

**TURKLAND BANK ANONİM ŐIRKETİ
INDEPENDENT AUDITOR'S REPORT,
UNCONSOLIDATED
FINANCIAL STATEMENTS AND NOTES FOR
THE PERIOD ENDED SEPTEMBER 30, 2020**

*Translated into English from the report and financial
statements originally issued in Turkish*

**(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF INTERIM FINANCIAL
INFORMATION ORIGINALLY ISSUED IN TURKISH)**

**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

To the General Assembly of Turkland Bank A.Ş.

Introduction

We have reviewed the accompanying balance sheet of Turkland Bank A.Ş. (“the Bank”) as of September 30, 2020, and the statement of income, statement of income and expense items under shareholders’ equity, statement of changes in shareholders’ equity and statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Turkland Bank A.Ş. as of September 30, 2020, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the Management’s interim report included in the accompanying financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed interim financial statements and the explanatory notes.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Aslan
Partner

İstanbul, 13 November 2020

Translated into English from the report and financial statements originally issued in Turkish

**THE UNCONSOLIDATED FINANCIAL REVIEW REPORT OF TURKLAND BANK A.Ş.
FOR THE PERIOD ENDED SEPTEMBER 30, 2020**

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The unconsolidated financial report for the nine months prepared in accordance with “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” as regulated by the Banking Regulation and Supervision Agency includes the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELEVANT PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

Mohammad Abdel-Fattah Hamad
ALGHANAMAH
Chairman of the
Board of Directors Vice President

Servet TAZE
General Manager

H. Efe İÇLİ
Financial Control Director
Acting Executive Vice President

Tania
MOUSSALLEM
Chairman of Audit Committee

Mustafa Selçuk
TAMER
Member of Audit Committee

Nadya Nabil Tawfik
TALHOUNI
Member of Audit Committee

Information related to responsible personnel for the questions that can be raised about financial statements:

Name-Surname / Title: Sevgi Üstün / Assistant Manager
Telephone Number: (0212) 368 37 24
Fax Number: (0212) 368 35 35

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020

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

SECTION ONE

GENERAL INFORMATION

I. Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue

Turkland Bank Anonim Şirketi ("the Bank"), was established in 1991 in İstanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğu Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günel (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

An agreement has been made with Arab Bank and BankMed for the sale of 91% of MNG Bank's shares in mid of 2006 and this agreement was approved by Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchasing 50% and 41% of MNG bank shares respectively, Mehmet Nazif Günel retained 9% of the shares. Transfer of the Bank was made on January 29, 2007. The title of the Bank was changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting on March 22, 2007.

On April 3, 2007, "MNG BANK Anonim Şirketi" title of the bank was registered as "TURKLAND BANK Anonim Şirketi".

According to the Share Sale and Purchase Agreement and Board of Directors' Decision dated February 26, 2010 and July 15, 2010 respectively, Mehmet Nazif Günel's 153 million shares with TRY 15,300 nominal value were purchased by BankMed SAL. As of July 22, 2010 the share transfer was realized.

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TRY 170 million to TRY 300 million, and it was registered in the Turkish Trade Registry Gazette dated June 20, 2011 numbered 7840. According to the BRSA approval dated September 15, 2011 numbered 4381 the unused pre-emptive right of Arab Bank Plc amounting to TRY 65 million have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments have been paid by shareholders and according to the BRSA decision dated October 20, 2011 numbered 22244 it has been transferred to the capital accounts.

According to the Ordinary General Assembly decision dated April 18, 2013, it has been decided to increase the Bank's paid in capital from TRY 300 million to TRY 500 million. According to the Ordinary General Assembly decree dated April 15, 2014, it was decided to increase the Bank's paid in capital from TRY 500 million to TRY 650 million.

In accordance with the BRSA's approval letter dated May 7, 2019, 16.67% of the shares of Arab Bank (Switzerland) Ltd (ABS), one of the shareholders of the Bank, was transferred to Arab Bank Plc. which is the other shareholder of the Bank.

Capital increase and decrease of 30 million USD additional capital as 164 million TRY has been realized simultaneously on September 25, 2019 with the approval of BRSA on August 2, 2019.

According to the Extraordinary General Assembly decree dated February 17, 2020, it was decided to increase the Bank's paid in capital from TRY 650 million to TRY 1,000 million with the approval of BRSA dated January 29, 2020 numbered 1027. It has been transferred to capital accounts as of March 4, 2020 with the approval of BRSA dated March 3, 2020 numbered 2400.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020

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

II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year

| Name of shareholders | Share Amount | Share Ratios % | Paid up Shares | Unpaid Shares |
|----------------------|---------------------|----------------|---------------------|---------------|
| ARAB BANK PLC | 499,999.99 | %50 | 499,999.99 | - |
| BANKMED, SAL | 499,999.99 | %50 | 499,999.99 | - |
| Others | <1 | %0 | <1 | - |
| Total | 1,000,000.00 | %100,0 | 1,000,000.00 | - |

As of September 30, 2020 the nominal value of the Bank's capital is TRY 1,000,000 and consists of 1,000 million shares.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020

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

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares and Areas of Responsibility in the Bank

| <u>Title</u> | <u>Name and Surname (*)</u> | <u>Responsibility</u> | <u>Education</u> |
|---|--|--|-------------------|
| Chairman of the Board of Directors | MICHEL ANTOINE ACCAD (**) | Chairman | Master Degree |
| Members of the Board of Directors | MOHAMMAD ABDEL-FATTAH HAMAD AL GHANAMAH | Vice Chairman / Member of Audit Committee | Bachelor's Degree |
| | TANIA MOUSSALLEM(****) | Chairman of Audit Committee | Bachelor's Degree |
| | NADYA NABIL TAWFIK TALHOUNI | Member of Audit Committee | Bachelor's Degree |
| | MUSTAFA SELÇUK TAMER(***) | Member of Audit Committee | Bachelor's Degree |
| | MOHAMED ASEM AHMED ABDELKHALEK | Member | Bachelor's Degree |
| | SAAD EDDINE EL ZEIN | Member | Master Degree |
| | HAITHAM HELMI MOHAMMAD FOUDEH | Member | Bachelor's Degree |
| General Manager and Member of Board of Directors | SERVET TAZE | Chief Executive Officer | Bachelor's Degree |
| Assistant General Mangers | BENAN BAŞAK | Loan Underwriting | Master Degree |
| | YASEMİN ALTUNBAŞ OTLUOĞLU | Corporate and Commercial Banking | Master Degree |
| | SARUHAN DOĞAN | Treasury and Financial Institutions | Master Degree |

(*) The above stated persons do not have any shares in Bank.

(**) As of January 27, 2020, Chairman of the Board Raoul Nehme left his position. As of March 2, 2020, Michel Antoine Accad was appointed as Chairman of the Board.

(***) As of April 1, 2020 Mehmet Şakir Güvendi left his position. As of April 1, 2020 Mustafa Selçuk Tamer was appointed as Member of Audit Committee.

(****) As of June 10, 2020 Salim Chahine left his position. As of June 12, 2020 Tania Moussallem was appointed as Chairman of Audit Committee.

(Convenience Translation of Financial Statements and Report Originally Issued in Turkish)
TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

IV. Information About The Persons and Institutions That Have Qualified Shares:

Information about the persons and institutions that have qualified shares as of September 30, 2020:

| Name of Shareholders | Share Amount | Share Ratios | Paid up Shares | Unpaid Shares |
|-----------------------------|---------------------|---------------------|-----------------------|----------------------|
| ARAB BANK PLC | 499,999.99 | %50.0 | 499,999.99 | - |
| BANKMED, SAL | 499,999.99 | %50.0 | 499,999.99 | - |

V. Summary on the Bank's Functions and Areas of Activity

The Bank has 17 branches and 347 personnel. The Bank does not have any subsidiaries (December 31, 2019: 17 branches, 357 personnel).

The Bank established with private capital, has the authority to accept deposits and its operations are mostly based on retail and corporate banking transactions. As it is indicated in Articles of Association, the Bank is mainly dealing with the transactions below:

- a. Acceptance of Deposit
- b. Corporate and Retail Banking
- c. Foreign Trade
- d. Capital Market Transactions
- e. Bank Assurance

VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to full consolidation method or proportional consolidation and institutions, which are deducted from equity or not included in these three methods:

None.

VII. The existing or potential, actual or legal obstacles on the transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off Balance Sheet Items
- III. Statement of Income
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

| ASSETS | Note Ref. (Section Five) | Reviewed | | | Audited | | |
|--|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | Current Period | | | Prior Period | | |
| | | TL | FC | Total | TL | FC | Total |
| I. FINANCIAL ASSETS (NET) | | 245,041 | 725,262 | 970,303 | 363,585 | 528,117 | 891,702 |
| I.1 Cash and cash equivalents | | 241,001 | 725,190 | 966,191 | 363,149 | 528,086 | 891,235 |
| 1.1.1 Cash and balances with The Central Bank of Turkey | I-1 | 50,892 | 348,695 | 399,587 | 302,765 | 328,170 | 630,935 |
| 1.1.2 Banks | I-3 | 135 | 376,495 | 376,630 | 462 | 199,916 | 200,378 |
| 1.1.3 Money market placements | | 190,063 | - | 190,063 | 60,017 | - | 60,017 |
| 1.1.4 Expected credit losses (-) | | (89) | - | (89) | (95) | - | (95) |
| I.2 Financial assets at fair value through profit and loss | | - | - | - | - | - | - |
| 1.2.1 Public sector debt securities | | - | - | - | - | - | - |
| 1.2.2 Share certificates | | - | - | - | - | - | - |
| 1.2.3 Other marketable securities | | - | - | - | - | - | - |
| I.3 Fair value financial assets through other comprehensive income | I-4 | 138 | 8 | 146 | 138 | 7 | 145 |
| 1.3.1 Public sector debt securities | | - | 8 | 8 | - | 7 | 7 |
| 1.3.2 Share certificates | | 138 | - | 138 | 138 | - | 138 |
| 1.3.3 Other marketable securities | | - | - | - | - | - | - |
| I.4 Derivative financial assets | I-2 | 3,902 | 64 | 3,966 | 298 | 24 | 322 |
| 1.4.1 Part of derivative financial assets at fair value through profit or loss | | 3,902 | 64 | 3,966 | 298 | 24 | 322 |
| 1.4.2 Fair value differences of derivative financial assets through other comprehensive income | | - | - | - | - | - | - |
| II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET) | | 1,087,023 | 457,413 | 1,544,436 | 2,158,373 | 505,111 | 2,663,484 |
| 2.1 Loans and advances | I-5 | 1,541,049 | 457,413 | 1,998,462 | 1,812,751 | 505,111 | 2,317,862 |
| 2.2 Finance lease receivables | | - | - | - | - | - | - |
| 2.3 Factoring receivables | | - | - | - | - | - | - |
| 2.4 Financial assets measured at amortized cost | I-6 | 50,716 | - | 50,716 | 940,216 | - | 940,216 |
| 2.4.1 Public sector debt securities | | 50,716 | - | 50,716 | 940,216 | - | 940,216 |
| 2.4.2 Other marketable securities | | - | - | - | - | - | - |
| 2.5 Expected credit losses (-) | | (504,742) | - | (504,742) | (594,594) | - | (594,594) |
| III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET) | I-16 | 198,501 | - | 198,501 | 184,212 | - | 184,212 |
| 3.1 Held for sale | | 198,501 | - | 198,501 | 184,212 | - | 184,212 |
| 3.2 Discontinued operations | | - | - | - | - | - | - |
| IV. INVESTMENTS (NET) | I-7 | 7,659 | - | 7,659 | 7,659 | - | 7,659 |
| 4.1 Investments in associates (Net) | | 7,659 | - | 7,659 | 7,659 | - | 7,659 |
| 4.1.1 Accounted with equity method | | - | - | - | - | - | - |
| 4.1.2 Unconsolidated associates | | 7,659 | - | 7,659 | 7,659 | - | 7,659 |
| 4.2 Investments in subsidiaries (Net) | I-8 | - | - | - | - | - | - |
| 4.2.1 Unconsolidated financial subsidiaries | | - | - | - | - | - | - |
| 4.2.2 Unconsolidated non-financial subsidiaries | | - | - | - | - | - | - |
| 4.3 Entities under common control (Net) | I-9 | - | - | - | - | - | - |
| 4.3.1 Accounted with equity method | | - | - | - | - | - | - |
| 4.3.2 Unconsolidated entities | | - | - | - | - | - | - |
| V. TANGIBLE ASSETS (NET) | I-12 | 46,864 | - | 46,864 | 51,890 | - | 51,890 |
| VI. INTANGIBLE ASSETS [NET] | I-13 | 7,553 | - | 7,553 | 8,551 | - | 8,551 |
| 6.1 Goodwill | | - | - | - | - | - | - |
| 6.2 Other | | 7,553 | - | 7,553 | 8,551 | - | 8,551 |
| VII. INVESTMENT PROPERTY | I-14 | - | - | - | - | - | - |
| VIII. CURRENT TAX ASSET | | 626 | - | 626 | - | - | - |
| IX. DEFERRED TAX ASSET | I-15 | 62,261 | - | 62,261 | 62,261 | - | 62,261 |
| X. OTHER ASSETS | I-17 | 103,386 | 873 | 104,259 | 30,652 | 148 | 30,800 |
| TOTAL ASSETS | | 1,758,914 | 1,183,548 | 2,942,462 | 2,867,183 | 1,033,376 | 3,900,559 |

