	SME	Consumer	Credit Card	Total
Past due up to 30 days	368,754	11,827	16,996	623	398,200
Past due 30-60 days	34,334	91,005	7,251	50	132,640
Past due 60-90 days	80,081	77,605	4,100	69	161,855
Total	**483,169**	**180,437**	**28,347**	**742**	**692,695**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

c. Information on debt securities, treasury bills and other bills:

To determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", international rating firm Japan Credit Rating Agency (JCR) is started to be used as a result of rotation with 31 October 2016 instead of Fitch Ratings` external risk ratings which had been used since 31 December 2012.

Japan Credit Rating Agency	Credit Quality Level
AAA to AA-	1
A+ to A-	2
BBB+ to BBB	3
BB+ to BB-	4
B+ to B-	5
CCC and lower	6

31 December 2021 Japan JCR's Rating	Financial Assets at Fair Value through P/L (Net)	Financial Assets at Fair Value through OCI	Financial Assets at Amortised Cost	Total
BB+ (*)	48,601	2,663,058	5,978,142	8,689,801
Total	**48,601**	**2,663,058**	**5,978,142**	**8,689,801**

(*) Consist of Turkish Republic government bonds, private sector bonds and treasury bills.

31 December 2020 Japan JCR's Rating	Financial Assets at Fair Value through P/L (Net)	Financial Assets at Fair Value through OCI	Financial Assets at Amortised Cost	Total
BB+ (*)	57,312	943,818	4,233,900	5,235,030
Total	**57,312**	**943,818**	**4,233,900**	**5,235,030**

(*) Consist of Turkish Republic government bonds, private sector bonds and treasury bills.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A. Credit risk (Continued)

d. Information on rating concentration:

The credit risk is evaluated according to Bank's internal rating system. The loans rated according to probability of default, from the best rating (above standard), to the lowest rate (substandard) are presented in the below table and at the bottom of the table there is past due loans (impaired).

"Above standard" category means that the debtor has a strong financial structure,"standard" category means that debtor has a good and sufficient financial structure, "substandard" category means that the debtor's financial structure under risk in the short and medium term.

	31 December 2021	31 December 2020
High standard (A,B)	96.94%	94.04%
Standard (C)	0.08%	0.54%
Substandard (D)	0.13%	0.66%
Impaired (E)	2.84%	4.75%
Not rated	-	-

e. Fair value of collaterals (loans and advances to customers):

Collateral mainly comprises the following: cash funds, deposits, mortgages of real estate at the land registry and mortgages of real estate built on allocated land, export documents, guarantees, and acceptances and pledge on vehicles.

31 December 2021	Corporate	SME	Consumer	Credit Card	Total
Loans under Close Monitoring	2,986,657	1,124,881	2,698	11	4,114,247
Non Performing Loans	277,183	487,234	5,736	1,649	771,802
Total	**3,263,840**	**1,612,115**	**8,434**	**1,660**	**4,886,049**

31 December 2020	Corporate	SME	Consumer	Credit Card	Total
Loans under Close Monitoring	2,142,029	1,280,163	8,993	215	3,431,400
Non Performing Loans	624,332	520,373	6,388	1,326	1,152,419
Total	**2,766,361**	**1,800,536**	**15,381**	**1,541**	**4,583,819**

Type of Collaterals	31 December 2021	31 December 2020
Real-estate mortgage	1,114,492	1,660,599
Cash and cash equivalents	182,519	242,626
Car pledge	947,643	361,212
Other	2,641,395	2,319,382
Total	**4,886,049**	**4,583,819**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A. Credit risk (Continued)

f. Concentration of credit risk based on geographical regions:

	Turkey	EU	Other	Total
Cash and balances with the Central Bank of Turkey	7,458,531	-	-	7,458,531
Loans and advances to banks	2,323,553	67,129	1,036,836	3,427,518
Financial assets at fair value through profit or loss	48,601	-	-	48,601
Derivative financial instruments	1,050,946	-	-	1,050,946
Loans and advances to customers, net	25,774,812	2,618	2,780	25,780,210
- Corporate	19,735,119	2,618	2,780	19,740,517
- SME	5,789,847	-	-	5,789,847
- Consumer	185,819	-	-	185,819
- Credit card	64,027	-	-	64,027
Investment securities	8,679,880	-	-	8,679,880
- Investment securities at fair value through other comprehensive income	2,702,834	-	-	2,702,834
- Investment securities at amortised cost	5,977,046	-	-	5,977,046
Leasing receivables	2,014,051	-	-	2,014,051
Intangible assets	142,557	-	-	142,557
Property and equipment	375,986	-	-	375,986
Deferred income tax assets	197,976	-	-	197,976
Asset held for sale	594,827	-	-	594,827
Other assets	546,941	-	-	546,941
As of 31 December 2021	**49,208,661**	**69,747**	**1,039,616**	**50,318,024**
As of 31 December 2020	**36,086,629**	**217,858**	**384,046**	**36,688,533**

	Turkey	EU	Other	Total
Letter of guarantees	9,710,120	4,705	22,397	9,737,222
Letter of credits	3,578,372	254,369	191,062	4,023,803
Acceptance credits	124,158	-	240,173	364,331
Other commitments and contingencies	1,828,275	93,478	10,290	1,932,043
As of 31 December 2021	**15,240,925**	**352,552**	**463,922**	**16,057,399**
As of 31 December 2020	**8,971,207**	**821,148**	**143,684**	**9,936,039**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

A. Credit risk (Continued)

g. Sectoral concentration:

	31 December 2021		31 December 2020	
	Cash	**Non-cash**	**Cash**	**Non-cash**
Agricultural	**234,434**	**86,682**	**167,204**	**83,631**
Farming and raising livestock	228,934	85,999	148,412	83,483
Forestry	5,272	602	3,129	102
Fishery	228	81	15,663	46
Manufacturing	**9,497,465**	**6,187,676**	**8,211,645**	**3,706,126**
Mining	388,468	1,846,804	279,967	425,723
Production	7,790,716	4,260,184	6,491,444	3,147,134
Electric, gas and water	1,318,281	80,688	1,440,234	133,269
Construction	**3,450,465**	**2,216,038**	**2,601,554**	**1,503,771**
Services	**10,660,456**	**5,055,153**	**10,308,749**	**3,221,660**
Wholesale and retail trade	3,599,952	1,359,539	2,706,538	539,558
Hotel, food and beverage services	482,400	22,066	443,773	35,504
Transportation and telecommunication	1,599,656	611,354	2,060,451	355,567
Financial institutions	1,838,965	2,428,782	1,953,694	1,983,026
Real estate and renting services	1,560,222	392,860	1,965,557	120,197
Self-employment services	1,468,686	118,873	1,078,433	81,398
Education services	4,663	417	5,755	414
Health and social services	105,912	121,262	94,548	105,996
Other	**2,348,980**	**579,807**	**274,621**	**11,217**
Total (*)	**26,191,800**	**14,125,356**	**21,563,773**	**8,526,405**
Non-performing loans	679,829	109,988	1,086,121	70,683
Expected credit losses	(1,091,419)	(97,439)	(742,421)	(64,402)
Total(*)	**25,780,210**	**14,137,905**	**21,907,473**	**8,532,686**

(*) Net leasing receivables for 31 December 2021 and 2020 amounting to TL 2,014,051 and TL 1,543,996 respectively are not included.

h. Carrying amounts per class of financial assets whose terms have been renegotiated:

	31 December 2021	**31 December 2020**
Loans and advances to customers		
- Corporate lending	1,970,854	1,338,022
- Small business lending	70,775	53,209
- Consumer lending	360	600
Total	**2,041,989**	**1,391,831**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

i. Offsetting financial assets and financial liabilities:

The disclosures set out in the tables below include financial assets and financial liabilities that:

• are offset in the Group's statement of financial position; or

• are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements. Similar financial instruments include derivatives. Financial instruments such as loans and deposits are not disclosed in the tables below unless they are offset in the statement of financial position.

Such collateral is subject to each agreement terms. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The Group receives and gives collateral in the form of cash in respect of the derivative transactions.

					Related amounts not offset in the statement of financial position		
	Types of financial assets	**Gross amounts of recognised financial assets**	**Gross amounts of recognised financial liabilities offset in the statement of financial position**	**Net amounts of financial assets presented in the statement of financial position**	**Financial instruments (including non-cash collateral)**	**Cash collateral received**	**Net amount**
31 December 2021	Derivative financial instruments	1,050,946	-	1,050,946	-	(37,722)	1,013,224
31 December 2020	Derivative financial instruments	184,433	-	184,433	-	(9,114)	175,319

					Related amounts not offset in the statement of financial position		
	Types of financial liabilities	**Gross amounts of recognised financial liabilities**	**Gross amounts of recognised financial liabilities offset in the statement of financial position**	**Net amounts of financial liabilities presented in the statement of financial position**	**Financial instrument s (including non-cash collateral)**	**Cash collateral pledged**	**Net amount**
31 December 2021	Derivative financial instruments	581,438	-	581,438	-	920,937	1,502,375
31 December 2020	Derivative financial instruments	331,782	-	331,782	-	441,948	773,730

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

B. Market Risk

Market risk is the risk of potential loss arising from the adverse effects of interest rates, exchange rates and equity price volatility inherent in the Bank's trading portfolio. The Bank calculates the regulatory capital requirement for market risk using the standardized method within the framework of Banking Regulatory and Supervision Agency guidelines. In accordance with international best practices, Value at Risk (VaR) is measured daily. VaR, which is a measure of the maximum potential loss on the trading portfolio, is calculated using the historical simulation VaR method, adjusted for EWMA (Exponentially Weighted Moving Average). In order to manage the market risk efficiently and to be consistent with the risk appetite, position limits for asset classes, an overall “Bank Risk Tolerance” and VaR limits for each risk factor are determined. Limit monitoring is done daily by the Risk Management Group. VaR results are supported by regular stress tests and scenario analysis.

The Bank utilizes back testing to verify the predictive power of the value-at-risk calculations. In back testing, theoretical gains/losses calculated by VAR on positions at the close of each business day are compared with the actual gains/losses arising from these positions on the next business day. The assumptions used in the VaR model are reviewed and revised as needed based on the results of the back testing process.

C. Currency Risk

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities (including foreign currency indexed ones) together with exposures resulting from off-balance sheet foreign exchange derivative instruments. The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The table below summarizes the Group’s exposure to foreign currency exchange rate risk. Included in the table are the Group’s assets and liabilities at carrying amounts, categorised by currency. The off-balance sheet gap represents the difference between the notional amounts of purchase and sale foreign currency derivative financial instruments.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

C. Currency Risk (Continued)

31 December 2021

	USD	EUR	Other	Subtotal	TL	Total
Cash and balances with the Central Bank of Turkey	5,923,389	470,889	239,789	6,634,067	824,464	7,458,531
Loans and advances to banks	2,641,955	434,970	246,225	3,323,150	104,368	3,427,518
Financial assets at fair value through profit or loss	14,739	-	133	14,872	33,729	48,601
Derivative financial assets	457,667	25,597	-	483,264	567,682	1,050,946
Loans and advances to customers(***)	6,197,053	8,487,370	2,074	14,686,497	13,107,764	27,794,261
Investment securities	7,419,906	-	-	7,419,906	1,259,974	8,679,880
- Investment securities at fair value through other comprehensive income	1,517,272	-	-	1,517,272	1,185,562	2,702,834
- Investment securities at amortised cost	5,902,634	-	-	5,902,634	74,412	5,977,046
Intangible assets	-	-	-	-	142,557	142,557
Property and equipment	-	-	-	-	375,986	375,986
Deferred income tax assets	-	-	-	-	197,976	197,976
Other assets (*)	2,641	13,062		15,703	1,126,065	1,141,768
Total assets	**22,657,350**	**9,431,888**	**488,221**	**32,577,459**	**17,740,565**	**50,318,024**
Liabilities						
Deposits from banks	2,032,804	40,343	32,435	2,105,582	576,745	2,682,327
Due to customers	13,051,650	3,757,655	475,896	17,285,201	8,786,641	26,071,842
Funds borrowed and subordinated liabilities	13,184,251	2,203,579	-	15,387,830	649,910	16,037,740
Debt securities issued	-	-	-	-	882,314	882,314
Derivative financial instruments	287,538	81,769	-	369,307	212,131	581,438
Derivatives held for risk management	703	-	-	703	68,911	69,614
Provisions	29,700	16,413	2,625	48,738	155,463	204,201
Retirement benefit obligations	-	-	-	-	18,608	18,608
Other liabilities(**)	145,544	69,584	20,385	235,513	3,534,427	3,769,940
Total liabilities	**28,732,190**	**6,169,343**	**531,341**	**35,432,874**	**14,885,150**	**50,318,024**
Net balance sheet position	**(6,074,840)**	**3,262,545**	**(43,120)**	**(2,855,415)**	**2,855,415**	**(0)**
Off balance sheet derivative instruments net notional position	6,681,615	(2,977,299)	82,749	3,787,065	(3,779,091)	7,974
Net foreign currency position	**606,775**	**285,246**	**39,629**	**931,650**	**(923,676)**	**7,974**
31 December 2020						
Total assets	12,000,813	8,094,259	179,308	20,274,380	16,414,153	36,688,533
Total liabilities	17,326,695	5,542,099	340,972	23,209,766	13,478,767	36,688,533
Net balance sheet position	**(5,325,882)**	**2,552,160**	**(161,664)**	**(2,935,386)**	**2,935,386**	**-**
Off-balance sheet derivative instruments net notional position	5,072,967	(2,440,155)	176,858	2,809,670	(3,054,543)	(244,873)
Net foreign currency position	**(252,915)**	**112,005**	**15,194**	**(125,716)**	**(119,157)**	**(244,873)**

(*) Includes held for sale amount of TL 594,827 (31 December 2020: TL 224,790).
(**) Other liabilities balance contains equity.
(***)FC indexed loans and accruals are amounting to TL 182,463 (31 December 2020: TL 234,280). Lease receivables are included.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

C. Currency Risk (Continued)

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2021. The Group's foreign currency risk sensitivity is presented below:

Foreign currency sensitivity

The Group is mainly exposed to EUR and USD currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies in 31 December 2021 and sensitivity to a 10% increase and decrease in the TL against the relevant foreign currencies in 31 December 2020. A positive number indicates an increase in profit or loss and other equity where the TL strengthens against the relevant currency.

	31 December 2021		**31 December 2020**	
	Income statement	**Equity**	**Income statement**	**Equity**
USD	57,049	57,049	(25,291)	(25,291)
EUR	121,355	121,355	11,200	11,200
Other	7,926	7,926	1,519	1,519
Total, net	**186,330**	**186,330**	**(12,572)**	**(12,572)**

	31 December 2021		**31 December 2020**	
	Income statement	**Equity**	**Income statement**	**Equity**
USD	(57,049)	(57,049)	25,291	25,291
EUR	(121,355)	(121,355)	(11,200)	(11,200)
Other	(7,926)	(7,926)	(1,519)	(1,519)
Total, net	**(186,330)**	**(186,330)**	**12,572**	**12,572**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk

Even though the Bank is exposed to structural interest rate risk on its statement of financial position due to the nature of its existing activities, it ensures that this risk remains within pre-defined limits. The ALCO aims to protect the economic value of equity, while sustaining a stable earnings profile. Duration/GAP analyses, which rely on calculations of net discounted future cash flows of interest rate sensitive statement of financial position items, are conducted to manage this risk.

The Bank runs net economic value sensitivity scenarios with changes in interest rates and interest rate

margins, so as to calculate their impact on net economic value, as defined in the relevant regulation published by BRSA. Beside the BRSA standard interest rate shock scenario, other internally defined scenarios are also simulated.

Trading and non-trading risks are approved separately in the policy documents and the Market Risk Committee is given discretion in defining the tools and methodology used in measuring, monitoring and managing both trading and non-trading risks.

Interest rate sensitivity:

31 December 2021 (*)	**Applied Shock (+/- x basis point)**	**Gains/ Losses**	**Gains/ Equity-Losses/ Equity**
1.TRY	+500bps	(141,949)	(2.09)%
	-400 bps	129,978	1.92%
2.EURO	+200 bps	(106,384)	(1.57)%
	-200 bps	116,324	1.71%
3.USD	+200 bps	86,436	1.27%
	-200 bps	(147,287)	(2.17)%
Total (For Negative Shocks)		**(161,897)**	**(2.39)%**
Total (For Positive Shocks)		**99,015**	**1.46%**

(*) The analysis is based on Parent Bank's financial position.

31 December 2020 (*)	**Applied Shock (+/- x basis point)**	**Gains/ Losses**	**Gains/ Equity-Losses/ Equity**
1.TRY	+500bps	(312,065)	(5.88%)
	-400 bps	284,824	5.36%
2.EURO	+200 bps	(71,271)	(1.34%)
	-200 bps	79,027	1.49%
3.USD	+200 bps	(547)	(0.01%)
	-200 bps	(38,177)	(0.72%)
Total (For Negative Shocks)		**(383,883)**	**(7.23%)**
Total (For Positive Shocks)		**325,674**	**6.13%**

(*) The analysis is based on Parent Bank's financial position.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk (Continued)

31 December 2021	**Up to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Assets						
Cash and balances with the Central Bank of Turkey	6,164,644	-	-	-	1,293,887	7,458,531
Loans and advances to banks	1,473,883	977	-	-	1,952,658	3,427,518
Financial assets at fair value through profit or loss	43,560	5,041	-	-	-	48,601
Derivative financial assets	596,957	392,387	61,261	341	-	1,050,946
Loans and advances to customers (*)	8,789,481	10,910,221	7,306,214	1,161,719	(373,374)	27,794,261
Investment securities	4,519,206	3,926,030	-	195,954	38,690	8,679,880
- Investment securities at fair value through other comprehensive income	1,367,609	1,167,328	-	128,118	39,779	2,702,834
- Investment securities at amortised cost	3,151,597	2,758,702	-	67,836	(1,089)	5,977,046
Intangible assets	-	-	-	-	142,557	142,557
Property and equipment	-	-	-	-	375,986	375,986
Deferred income tax assets	-	-	-	-	197,976	197,976
Other assets (**)	261,857	-	-	16,905	863,006	1,141,768
Total assets	**21,849,588**	**15,234,656**	**7,367,475**	**1,374,919**	**4,491,386**	**50,318,024**
Liabilities						
Deposits from bank	1,844,909	-	798,751	-	38,667	2,682,327
Due to customers	22,446,417	455,714	39,491	-	3,130,220	26,071,842
Funds borrowed and subordinated liabilities	6,746,689	5,401,501	2,889,341	1,000,209	-	16,037,740
Debt securities issued	614,015	196,163	72,136	-	-	882,314
Derivative financial instruments	288,967	268,251	24,220	-	-	581,438
Derivatives held for risk management	3,814	65,800	-	-	-	69,614
Provisions	-	-	-	-	204,201	204,201
Retirement benefit obligations	-	-	-	-	18,608	18,608
Other liabilities	259,571	270,201	43,763	(40,327)	3,236,732	3,769,940
Total liabilities	**32,204,382**	**6,657,630**	**3,867,702**	**959,882**	**6,628,428**	**50,318,024**
Net interest re-pricing gap	**(10,354,794)**	**8,577,026**	**3,499,773**	**415,037**	**(2,137,042)**	**(0)**

(*) Includes lease receivables.