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

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

I. BALANCE SHEET – LIABILITIES (STATEMENT OF FINANCIAL POSITION)

| LIABILITIES AND SHAREHOLDERS EQUITY | Note Ref. (Section Five) | Reviewed | | | Audited | | |
|--|-----------------------------|------------------------------|------------------|------------------|----------------------------|------------------|------------------|
| | | Current Period 30.09.2020 | | | Prior Period 31.12.2019 | | |
| | | TL | FC | Total | TL | FC | Total |
| I. DEPOSITS | II-1 | 976,303 | 1,193,866 | 2,170,169 | 1,922,612 | 1,182,479 | 3,105,091 |
| II. FUNDS BORROWED | II-3 | 2,335 | - | 2,335 | 6,547 | - | 6,547 |
| III. MONEY MARKET | | 782 | - | 782 | - | - | - |
| IV. MARKETABLE SECURITIES ISSUED (NET) | | - | - | - | - | - | - |
| 4.1 Bills | | - | - | - | - | - | - |
| 4.2 Asset backed securities | | - | - | - | - | - | - |
| 4.3 Bonds | | - | - | - | - | - | - |
| V. FUNDS | | - | - | - | - | - | - |
| 5.1 Borrower funds | | - | - | - | - | - | - |
| 5.2 Other | | - | - | - | - | - | - |
| VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS | | - | - | - | - | - | - |
| VII. DERIVATIVE FINANCIAL LIABILITIES | II-2 | - | - | - | 2,989 | - | 2,989 |
| 7.1 Part of derivative financial assets at fair value through profit or loss | | - | - | - | 2,989 | - | 2,989 |
| 7.2 Fair value differences of derivative financial assets through other comprehensive income | | - | - | - | - | - | - |
| VIII. FACTORING PAYABLES | | - | - | - | - | - | - |
| IX. FINANCE LEASE PAYABLES (NET) | II-6 | 35,705 | 89 | 35,794 | 37,228 | 774 | 38,002 |
| X. PROVISIONS | II-8 | 125,412 | 2,425 | 127,837 | 122,301 | 1,862 | 124,163 |
| 10.1 Restructuring reserves | | - | - | - | - | - | - |
| 10.2 Reserves for employee benefits | | 15,476 | - | 15,476 | 12,627 | - | 12,627 |
| 10.3 Insurance technical reserves (net) | | - | - | - | - | - | - |
| 10.4 Other provisions | | 109,936 | 2,425 | 112,361 | 109,674 | 1,862 | 111,536 |
| XI. CURRENT TAX LIABILITY | II-9 | 6,517 | - | 6,517 | 10,154 | - | 10,154 |
| XII. DEFERRED TAX LIABILITY | | - | - | - | - | - | - |
| XIII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS | | - | - | - | - | - | - |
| 13.1 Held for sale | | - | - | - | - | - | - |
| 13.2 Discontinued operations | | - | - | - | - | - | - |
| XIV. SUBORDINATED LOANS | | - | - | - | - | - | - |
| 14.1 Loans | | - | - | - | - | - | - |
| 14.2 Other | | - | - | - | - | - | - |
| XV. OTHER LIABILITIES | II-5 | 52,219 | 19,490 | 71,709 | 484,920 | 16,316 | 501,236 |
| XVI. SHAREHOLDERS' EQUITY | II-12 | 527,319 | - | 527,319 | 112,377 | - | 112,377 |
| 16.1 Paid-in capital | | 1,000,000 | - | 1,000,000 | 650,000 | - | 650,000 |
| 16.2 Supplementary capital | | 25,430 | - | 25,430 | 25,430 | - | 25,430 |
| 16.2.1 Share premium | | - | - | - | - | - | - |
| 16.2.2 Share cancellation profits | | - | - | - | - | - | - |
| 16.2.3 Other capital reserves | | 25,430 | - | 25,430 | 25,430 | - | 25,430 |
| 16.3 Accumulated other comprehensive income/loss not recognised in profit or loss | | 3,469 | - | 3,469 | 4,498 | - | 4,498 |
| 16.4 Accumulated other comprehensive income/loss recognised in profit or loss | | - | - | - | - | - | - |
| 16.5 Profit reserves | | (466,167) | - | (466,167) | (18,250) | - | (18,250) |
| 16.5.1 Legal reserves | | 5,332 | - | 5,332 | 5,332 | - | 5,332 |
| 16.5.2 Status reserves | | - | - | - | - | - | - |
| 16.5.3 Extraordinary reserves | | (443,592) | - | (443,592) | 4,325 | - | 4,325 |
| 16.5.4 Other profit reserves | | (27,907) | - | (27,907) | (27,907) | - | (27,907) |
| 16.6 Profit or loss | | (35,413) | - | (35,413) | (549,301) | - | (549,301) |
| 16.6.1 Prior year income/(loss) | | (101,384) | - | (101,384) | (101,384) | - | (101,384) |
| 16.6.2 Current year income/(loss) | | 65,971 | - | 65,971 | (447,917) | - | (447,917) |
| 16.7 Minority shares | | - | - | - | - | - | - |
| TOTAL LIABILITIES AND EQUITY | | 1,726,592 | 1,215,870 | 2,942,462 | 2,699,128 | 1,201,431 | 3,900,559 |

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

| | Note Ref. (Section Five) | Reviewed Current Period 30.09.2020 | | | Audited Prior Period 31.12.2019 | | |
|--|-----------------------------|--|-----------|------------|---------------------------------------|-----------|------------|
| | | TL | FC | TOTAL | TL | FC | TOTAL |
| A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III) | | 521,520 | 803,987 | 1,325,507 | 872,204 | 994,147 | 1,866,351 |
| I. GUARANTEES AND SURETIES | | 422,382 | 684,086 | 1,106,468 | 588,915 | 734,568 | 1,323,483 |
| 1.1. Letters of guarantee | | 392,382 | 186,843 | 579,225 | 588,915 | 235,605 | 824,520 |
| 1.1.1. Guarantees subject to State Tender Law | | 5,231 | 248 | 5,479 | 7,010 | 190 | 7,200 |
| 1.1.2. Guarantees given for foreign trade operations | | 18,822 | 17,278 | 36,100 | 32,186 | 49,937 | 82,123 |
| 1.1.3. Other letters of guarantee | | 368,329 | 169,317 | 537,646 | 549,719 | 185,478 | 735,197 |
| 1.2. Bank acceptances | | - | - | - | - | - | - |
| 1.2.1. Import letter of acceptance | | - | - | - | - | - | - |
| 1.2.2. Other bank acceptances | | - | - | - | - | - | - |
| 1.3. Letters of credit | | - | 45,003 | 45,003 | - | 30,580 | 30,580 |
| 1.3.1. Documentary letters of credit | | - | 45,003 | 45,003 | - | 30,580 | 30,580 |
| 1.3.2. Other letters of credit | | - | - | - | - | - | - |
| 1.4. Guaranteed prefinancings | | - | - | - | - | - | - |
| 1.5. Endorsements | | 30,000 | 452,240 | 482,240 | - | 432,140 | 432,140 |
| 1.5.1. Endorsements to the Central Bank of Turkey | | - | 452,240 | 452,240 | - | 432,140 | 432,140 |
| 1.5.2. Other endorsements | | 30,000 | - | 30,000 | - | - | - |
| 1.6. Underwriting commitments | | - | - | - | - | - | - |
| 1.7. Factoring related guarantees | | - | - | - | - | - | - |
| 1.8. Other guarantees | | - | - | - | - | 36,243 | 36,243 |
| 1.9. Other sureties | | - | - | - | - | - | - |
| II. COMMITMENTS | | 56,729 | 37,242 | 93,971 | 28,150 | 1,261 | 29,411 |
| 2.1. Irrevocable commitments | | 56,729 | 37,242 | 93,971 | 28,150 | 1,261 | 29,411 |
| 2.1.1. Asset purchase and sale commitments | | 35,433 | 37,242 | 72,675 | 595 | 1,261 | 1,856 |
| 2.1.2. Deposit purchase and sale commitments | | - | - | - | - | - | - |
| 2.1.3. Share capital commitments to associates and affiliates | | - | - | - | - | - | - |
| 2.1.4. Loan granting commitments | | 1,455 | - | 1,455 | 1,478 | - | 1,478 |
| 2.1.5. Securities issuance brokerage commitments | | - | - | - | - | - | - |
| 2.1.6. Commitments for reserve deposit requirements | | - | - | - | - | - | - |
| 2.1.7. Commitments for cheque payments | | 19,841 | - | 19,841 | 26,077 | - | 26,077 |
| 2.1.8. Tax and fund obligations on export commitments | | - | - | - | - | - | - |
| 2.1.9. Commitments for credit card limits | | - | - | - | - | - | - |
| 2.1.10. Commitments for credit cards and banking services related | | - | - | - | - | - | - |
| 2.1.11. Receivables from "short" sale commitments on securities | | - | - | - | - | - | - |
| 2.1.12. Payables from "short" sale commitments on securities | | - | - | - | - | - | - |
| 2.1.13. Other irrevocable commitments | | - | - | - | - | - | - |
| 2.2. Revocable commitments | | - | - | - | - | - | - |
| 2.2.1. Revocable loan granting commitments | | - | - | - | - | - | - |
| 2.2.2. Other revocable commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | | 42,409 | 82,659 | 125,068 | 255,139 | 258,318 | 513,457 |
| 3.1. Derivative financial instruments held for risk management | | - | - | - | - | - | - |
| 3.1.1. Fair value hedges | | - | - | - | - | - | - |
| 3.1.2. Cash flow hedges | | - | - | - | - | - | - |
| 3.1.3. Net foreign investment hedges | | - | - | - | - | - | - |
| 3.2. Trading derivatives | | 42,409 | 82,659 | 125,068 | 255,139 | 258,318 | 513,457 |
| 3.2.1. Forward foreign currency purchases/sales | | - | - | - | 9,441 | 14,675 | 24,116 |
| 3.2.1.1. Forward foreign currency purchases | | - | - | - | 4,734 | 7,341 | 12,075 |
| 3.2.1.2. Forward foreign currency sales | | - | - | - | 4,707 | 7,334 | 12,041 |
| 3.2.2. Currency and interest rate swaps | | 42,409 | 82,659 | 125,068 | 187,288 | 184,218 | 371,506 |
| 3.2.2.1. Currency swaps-purchases | | - | 64,576 | 64,576 | - | 184,218 | 184,218 |
| 3.2.2.2. Currency swaps-sales | | 42,409 | 18,083 | 60,492 | 187,288 | - | 187,288 |
| 3.2.2.3. Interest rate swaps-purchases | | - | - | - | - | - | - |
| 3.2.2.4. Interest rate swaps-sales | | - | - | - | - | - | - |
| 3.2.3. Currency, interest rate and security options | | - | - | - | 58,410 | 59,425 | 117,835 |
| 3.2.3.1. Currency call options | | - | - | - | 58,410 | - | 58,410 |
| 3.2.3.2. Currency put options | | - | - | - | - | 59,425 | 59,425 |
| 3.2.3.3. Interest rate call options | | - | - | - | - | - | - |
| 3.2.3.4. Interest rate put options | | - | - | - | - | - | - |
| 3.2.3.5. Security call options | | - | - | - | - | - | - |
| 3.2.3.6. Security put options | | - | - | - | - | - | - |
| 3.2.4. Currency futures | | - | - | - | - | - | - |
| 3.2.4.1. Currency futures-purchases | | - | - | - | - | - | - |
| 3.2.4.2. Currency futures-sales | | - | - | - | - | - | - |
| 3.2.5. Interest rate futures | | - | - | - | - | - | - |
| 3.2.5.1. Interest rate futures-purchases | | - | - | - | - | - | - |
| 3.2.5.2. Interest rate futures-sales | | - | - | - | - | - | - |
| 3.2.6. Others | | - | - | - | - | - | - |
| B. CUSTODY AND PLEDGED ITEMS (IV+V+VI) | | 9,334,950 | 2,711,229 | 12,046,179 | 11,340,314 | 2,391,238 | 13,731,552 |
| IV. ITEMS HELD IN CUSTODY | | 293,418 | 9,820 | 303,238 | 784,360 | 17,967 | 802,327 |
| 4.1. Customers' securities held | | - | - | - | - | - | - |
| 4.2. Investment securities held in custody | | 14,854 | 696 | 15,550 | 374,869 | 535 | 375,404 |
| 4.3. Checks received for collection | | 278,012 | 9,124 | 287,136 | 408,125 | 17,432 | 425,557 |
| 4.4. Commercial notes received for collection | | 552 | - | 552 | 1,366 | - | 1,366 |
| 4.5. Other assets received for collection | | - | - | - | - | - | - |
| 4.6. Assets received through public offering | | - | - | - | - | - | - |
| 4.7. Other items under custody | | - | - | - | - | - | - |
| 4.8. Custodians | | - | - | - | - | - | - |
| V. PLEDGED ITEMS | | 9,041,532 | 2,701,409 | 11,742,941 | 10,555,954 | 2,373,271 | 12,929,225 |
| 5.1. Securities | | - | - | - | - | - | - |
| 5.2. Guarantee notes | | 8,734 | - | 8,734 | 14,695 | 528 | 15,223 |
| 5.3. Commodities | | 1,646 | - | 1,646 | 1,646 | - | 1,646 |
| 5.4. Warranties | | - | - | - | - | - | - |
| 5.5. Real estates | | 1,187,270 | 56,697 | 1,243,967 | 1,422,245 | 57,943 | 1,480,188 |
| 5.6. Other pledged items | | 7,843,882 | 2,644,712 | 10,488,594 | 9,117,368 | 2,314,800 | 11,432,168 |
| 5.7. Pledged items-depository | | - | - | - | - | - | - |
| VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES | | - | - | - | - | - | - |
| TOTAL OFF-BALANCE SHEET ITEMS (A+B) | | 9,856,470 | 3,515,216 | 13,371,686 | 12,212,518 | 3,385,385 | 15,597,903 |