(**) Includes held for sale amount of TL 594,827.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk (Continued)

31 December 2020	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with the Central Bank of Turkey	3,064,102	-	-	-	530,832	3,594,934
Loans and advances to banks	1,850,900	3,057	1,768	-	476,765	2,332,490
Financial assets at fair value through profit or loss	20,535	26,155	10,622	-	-	57,312
Derivative financial assets	123,631	38,194	12,149	10,459	-	184,433
Loans and advances to customers (*)	7,454,659	9,377,507	4,593,231	1,752,092	273,980	23,451,469
Investment securities	2,832,263	2,345,455	746	-	37,048	5,215,512
- Investment securities at fair value through other comprehensive income	467,746	476,072	746	-	37,854	982,418
- Investment securities at amortised cost	2,364,517	1,869,383	-	-	(806)	4,233,094
Intangible assets	-	-	-	-	121,773	121,773
Property and equipment	-	-	-	-	365,416	365,416
Deferred income tax assets	-	-	-	-	175,953	175,953
Other assets (**)	82,279	-	-	-	1,106,962	1,189,241
Total assets	**15,428,369**	**11,790,368**	**4,618,516**	**1,762,551**	**3,088,729**	**36,688,533**
Liabilities						
Deposits from bank	981,434	-	-	-	9,664	991,098
Due to customers	15,909,877	392,247	65,210	-	1,738,775	18,106,109
Funds borrowed and subordinated liabilities	4,704,044	7,810,523	239,811	493	-	12,754,871
Debt securities issued	235,118	177,656	(2,991)	-	-	409,783
Derivative financial instruments	284,107	25,726	11,491	10,458	-	331,782
Derivatives held for risk management	-	681	3,651	-	-	4,332
Provisions	-	-	-	-	117,430	117,430
Retirement benefit obligations	-	-	-	-	12,021	12,021
Other liabilities	286,841	31,639	65,913	50,975	3,525,739	3,961,107
Total liabilities	**22,401,421**	**8,438,472**	**383,085**	**61,926**	**5,403,629**	**36,688,533**
Net interest re-pricing gap	**(6,973,052)**	**3,351,896**	**4,235,431**	**1,700,625**	**(2,314,900)**	**-**

(*) Other assets include lease receivables.

(**) Includes held for sale amount of TL 224,790.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk (Continued)

The table below summarises weighted average interest rates for financial instruments by major currencies outstanding at 31 December 2021 and 31 December 2020 based on yearly contractual rates.

	31 December 2021 (*)			
	USD (%)	**EUR (%)**	**Other**	**TL (%)**
Assets				
Cash and balances with the Central Bank of Turkey	-	-	-	8.50
Loans and advances to banks	-	0.10	-	13.30
Money Market Placements	-	-	-	13.00
Financial assets at FVTPL	-	2.56		10.68
Investment securities				
- FVTOCI	-	5.54	-	14.35
- AC	-	5.49	-	7.10
Loans and advances to customers(***)	4.08	4.18	-	19.74
Liabilities				
Deposits from banks	-	0.21	-	14.66
Other deposits (**)	0.34	1.37	-	19.76
Money Market Funds	-	1.82	-	15.50
Due to customers	0.34	1.37	-	19.76
Funds borrowed and subordinated liabilities	2.21	4.53	-	15.88
Debt securities issued	-	-	-	17.43

(*) Represents Parent Bank's average interest rates.

(**) Demand deposit amounts are included.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

D. Interest Rate Risk (Continued)

	31 December 2020 (*)			
	USD (%)	EUR (%)	Other	TL (%)
Assets				
Cash and balances with the Central Bank of Turkey	-	-	-	9.00
Loans and advances to banks	0.17	-	-	16.92
Money Market Placements	-	-	-	17.15
Financial assets held for trading	-	2.19	-	13.31
Investment securities				
- FVTOCI	4.05	-	-	11.34
- AC	5.45	-	-	7.10
Loans and advances to customers(**)	4.59	3.65	-	15.21
Liabilities				
Deposits from banks	1.84	-	-	16.06
Other deposits	2.80	1.66	-	17.60
Money Market Funds	2.24	-	-	16.29
Due to customers	-	-	-	-
Funds borrowed and subordinated liabilities	4.30	1.47	-	10.36
Debt securities issued	-	-	-	15.52

(*) Represents Parent Bank's average interest rates
(**) Demand deposit amounts are included.

E. Liquidity Risk

Liquidity risk refers to the possibility of an institution being unable to access necessary funds due to declining fund-raising capacity; The Group closely monitors its overall liquidity level and operates under strict limits based on stress conditions. To address liquidity risk, the Group has adopted a unified approach to TL and foreign currency fund-raising opportunities. The key limit puts a ceiling on the share of overnight borrowing in the current funding pool and acts as a warning signal for the senior management to adjust the composition and/or the pricing of the borrowing instruments.

The Group uses domestic and foreign markets for its liquidity needs, Low level of liquidity needs enables an easy way of loan borrowing from the corresponding markets (Central Bank of the Republic of Turkey ("CBRT"), ISE, Interbank money market, ISE Settlement and Custody Bank and other markets). The potential cash resources are: money market debts which can be obtained from the domestic banks and repurchase transactions in foreign markets with Eurobonds in the portfolio.

The Group's fund resources consist mainly of deposits. The investments portfolio consists mainly of the property and equipment held for sale purpose and related to discontinued operations investments.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. In accordance with the "Communiqué on the Measurement and Assessment of Liquidity of the Banks", liquidity ratio of the banks on a weekly and monthly basis should not be less than 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should not be less than 100%.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

E. Liquidity Risk (Continued)

The following tables analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

31 December 2021	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undistributed	Total
Assets						
Cash and balances with the Central Bank of Turkey	7,245,267	213,264	-	-	-	7,458,531
Loans and advances to banks	3,427,626	977	34	-	(1,119)	3,427,518
Financial assets at fair value through profit or loss	28,845	5,014	14,688	54	-	48,601
Derivative financial assets	596,957	392,387	61,261	341	-	1,050,946
Loans and advances to customers	5,126,044	10,471,178	9,315,975	3,254,438	(373,374)	27,794,261
Investment securities	378,528	2,059,410	5,311,810	891,445	38,687	8,679,880
- Investment securities at fair value through other comprehensive income	12,205	72,591	1,754,655	823,607	39,776	2,702,834
- Investment securities at amortised cost	366,323	1,986,819	3,557,155	67,838	(1,089)	5,977,046
Intangible assets	-	-	-	-	142,557	142,557
Property and equipment	-	-	-	-	375,986	375,986
Deferred income tax assets	-	-	-	-	197,976	197,976
Other assets	396,342	28,658	6,321	24,284	686,163	1,141,768
Total assets	**17,199,609**	**13,170,888**	**14,710,089**	**4,170,562**	**1,066,876**	**50,318,024**
Liabilities						
Deposits from banks	1,648,823	234,753	-	798,751	-	2,682,327
Due to customers	25,576,637	455,714	39,491	-	-	26,071,842
Funds borrowed and subordinated liabilities	4,195,792	6,715,977	1,388,573	3,737,398	-	16,037,740
Debt securities issued	614,014	196,164	72,136	-	-	882,314
Derivative financial instruments	288,966	268,251	24,221	-	-	581,438
Derivatives held for risk management	3,814	65,800	-	-	-	69,614
Provisions	-	-	-	-	204,201	204,201
Retirement benefit obligations	-	-	-	-	18,608	18,608
Other liabilities	661,802	270,155	43,762	(40,333)	2,834,554	3,769,940
Total liabilities and equity	**32,989,848**	**8,206,814**	**1,568,183**	**4,495,816**	**3,057,363**	**50,318,024**
Net liquidity gap	**(15,790,239)**	**4,964,074**	**13,141,906**	**(325,254)**	**(1,990,487)**	**0**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

E. Liquidity Risk (Continued)

31 December 2020	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undistributed	Total
Assets						
Cash and balances with the Central Bank of Turkey	3,594,934	-	-	-	-	3,594,934
Loans and advances to banks	2,328,493	3,057	1,768	-	(828)	2,332,490
Financial assets at fair value through profit or loss	15,740	24,266	10,622	6,684	-	57,312
Derivative financial assets	121,775	50,565	1,527	10,566	-	184,433
Loans and advances to customers	5,311,770	8,244,523	6,271,990	3,137,737	485,449	23,451,469
Investment securities	561,096	359,117	2,475,742	1,781,766	37,791	5,215,512
- Investment securities at fair value through other comprehensive income	10,514	25,098	586,105	322,104	38,597	982,418
- Investment securities at amortised cost	550,582	334,019	1,889,637	1,459,662	(806)	4,233,094
Intangible assets	-	-	-	-	121,773	121,773
Property and equipment	-	-	-	-	365,416	365,416
Deferred income tax assets	-	-	-	-	175,953	175,953
Other assets	164,190	27,104	9,704	6,497	981,746	1,189,241
Total assets	**12,097,998**	**8,708,632**	**8,771,353**	**4,943,250**	**2,167,300**	**36,688,533**
Liabilities						
Deposits from banks	958,464	32,634	-	-	-	991,098
Due to customers	17,648,655	392,247	65,207	-	-	18,106,109
Funds borrowed and subordinated liabilities	2,741,781	5,380,603	1,810,265	2,822,222	-	12,754,871
Debt securities issued	235,118	177,656	(2,991)	-	-	409,783
Derivative financial instruments	279,878	26,963	11,491	10,458	2,992	331,782
Derivatives held for risk management	-	681	3,651	-	-	4,332
Provisions	-	-	-	-	117,430	117,430
Retirement benefit obligations	-	-	-	-	12,021	12,021
Other liabilities	514,367	29,747	43,250	27,673	3,346,070	3,961,107
Total liabilities and equity	**22,378,263**	**6,040,531**	**1,930,873**	**2,860,353**	**3,478,513**	**36,688,533**
Net liquidity gap	**(10,280,265)**	**2,668,101**	**6,840,480**	**2,082,897**	**(1,311,213)**	**-**

The following table presents the cash flows payable by the Group under non-derivative financial liabilities remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

31 December 2021	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities					
Deposits from banks	1,942,443	-	818,727	-	2,761,170
Due to customers	25,717,982	480,589	42,322	-	26,240,893
Funds borrowed	5,515,828	7,154,563	3,216,691	4,547,499	20,434,581
Debt securities issued	655,518	196,500	74,500	-	926,518
Total liabilities	**33,831,771**	**7,831,652**	**4,152,240**	**4,547,499**	**50,363,162**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

E. Liquidity Risk (Continued)

31 December 2020	Demand and up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Liabilities					
Deposits from banks	994,558	-	-	-	994,558
Due to customers	17,754,315	424,075	71,750	-	18,250,140
Funds borrowed	3,248,177	6,005,130	3,722,676	3,632,323	16,608,306
Debt securities issued	245,212	186,398	(2,191)	-	429,419
Total liabilities	**22,242,262**	**6,615,603**	**3,792,235**	**3,632,323**	**36,282,423**

F. Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational Risk is managed based on a framework for identifying, measuring, monitoring and managing all risks within the scope of the definition of operational risk. The Bank's risk management and internal controls allow it to control and minimize operational risks effectively under a detailed set of written procedures. These procedures are readily accessible and continuously updated and include procedures to handle all contingency events.