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME
AS OF SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF INCOME

| INCOME AND EXPENSES | Note Ref. (Section Five) | Reviewed | | Reviewed | |
|--|--------------------------------|--------------------|------------------|--------------------|------------------|
| | | Current Period | Current Period | Prior Period | Prior Period |
| | | 01.01 - 30.09.2020 | 01.07-30.09.2020 | 01.01 - 30.09.2019 | 01.07-30.09.2019 |
| I. INTEREST INCOME | IV-1 | 202,344 | 51,198 | 369,411 | 120,422 |
| 1.1 Interest on loans | | 161,657 | 43,575 | 237,245 | 78,461 |
| 1.2 Interest received from reserve deposits | | - | - | 9,601 | 2,646 |
| 1.3 Interest received from banks | | 4,796 | 2,031 | 7,015 | 1,712 |
| 1.4 Interest received from money market placements | | 9,752 | 3,886 | 1,106 | 1,028 |
| 1.5 Interest received from marketable securities portfolio | | 25,514 | 1,628 | 111,591 | 35,867 |
| 1.5.1 Financial assets at fair value through profit and loss | | 744 | 1 | - | - |
| 1.5.2 Fair value financial assets through other comprehensive income | | 1,216 | - | - | - |
| 1.5.3 Financial assets measured at amortized cost | | 23,554 | 1,627 | 111,591 | 35,867 |
| 1.6 Finance lease income | | - | - | - | - |
| 1.7 Other interest income | | 625 | 78 | 2,853 | 708 |
| II. INTEREST EXPENSE (-) | IV-2 | (120,108) | (36,451) | (342,906) | (110,273) |
| 2.1 Interest on deposits | | (98,139) | (25,388) | (321,963) | (105,559) |
| 2.2 Interest on funds borrowed | | (367) | (66) | (456) | 561 |
| 2.3 Interest on money market borrowings | | (1,697) | (26) | (14,333) | (3,305) |
| 2.4 Interest on securities issued | | - | - | - | - |
| 2.5 Finance lease interest expense | | (5,585) | (1,764) | (6,063) | (1,955) |
| 2.6 Other interest expense | | (14,320) | (9,207) | (91) | (15) |
| III. NET INTEREST INCOME (I - II) | | 82,236 | 14,747 | 26,505 | 10,149 |
| IV. NET FEES AND COMMISSIONS INCOME | | 17,108 | 5,145 | 20,303 | 6,541 |
| 4.1 Fees and commissions received | | 18,711 | 5,790 | 21,428 | 6,957 |
| 4.1.1 Non-cash loans | | 17,165 | 5,224 | 19,450 | 6,451 |
| 4.1.2 Other | IV-12 | 1,546 | 566 | 1,978 | 506 |
| 4.2 Fees and commissions paid (-) | | (1,603) | (645) | (1,125) | (416) |
| 4.2.1 Non-cash loans | | (160) | (53) | (167) | (56) |
| 4.2.2 Other | IV-12 | (1,443) | (592) | (958) | (360) |
| V. DIVIDEND INCOME | IV-3 | 37 | - | 10 | - |
| VI. NET TRADING INCOME | IV-4 | (4,736) | 1,876 | (16,303) | (6,338) |
| 6.1 Securities trading gains/ (losses) | | (1,016) | 27 | (8,305) | - |
| 6.2 Derivative financial instruments gain (losses) | | 37,979 | 13,009 | (18,480) | (11,232) |
| 6.3 Foreign exchange gains/ (losses) | | (41,699) | (11,160) | 10,482 | 4,894 |
| VII. OTHER OPERATING INCOME | IV-5 | 24,595 | 5,472 | 5,456 | 622 |
| VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII) | | 119,240 | 27,240 | 35,971 | 10,974 |
| IX. EXPECTED CREDIT LOSS PROVISIONS (-) | IV-6 | 86,558 | 12,302 | (85,063) | (16,738) |
| X. OTHER PROVISIONS (-) | | - | - | - | - |
| XI. STAFF EXPENSES (-) | | (62,768) | (20,417) | (62,997) | (19,186) |
| XII. OTHER OPERATING EXPENSES (-) | IV-7 | (77,059) | (23,660) | (74,155) | (21,444) |
| XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII) | | 65,971 | (4,535) | (186,244) | (46,394) |
| XIV. AMOUNT IN EXCESS RECOGNISED AS GAIN AFTER MERGER | | - | - | - | - |
| XV. PROFIT/(LOSS) ON EQUITY METHOD | | - | - | - | - |
| XVI. PROFIT/(LOSS) ON NET MONETARY POSITION | | - | - | - | - |
| XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI) | IV-8 | 65,971 | (4,535) | (186,244) | (46,394) |
| XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±) | IV-9 | - | - | (6,918) | - |
| 18.1 Provision for current income taxes | | - | - | - | - |
| 18.2 Income from deferred taxes (+) | | - | - | (6,918) | - |
| 18.3 Provision for deferred taxes (-) | | - | - | - | - |
| XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII) | IV-10 | 65,971 | (4,535) | (193,162) | (46,394) |
| XX. INCOME ON DISCONTINUED OPERATIONS | | - | - | - | - |
| 20.1 Income on assets held for sale | | - | - | - | - |
| 20.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures) | | - | - | - | - |
| 20.3 Income on other discontinued operations | | - | - | - | - |
| XXI. LOSS FROM DISCONTINUED OPERATIONS (-) | | - | - | - | - |
| 21.1 Income on assets held for sale | | - | - | - | - |
| 21.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures) | | - | - | - | - |
| 21.3 Income on other discontinued operations | | - | - | - | - |
| XXII. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI) | | - | - | - | - |
| XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | | - | - | - | - |
| 23.1 Provision for current income taxes | | - | - | - | - |
| 23.2 Income for deferred taxes (+) | | - | - | - | - |
| 23.3 Provision for deferred taxes (-) | | - | - | - | - |
| XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII) | IV-10 | - | - | - | - |
| XXV. NET PROFIT/LOSS (XIX+XXIV) | IV-11 | 65,971 | (4,535) | (193,162) | (46,394) |
| 25.1 Profit/(Loss) of the Group | | - | - | - | - |
| 25.2 Minority Shareholders Profit / Loss (-) | | - | - | - | - |
| Earnings Per Share Profit / Loss | | - | - | - | - |

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIODS ENDED
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | Reviewed Current Period | Reviewed Prior Period |
|--|----------------------------|--------------------------|
| | 01.01 -30.09.2020 | 01.01 -30.09.2019 |
| I. CURRENT PERIOD PROFIT/LOSS | 65,971 | (193,162) |
| II. OTHER COMPREHENSIVE INCOME | (1,029) | 3,068 |
| 2.1 Other Income/Expense Items not to be Recycled to Profit or Loss | (1,029) | 3,068 |
| 2.1.1 Revaluation Surplus on Tangible Assets | - | - |
| 2.1.2 Revaluation Surplus on Intangible Assets | - | - |
| 2.1.3 Defined Benefit Plans' Actuarial Gains/Losses | (1,029) | 278 |
| 2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss | - | 2,807 |
| 2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss | - | (17) |
| 2.2 Other Income/Expense Items to be Recycled to Profit or Loss | - | - |
| 2.2.1 Translation Differences | - | - |
| 2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI | - | - |
| 2.2.3 Gains/losses from Cash Flow Hedges | - | - |
| 2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations | - | - |
| 2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss | - | - |
| 2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss | - | - |
| III. TOTAL COMPREHENSIVE INCOME (I+II) | 64,942 | (190,094) |

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| Reviewed | Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss | | | | Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss | | | | | | | | | | | |
|---|---|---------------|----------------------------|------------------------|---|--------------|--------------|----------|----------|----------|-----------------|----------------------------|----------------------------------|--|-----------------|----------------------------|
| | Paid-in Capital | Share Premium | Share Cancellation Profits | Other Capital Reserves | 1 | 2 | 3 | 4 | 5 | 6 | Profit Reserves | Prior Periods' Profit/Loss | Current Period's Net Profit/Loss | Total Shareholders' Equity without Minority Shares | Minority Shares | Total Shareholders' Equity |
| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY | | | | | | | | | | | | | | | | |
| PRIOR PERIOD 01.01.2019 - 30.09.2019 | | | | | | | | | | | | | | | | |
| I. Balances at Beginning of Period | 650,000 | - | - | 1,894 | - | 2,616 | - | - | - | - | 5,332 | (265,183) | - | 394,659 | - | 394,659 |
| II. Correction made as per-TAS 8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1. Effect of Corrections | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2. Effect of Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. Adjusted Balances at Beginning of Period (I+II) | 650,000 | - | - | 1,894 | - | 2,616 | - | - | - | - | 5,332 | (265,183) | - | 394,659 | - | 394,659 |
| IV. Total Comprehensive Income | - | - | - | - | - | - | - | - | - | - | - | - | (193,162) | (193,162) | - | (193,162) |
| V. Capital Increase in Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase from Internal Sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Capital Reserves from Inflation Adjustments to Paid-in Capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Other Changes | - | - | - | 163,753 | - | 261 | 2,807 | - | - | - | - | - | - | 166,821 | - | 166,821 |
| XI. Profit Distribution | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.1. Dividends | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2. Transfers to Reserves | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.3. Others | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at end of the period (III+IV...+X+XI) | 650,000 | - | - | 165,647 | - | 2,877 | 2,807 | - | - | - | 5,332 | (265,183) | (193,162) | 368,318 | - | 368,318 |
| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY | | | | | | | | | | | | | | | | |
| CURRENT PERIOD 01.01.2020 - 30.09.2020 | | | | | | | | | | | | | | | | |
| I. Balances at Beginning of Period | 650,000 | - | - | 1,848 | - | 1,691 | 2,807 | - | - | - | 5,332 | (101,384) | (447,917) | 112,377 | - | 112,377 |
| II. Correction made as per-TAS 8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1. Effect of Corrections | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2. Effect of Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. Adjusted Balances at Beginning of Period (I+II) | 650,000 | - | - | 1,848 | - | 1,691 | 2,807 | - | - | - | 5,332 | (101,384) | (447,917) | 112,377 | - | 112,377 |
| IV. Total Comprehensive Income | - | - | - | - | - | - | - | - | - | - | - | - | 65,971 | 65,971 | - | 65,971 |
| V. Capital Increase in Cash | 350,000 | - | - | - | - | - | - | - | - | - | - | - | - | 350,000 | - | 350,000 |
| VI. Capital Increase from Internal Sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Capital Reserves from Inflation Adjustments to Paid-in Capital | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Liabilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Others Changes | - | - | - | - | - | (1,029) | - | - | - | - | - | - | - | (1,029) | - | (1,029) |
| XI. Profit Distribution | - | - | - | (447,917) | - | - | - | - | - | - | - | - | 447,917 | - | - | - |
| 11.1. Dividends | - | - | - | - | - | - | - | - | - | - | - | - | 447,917 | - | - | - |
| 11.2. Transfers to Reserves | - | - | - | (447,917) | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.3. Others | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at end of the period (III+IV...+X+XI) | 1,000,000 | - | - | (446,069) | - | 662 | 2,807 | - | - | - | 5,332 | (101,384) | 65,971 | 527,319 | - | 527,319 |

1.Revaluation surplus on tangible and intangible assets

2.Defined benefit plans' actuarial gains/losses

3.Others (The share of the investments that are valued by equity method from other comprehensive income that cannot be reclassified to profit / loss and the accumulated amounts of other comprehensive income items that cannot be reclassified as other profit or loss)

4.Translation Differences

5.Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI

6.Others (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit&loss)

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

| | Reviewed | |
|--|------------------|------------------|
| | Current Period | Prior Period |
| | 01.01-30.09.2020 | 01.01-30.09.2019 |
| A. CASH FLOWS FROM BANKING OPERATIONS | | |
| 1.1 Operating profit before changes in operating assets and liabilities | 85,916 | (142,384) |
| 1.1.1 Interests received | 254,996 | 354,704 |
| 1.1.2 Interests paid | (131,903) | (348,145) |
| 1.1.3 Dividend received | 37 | 10 |
| 1.1.4 Fees and commissions received | 18,634 | 22,320 |
| 1.1.5 Other income | 72,370 | 19,134 |
| 1.1.6 Collections from previously written-off receivables | 167,920 | 231,068 |
| 1.1.7 Cash payments to personnel and service suppliers | (62,705) | (65,275) |
| 1.1.8 Taxes paid | - | - |
| 1.1.9 Others | (233,433) | (356,200) |
| 1.2 Changes in operating assets and liabilities | (912,848) | 229,099 |
| 1.2.1 Net (increase) decrease in financial assets measured at FVTPL | - | - |
| 1.2.2 Net (increase) decrease in due from banks | (22,277) | (35,925) |
| 1.2.3 Net (increase) decrease in loans | 263,278 | 42,768 |
| 1.2.4 Net (increase) decrease in other assets | (16,157) | 20,785 |
| 1.2.5 Net increase (decrease) in bank deposits | 498 | (179,236) |
| 1.2.6 Net increase (decrease) in other deposits | (1,250,857) | 267,513 |
| 1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL | - | - |
| 1.2.8 Net increase (decrease) in funds borrowed | (4,075) | (3,366) |
| 1.2.9 Net increase (decrease) in matured payables | - | - |
| 1.2.10 Net increase (decrease) in other liabilities | 116,742 | 158,130 |
| I. Net cash flow from banking operations | (826,932) | 86,715 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| II. Net cash flow from investing activities | 440,080 | 28,552 |
| 2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures | - | (2,762) |
| 2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures | - | - |
| 2.3 Purchases of tangible assets | (31,106) | (20,886) |
| 2.4 Sales of tangible assets | 5,418 | 6,910 |
| 2.5 Cash paid for purchase of financial assets measured at FVOCI | - | - |
| 2.6 Cash obtained from sale of financial assets measured at FVOCI | - | - |
| 2.7 Cash paid for purchase of financial assets measured at amortised cost | (860,498) | - |
| 2.8 Cash obtained from sale of financial assets measured at amortised cost | 1,327,262 | 47,014 |
| 2.9 Others | (996) | (1,724) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| III. Net cash flow from financing activities | 347,792 | 160,799 |
| 3.1 Cash obtained from funds borrowed and securities issued | - | - |
| 3.2 Cash used for repayment of funds borrowed and securities issued | - | - |
| 3.3 Equity instruments issued | - | - |
| 3.4 Dividends paid | - | - |
| 3.5 Payments for financial leases | (2,208) | (6,286) |
| 3.6 Others | 350,000 | 167,085 |
| IV. Effect of translation differences on cash and cash equivalents | 92,143 | 12,297 |
| V. Net increase/(decrease) in cash and cash equivalents | 53,083 | 288,363 |
| VI. Cash and cash equivalents at beginning of period | 599,336 | 424,002 |
| VII. Cash and cash equivalents at end of period | 652,419 | 712,365 |

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

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

The financial statements are prepared in accordance with the historical cost basis except for financial instruments measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income which are presented on a fair value basis.

The Bank has started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying unconsolidated financial statements starting from January 1, 2018 for the first time based on the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from January 1, 2018.

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020

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

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

The Bank focuses its activities in corporate banking. The primary objective of the Bank is to sustain liquidity while fulfilling customer needs. Thus, the Bank places approximately 20.65% of its resources in liquid assets, while the Bank also aims for the highest yield possible with effective maturity management.

Besides its principle activity, the main financial instruments of the Bank are money market placements, treasury bills and government bonds.

Marketable securities comprising 1.73% of total assets are assets with low risk and high yield. Placements in banks are 19.26% of the total assets and these assets provide liquidity with low risk and yield.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of the risk management strategy of the Bank, the management of risk bearing short positions of currency, interest or price movements is performed only by the Treasury and using the limits defined by the Board of Directors.

III. Explanations on Forward and Option Contracts and Derivative Instruments

The Bank's derivative instruments consist of foreign currency swaps, forward foreign currency buy/sell transactions and options. Derivative instruments are accounted for at their fair values as at the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments" ("TFRS 9"). Realized gains or losses on these instruments are reflected in the statement of income.

Unrealized gains or losses arising from the change in the fair value are recorded in disallowable expenses or income according to the current tax legislation.

Contract amounts of derivatives are recorded in off the balance sheet contingencies and commitments. There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

IV. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the income statement on an accrual basis using the effective interest method. On January 1, 2018, the Bank has started to calculate the rediscount for its non-performing loans. Non-performing loans are discounted with effective interest rate over the net book value and for calculated amount expected credit loss is set aside in income statement.

V. Explanations on Fees and Commission Income and Expenses

All fees and commission income/expenses are recognized as income at the time of realization and during the service is provided. Loan related fees and commissions paid to or received from the other institutions are considered as transaction costs and accounted using the effective interest method.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020

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

VI. Explanations on Financial Assets

In the framework of “IFRS 9 Financial Instruments”, which is effective as of January 1, 2018, the Bank classifies its financial assets as “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” or “Financial assets at amortized cost”. This classification is made during initial recognition based on the contractual cash flow characteristics with the business model of the financial assets determined by management.

The financial assets are recognized or derecognized in accordance with the “Recognition and Derecognition” principles defined in Section 3 related to classification and measurement of financial instruments of the “IFRS 9 Financial Instruments”. At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value. Financial instruments are included in the Bank's balance sheet if the Bank is a legal party to these financial instruments.

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all aspects. Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date. The settlement date is the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

The methods and assumptions used in the recognition and measurement of financial instruments are described below.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit and loss are financial assets other than the ones that are managed with business model that aims to hold assets to collect contractual cash flows or to collect cash flows that are solely payments of principal and interest on the principal outstanding amount; 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 taking.

Financial assets at the fair value through profit or loss are initially recognized at fair value. Transaction costs related to the acquisition of the relevant asset are included in the cost of acquisition. The positive difference between the cost and fair value of such securities is accounted as interest and income accrual, and the negative difference between the cost and fair value is accounted under “Provision for Impairment of Securities Account”.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial assets give rise to cash flows that are solely payments of principal of interest at certain dates.

The Bank's management may retain both the contractual cash flows as well as the portfolio for sale, in order to meet daily liquidity needs, maintain a certain level of interest income and align the maturity of financial assets with the valuation of the financial liabilities for funding purposes. Financial assets at fair value through other comprehensive income are initially recognized at fair value including transaction costs.

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VI. Explanations on Financial Assets (continued)

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

The results of the subsequent changes in the fair value of financial assets at fair value through comprehensive income, namely unrealized gain or loss are recorded in “Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss”. Accumulated fair value gain or loss, previously reflected in equity, is recorded to the income statement when the said financial assets are disposed.

The fair value of financial assets at fair value through other comprehensive income, which are traded in active markets is determined according to the price of the stock exchange and in the case that the stock market price is not available, according to the price in the Official Gazette. Where there is no quoted price in an active market, the fair value is determined by using other methods specified in TFRS 9.

Financial Assets at Amortized Cost

A financial asset is classified as a financial asset measured at amortized cost, if the financial asset is held within the scope of a business model for the collection of contractual cash flows and the contractual terms of the financial asset result in cash flows that include payments arising only from principal and interest on the principal amounts on specific dates.

After the initial recognition, provision for impairment to be deducted, if any, financial assets measured at amortized cost are recognized with discounted value using effective interest method (internal rate of return).

Interest earned from financial assets measured at amortized cost is recorded as interest income. The Bank classifies financial assets in accordance with the classifications explained above during the acquisition of the mentioned assets.

The Bank has Consumer Price Indexed (CPI) government bonds classified as financial assets measured at amortized cost. These securities are valued and accounted for using effective interest rate method considering estimated inflation rate based on real coupon rates and reference inflation index at issue date. As stated in CPI Indexed Bonds Investor Guide of the Undersecretariat of Treasury, the reference index used in the calculation of the actual coupon payment amounts of these securities are generated according to the CPI of two months ago. The Bank determines the estimated inflation rate accordingly. The inflation rate anticipated by considering the expectations of the Central Bank of Turkey. The estimated inflation rate of Bank is updated during year when deemed necessary.

The Bank decided to sell, by making changes in business plan within the scope of information and approval the Board of Directors, all of the CPI indexed securities, measured at amortized cost, which is stated to be able to sell 15% of the balance sheet value in the business plan, due to the recent exceptional economic developments, new BRSA regulations and COVID-19 effects.

Loans

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

Foreign currency indexed loans are converted into TRY from the foreign currency rate as of the opening date and followed in TRY accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses.

All loans of the Bank are monitored under the “Financial Assets at Amortized Costs” account.

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VI. Explanations on Financial Assets (continued)

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt instruments and equity instruments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Bank's financial assets and financial liabilities as at January 1, 2018 based on the facts and circumstances that exist at that date, it has been assessed that the impact of IFRS 9 to the Bank's unconsolidated financial statements as follows:

TURKLAND BANK ANONİM ŞİRKETİ
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AS OF SEPTEMBER 30, 2020

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

VI. Explanations on Financial Assets (continued)

TFRS 9 Financial Instruments (continued)

Classification and measurement

Classification and measurement of financial assets in accordance with TFRS 9 standard has determined by whether the financial asset is based on the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance only.

On initial adoption in the financial statements, each financial asset can be classified as a financial asset measured at amortized cost, or at fair value through profit or loss, or as measured at fair value through other comprehensive income. The application of the existing provisions of TAS 39 for the classification and measurement of financial liabilities does not change substantially.

According to TFRS 9, Available for Sale Financial Assets and Held to Maturity Financial Assets are classified as Financial Assets at Amortized Cost as of January 1, 2018.

Impairment:

In accordance with the "Regulation on Procedures and Principles for the Classification of Loans and the Provisions to be Reserved" published in the Official Gazette dated June 22, 2016 and numbered 29750, the Bank started to recognize provision for impairment in accordance with the provisions of TFRS 9 as of January 1, 2018. In this context, the method of allocating loan provisions, which is disclosed in detail in the accounting policy of Section Three, footnote VII, as of December 31, 2017, has been changed by applying the TFRS 9 along with applying the expected credit loss model. The expected credit losses estimate is unbiased, weighted by probability and should include supportable information about estimates of past events, current conditions and future economic conditions. These financial assets have been classified into the following three categories based on the increase in the credit risks observed since the first receipt of financial assets:

Stage 1: Includes financial instruments with no significant increase in credit risk starting from initial recognition until the next reporting period or at a lower credit risk as of the reporting date. For these assets, the expected credit loss of 12 months is accounted.

Stage 2: Includes financial assets that have a significant increase in credit risk after initial recognition but an objective evidence of impairment does not exist. For these assets, expected lifetime credit losses are accounted.

Stage 3: Includes financial assets that have objective evidence of impairment as of the reporting date. For these assets, expected lifetime credit losses are accounted.

The Bank has applied the classification, measurement and impairment effects to the opening equity amounts without making any adjustments during the comparative periods in the opening balance sheet as of January 1, 2018. In addition, the effect of deferred tax assets to be calculated under TFRS 9 has reflected in equity during the first transition.

"TFRS 9 Financial Instruments" standard related to the classification and measurement of financial instruments has been issued by the Public Oversight, Accounting and Auditing Standards Authority and published in the Official Gazette dated January 19, 2017, numbered 29953 is effective from January 1, 2018 and replaces "TAS 39 Financial Instruments: Recognition and Measurement" standard.

At every balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VII. Explanations on Impairment of Financial Assets

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event ("loss event") after the initial accounting of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not journalized.

The Bank classifies loans according to their qualifications in accordance with the "Regulation on Procedures and Principles for the Classification of Loans and the Provisions to be Made" effective as of January 1, 2018. In this context, the Bank considers the general structure of the loan portfolio, the financial structure of its customers, non-financial data and economic conjuncture in accordance with its credit risk policies when making estimations. Provisions are recognized in profit and loss accounts using the "TFRS 9 Expected Loss Provisions" account.

Provisions made for loan losses in the current period and provision made in the previous periods are reversed as a result of principal collections made for the related loans or that are written off are recorded in the "Expected Loss Provisions" account.