Studies of activity-based operational risks are continuing through the Risk Control Self-Assessment. These are categorized according to cause, event and effect categories as proposed by Basel II, and action has been taken for severe risks.

The Business Continuity Management Plan, prepared in order to minimize losses due to business disruption, has been implemented. Comprehensive annual testing of the Disaster Recovery Center (DRC) is conducted with the participation of business units and IT.

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of 31 March 2016, is used in the annual operational risk calculation of the Bank. The amount subject to operational risk as of 31 December 2021 is based on the gross income of the Group for the years ended 2018, 2019 and 2020. As of 31 December 2021 the total amount subject to operational risk is calculated as TL 1,454,675 (31 December 2020: TL 1,438,085) and the amount of the related capital requirement is TL 116,374 (31 December 2020: TL 115,047).

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

G. Capital management

Banks in Turkey are required to comply with capital adequacy guidelines promulgated by the BRSA, which are based upon the standards established by the Bank of International Settlements ("BIS"), these guidelines require banks to maintain adequate levels of regulatory capital against risk-bearing assets and off-balance sheet exposures.

A bank's capital adequacy ratio is calculated by taking the aggregate of its Tier I capital (which comprises paid-in capital, reserves, retained earnings and profit for the current periods minus period loss (if any)) its Tier II capital (which comprises general loan and free reserves, revaluation funds and subordinated loans obtained) and its Tier III capital (which comprises certain qualified subordinated loans in accordance with BIS guidelines) minus deductions (which comprises participations to financial institutions, special and preliminary and pre-paid expenses, subordinated loans extended, goodwill and capitalized costs), and dividing this aggregate by risk weighted assets, which reflect both credit risk and market risk, in accordance with these guidelines, banks must maintain a total capital adequacy ratio of a minimum of 8%.

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

The Group's regulatory capital position on a consolidated basis is as follows:

	31 December 2021	31 December 2020
Tier I capital	6,434,184	3,010,523
Tier II capital	369,358	2,359,529
Deductions	-	(1,779)
Total regulatory capital	**6,803,542**	**5,368,273**
Amount subject to credit risk	31,419,062	28,634,673
Amount subject to market risk	205,400	113,188
Amount subject to operational risk	1,454,675	1,438,085
Capital adequacy ratio (%)	**20.57**	**17.78**

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

H. Fair value of financial assets and liabilities measured at amortised cost

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's statement of financial position at their fair value.

	31 December 2021		31 December 2020	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets:				
Loans and advances to banks	3,427,518	3,427,518	2,332,490	2,332,490
Financial assets fair value through other comprehensive income	2,702,834	2,702,834	982,418	982,418
Investment securities at amortised cost	5,977,046	5,668,672	4,233,094	4,272,054
Loans and advances to customers	25,780,210	26,097,453	21,907,473	21,444,608
Financial liabilities:				
Deposits from banks	2,682,327	2,690,839	991,098	991,705
Due to customers	26,071,842	26,062,979	18,106,109	15,824,066
Funds borrowed and subordinated liabilities	16,037,740	14,603,050	12,754,871	10,903,637
Debt securities issued	882,314	882,314	409,783	409,783

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments:

Loans and advances to banks

The fair value of overnight loans and advances to banks are considered to approximate its carrying amounts. The estimated fair values of long term interest bearing loans and advances to banks are based on discounted cash flows using prevailing money market interest rates at the reporting date with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of allowances for impairment. The estimated fair value of loans and advances to customers represent the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates with similar credit risk, currency and remaining maturity to determine their fair value.

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

H. Fair value of financial assets and liabilities measured at amortised cost (Continued)

Due to customers, deposits from banks, funds borrowed

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of other borrowings and debt securities issued without quoted market price is of estimated future cash flows expected to be paid using money market interest rates prevailing at the reporting date with similar credit risk, currency and remaining maturity.

The estimated fair value of interest bearing liabilities due to customers is based on discounted cash flows of estimated future cash flows expected to be paid.

Fair value estimation

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

Level 2 trading derivatives comprise forward foreign exchange contracts, interest rate swaps and currency options. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Currency options are fair valued using by using Black & Scholes method and also active market values depending on the option type.

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

NOTE 4 - FINANCIAL RISK MANAGEMENT (Continued)

H. Fair value of financial assets and liabilities measured at amortised cost (Continued)

Fair value estimation (Continued)

The following tables present the Group's assets and liabilities that are measured at fair value at 31 December 2021 and 2020.

31 December 2021	Level 1	Level 2 (*)	Level 3(**)	Total
Financial assets at fair value through profit or loss	25,507	23,094	-	48,601
Derivative financial assets	-	1,050,946	-	1,050,946
Financial assets fair value through other comprehensive income	2,690,824	-	12,010	2,702,834
Hedged Loans	-	-	-	-
Total assets	**2,716,331**	**1,074,040**	**12,010**	**3,802,381**
Derivative financial liabilities	-	651,052	-	651,052
Total liabilities	**-**	**651,052**	**-**	**651,052**

(*) Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, discount rates and foreign currency exchange rates.

(**) Amounting of TL 12,010 of the other financial assets consists of the Omurga Gayrimenkul ve Girişim Sermayesi Portföy Yönetimi A.Ş. second real estate investment fund, it is 100% owned by Alternatifbank A.Ş..

31 December 2020	Level 1	Level 2 (*)	Level 3(**)	Total
Financial assets at fair value through profit or loss	35,476	21,836		57,312
Derivative financial assets	-	184,433	-	184,433
Financial assets fair value through other comprehensive income	971,908	-	10,510	982,418
Hedged Loans	-	-	-	-
Total assets	**1,007,384**	**206,269**	**10,510**	**1,224,163**
Derivative financial liabilities	-	336,114	-	336,114
Total liabilities	**-**	**336,114**	**-**	**336,114**

(*) Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, discount rates and foreign currency exchange rates.

(**) Amounting of TL 10,510 of the other financial assets consists of the Omurga Gayrimenkul ve Girişim Sermayesi Portföy Yönetimi A.Ş. second real estate investment fund, it is 100% owned by Alternatifbank A.Ş..

I. Fiduciary activities

The Group provides custody services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. Fiduciary capacity of the Group is as follows:

	31 December 2021	31 December 2020
Investment securities held in custody	798,352	377,949
Cheques received for collection	601,761	439,443
Customer investment security portfolio	6,365,279	2,873,750
Other Items Under Custody	16,319,781	12,310,843
Commercial notes received for collection	107,870	42,739
Total	**24,193,043**	**16,044,724**

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

NOTE 5 - CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	31 December 2021	31 December 2020
Cash and cash equivalents	571,371	185,613
Demand deposits with the Central Bank of Turkey (*)	3,216,132	1,690,001
Loans and advances to banks (with original maturity less than three months) (*) (**)	3,428,589	2,332,879
Cash and cash equivalents (*)	**7,216,092**	**4,208,493**

(*) Excluding accruals, restricted deposits with Central Bank of Turkey

(**) Amount of TL 1,119 expected credit losses for banks excluded (31 December 2020: 828).

NOTE 6 - CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY

	31 December 2021	31 December 2020
Cash and cash equivalents		
Cash in hand - foreign currency	537,539	152,983
Cash in hand - TL	33,832	32,630
	571,371	**185,613**
Demand deposits at central banks		
Foreign currency	2,446,047	1,343,802
TL	790,606	352,128
	3,236,653	**1,695,930**
Time deposits at central banks		
TL	-	-
	-	-
Reserve deposits at central banks		
Foreign currency	3,650,439	1,713,358
	3,650,439	**1,713,358**
Cash in transit	**68**	**33**
Total	**7,458,531**	**3,594,934**

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2005/1 "Required Reserves". The Bank's total domestic liabilities excluding the items stated in the Communiqué as deductibles, the deposits accepted on behalf of foreign branches from Turkey and loans obtained by the banks but followed under foreign branches constitute the required reserves liabilities.

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

NOTE 6 - CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY (Continued)

The required reserves may keep in reserve in Central Bank of Turkey as Turkish Lira, USD and/or Euro and standard gold. As of 31 December 2021, the Turkish lira required reserve ratios are determined to be within the range of 3%-8% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2020: 1%-6% for all Turkish Lira liabilities), and other foreign currency liabilities within the range of 5%-26% (31 December 2020: 5%-22% for all foreign currency liabilities). According to the Communiqué No: 2019/15, which enforcement date of 9 August 2019, the required reserve ratios application was differentiated according to the loan growth was abolished on 11 December 2020.

Within the scope of the Communiqué No. 2021/14 on Supporting the Conversion of TL Deposit and Participation Accounts, the conversion rate from foreign currency deposit accounts in USD, EUR, GBP and participation fund accounts in foreign currency to time deposits and participation funds in TL as of the obligation date of April 15, 2022, it has been decided not to apply an annual commission of 1,5% to the banks that have reached the 10% level and the 20% level as of the 8/7/2022 obligation date, up to the amount to be kept for their liabilities until the end of 2022.

NOTE 7 - LOANS AND ADVANCES TO BANK

	31 December 2021			31 December 2020		
	Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
TL:						
Nostro/demand deposits	6,021	-	6,021	2,077	-	2,077
Time deposits	49,448	-	49,448	162,626	-	162,626
Interbank money market	50,018	-	50,018	600,294	-	600,294
	105,487	**-**	**105,487**	**764,997**	**-**	**764,997**
Foreign currency:						
Nostro/demand deposits	38,419	1,909,333	1,947,752	15,845	457,736	473,581
Time deposits	946,773	427,502	1,374,275	1,057,633	37,107	1,094,740
	985,192	**2,336,835**	**3,322,027**	**1,073,478**	**494,843**	**1,568,321**
Expected credit losses(-)	**941**	**178**	**1,119**	**650**	**178**	**828**
Total	**1,089,738**	**2,336,657**	**3,426,395**	**1,837,825**	**494,665**	**2,332,490**

NOTE 8 - FINANCIAL ASSETS AT FAİR VALUE THROUGH PROFIT OR LOSS

	31 December 2021	**31 December 2020**
Government bonds and treasury bills(*)	48,601	57,312
Total debt securities	**48,601**	**57,312**
Derivative financial instruments	1,050,946	184,433
Total financial assets at fair value through profit or loss	**1,099,547**	**241,745**

(*) Other financial assets amounting to TL 23,094 are included (31 December 2020: TL 21,836).

Government bonds and treasury bills are discount and coupon securities issued by the Government of the Republic of Turkey. Other debt securities represent corporate bonds issued by companies incorporated in Turkey.

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS

The Group utilises the following derivative instruments:

"Currency forwards" represent commitments to purchase or sell foreign and domestic currency, including undelivered spot transactions.

"Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Group risks are represented by the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an on-going basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the +Group assesses counterparties using the same techniques as for its lending activities.

Options are the right to buy or sell for the buyer and are the obligations for the writer an asset at a specified price until a specified expiration date. Options are traded for clients' needs.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

31 December 2021	**Contract/notional**	**Fair values**	
	amount	**Assets**	**Liabilities**
Derivatives held for trading			
Currency forwards	1,531,110	21,428	(35,091)
Currency swaps	26,419,809	540,402	(252,895)
OTC currency options	4,354,400	400,618	(293,452)
Other	-	-	-
Total(*)	**32,305,319**	**962,448**	**(581,438)**

(*) Derivatives for hedging purpose are excluded

31 December 2020	**Contract/ notional**	**Fair values**	
	amount	**Assets**	**Liabilities**
Derivatives held for trading			
Currency forwards	2,265,541	49,021	(2,207)
Currency swaps	22,513,267	103,550	(323,373)
OTC currency options	1,088,007	24,084	(6,202)
Other	819,126	-	-
Total (*)	**26,685,941**	**176,655**	**(331,782)**

(*) Derivatives for hedging purpose are excluded.

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

31 December 2021	**Contract/ notional amount**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for risk management			
Interest rate swaps (*)	15,562,132	88,498	69,614
Total	**15,562,132**	**88,498**	**69,614**

(*) Explained in Note 2.

31 December 2020	**Contract/ notional amount**	**Fair values**	
		Assets	**Liabilities**
Derivatives held for risk management			
Interest rate swaps (*)	5,787,446	7,778	4,332
Total	**5,787,446**	**7,778**	**4,332**

(*) Explained in Note 2.

The impact of cash flow hedge accounting application is summarized below:

31 December 2021

Hedging Instrument	**Asset liability hedging**	**Risk Hedge**	**Fair value gain of hedged asset**	**Net fair value of hedging account**	
				Asset	**Liability**
Interest swap contract	Fixed interest, fixed payment commercial loans	Fixed interest rate risk	47	88,498	69,614

31 December 2020

Hedging Instrument	**Asset liability hedging**	**Risk Hedge**	**Fair value gain of hedged asset**	**Net fair value of hedging account**	
				Asset	**Liability**
Interest swap contract	Fixed interest, fixed payment commercial loans	Fixed interest rate risk	19	7,778	4,332

The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

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

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in "Trading gains and losses on derivative financial instruments" account. In the statement of financial position, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the "Trading gains and losses on derivative financial instruments" account.

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS

31 December 2021	**Corporate**	**SME**	**Consumer**	**Credit Card**	**Lease Receivables**	**Total**
Performing loans	17,362,276	4,726,245	181,151	60,629	1,517,896	**23,848,197**
Loans under close monitoring	2,874,872	979,127	4,101	3,399	485,756	**4,347,255**
Loans under legal follow-up	277,798	397,479	3,502	1,050	193,635	**873,464**
Gross	20,514,946	6,102,851	188,754	65,078	2,197,287	**29,068,916**
Less: 12 month ECL (stage 1)	121,597	38,291	2,822	826	2,105	**165,641**
Less: Lifetime ECL significant increase in credit risk (stage 2)	377,948	89,873	82	104	68,707	**536,714**
Less: Lifetime ECL impaired credits (stage 3)	274,884	184,840	31	121	112,424	**572,300**
Total allowance for impairment	**774,429**	**313,004**	**2,935**	**1,051**	**183,236**	**1,274,655**
Net	**19,740,517**	**5,789,847**	**185,819**	**64,027**	**2,014,051**	**27,794,261**

31 December 2020	**Corporate**	**SME**	**Consumer**	**Credit Card**	**Lease Receivables**	**Total**
Performing loans	14,810,536	3,575,692	193,563	40,665	987,067	**19,607,523**
Loans under close monitoring	1,999,758	934,857	6,802	1,900	557,965	**3,501,282**
Loans under legal follow-up	671,489	409,499	4,098	1,035	116,212	**1,202,333**
Gross	**17,481,783**	**4,920,048**	**204,463**	**43,600**	**1,661,244**	**24,311,138**
Less: 12 month ECL (stage 1)	89,453	38,077	1,714	806	2,444	**132,494**
Less: Lifetime ECL significant increase in credit risk (stage 2)	192,858	80,158	979	101	52,823	**326,919**
Less: Lifetime ECL impaired credits (stage 3)	242,923	95,206	11	135	61,981	**400,256**
Total allowance for impairment	**525,234**	**213,441**	**2,704**	**1,042**	**117,248**	**859,669**
Net	**16,956,549**	**4,706,607**	**201,759**	**42,558**	**1,543,996**	**23,451,469**

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

NOTE 10 - LOANS AND ADVANCES TO CUSTOMERS (Continued)

Information on the movement of total non-performing loans as follows:

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	**Loans and other receivables with doubtful collectability**	**Uncollectible loans and other receivables**
31 December 2020 (**)	**115,200**	**125,400**	**961,733**
Addition (+)	225,072	4,738	72,018
Transfers from Other Categories of Non-performing Loans (+)	-	118,100	147,858
Transfers to Other Categories of Non-performing Loans (-)	(118,100)	(147,858)	-
Collections (-)	(25,921)	(15,777)	(588,647)
Write-offs (-) (*)	-	-	(352)
Sold Portfolio (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
31 December 2021	**196,251**	**84,603**	**592,610**
Specific Provision (-)	86,076	47,985	438,239
Net Balance on Balance Sheet	**110,175**	**36,618**	**154,371**

(*) The Parent Bank's non-performing loans amounting to TL 352 have been write-off from assets due to the Board of Directors' decisions taken in 2021.

(**) Non performing financial leasing receivables amounting to TL 193,636 has included.

Reconciliation of allowance account for losses on loans and advances by class is as follows:

31 December 2021	**Allowance for Impairment on Stage 1& Stage 2 Loans**	**Allowance for Impairment on Stage 3 Loans**	**Total**
At January 2020	**459,413**	**400,256**	859,669
Charge for the year	644,247	230,634	874,881
Collection and Recoveries	(552,932)	(70,190)	(623,122)
Amounts written off and sold (*)	151,627	11,600	163,227
Total	**702,355**	**572,300**	**1,274,655**

(*) The Parent Bank's non-performing loans amounting to TL 352 have been write-off from assets due to the Board of Directors' decisions taken in 2021.

31 December 2020	**Allowance for Impairment on Stage 1& Stage 2 Loans**	**Allowance for Impairment on Stage 3 Loans**	**Total**
At January ,2019	309,285	286,932	596,217
Charge for the year	475,391	171,571	646,962
Collection and Recoveries	(312,506)	(68,529)	(381,035)
Amounts written off and sold (*)	(12,757)	10,282	(2,475)
Total	**459,413**	**400,256**	**859,669**

(*)The Parent Bank's non-performing loans amounting to TL 3,866 have been write-off from assets due to the Board of Directors' decisions taken in 2020.

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

NOTE 11 - INVESTMENT SECURITIES

(i) Investment securities at fair value through other comprehensive income

	31 December 2021
Investment securities at fair value through other comprehensive income	
Government bonds and treasury bills	2,687,131
Government bonds and treasury bills sold under repurchase agreements	15,703
Total securities at fair value through other comprehensive income	**2,702,834**

	31 December 2020
Investment securities at fair value through other comprehensive income	
Government bonds and treasury bills	721,802
Government bonds and treasury bills sold under repurchase agreements	260,616
Total securities at fair value through other comprehensive income	**982,418**

(ii) Investment securities at amortised cost

	31 December 2021
Debt securities - at amortised cost - listed:	
Government bonds and treasury bills	
Other financial assets	3,668,001
Government bonds and treasury bills sold under repurchase agreements	2,310,134
Expected credit losses (-)	(1,089)
Total securities at amortised cost	**5,977,046**

	31 December 2020
Debt securities - at amortised cost - listed:	
Government bonds and treasury bills	2,932,623
Other financial assets	500,650
Government bonds and treasury bills sold under repurchase agreements	800,627
Expected credit losses (-)	(806)
Total securities at amortised cost	**4,233,094**

Government bonds and treasury bills are discount and coupon securities issued by the Government of the Republic of Turkey.

Amortised cost securities whose total carrying amount is TL 2,310,134 as at 31 December 2021 (31 December 2020: TL 800,627) are pledged to banks and other financial institutions against funds obtained under repurchase agreements.

Amortised cost securities are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, ISE Settlement and Custody Bank and other financial institutions and amount to TL 2,686,345 (31 December 2020: TL 1,536,527).