Calculation of expected credit losses

Expected credit losses are calculated based on a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics. Based on TFRS 9, two different PDs are used in order to calculate expected credit losses:

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

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

Internal rating systems are used in the Bank.

Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage. LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors.

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied by loss given default rate and discounted with the original effective interest rate.

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VII. Explanations on Impairment of Financial Assets (continued)

Stage 2: Lifetime expected credit losses are expected credit losses from all possible default events that can occur during the expected life of a financial instrument (the risk of a default occurring during the expected life of the financial instrument is estimated). In Stage 2, the provision is calculated for financial assets whose credit risk has deteriorated but not impaired.

Stage 3: The Bank evaluates all impaired accounts individually. The methodology is individual assessment and the probability of default is considered as 100%.

Default Definition: It means debt having past due more than 90 days. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

The Bank calculates the expected credit losses in Stage 1 and Stage 2 by groups based on the following criteria.

- Cash Products / Non-cash Products
- Customer Segments: Commercial and Retail / Corporate
- Product Types: Instalment Credits, Renewable Loans (Rotative), Spot Loan, Overdraft Accounts and Other

Due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic spread to many countries including our country within the scope of Article 4 and 5 of the Regulation On Procedures And Principles For Classification Of Loans And Provisions in accordance with the BRSA Decision, the 90-day delay period envisaged for the classification of non-performing loans is 180 days until December 31, 2020 for the loans monitored in stage 2 and it is decided that in the calculation of the expected credit losses in accordance with TFRS 9, the banks will continue to allocate the ECL to be set aside, as per their risk models, for the loans that continue to be classified in stage 2 despite the 90-day delay. As of September 30, 2020, the bank has 3 customers within this scope.

VIII. Explanations on Offsetting of Financial Assets and Liabilities

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

IX. Explanations on Sales and Repurchase Agreements and Lending of Securities

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities.

Funds given against securities purchased under agreements to resell (“reverse repo”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method. The Bank does not have any securities that are subject to any payment.

The income and expenses from these transactions are reflected to the “Interest Income on Money Market Transactions” and “Interest Expense on Money Market Transactions” accounts in the income statement.

As of September 30, 2020, the Bank has reverse repo transactions is 170,056 TL. (December 31, 2019: None).

As of September 30, 2020, the Bank does not have any marketable securities lending transaction (December 31, 2019: None).

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X. Explanations on Assets Held for Sale and Discontinued Operations

Assets held for sale with high probability of sale, are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. In addition, the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low.

The Bank has assets held for sale amount of 198,501 TRY as of September 30, 2020 (December 31, 2019: 184,212 TRY).

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately. The Bank does not have any discontinued operations.

XI. Explanations on Goodwill and Other Intangible Assets

There is no goodwill regarding the investments in associates and subsidiaries.

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives. There is no change in the amortization method in the current period.

The intangible assets comprising purchased softwares are in the other intangible fixed assets. As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development projects by the Bank.

| | % |
|-------------------|------|
| Intangible Assets | 7-33 |

XII. Explanations on Tangible Fixed Assets

Tangible fixed assets are accounted for at acquisition cost less accumulated depreciation. Tangible fixed assets are depreciated with straight-line method. While those acquired before January 1, 2004 are depreciated with the rates valid in prior periods, the fixed assets acquired after January 1, 2004 are depreciated with the rates determined by the Ministry of Finance based on useful economic lives.

Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. Depreciation method is not changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

| | % |
|---|------|
| Financial Lease | 2-50 |
| Furniture, fixtures and office equipment and others | 2-33 |

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

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage, or any other lien on tangible fixed assets.

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XIII. Explanations on Leasing Transactions

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.

IFRS 16 Leases Standard was published in the Official Gazette dated April 16, 2018 and numbered 29826. According to this standard, the difference between operating leases and financial leases has been eliminated and leasing transactions is reflected on the balance sheet by the lessee as the asset (utilization right) and lease payable, and the interest expense related to the lease liability has reflected to the accounts separately. The Bank started to use IFRS 16 Leases standard starting from January 1, 2019.

The Bank measures the leasing liability at the present value of the remaining lease payments, discounted at the Bank's application date using the reference interest rate at the date of application. In addition, the Bank measures the existence of the right to use of such right at an amount equal to the lease obligation which is reflected in the statement of financial position immediately after the first application date and adjusted for the amount of all prepayment or accrued lease payments.

In accordance with IFRS 16, the Bank measures the lease obligation based on the present value of the lease payments, which were not paid at the date of the lease commencement. Lease payments are discounted using the reference rate of the Bank.

The 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 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:

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

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

- a) accumulated depreciation and accumulated impairment losses are deducted and
- b) measures the restatement of the lease obligation at the restated cost. The Bank applies TAS 16 Property, Plant and Equipment while depreciating the right of use assets.

The Lease Obligations:

At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the 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 Bank measures the leasing liability as follows:

- a) Increase the book value to reflect the interest on the lease obligation
- b) Reduces the book value to reflect the lease payments made and
- c) 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.

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XIV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation due to 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. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

According to the legal department of the Bank, the total number of ongoing cases against the Bank is 265. The total amount of those cases consists of TRY 16,378, USD 804 Thousand and EUR 193 Thousand. There is a provision of TRY 9,786 in the accompanying financial statements for these cases (December 31, 2019: TRY 6,784).

XV. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans:

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30-day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No: 19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. As per the Official Gazette No. 28585 dated March 12, 2013, as of September 30, 2020, the actuarial gains recognized in equity amounts to TRY 662 (December 31, 2019: TRY 1,691 actuarial gain).

The Bank has no employees are the member of retirement fund or foundation.

Defined Contribution Plans:

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

Short-term Employee Benefits:

In accordance with TAS 19 "Turkish Accounting Standard on Employee Benefits"; defined liabilities that arise from unused leave payments are accrued in the related period and are not discounted.

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XVI. Explanations on Taxation

Corporate tax:

According to article 37 of the Corporate Tax Law, corporate income is taxed at the rate of 20% from January 1, 2006. According to regulation of Law Amending Certain Tax Laws and Certain Other Laws numbered 7061 this ratio has been identified at the rate of 22% to be applied to corporate income for the taxation periods of 2018, 2019 and 2020 and The Council of Ministers has been authorized to reduce this rate up to 20%.

The tax legislation requires advance tax of 22% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offsetted against the final tax liability for the year.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one instalment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. The Bank has not any tax provision in current period. (December 31, 2019: None).

Deferred Tax:

The Bank calculates and reflects deferred tax asset or liability on timing differences, which will result in taxable or deductible amounts in determining taxable profit of future periods.

In accordance with TAS No: 12 "Turkish Accounting Standard on Income Taxes" and the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated December 8, 2004, the Bank calculates deferred tax asset on carry forward tax losses and all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are reflected in the accompanying financial statements on a net basis.

The deferred tax resulting from differences related to items that are debited or credited directly to equity is netted with these accounts.

Furthermore, as per the above circular of BDDK, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

The net deferred tax asset is presented under deferred tax asset and the net deferred tax liability is presented under deferred tax liability on the balance sheet. The deferred tax income/expense is presented in the accompanying income statement as deferred tax provision and there is no deferred tax income/expense in current period. (September 30, 2019: TRY 6,918 deferred tax expense).

XVII. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

The Bank has not issued convertible bonds.

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XVIII. Explanations on Issued Share Certificates

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank.

XIX. Explanations on Acceptances

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

XX. Explanations on Government Incentives

There are no government incentives utilized by the Bank.

XXI. Explanations on Segment Reporting

Since the Bank is not listed entity, disclosure requirements of TFRS 8 are not applicable for the Bank.

XXII. Explanations on Other Matters

A new type of coronavirus (COVID-19), which is first appeared in China, was classified by the World Health Organization as an epidemic affecting countries globally on March 11, 2020. The COVID-19 epidemic and the measures taken against it have impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues, and remain uncertain about the future. The impact of these effects on the Bank's equity management and capital adequacy, asset quality, credit risk, operational risk, currency risk, interest rate risk, liquidity risk, stock position risk arising from banking accounts, leverage ratio and other risks and indicators regularly monitored by risk monitoring units and Bank management. Although the effects of the situation are not fully known, it is expected to affect the financial position and operating results of the Bank in the future. The Bank takes the necessary precautions to keep the negative effects under control and minimize them.

Considering the magnitude of the economic changes due to COVID-19, it is aimed to update the financial information in the most recent annual financial statements in the interim financial statements prepared as of September 30, 2020, the Bank made certain estimates for the expected credit losses and disclosed them in Note VII of Section Three. In the next periods, the Bank will update its relevant assumptions as necessary and revise the realizations of past estimates.

According to BRSA's article dated April 18, 2020 and numbered 24049440-010.99-E.6681, the second paragraph of Article 43 and 93 of the Banking Law (Law) No. 5411, starting from May 1, 2020, it has been decided that the Banks shall calculate Asset Ratio (AR) on a weekly basis, and as of the end of each month, the monthly average of the Asset Ratio should not fall below 100% for deposit banks and below 80% for participation banks. In accordance with subparagraph (a) of the first paragraph of Article 148 of the Law, as of the end of the relevant month, it was decided to calculate the excess amount that constitutes a contradiction to be taken as the amount of change in the share that will bring the ratio to 100% and 80%, respectively, for banks with an asset ratio below 100% and participation banks below 80%. Relevant ratios on Asset Ratio (AR) calculation from October 1, 2020, as of September 28, 2020, has been changed 90% for deposit banks and 70% for participation banks. In accordance with the BRSA's decision effective from June 1, 2020, as of March 31, 2020, the banks whose total deposits, excluding banks deposits, are below TRY 25 billion, have been granted a period of time to comply with this regulation until December 31, 2020. The bank is exempt from the relevant regulation until the end of the year.

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SECTION FOUR**INFORMATION ON FINANCIAL STRUCTURE****I. Explanations Related to Equity**

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of September 30, 2020 Bank’s total capital has been calculated as TRY 518,083, capital adequacy ratio is 21.87%. As of December 31, 2019, Bank’s total capital amounted to TRY 468,558, capital adequacy ratio was 15.47% calculated pursuant to former regulations.

Information related to the components of shareholders' equity:

| | Current Period September 30, 2020 (*) |
|---|--|
| Common Equity Tier 1 Capital | |
| Paid-in Capital to be Entitled for Compensation after All Creditors | 1,000,000 |
| Share issue premiums | - |
| Retained earnings | - |
| Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards | 26,092 |
| Profit | 65,971 |
| Net profit of the period | 65,971 |
| Profit of the previous years | - |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period | 2,807 |
| Common Equity Tier 1 capital before regulatory adjustments | 1,094,870 |
| Common Equity Tier 1 capital: regulatory adjustments | |
| Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital | - |
| The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognized in equity in accordance with TAS | (550,339) |
| Improvement costs for operating leasing | (2,971) |
| Goodwill (net of related tax liability) | (7,553) |
| Other intangibles other than mortgage-servicing rights (net of related tax liability) | - |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | (41,037) |
| Cash-flow hedge reserve | - |
| Shortfall of provisions to expected losses | - |
| Securitization gain on sale | - |
| Gains and losses due to changes in own credit risk on fair valued liabilities | - |
| Defined-benefit pension fund net assets | - |
| Investments in own shares | - |
| Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law | - |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - |
| Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) | - |
| Mortgage servicing rights (amount above 10% threshold) | - |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - |
| Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks’ Own Funds) | - |
| The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-) | - |
| Mortgage Servicing Rights not deducted (-) | - |
| Excess Amount arising from Deferred Tax Assets from Temporary Differences (-) | - |
| National specific regulatory adjustments which shall be determined by the Board | - |
| Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - |
| Total regulatory adjustments to Common equity Tier 1 | (601,900) |
| Common Equity Tier 1 capital (CET1) | 492,970 |

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I. Explanations Related to Equity (continued)**Additional Tier 1 Capital**

| | |
|--|---|
| Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums | - |
| Eligible capital instruments and relevant share issue premiums that are approved by the Agency | - |
| Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds) | - |

Additional Tier 1 capital before regulatory adjustments**Additional Tier 1 capital: regulatory adjustments**

| | |
|---|---|
| Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-) | - |
| Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-) | - |
| Other items to be defined by the BRSA (-) | - |

Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period

| | |
|--|---|
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - |

Total regulatory adjustments to Additional Tier 1 capital

| | |
|---|----------------|
| Total Additional Tier 1 capital | - |
| Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital) | 492,970 |

TIER 2 CAPITAL

| | |
|--|---------------|
| Eligible capital instruments and relevant share issue premiums that are approved by the Agency | - |
| Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds) | - |
| Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital) | 25,114 |
| Tier 2 capital before regulatory adjustments | 25,114 |

Tier 2 capital: regulatory adjustments

| | |
|---|---|
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-) | - |
| Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - |
| Other items to be defined by the BRSA (-) | - |

Total regulatory adjustments to Tier 2 capital

| | |
|---|----------------|
| Total Tier 2 capital | 25,114 |
| Total Capital (The sum of Tier 1 capital and Tier 2 capital) | 518,083 |

The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)

| | |
|--|---|
| Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law | - |
| Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition | - |
| Other items to be Defined by the BRSA | - |

Regulatory Adjustments which will be deducted from Total Capital during the transition period

| | |
|--|---|
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - |
|--|---|

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I. Explanations Related to Equity (continued)

Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)

Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)

| | |
|---|----------------|
| Capital | 518,083 |
| Total Capital (The sum of Tier 1 capital and Tier 2 capital) | 518,083 |
| Total Risk Weighted Assets | 2,369,057 |
| CAPITAL ADEQUACY RATIOS | |
| Common Equity Tier 1 Capital Adequacy Ratio (%) | 20.81 |
| Tier 1 Capital Adequacy Ratio (%) | 20.81 |
| Capital Adequacy Ratio (%) (**) | 21.87 |
| BUFFERS | |
| Total buffer requirement | 2.503 |
| Capital conservation buffer requirement (%) | 2.500 |
| Bank specific countercyclical buffer requirement (%) | 0.003 |
| Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation | 16,309 |
| Amounts below the thresholds for deduction (before risk weighting) | |
| Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital - | - |
| Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital | - |
| Mortgage servicing rights (net of related tax liability) | - |
| Deferred tax assets arising from temporary differences (net of related tax liability) | - |
| Applicable caps on the inclusion of provisions in Tier 2 capital | |
| General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand) | 79,931 |
| General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets | 25,114 |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach | - |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets | - |
| Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022) | |
| Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds | - |
| Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds | - |
| Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds | - |
| Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds | - |

(*) There is no amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process

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I. Explanations Related to Equity (continued)

| | Prior Period December 31,2019 (*) |
|---|--------------------------------------|
| Common Equity Tier 1 Capital | |
| Paid-in Capital to be Entitled for Compensation after All Creditors | 1,000,000 |
| Share premium | - |
| Legal reserves | - |
| Accumulated other comprehensive income in accordance with TAS | 27,122 |
| Profit | - |
| Net current period profit | - |
| Prior period profit | - |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit | 2,807 |
| Common Equity Core capital before regulatory adjustments | 1,029,929 |
| Common Equity Core capital: regulatory adjustments | |
| Valuation adjustments calculated according to clause (I) of first paragraph of the 9th article of the Regulation on Owners' | |
| Equity of Banks | - |
| Loss (in excess of Reserves) and other comprehensive expenses | (540,190) |
| Leasehold Improvements on Operational Leases (-) | (2,919) |
| Goodwill and Intangible assets and related deferred tax liabilities | (8,551) |
| Other intangibles other than mortgage-servicing rights (net of related tax liability) | - |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | (41,037) |
| Cash-flow hedge reserve | - |
| Shortfall of provisions to expected losses | - |
| Securitization gain on sale | - |
| Gains and losses due to changes in own credit risk on fair valued liabilities | - |
| Defined-benefit pension fund net assets | - |
| Investments in own shares | - |
| Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law | - |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - |
| Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) | - |
| Mortgage servicing rights (amount above 10% threshold) | - |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - |
| Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds) | - |
| Amount exceeding the threshold of significant investments in the common stock of financials | - |
| Amount exceeding the threshold of mortgage servicing rights | - |
| Amount exceeding the threshold of mortgage servicing rights | - |
| Amount exceeding the threshold of deferred tax assets arising from temporary differences | - |
| National specific regulatory adjustments which shall be determined by the Board | - |
| Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - |
| Total regulatory adjustments to Common equity Core Capital | (592,697) |
| Common Equity Core capital (CET1) | 437,232 |

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I. Explanations Related to Equity (continued)

| | |
|---|----------------|
| Additional Tier 1 capital: instruments | |
| Privileged stocks which are not included in common equity and share premiums | - |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (after 1.1.2014) | - |
| Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (before 1.1.2014) | - |
| Additional Tier 1 capital before regulatory adjustments | |
| Additional Tier 1 capital: regulatory adjustments | |
| Investments in own Additional Tier 1 instruments | - |
| Reciprocal cross-holdings in Additional Tier 1 instruments | - |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - |
| Other items to be defined by BRSA | - |
| Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period | |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - |
| Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - |
| Total regulatory adjustments to Additional Tier 1 capital | - |
| Total Additional Tier 1 capital | - |
| Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital) | 437,232 |
| TIER 2 CAPITAL | |
| Eligible capital instruments and relevant share issue premiums that are approved by the Agency | - |
| Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds) | - |
| Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital) | 31,326 |
| Tier 2 capital before regulatory adjustments | 31,326 |
| Tier 2 capital: regulatory adjustments | |
| Direct and Indirect Investments of the Bank on its own Tier II Capital (-) | - |
| Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-) | - |
| Other items to be defined by the BRSA (-) | - |
| Total regulatory adjustments to Additional Tier I capital | - |
| Additional Tier I capital (ATI) | 31,326 |
| Tier 1 capital (T1 = CET1 + ATI) | 468,558 |
| Deductions from the capital | |
| Loans extended being noncompliant with articles 50 and 51 of the Law (-) | - |
| Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-) | - |
| National specific regulatory adjustments which shall be determined by the Board | - |
| Regulatory Adjustments which will be deducted from Total Capital during the transition period | |
| Un-adjusted total amount from Common Equity, Tier-1 and Tier-2 due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the temporary paragraph 1 of the article numbered 2 of Own Fund Regulation (-) | - |

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I. Explanations Related to Equity (continued)

| | |
|---|----------------|
| Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - |
| Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - |
| Capital | 468,558 |
| Total Capital (The sum of Tier 1 capital and Tier 2 capital) | 468,558 |
| Total Risk Weighted Assets | 3,028,808 |
| CAPITAL ADEQUACY RATIOS | |
| Common Equity Tier 1 Capital Adequacy Ratio (%) | 14.44 |
| Tier 1 Capital Adequacy Ratio (%) | 14.44 |
| Capital Adequacy Ratio (%) | 15.47 |
| BUFFERS | |
| Total buffer requirement | 2.525 |
| Capital conservation buffer requirement (%) | 2.500 |
| Bank specific countercyclical buffer requirement (%) | 0.025 |
| The ratio of Additional Common Equity Tier 1 capital, which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation, and Countercyclical Capital buffers to Risk Weighted Assets (%) | 9.936 |
| Amounts below the thresholds for deduction (before risk weighting) | |
| Non-significant investments in the capital of other financials | - |
| Significant investments in the common stock of financials | - |
| Mortgage servicing rights (net of related tax liability) | - |
| Deferred tax assets arising from temporary differences (net of related tax liability) | - |
| Applicable caps on the inclusion of provisions in Tier 2 capital | |
| Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap) | 65,789 |
| General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets | 31,326 |
| Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - |
| Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets | - |
| Capital instruments subject to phase-out arrangements (only applicable between January 1, 2018 and January 1, 2022) | |
| Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds | - |
| Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds | - |
| Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds | - |
| Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds | - |

(*) There are no amounts to be taken into consideration at the end of the transition period for the items subject to the transition provisions within the Provisional Articles of the "Regulation on Owners' Equity of Banks".

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II. Explanations Related to Currency Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions and stop losses, which are followed up daily and weekly. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

The announced current foreign exchange buying rates of the Bank at September 30, 2020 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

| | September 24, 2020 | September 25, 2020 | September 28, 2020 | September 29, 2020 | September 30, 2020 |
|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| USD | 7.6667 | 7.5997 | 7.5985 | 7.7424 | 7.7798 |
| CHF | 8.2960 | 8.2013 | 8.1802 | 8.3470 | 8.4553 |
| GBP | 9.7494 | 9.6752 | 9.6580 | 9.9558 | 10.0035 |
| 100 JPY | 7.2740 | 7.2020 | 7.1950 | 7.3350 | 7.3710 |
| Avro | 8.9383 | 8.8398 | 8.8368 | 9.0310 | 9.1219 |

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before at September 30, 2020 are as follows:

| | Monthly Average Foreign Exchange Rate |
|----------------|--|
| USD | 7.5143 |
| CHF | 8.2047 |
| GBP | 9.7197 |
| 100 JPY | 7.1116 |
| EURO | 8.8474 |

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II. Explanations Related to Currency Risk (continued)

| September 30, 2020 | EURO | USD | YEN | OTHER | TOTAL |
|--|-----------------|-----------------|--------------|---------------|------------------|
| Assets | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey | 43,452 | 304,152 | - | 1,091 | 348,695 |
| Banks | 28,719 | 340,434 | 6,236 | 1,106 | 376,495 |
| Financial Assets at Fair Value Through Profit and Loss (****) | - | - | - | - | - |
| Money Market Placements | - | - | - | - | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | - | 8 | - | - | 8 |
| Loans (*) | 255,974 | 209,770 | - | - | 465,744 |
| Subsidiaries, Associates and Jointly Controlled Entities | - | - | - | - | - |
| Financial Assets Measured at Amortized Cost | - | - | - | - | - |
| Derivative Financial Assets for Hedging Purposes | - | - | - | - | - |
| Tangible Assets | - | - | - | - | - |
| Intangible Assets | - | - | - | - | - |
| Other Assets | 33 | 840 | - | - | 873 |
| Total Assets | 328,178 | 855,204 | 6,236 | 2,197 | 1,191,815 |
| Liabilities | | | | | |
| Bank Deposits | 1 | 1,152 | - | - | 1,153 |
| Foreign Currency Deposits | 308,110 | 878,867 | 5,240 | 496 | 1,192,713 |
| Money Market Borrowings | - | - | - | - | - |
| Funds Provided From Other Financial Institutions | - | - | - | - | - |
| Marketable Securities Issued | - | - | - | - | - |
| Derivative Financial Liabilities for Hedging Purposes | - | - | - | - | - |
| Other Liabilities (****) | 476 | 21,527 | - | 1 | 22,004 |
| Total Liabilities | 308,587 | 901,546 | 5,240 | 497 | 1,215,870 |
| Net Balance Sheet Position | 19,591 | (46,342) | 996 | 1,700 | (24,055) |
| Net Off-Balance Sheet Position | (18,987) | 99,367 | - | - | 80,380 |
| Financial Derivative Assets (***) | - | 100,141 | - | - | 100,141 |
| Financial Derivative Liabilities (***) | (18,987) | (774) | - | - | (19,761) |
| Non-Cash Loans (**) | 469,352 | 211,589 | - | 3,145 | 684,086 |
| December 31, 2019 | | | | | |
| Total Assets (*) (****) | 308,237 | 753,290 | 794 | 10,307 | 1,072,628 |
| Total Liabilities | 314,925 | 877,515 | 7 | 8,984 | 1,201,431 |
| Net Balance Sheet Position | (6,688) | 124,225 | 787 | 1,323 | 128,803 |
| Net Off-Balance Sheet Position | 3,004 | 122,391 | - | - | 125,395 |
| Financial Derivative Assets (***) | 7,675 | 184,812 | - | - | 192,487 |
| Financial Derivative Liabilities (***) | (4,671) | (62,421) | - | - | (67,092) |
| Non-Cash Loans (**) | 495,221 | 239,347 | - | - | 734,568 |

(*) Foreign currency indexed loans amounting to TRY 8,331 (December 31, 2019: TRY 39,276) are included in the loan portfolio.

(**) There are no effects on the net off-balance sheet position.

(***) It includes also TRY 35,565 and TRY 1,678 forward asset purchase & sale commitments (December 31, 2019: TRY 928 and TRY 333).

(****) Foreign Currency Net General Position / Return on Equity Standard Ratio Foreign currency amounts not included in the currency risk table required by the Regulation on Calculation of Standard Rate are explained according to the order in the financial statements:

- Derivative financial assets held for trading: TRY 64 (December 31, 2019: TRY 24).
- Derivative financial liabilities held for trading: None (December 31, 2019: None).