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

NOTE 11 - INVESTMENT SECURITIES (Continued)

(ii) Investment securities at amortised cost (Continued)

The movements in securities at amortised cost as at 31 December 2021 and 2020 are as follows:

	31 December 2021
Balance at 1 January	**4,233,900**
Foreign Exchange Differences in Monetary Items	1,798,463
Disposals/redemption	(121,121)
Change in amortised cost (-)	66,900
Expected credit losses (-)	(1,089)
Total securities at amortised cost	**5,977,053**

	31 December 2020
Balance at 1 January	**3,732,494**
Foreign Exchange Differences in Monetary Items	804,796
Disposals/redemption	(303,390)
Change in amortised cost (-)	-
Expected credit losses (-)	(806)
Total securities at amortised cost	**4,233,094**

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

NOTE 12 - INTANGIBLE ASSETS AND GOODWILL

Carrying value and accumulated depreciation of intangible assets at the beginning and at the end of the period

	31 December 2021	**31 December 2020**
Cost	277,009	225,998
Accumulated amortisation	(134,452)	(104,225)
Net book amount	**142,557**	**121,773**

Movements of intangible assets are as follows:

31 December 2021

	Goodwill	**Rights and Licenses**	**Software**	**Other**	**Total**
Cost					
At 1 January	**49,017**	**91,337**	**84,128**	**1,516**	**225,998**
Additions	-	8,000	43,011	-	51,011
Disposals	-	-	-	-	-
At 31 December	**49,017**	**99,337**	**127,139**	**1,516**	**277,009**
Accumulated amortisation					
At 1 January	**-**	**(56,374)**	**(48,085)**	**234**	**(104,225)**
Amortisation charge (Note 29)	-	(3,841)	(26,386)	-	(30,227)
Disposals	-	-		-	-
At 31 December	**-**	**(60,215)**	**(74,471)**	**234**	**(134,452)**
Net carrying amount at 31 December	**49,017**	**39,122**	**52,668**	**1,750**	**142,557**

31 December 2020

	Goodwill	**Rights and Licenses**	**Software**	**Other**	**Total**
Cost					
At 1 January	**49,017**	**90,462**	**52,341**	**1,516**	**193,336**
Additions	-	875	31,787	-	32,662
Disposals	-	-	-	-	-
At 31 December	**49,017**	**91,337**	**84,128**	**1,516**	**225,998**
Accumulated amortisation					
At 1 January	**-**	**(52,589)**	**(31,669)**	**234**	**(84,024)**
Amortisation charge (Note 29)	-	(3,785)	(16,416)	-	(20,201)
Disposals	-	-	-	-	-
At 31 December	**-**	**(56,374)**	**(48,085)**	**234**	**(104,225)**
Net carrying amount at 31 December	**49,017**	**34,963**	**36,043**	**1,750**	**121,773**

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

NOTE 12 - INTANGIBLE ASSETS AND GOODWILL (Continued)

Group has TL 49,017 goodwill in consolidated financial statements as of balance sheet date (31 December 2020: TL 49,017).

Goodwill is the amount that exceeds the cost of buying of fair value expressed as the amount of the group share in net identifiable assets of the Group's purchased subsidiaries.Annual impairment test is performed for goodwill every year and shown as deducting accumulated impairment from cost of goodwill. Provision for impairment on goodwill is not reversed.

As a result of the disposal of the business that gain or loss occurs includes the carrying amount goodwill related to disposed business.

Goodwill is distrubuted to cash generating units for impairment test. Distributions are made to benefit from the business combination in which the goodwill arose expected to cash-generating units or groups. The recoverable amount of the cash-generating unit is determined based on value in used calculations. These calculations require the use of estimates.

In accordance with the Share Transfer Agreement signed between Anadolu Endüstri Holding A.Ş (AEH) and Alternatifbank A.Ş. and the Banking Regulation and Supervision Agency's authorization numbered 5558 dated 24 October 2013, Alternatifbank A.Ş. purchased 2,727,259,500 shares which is 95.8% of Alternatif Finansal Kiralama ("Alternatif Lease"), the associate of AEH, with a consideration amount of TL 115,585 and 115,488,748 shares from other shareholders with a consideration amount of TL 4,894. The Bank has recognised TL 49,017 goodwill and TL 1,757 intangible assets on this transaction.

The valuation of the fair value of the equity of Alternatif Lease is made by the Bank in the current year. Discounted cash flow method was used for determining fair value by using 5 year business plan prepared by management of the company. Growing the business plan of the A Lease stems from the company's opportunities in the sector in which it operates and new customer acquisitions. The important assumptions about the calculating recoverable amount are discount rates and terminal growth rates. The discount rate used in the calculation is 4.09% and terminal growth rate is 13.8%.

NOTE 13 - PROPERTY AND EQUIPMENT

	31 December 2021	**31 December 2020**
Cost	533,699	501,559
Accumulated depreciation and impairment	(157,713)	(136,143)
Net carrying amount	**375,986**	**365,416**

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

NOTE 13 - PROPERTY AND EQUIPMENT (Continued)

	Real Estates	Motor Vehicles	Other Tangible Assets	Financial Leasings	Total
Cost	252,192	20,376	147,935	81,056	501,559
Accumulated Depreciation (-)	11,033	2,330	82,783	39,997	136,143
31 December 2020 Net Book Value	**241,159**	**18,046**	**65,152**	**41,059**	**365,416**
Additions	3,870	39,762	18,224	-	61,856
Disposals Cost	240	9,200	8,083	12,193	29,716
Disposals Depreciation (-)	-	(1,417)	(5,072)	-	(6,489)
Impairment	-	-	-	-	-
Depreciation (-)	4,433	3,890	4,825	14,911	28,059
Cost at Period End	255,822	50,938	158,076	68,863	533,699
Accumulated Depreciation at Period End (-)	15,466	4,803	82,536	54,908	157,713
31 December 2021 Net Book Value	**240,356**	**46,135**	**75,540**	**13,955**	**375,986**

	Real Estates	Motor Vehicles	Other Tangible Assets	Financial Leasings	Total
Cost	241,013	6,162	132,397	66,131	445,703
Accumulated Depreciation (-)	6,679	481	67,668	20,085	94,913
31 December 2019 Net Book Value	**234,334**	**5,681**	**64,729**	**46,046**	**350,790**
Additions	1,207	14,214	20,384	14,925	50,730
Disposals Cost	102	-	4,846	-	4,948
Disposals Depreciation (-)	-	-	(4,472)	-	(4,472)
Valuation (*)	10,074	-	-	-	10,074
Depreciation (-)	4,354	1,849	19,587	19,912	45,702
Cost at Period End	**252,192**	**20,376**	**147,935**	**81,056**	**501,559**
Accumulated Depreciation at Period End (-)	**11,033**	**2,330**	**82,783**	**39,997**	**136,143**
31 December 2020 Net Book Value	**241,159**	**18,046**	**65,152**	**41,059**	**365,416**

(*) The Group has started to account head-office building under the tangible assets with its revalued amount instead of cost value in accordance with "IAS 16 Plant and Equipment" on 31 December 2021. The revaluation difference amounting to TL 34,751 arising from the valuation made by the appraisal firms authorized by CMB and BRSA, is accounted in Property and Plant Revaluation Differences line under the Shareholders' Equity.

As at 31 December 2021, there is no provision for impairment on property and equipment.

NOTE 14 - OTHER ASSETS

	31 December 2021	31 December 2020
Collaterals given for derivative transactions	245,810	441,948
Prepaid expenses	54,561	51,463
Pos Receivables	178,205	371,671
Clearing cheques	32,615	70,402
Others	35,750	28,967
Total	**546,941**	**964,451**

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

NOTE 15 - DEPOSITS FROM BANKS

	31 December 2021			31 December 2020		
	Demand	**Term**	**Total**	**Demand**	**Term**	**Total**
Foreign currency:						
Domestic banks	9,056	-	9,056	11	14,485	14,496
Foreign banks	35,613	523,973	559,586	7,146	108,012	115,158
Funds deposited under repurchase agreements	-	1,536,940	1,536,940	-	525,722	525,722
Subtotal	**44,669**	**2,060,913**	**2,105,582**	**7,157**	**648,219**	**655,376**
TL:						
Domestic banks	168	475,906	476,074	153	6,417	6,570
Foreign Banks	2,329	59,449	61,778	2,354	58,675	61,029
Funds deposited under repurchase agreements	-	38,893	38,893	-	268,123	268,123
Subtotal	**2,497**	**574,248**	**576,745**	**2,507**	**333,215**	**335,722**
Total	**47,166**	**2,635,161**	**2,682,327**	**9,664**	**981,434**	**991,098**

NOTE 16 - DEPOSITS FROM CUSTOMERS

	31 December 2021			31 December 2020		
	Demand	**Term**	**Total**	**Demand**	**Term**	**Total**
Foreign currency deposits:						
Saving deposits	751,398	3,847,230	4,598,628	308,332	3,847,230	4,155,562
Commercial deposits	1,861,128	10,825,445	12,686,573	896,118	3,764,066	4,660,184
Subtotal	**2,612,526**	**14,672,675**	**17,285,201**	**1,204,450**	**7,611,296**	**8,815,746**
TL deposits:						
Saving deposits	106,850	5,476,704	5,583,554	59,586	5,042,201	5,101,787
Commercial deposits	377,012	2,783,640	3,160,652	441,460	3,714,219	4,155,679
Public sector deposits	42,435	-	42,435	32,897	-	32,897
Subtotal	**526,297**	**8,260,344**	**8,786,641**	**533,943**	**8,756,420**	**9,290,363**
Total	**3,138,823**	**22,933,019**	**26,071,842**	**1,738,393**	**16,367,716**	**18,106,109**

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

NOTE 17 - FUNDS BORROWED AND SUBORDINATED LIABILITIES

	31 December 2021	31 December 2020
Foreign institutions and banks		
Syndication loans	150,928	150,928
Subordinated liabilities	3,737,398	2,821,726
Other	8,814,402	7,013,686
Total foreign	**12,702,728**	**9,986,340**
Domestic banks	3,335,012	2,768,531
Total domestic	**3,335,012**	**2,768,531**
Total	**16,037,740**	**12,754,871**

Reconciliation of funds borrowed as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	**12,754,871**	**10,316,320**
Proceeds from funds borrowed	9,799,804	7,697,703
Payments for funds borrowed	(8,109,193)	(5,451,600)
Effects of foreign exchange-rate	1,592,258	192,448
Balance at 31 December 2021	**16,037,740**	**12,754,871**

The details of subordinated liabilities of the Bank as of 31 December 2021 are presented in the table below:

Lender	Amount USD	Amount TL(*)	Opening Date	Maturity	Interest Rate (%)
Alternatifbank A.Ş. (XS2327872524)	USD 200,000	2,203,784	31 March 2021	Demand	First 5 year 10,50% Fixed, following 5 year MS+%9,546 Fixed
The Commercial Bank (P.S.Q.C)	USD 75,000	556,455	30 June 2015	Demand	9,85

(*)Accruals amounting to TL 71,923 are excluded.