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II. Explanations Related to Currency Risk (continued)

Foreign currency sensitivity:

The following table details the Bank's sensitivity to a 10% increase or decrease in the TRY against USD and EURO. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/ (Negative) number indicates a change in profit or loss and other equity where USD and EUR increase 10% against TRY.

| | Change in currency rate in % | Effect on profit or loss | | Effect on equity | |
|----------------|------------------------------|--------------------------|-------------------|--------------------|-------------------|
| | | September 30, 2020 | December 31, 2019 | September 30, 2020 | December 31, 2019 |
| USD | % 10 increase | 5,303 | (183) | - | - |
| USD | % 10 decrease | (5,303) | 183 | - | - |
| EURO | % 10 increase | 60 | (368) | - | - |
| EURO | % 10 decrease | (60) | 368 | - | - |
| Other Currency | % 10 increase | 270 | 211 | - | - |
| Other Currency | % 10 decrease | (270) | (211) | - | - |

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III. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and the Asset-Liability Committee manages it. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Department performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary. Since the Bank does not permit maturity mismatches or imposes limits on mismatch, a significant interest rate risk exposure is not expected.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non-interest bearing | Total |
|---|------------------|----------------|----------------|---------------|-----------------|-------------------------|------------------|
| September 30, 2020 | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey | - | 334,446 | - | - | - | 65,141 | 399,587 |
| Banks | - | 139,274 | - | - | - | 237,356 | 376,630 |
| Financial Assets at Fair Value through Profit and Loss | - | - | - | - | - | - | - |
| Money Market Placements | 190,063 | - | - | - | - | - | 190,063 |
| Financial Assets at Fair Value through Other Comprehensive Income | - | - | - | 8 | - | 138 | 146 |
| Loans (*) | 887,805 | 119,850 | 28,983 | 97,129 | - | 359,864 | 1,493,631 |
| Financial Assets Measured at Amortized Cost | 29,952 | 20,764 | - | - | - | - | 50,716 |
| Other Assets (**) | - | 3,966 | - | - | - | 427,723 | 431,689 |
| Total Assets | 1,107,820 | 618,300 | 28,983 | 97,137 | - | 1,090,222 | 2,942,462 |
| Liabilities | | | | | | | |
| Bank Deposits | - | - | - | - | - | 2,256 | 2,256 |
| Other Deposits | 1,478,983 | 475,817 | 21,581 | - | - | 191,532 | 2,167,913 |
| Money Market Borrowings | 782 | - | - | - | - | - | 782 |
| Sundry Creditors | - | - | - | - | - | - | - |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds Provided From Other Financial Institutions | 1,050 | 1,030 | 255 | - | - | - | 2,335 |
| Other Liabilities (***) | 76,664 | 4,101 | - | - | - | 688,411 | 769,176 |
| Total Liabilities | 1,557,479 | 480,948 | 21,836 | - | - | 882,199 | 2,942,462 |
| Balance Sheet Long Position | - | 137,352 | 7,147 | 97,137 | - | 208,023 | 449,659 |
| Balance Sheet Short Position | (449,659) | - | - | - | - | - | (449,659) |
| Off-Balance Sheet Long Position | - | - | - | - | - | 64,576 | 64,576 |
| Off-Balance Sheet Short Position | - | - | - | - | - | (60,492) | (60,492) |
| Total Position | (449,659) | 137,352 | 7,147 | 97,137 | - | 212,107 | 4,084 |

(*) Up to 1-month column consist of revolving loans and corporate FC indexed loans.

(**) The other assets line in the non interest column consist of tangible assets amounting to TRY 46,684, intangible assets amounting to TRY 7,553, assets held for sale amounting to TRY 198,501, sundry debts amounting to TRY 67,020, deferred tax asset amounting to TRY 62,261, ownership investments amounting to TRY 3,966 and other assets amounting to TRY 41,558.

(***) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 527,319, provisions amounting to TRY 127,837 and other liabilities amounting to TRY 33,255.

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III. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

| | EURO % | USD % | YEN % | TRY % |
|---|-----------|----------|----------|----------|
| September 30, 2020 | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances with The Central Bank of Turkey | - | - | - | - |
| Banks | - | 1.18 | - | 9.17 |
| Financial Assets Measured at Fair Value through Profit/Loss | - | - | - | - |
| Money Market Placements | - | - | - | 8.52 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | 7.38 | - | 9.66 |
| Loans | 4.14 | 4.79 | - | 15.28 |
| Financial Assets Measured at Amortized Cost | - | - | - | 5.09 |
| Liabilities | | | | |
| Bank Deposits | - | - | - | - |
| Other Deposits | 0.42 | 1.81 | - | 10.14 |
| Money Market Borrowings | - | - | - | 8.36 |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Provided from Other Financial Institutions | - | - | - | 8.92 |

(*) Financial Assets Measured at Amortized Cost include CPI indexed securities, which cover 99.99% of the portfolio.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non-interest bearing | Total |
|--|--------------------|----------------|----------------|----------------|-----------------|-------------------------|------------------|
| December 31, 2019 | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey | - | 540,157 | - | - | - | 90,778 | 630,935 |
| Banks | - | 66,100 | - | - | - | 134,278 | 200,378 |
| Financial Assets at Fair Value Through Profit and Loss | - | - | - | - | - | - | - |
| Money Market Placements | 60,017 | - | - | - | - | - | 60,017 |
| Financial Assets at Fair Value Through Other Comprehensive Income | - | - | - | - | 7 | 138 | 145 |
| Loans (*) | 842,709 | 124,004 | 206,470 | 177,968 | 4 | - | 1,351,155 |
| Financial Assets Measured at Amortised Cost | 274,989 | 197,650 | 467,577 | - | - | - | 940,216 |
| Other Assets (**) | 20,786 | 322 | - | - | - | 696,605 | 717,713 |
| Total Assets | 1,198,501 | 928,233 | 674,047 | 177,968 | 11 | 921,799 | 3,900,559 |
| Liabilities | | | | | | | |
| Bank Deposits | - | - | - | - | - | 3,207 | 3,207 |
| Other Deposits | 2,148,367 | 693,677 | 87,315 | 50 | - | 172,475 | 3,101,884 |
| Money Market Borrowings | - | - | - | - | - | - | - |
| Sundry Creditors | - | - | - | - | - | - | - |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds Provided from Other Financial Institutions | - | 1,122 | 5,425 | - | - | - | 6,547 |
| Other Liabilities (***) | 163,129 | 5,870 | - | - | - | 619,922 | 788,921 |
| Total Liabilities | 2,311,496 | 700,669 | 92,740 | 50 | - | 795,604 | 3,900,559 |
| Balance Sheet Long Position | - | 227,564 | 581,307 | 177,918 | 11 | 126,195 | 1,112,995 |
| Balance Sheet Short Position | (1,112,995) | - | - | - | - | - | (1,112,995) |
| Off-Balance Sheet Long Position | - | - | - | - | - | 254,696 | 254,696 |
| Off-Balance Sheet Short Position | - | - | - | - | - | (258,759) | (258,759) |
| Total Position | (1,112,995) | 227,564 | 581,307 | 177,918 | 11 | 122,132 | (4,063) |

(*) Up to 1-month column consist of revolving loans and corporate FC indexed loans.

(**) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 51,890, intangible assets amounting to TRY 8,551, assets held for sale TRY 184,212, assets to be sold amounting to TRY 1,250, non-performing loans amounting to TRY 438,235 and other assets amounting to TRY 12,647.

(***) The other liabilities line in the non-interest column consists of shareholders' equity amounting to TRY 112,377, provisions amounting to TRY 124,163, other liabilities amounting to TRY 33,382.

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III. Explanations Related to Interest Rate Risk (continued)

| | EURO % | USD % | YEN % | TRY % |
|---|--------|-------|-------|-------|
| December 31, 2019 | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances with The Central Bank of Turkey | - | 1.25 | - | 8.57 |
| Banks | - | 2.17 | - | 24.26 |
| Financial Assets Measured at Fair Value through Profit/Loss | - | - | - | - |
| Money Market Placements | - | - | - | 17.52 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | 7.38 | - | - |
| Loans | 5.64 | 6.57 | - | 24.66 |
| Financial Assets Measured at Amortized Cost (*) | - | - | - | 2.60 |
| Liabilities | | | | |
| Bank Deposits | - | 0.03 | - | 19.60 |
| Other Deposits | 1.26 | 3.33 | - | 20.04 |
| Money Market Borrowings | - | - | - | 21.78 |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Provided from Other Financial Institutions | 1.19 | - | - | - |

(*) Financial Assets Measured at Amortized Cost include CPI indexed securities, which cover 99.99% of the portfolio.

Interest rate risk arising from banking accounts:

According to the "Regulation on Measurement and Evaluation of the Interest Rate Ratio of Banking Accounts Based on Standard Shock", which is divided into different currencies of the Bank, the following table shows the economic value differences arising from interest rate fluctuations as of September 30, 2020:

| Type of Currency | Shocks Applied (+ / - basis points)* | Gains / Losses | Gains / Equity – Losses / Equity |
|-----------------------------------|---|-----------------|-------------------------------------|
| TRY | 500 | (50,927) | (10%) |
| | (400) | 46,721 | 9% |
| EURO | 200 | (1,436) | 0% |
| | (200) | 1,487 | 0% |
| USD | 200 | (2,161) | (0%) |
| | (200) | 2,260 | 0% |
| Total (of negative shocks) | | 50,468 | 10% |
| Total (of positive shocks) | | (54,525) | (11%) |

*Separate lines are entered for each shock with a different magnitude and direction applied to a currency.

IV. Explanations Related to Equity Securities Risk

The Bank has no outstanding stock position.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TRY and foreign currency assets and liabilities on the balance sheet and their costs. In this sense, various crisis scenarios, which are prepared by risk management group, are presented to management and audit committee.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources.

Bank calculated liquidity adequacy ratio in both foreign currency and total amount as per Basel III, and reported to BRSA according to Bank's Regulation on Measurement and Evaluation of Liquidity Adequacy Ratio declared in 2013. Furthermore, the Bank reports liquidity risk analysis form weekly to BRSA in 2013.

The unconsolidated lowest foreign currency is (09/08/2020) (%365) and the unconsolidated highest foreign currency is (06/08/2020) (%661) and total liquidity coverage ratios are (08/08/2020) (%158) at the lowest and (30/09/2020) (%447) at the highest while which are calculated weekly for the last three months.

Liquidity risk in a Bank is evaluated separately with respect to normal market conditions and market fluctuations, which can possibly occur. The bank makes the required diversification in its assets and liabilities via considering related currencies in order to meet its obligation to pay.

Liquidity deficit report is issued through the quantitative evaluation of daily and cumulative deficits in local currency and foreign currency in the framework of ordinary and stressful environment. Liquidity deficit report includes deficit-maturing liabilities in any period of borrowings and placements made in order to replacement assets. Liquidity deficit report is based on current balance sheet and includes off-balance sheet derivative transactions and commitments, which can affect the balance sheet. Liquidity report is issued quarterly over TRY and foreign currency.

Liquidity Risk Measurement is to determine the non-conformance between assets and liabilities, which can occur because of challenges encountered in decreasing the asset positions if the assets of the Bank are pledged, and the assets cannot be sold with relative ease or the market returns to liquid assets at different levels. The liquidity of the Bank is designed to meet the due liabilities of the bank. The courses followed by the bank to reach the aforementioned purpose are as follows:

- Measurement of day liquidity
- Short term funding
- Liquid assets
- Structural liquidity
- Diversification of liquidity resources
- Stress tests

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

The Treasury department in coordination with marketing department performs liquidity management while stress test and scenario analyses studies are performed under the coordination of Risk Management Group with the views and suggestions of other related departments. Results of stress test are reported to executives regularly and submitted to Audit Committee quarterly by the Risk Management Group. Loan losses, delays in loan repayment and deposit withdrawals are used as variables in these stress test scenarios. Additional capital allocation is not made for liquidity risk.

Stress tests examine the possible effect of an event on balance sheet and net potential cumulative deficit quantitatively and foresee the required additional funding with respect to a defined stress scenario. Stress tests are performed quarterly over TRY and foreign currency unless they are required to be performed more often due to a change occurring in market conditions.

The bank operates periodical liquidity analyses, which compare the inflows and outflows of funds and cover a specific period. The following issues are taken into consideration in these analyses:

- Assumptions based on anticipated inflow and outflow of funds
- Capability of bank to convert its assets into cash
- Liquidity instruments provided by the Central Bank
- Loss of value which occurs while liquidating assets in market fluctuations
- Market conditions for specified several asset classifications

Sensitivity tests are performed periodically with scenarios, which are peculiar to banks and particular to the market. These scenarios are reviewed periodically.

Chief Economist presents a short explanation regarding the recent developments in market in Committee of Assets and Liabilities meetings. Departments of Treasury, Budget Planning and Management Reporting and Retail Banking inform the Committee regarding the recent liquidity of the Bank.