Subordinated debt, with the amount of USD 300 Million, was issued by the Parent Bank on 15 April 2016 with the ISIN code XS1396282177, according to BRSA's Regulation on Bank Capital, Secondary Subordinated Loan the early redemption option was used for the subordinated debt on 16th April 2021 at the end of the 5th year of the contract by repaid the principal and interest payments.

NOTE 18 - DEBT SECURITIES ISSUED

	31 December 2021	31 December 2020
Debt securities at amortised cost-fixed interest rate	882,314	409,783
Debt securities at amortised cost-variable interest rate	-	-
Total	**882,314**	**409,783**

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

NOTE 19 - TAXATION

	31 December 2021	31 December 2020
Current tax expense	(26,371)	(69,269)
Deferred tax (expense)/income	2,390	44,932
	(23,981)	**(24,337)**

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

As of 31 December 2021, the corporate tax rate has been applied as 25% in the financial statements. In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, the corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of July 1, 2021 and being effective for the taxation period starting from January 1, 2021, this rate will be applied as 23% for the taxation period of 2022 and 20% for the taxation periods of 2023 and beyond.

Payments will be carried out in single instalment until the end of the month in which the tax return is to be filed.

Dividends paid to non-resident corporations, which have a fixed place of business or permanent representative in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax, Provisions of bilateral treaties are reserved.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their quarterly determined corporate income. Advance tax return is filed by the 14th of the second month following the each quarterly period and is payable on the 17th of the same month, Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

Reconciliation of income tax expense:

	31 December 2021	31 December 2020
Profit before tax	**100,525**	**129,900**
At Turkish statutory income tax rate	(23,120)	(28,578)
Income not subject to taxation	1,447,551	183,029
Expenses not deductible for taxation	(1,076,871)	(483,179)
Other	(323,579)	353,065
Income tax expense	**23,981**	**24,337**

In Turkey, there is no procedure for a final and definitive agreement on tax assessments, Tax authorities have the right to audit tax declarations and accounting records for 5 years, and may issue re-assessment based on their findings for tax purposes.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years, Tax losses cannot be carried back to offset profits from previous periods.

75% of the capital gains of corporations' from sale of participation shares and property (With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, dated 5 December 2017, the exemption applied as 75% was decreased to 50% to be effective as of the promulgation of the Law for the mentioned sale of properties.) which have been in their assets at least for two years is exempt from corporate tax provided that this amount is kept in a special reserve account in the liabilities side of the statement of financial position for 5 years.

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

NOTE 19 - TAXATION (Continued)

Deferred taxes

The temporary differences giving rise to the deferred tax assets and (deferred tax liabilities) are as follows:

	31 December 2021	31 December 2020
Profit before tax after monetary gain		
Deferred Tax Assets/(Deferred Tax Liabilities)		
Tangible Assets Base Differences	26,467	5,253
Provisions	210,865	121,872
Valuation of Financial Assets	(125,758)	32,451
Deferred Commission Income	14,690	11,242
Investment Incentive	-	-
Tax Losses(*)	65,300	52
Other	6,412	5,083
Net Deferred Tax Assets	**197,976**	**175,953**

(*)Includes tax assets calculated from carried tax losses. Deferred tax asset calculated from movable losses is calculated from carried tax losses incurred in 2021.Since the Bank plans to generate sufficient taxable income to offset these amounts in the future, a total of TL 65,300 has been reflected in its deferred tax assets.

The movements of deferred income taxes at 31 December were as follows:

	31 December 2021	31 December 2020
1 January	**175,953**	**137,513**
Charge for the year	22,023	38,440
Profit and loss	2,403	44,932
Other comprehensive income	19,620	(6,492)
31 December	**197,976**	**175,953**

At 31 December 2021, there are no deductible temporary differences for which no deferred tax asset is recognised in the statement of financial position (31 December 2020: None).

NOTE 20 – ASSET HELD FOR SALE

Movement of assets held for resale and discontinued operations as follows:

	31 December 2021	31 December 2020
1 January Assets Held For Resale And Discontinued Operations	**224,790**	**321,735**
Disposals (-)	(115,049)	(156,279)
Additions(*)	485,027	60,151
Current period depreciation (-)	-	(876)
Impairment provision addition/ return	59	59
31 December Assets Held For Resale And Discontinued Operations	**594,827**	**224,790**

(*) Includes real estate amounting to TL 364,000 taken over from the loan customer transferred to the follow-up account in previous periods.

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

NOTE 21 - PROVISIONS

	31 December 2021	31 December 2020
Provision for losses on credit related commitments(**)	97,438	64,401
Other legal provision	23,120	22,713
Other(*)	83,643	30,316
Total	**204,201**	**117,430**

(*)As of the balance sheet date, there is a free provision amounting to TL 55,000 in line with the precautionary principle, taking into account possible advancements in the economy and markets.

(**)Includes stage 1, stage 2 and stage 3 expected credit losses respectively; TL 52,228, TL 2,435 and TL 42,774 (31 December 2020: TL 33,013, TL 3,155 and TL 28,234).

Other legal provisions

At 31 December 2021 the Group is involved in number of legal disputes, The Group's lawyers advise that, owing to developments in some of these cases; it is probable that the Group will be found liable. Therefore, the management has recognised a provision of TL 23,120 (31 December 2020: TL 22,713) as the best estimate of the amount to settle these potential obligations.

NOTE 22 - RESERVE FOR EMPLOYEE BENEFITS

	31 December 2021	31 December 2020
Reserve for defined benefit obligation	18,608	12,021
Balance at the end of the period	**18,608**	**12,021**

Under the Turkish Labour Law, the Parent Bank and its subsidiaries are required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires. There are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of full TL 8,284.51(31 December 2020: full TL 7,117.17 TL) for each year of service.

Movement of reserve for defined benefit obligation is as follows:

	31 December 2021	31 December 2020
Prior Period Ending Balance	**12,021**	**9,195**
Current Period Service Cost	1,241	965
Interest Cost	1,500	1,330
Paid Compensation	(4,670)	(3,160)
Termination Cost	2,866	1,641
Actuarial Loss (*)	5,918	2,050
Balance at the end of the period	**18,608**	**12,021**

(*) Actuarial losses are recognized in other comprehensive income.

There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the consolidated financial statements, the Group reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

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

NOTE 22 - RESERVE FOR EMPLOYEE BENEFITS (Continued)

Accordingly the following financial and demographical actuarial assumptions were used in the calculations of the provision:

	31 December 2021	31 December 2020
Discount rate (%)	4.09	4.61
The probability of retirement (%)	83.33	83.33

In addition, the Group has accounted bonus provision amounting to TL 27,762 (31 December 2020: TL 12,021) and for unused vacation rights provision amounting to TL 3,986 as 31 December 2021 (31 December 2020: TL 3,430).

NOTE 23 - OTHER LIABILITIES

	31 December 2021	31 December 2020
Blocked accounts	395,479	1,058,037
Cheques in collection	213,181	96,562
Taxes other than income and withholdings	68,069	79,603
Collaterals received for derivatives	37,722	9,114
Bonus accrual for personnel	27,262	24,651
Vacation pay liability	3,986	3,430
Cash collaterals	194,450	123,346
Other	176,125	89,623
Total	**1,116,274**	**1,484,366**

NOTE 24 - SHARE CAPITAL AND SHARE PREMIUM

The historic amount of share capital of the Company consists of 2,214 million (31 December 2020: 2,038 million) authorised shares with a nominal value of TL 1 each. The Company's authorised capital amounts to TL 2,213,740 (31 December 2020: TL 2,038,390).

With the decision of number 20 of the Board of Directors dated on 18 February 2021 and with the approval of BRSA dated on 11 March 2021, the capital increase is registered in Commercial Registry Gazette number of 10312 and the capital is increased from TL 2,038,390 to TL 2,213,740. In this respect, The Commercial Bank (P.S.Q.C) was included in the capital increase with TL 175,350 by cash and this amount transferred it to the capital account.

With the decision of number 14 of Board of Directors on 2 March 2020 it was decided to increase the Bank's capital from TL 1,730,655 to TL 2,038,390 and BRSA approval was obtained on 23 March 2020. In the Trade Registry Gazette dated 6 May 2020 numbered 10072, it was registered that the capital increase amounting to TL 307,735 was paid by The Commercial Bank (P.S.Q.C.) in cash and the Bank's capital was increased from TL 1,730,655 to TL 2,038,390.

	31 December 2021		**31 December 2020**	
Shareholders	**Participation rate (%)**	**TL thousand**	**Participation rate (%)**	**TL thousand**
The Commercial Bank (P.S.Q.C.)	2,213,740	100	100	2,038,390
Historical share capital	**2,213,740**	**100**	**100**	**2,038,390**
Share premium	54			54
Total share capital and share premium	**2,213,794**			**2,038,444**

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

NOTE 25 - RETAINED EARNINGS AND OTHER RESERVES

	31 December 2021	31 December 2020
Fair value reserves	(135,830)	(16,614)
Hedge reserves	59,724	1,290
Revaluation Surplus	34,751	34,751
Legal reserves	62,656	56,229
Other reserves	-	-
Total other reserves	**21,301**	**75,656**
Retained earnings	**380,130**	**314,750**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below.

Legal Reserve

Under the Turkish Commercial Code, the Group is required to create the following legal reserves from appropriation of earnings, which are available for distribution only in the event of liquidation or losses:

a) First legal reserve, appropriated at the rate of 5% of net income, until the total reserve is equal to 20% of issued and fully paid-in share capital.

b) Second legal reserve, appropriated at the rate of at least 10% of distribution in excess of 5% of issued and fully paid-in share capital, without limit. It may be used to absorb losses.

After deducting taxes and setting aside the legal reserves as discussed above, the remaining balance of net profit is available for distribution to shareholders.

Fair value reserve

Information on fair value reserve is as follows:

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Fair value of debt instruments at fair value through OCI	(135,830)	-	(16,614)	-
Foreign Currency Difference			-	-
Total	**(135,830)**	**-**	**(16,614)**	**-**

Other Reserve

None.

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

NOTE 26 - NET INTEREST INCOME

	1 January-31 December 2021	**1 January-31 December 2020**
Interest income on:		
Loans and advances to customers	2,769,086	1,948,847
Investment securities	424,639	254,640
Due from banks	123,248	129,036
Financial assets at fair value through profit or loss	-	-
Other	12,343	10,772
Total interest income	**3,329,316**	**2,343,295**
Interest expense on:		
Due to customers	1,577,348	901,439
Repurchase agreements	40,142	20,026
Deposits from banks	246,694	115,604
Debt securities issued	136,023	54,362
Funds borrowed	727,635	595,739
Other	26,113	44,803
Total interest expense	**2,753,955**	**1,731,973**
Net interest income	**575,361**	**611,322**

NOTE 27 - NET FEE AND COMMISSION INCOME

	1 January-31 December 2021	**1 January-31 December 2020**
Fee and commission income on:		
Letter of guarantee	73,752	55,462
Banking service and credit card fees	76,027	90,679
Insurance	12,602	12,433
Expertise	875	961
Money transfers	514	467
Account management	1,795	871
Other	32,773	65,644
Total fee and commission income	**198,338**	**226,517**
Fee and commission expense on:		
Debit cards	3,909	1,034
FX transactions	3,071	21,838
Correspondent banks	2,050	758
Effective and future transactions	615	267
Money transfers	1,510	1,184
CBRT Interbank money market transactions	50	5,037
Clearing Commissions	-	-
Other	254	6,940
Total fee and commission expense	**11,459**	**37,058**
Net fee and commission income	**186,879**	**189,459**

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

NOTE 28 - TRADING GAINS AND LOSSES, NET

	1 January-31 December 2021	**1 January-31 December 2020**
Trading securities	-	-
Derivative financial transactions	(95,178)	(110,859)
Net (Loss)/Income	**(95,178)**	**(110,859)**

Net trading income from derivative financial instruments includes gains and losses from spot and forward contracts, options, futures, and swaps due to changes in interest rates.

NOTE 29 - IMPAIRMENT LOSSES ON LOANS AND OTHER OPERATING EXPENSES

	1 January-31 December 2021	**1 January-31 December 2020**
12 month expected credit loss (stage 1)	31,694	58,831
Significant increase in credit risk (stage 2)	67,299	98,249
Non-performing loans (stage 3)	152,514	112,893
Impairment losses on loans and credit related commitments, net	**251,507**	**269,973**

	1 January-31 December 2021	**1 January-31 December 2020**
Staff costs	**252,288**	**221,269**
Depreciation on property and equipment (Note 13)	28,059	45,702
Amortisation of intangible assets (Note 12)	30,227	20,201
Depreciation and amortisation	**58,286**	**65,903**
Operational lease expenses	1,350	1,242
Sundry taxes	26,514	18,452
Marketing and advertisement costs	16,405	9,031
Repair and maintenance expenses	3,400	3,275
Losses on sale of assets	3,083	4,162
Other	125,539	78,262
Administrative expenses	**176,291**	**114,424**
Total	**486,865**	**401,596**

Reserve for defined benefit obligation, accrual for unused vacation rights and provision for personnel bonus are included in the staff costs in the table above.

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

NOTE 30 - ASSETS PLEDGED AND RESTRICTED

The Group has the following assets pledged as collateral:

	31 December 2021		31 December 2020	
	Assets	**Related liability**	**Assets**	**Related liability**
Financial assets at fair value through profit or loss (Note 9)	-	-	-	-
Investment securities (Note 11)	1,065,290	687,528	1,065,290	687,528
Other assets pledged (Note 14) (*)	(920,937)	37,722	(441,948)	9,114
Total	**144,353**	**725,250**	**623,342**	**696,642**

(*) Other assets pledged are the collaterals given to the counter parties of the derivative financial instruments and other collaterals given.

Financial assets measured at amortised cost whose total carrying amount is TL 2,310,134 as of 31 December 2021 (31 December 2020: TL 800,627) are pledged to banks and other financial institutions against funds obtained under repurchase agreements (Note 15 and Note 17).

Total amount of funds obtained under repurchase agreements is TL 1,575,833 of 31 December 2021 (31 December 2020: TL 793,845).

Investment securities at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost are also pledged to regulatory authorities for legal requirements and other financial institutions as a guarantee for stock exchange and money market operations. These are mainly the CBRT, ISE Settlement and Custody Bank and other financial institutions and amount to TL 2,686,345 (31 December 2020: TL 1,536,527).

At 31 December 2021, the Group's reserve deposits that are not available to finance the Group's day-to-day operations amount to TL 3,650,439 (31 December 2020: TL 1,713,358).

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in these financial statements, including letters of guarantee, acceptances and letters of credit. The following is a summary of significant commitments and contingent liabilities at 31 December 2021 and 2020.

Legal proceedings

Due to the nature of its business, the Group is involved in a number of claims and legal proceedings, arising in the ordinary course of business. The Group recognises provisions for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated (Note 21).

In respect of the further claims asserted against the Group, which according to the principles outlined above, have not been provided for, it is the opinion of the management and its professional advisors that such claims are either without merit, can be successfully defended or will not have a material adverse effect on the Group's financial position.

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

NOTE 31 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as and if required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table shows the outstanding credit related commitments of the Group:

31 December 2021 (*)	**Indefinite**	**Not later than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Letter of credits	-	-	-	4,023,803	4,023,803
Letter of guarantees	-	199,783	-	9,537,439	9,737,222
Acceptance credits	-	-	364,331	-	364,331
Other commitments	1,932,043	-	-	-	1,932,043
Total	**1,932,043**	**199,783**	**364,331**	**13,561,242**	**16,057,399**

(*) Based on original maturities

31 December 2020 (*)	**Indefinite**	**Not later than 1 year**	**1-5 years**	**Over 5 years**	**Total**
Letter of credits	-	-	-	2,227,284	2,227,284
Letter of guarantees	33,437	189,348	-	6,067,573	6,290,358
Acceptance credits	-	-	-	8,763	8,763
Other commitments	1,409,634	-	-	-	1,409,634
Total	**1,443,071**	**189,348**	**-**	**8,303,620**	**9,936,039**

(*) Based on original maturities

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

NOTE 32 - SEGMENT REPORTING

The Group is organized into two main business segments which are organized and managed separately according to the nature of the products and services provided.

31 December 2021	Commercial Banking	Investment Banking	Other	Group
Net interest income [1]	523,913	51,448	-	575,361
Net fees and commission income and other operating income	(195,900)	382,779	-	186,879
(Provisions for) / recoveries from impairment loan receivables [1]	(242,826)	(8,681)	-	(251,507)
Net, Trading gain / loss	373,877	(297,220)	-	76,657
Other operating expenses [1]	(417,412)	(69,453)	-	(486,865)
Profit before income tax	66,233	34,292	-	100,525
Tax provision	-	-	-	(23,981)
Profit after income tax	41,652	58,873	-	76,544
Non-controlling interest				3
Net profit	**41,652**	**58,873**	**(23,981)**	**76,544**
Asset and liabilities				
Segment assets	**27,433,710**	**20,868,532**	**2,015,782**	**50,318,024**
Total assets	**27,433,710**	**20,868,532**	**2,015,782**	**50,318,024**
Segment liabilities	28,973,253	12,945,897	5,783,627	47,702,777
Unallocated liabilities	-	-	2,615,247	2,615,247
Total liabilities	**28,973,253**	**12,945,897**	**8,398,874**	**50,318,024**

[1] Classification differences with income statement exist since business reporting of the Bank was used.

31 December 2020	Commercial Banking	Investment Banking	Other	Group
Net interest income [1]	521,433	89,889	-	611,322
Net fees and commission income and other operating income	130,962	58,497	-	189,459
(Provisions for) / recoveries from impairment loan receivables [1]	(255,928)	(14,045)	-	(269,973)
Net, Trading gain / loss	495	193	-	688
Other operating expenses [1]	(366,699)	(34,897)	-	(401,596)
Profit before income tax	30,263	99,637	-	129,900
Tax provision	-	-	-	(24,337)
Profit after income tax	30,263	99,637	-	105,563
Non-controlling interest				2
Net profit	**30,263**	**99,637**	**(24,337)**	**105,563**
Asset and liabilities				
Segment assets	23,183,434	11,432,844	2,072,255	36,688,533
Total assets	**23,183,434**	**11,432,844**	**2,072,255**	**36,688,533**
Segment liabilities	19,582,653	10,091,356	4,585,655	34,259,664
Unallocated liabilities	-	-	2,428,869	2,428,869
Total liabilities	**19,582,653**	**10,091,356**	**7,014,524**	**36,688,533**

[1] Classification differences with income statement exist since business reporting of the Bank was used.

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

NOTE 33 - RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, The Group is controlled by Commercial Bank of Qatar owning 100.00% of the ordinary shares.

The Parent Bank’s agency agreement with Alternatif Yatırım Menkul Değerler A.Ş. is cancelled on 31 December 2016.

A number of transactions were entered into with related parties in the normal course of business.

(i) Balances with related parties:

	31 December 2021		31 December 2020	
	Total	**Share in total %**	**Total**	**Share in total %**
Loans and advances to customers, net	784,780	2.95	632,308	2.82
Total assets	**784,780**		**632,308**	
Deposits from customers	36,662	0.13	77,278	0.42
Total liabilities	**36,662**		**77,278**	
Credit related commitments	15,874	0.11	14,684	0.17
Total commitments and contingent liabilities	**15,874**		**14,684**	

(ii) Transactions with related parties:

	31 December 2021		31 December 2020	
	Total	**Share in total %**	**Total**	**Share in total %**
Interest income on loans and advances to customers	41,896	0.22	41,896	0.22
Commission income on credit related commitments	1,562	0.01	1,562	0.01
Total interest and fee income	**43,458**		**43,458**	
Interest expense on deposits	53	0.00	53	0.00
Other operating expense	-	-	-	-
Total interest and fee expense	**53**		**53**	

(iii) Balances with directors and other key management personnel:

Salaries and other benefits paid to the Group’s key management approximately amount to TL 30,323 as of 31 December 2021 (31 December 2020: TL 26,475).

NOTE 34 - AFTER THE REPORTING PERIOD EVENTS

“The Bank signed a Risk Participation Agreement with The Commercial Bank (P.S.Q.C.) in February 2022 regarding the Bank's guarantees for certain loan customers.”

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