Credit/Deposit rate defined by the Board of Directors of the Bank provides short-term liquidity needs of the bank not to drop below a certain level of liquidity. The Credit/Deposit rate is monitored by departments of Treasury, Budget Planning and Management Reporting and Retail Banking and discussed in Committee of Assets and Liabilities meetings. Decisions regarding liquidity are made in the light of aforementioned information. The Treasury examines weekly Liquidity Analysis Form, biweekly Stock Liquidity Rate Notification Form and weekly Liquidity Rate Notification Form (first maturity segment) and related departments in order to determine liquidity balance between assets and liabilities of the Bank in accordance with the communique of Banking Regulation and Supervision Agency.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio:

| September 30, 2020 | | Total Unrated Value (*) | | Total Rated Value (*) | |
|-----------------------------------|--|-------------------------|----------------|-----------------------------|----------------|
| | | TRY+FC | FC | TRY+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | | | |
| | High Quality Liquid Assets | | | 467,482 | 310,433 |
| CASH OUTFLOWS | | | | | |
| 2 | Retail deposit | 1,538,370 | 766,477 | 146,431 | 77,358 |
| 3 | Stable deposit | 179,851 | 1,895 | 9,096 | 96 |
| 4 | Less stable deposit | 1,358,519 | 764,582 | 137,335 | 77,262 |
| 5 | Unsecured wholesale funding | 580,076 | 354,082 | 292,872 | 158,311 |
| 6 | Operational deposit | - | - | - | - |
| 7 | Non-Operational deposit | 479,316 | 326,552 | 190,753 | 130,383 |
| 8 | Other unsecured funding | 100,760 | 27,530 | 102,119 | 27,928 |
| 9 | Secured funding | | | - | - |
| 10 | Other cash outflows | 742,043 | 332,217 | 112,087 | 30,305 |
| 11 | Derivatives cash outflows | 565 | 26 | 577 | 27 |
| 12 | Fundings due to restructured financial instruments | - | - | - | - |
| 13 | Payment commitments due to financial markets and other off balance sheet commitments and contingencies | 741,478 | 332,191 | 111,510 | 30,278 |
| 14 | Revocable other off balance sheet contingencies and commitments and other contractual cash outflows | - | - | - | - |
| 15 | Other contingent or non-contingent funding obligations | - | - | - | - |
| 16 | TOTAL CASH OUTFLOWS | | | 551,390 | 265,974 |
| CASH INFLOWS | | | | | |
| 17 | Secured receivables | - | - | | - |
| 18 | Unsecured receivables | 631,055 | 340,649 | 569,729 | 322,723 |
| 19 | Other cash inflows | 554 | 478 | 566 | 489 |
| 20 | TOTAL CASH INFLOWS | 631,609 | 341,127 | 570,295 | 323,212 |
| | | | | Total Adjusted Value | |
| 21 | TOTAL STOCK OF HQLA | | | 467,482 | 310,433 |
| 22 | TOTAL NET CASH OUTFLOWS | | | 137,848 | 66,494 |
| 23 | LIQUIDITY COVERAGE RATIO (%) | | | 339.13 | 466.86 |

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio (continued):

| December 31, 2019 | | Total Unrated Value (*) | | Total Rated Value (*) | |
|-----------------------------------|--|-------------------------|----------------|-----------------------------|----------------|
| | | TRY+FC | FC | TRY+FC | FC |
| HIGH QUALITY LIQUID ASSETS | | | | | |
| 1 | High Quality Liquid Assets | | | 1,296,355 | 311,412 |
| CASH OUTFLOWS | | | | | |
| 2 | Retail deposit | 1,947,230 | 648,838 | 185,286 | 65,525 |
| 3 | Stable deposit | 226,530 | 795 | 11,439 | 39 |
| 4 | Less stable deposit | 1,720,700 | 648,044 | 173,847 | 65,486 |
| 5 | Unsecured wholesale funding | 1,224,749 | 654,003 | 776,503 | 490,782 |
| 6 | Operational deposit | - | - | - | - |
| 7 | Non-Operational deposit | 1,100,432 | 631,966 | 654,878 | 468,428 |
| 8 | Other unsecured funding | 124,317 | 22,037 | 121,625 | 22,354 |
| 9 | Secured funding | | | - | - |
| 10 | Other cash outflows | 982,918 | 325,641 | 152,931 | 39,155 |
| 11 | Derivatives cash outflows | 319 | 146 | 319 | 143 |
| 12 | Fundings due to restructured financial instruments | - | - | - | - |
| 13 | Payment commitments due to financial markets and other off balance sheet commitments and contingencies | 982,599 | 325,495 | 152,612 | 39,012 |
| 14 | Revocable other off balance sheet contingencies and commitments and other contractual cash outflows | - | - | - | - |
| 15 | Other contingent or non-contingent funding obligations | - | - | - | - |
| 16 | TOTAL CASH OUTFLOWS | | | 1,114,720 | 595,462 |
| CASH INFLOWS | | | | | |
| 17 | Secured receivables | - | - | - | - |
| 18 | Unsecured receivables | 761,158 | 563,732 | 724,801 | 560,528 |
| 19 | Other cash inflows | 265 | 175 | 262 | 178 |
| 20 | TOTAL CASH INFLOWS | 761,423 | 563,907 | 725,063 | 560,706 |
| | | | | Total Adjusted Value | |
| 21 | TOTAL STOCK OF HQLA | | | 1,296,355 | 311,412 |
| 22 | TOTAL NET CASH OUTFLOWS | | | 386,657 | 148,866 |
| 23 | LIQUIDITY COVERAGE RATIO (%) | | | 332.69 | 209.19 |

(*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages

A decrease is observed in cash inflow and outflows in parallel with the decrease in the volume of credit and deposit. Additionally, liabilities of the bank with respect to these transactions increase in parallel with the derivative transactions made in order to minimize the currency risk of the bank.

High quality liquid assets consist of cash assets, central banks, securities and reverse repo items.

A significant proportion of daily cash inflow of the Bank consists of payments related to loans issued and placement of banks while a significant proportion of daily cash outflow of the Bank consists of payments related to collected deposits. Domestic and foreign banks and loan clients constitute the resource of cash inflows. The bank applies limits for the transactions, which shall be made with domestic and foreign banks, and these limits are monitored by the Risk Management Department daily.

The Bank has performed forward exchange, swap and option transactions with foreign financial institutions during 2020.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)**Presentation of assets and liabilities according to their remaining maturities:**

| September 30, 2020 | Demand | Up to 1 Month | 1-3 Month | 3-12 Months | 1-5 Years | Over 5 Years | Undistributed (*) | Total |
|---|----------------|----------------------|------------------|--------------------|------------------|---------------------|--------------------------|------------------|
| Assets | | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****) | 113,496 | 213,990 | 68,944 | 3,157 | - | - | - | 399,587 |
| Banks | 237,356 | - | 139,274 | - | - | - | - | 376,630 |
| Financial Assets Measured at Fair Value Through Profit and Loss | | | | | | | | |
| Money Market Placements | - | 190,063 | - | - | - | - | - | 190,063 |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | 138 | - | - | - | 8 | - | - | 146 |
| Loans (***) | - | 887,805 | 119,850 | 28,983 | 97,129 | - | 359,864 | 1,493,631 |
| Financial Assets Measured at Amortized Cost | | | | | | | | |
| Other Assets | - | 29,950 | 20,761 | - | 5 | - | - | 50,716 |
| | - | - | 3,966 | - | - | - | 427,723 | 431,689 |
| Total Assets | 350,996 | 1,321,808 | 352,795 | 32,140 | 97,142 | - | 787,587 | 2,942,462 |
| Liabilities | | | | | | | | |
| Bank Deposits | 2,256 | - | - | - | - | - | - | 2,256 |
| Other Deposits | 191,528 | 1,478,987 | 475,817 | 21,581 | - | - | - | 2,167,913 |
| Money Market Borrowings | - | 782 | - | - | - | - | - | 782 |
| Sundry Creditors | - | - | - | - | - | - | - | - |
| Marketable Securities Issued | - | - | - | - | - | - | - | - |
| Funds Provided From Other Financial Institutions | - | 1,050 | 1,030 | 255 | - | - | - | 2,335 |
| Other Liabilities (**) | - | 76,664 | 4,101 | - | - | - | 688,411 | 769,176 |
| Total Liabilities | 193,784 | 1,557,483 | 480,948 | 21,836 | - | - | 688,411 | 2,942,462 |
| Liquidity Gap | 157,212 | (235,675) | (128,159) | 10,304 | 97,142 | - | 99,176 | - |
| Net Off-Balance Position | - | 75 | 4,009 | - | - | - | - | 4,084 |
| Derivative Assets | - | 18,158 | 46,418 | - | - | - | - | 64,576 |
| Derivative Liabilities | - | 18,083 | 42,409 | - | - | - | - | 60,492 |
| Non-Cash Loans | - | 103,155 | 139,383 | 364,218 | 62,796 | 436,916 | - | 1,106,468 |
| December 31, 2019 | | | | | | | | |
| Total Assets | 490,018 | 1,124,986 | 255,584 | 278,951 | 960,738 | 93,677 | 696,605 | 3,900,559 |
| Total Liabilities | 175,682 | 2,661,496 | 700,669 | 92,740 | 50 | - | 269,922 | 3,900,559 |
| Liquidity Gap | 314,336 | (1,536,510) | (445,085) | 186,211 | 960,688 | 93,677 | 426,683 | - |
| Net Off-Balance Position | - | (994) | (1,814) | (1,243) | - | - | - | (4,051) |
| Derivative Assets | - | 64,358 | 132,738 | 57,607 | - | - | - | 254,703 |
| Derivative Liabilities | - | 65,352 | 134,552 | 58,850 | - | - | - | 258,754 |
| Non-Cash Loans | - | 128,524 | 194,922 | 362,939 | 124,592 | 512,506 | - | 1,323,483 |

(*) The assets, which are necessary to provide banking services and cannot be liquidated in the short term, such as tangible assets, investments in subsidiaries and associates and non-performing loans are classified under undistributed.

(**) Shareholders' equity is shown under other liabilities in undistributed column.

(***) Revolving loans are classified in up to 1-month column.

(****) Reserve requirement distribution is based on maturity distribution of liabilities on which the reserve is calculated.

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VI. Explanations Related to Leverage Ratio**Information on subjects that causes difference in leverage ratio between current and prior periods:**

As of September 30, 2020, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 15.32% (December 31, 2019: 8.74%). This ratio is above the minimum required. The regulation stipulated a minimum leverage ratio of 3%.

Disclosure of Leverage ratio template:

| | On Balance Sheet Exposures | September 30, 2020 (*) | December 31, 2019 (*) |
|----|--|-------------------------------|------------------------------|
| 1 | On balance sheet exposures (excluding derivative exposures, including collaterals) | 3,249,437 | 3,798,591 |
| 2 | (Deductions from the capital) | (601,981) | (418,018) |
| 3 | Total risk amount of on balance sheet exposures (Total of 1st ve 2nd rows) | 2,647,456 | 3,380,573 |
| | Derivative exposures | | |
| 4 | Replacement cost of derivative exposure | 6,828 | 7,869 |
| 5 | Potential credit risk of derivative exposures | 72,589 | 41,235 |
| 6 | Total risk of derivative exposures (Total of 4th ve 5th rows) | 79,417 | 49,104 |
| | Securities financing transaction exposures | | |
| 7 | The risk amount of Securities financing transaction exposures (excluding on balance sheet exposures) | - | - |
| 8 | The risk amount of transactions bank acting as agent | - | - |
| 9 | Total risk amount of Securities financing transaction exposures (Total of 7th ve 8th rows) | - | - |
| | Off Balance sheet items | | |
| 10 | The gross nominal amount of off balance sheet items | 935,379 | 1,351,305 |
| 11 | CCR adjustment amount | (295,845) | (451,187) |
| 12 | The risk amount of off balance sheet items (Total of 10th ve 11th rows) | 639,534 | 900,118 |
| | Capital and total risk | | |
| 13 | Shareholders' Equity | 496,293 | 379,343 |
| 14 | Total risk amount (Total of 3rd, 6th, 9th and 12th rows) | 3,366,407 | 4,329,795 |
| | Leverage Ratio | | |
| 15 | Leverage ratio | 15.32% | 8.74% |

(*) Amounts demonstrate the average of last three months.

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VII. Explanations Related to Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on October 23, 2015 and became effective as of March 31, 2016. According to Communiqué must be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

Bank's Risk Management Approach

Risks for all banking processes and related sub-processes are identified and risk values are defined. In order to evaluate the effectiveness of the defined risk-based controls, the risk values are now automatically calculated and the changes are monitored continuously. The Bank focuses on lending in the corporate and SME segments, operates within the limits set for market risk, and cannot carry operational risk appetite in order to minimize operational risk. The bank's risk profile and business model are integrated under the risk appetite policy. Accordingly, the Bank must proceed in line with the limits set in the business model.

The structure and organization of the risk management system in terms of the function and responsibilities of the Risk Management Group depends on the Board of Directors. Loyalty to the Board of Directors takes place through the Audit Committee. Risk Management conducts its activities under the supervision of the Audit Committee within the framework of the provisions of the "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process" published by BRSA. Risk management considers credit, market, interest rate, concentration, liquidity risks and operational risks in their works as the basic principle to establish the limits of these risks and control processes. The Bank has established a stress-test-driven management by taking into account the changes in the market, as well as the maximum amount of loss that may arise in Credit Risk, Operational Risk, Market Risk and other risks within the scope of internal capital management.

Policies, procedures, workflows and similar documents published by internal systems and all other departments are in a common portal accessible to all bank employees, and changes made to existing documents or newly published documents are provided to employees via e-mail. There are many policies and procedures including Credit Policy, Risk Management Policies (Risk Appetite Policy, Market Risk, Liquidity Risk, Operational Risk, Concentration Risk, Country and Counterparty Risks etc.) assessed and reviewed annually.

The Risk Management Department inform the Board of Directors and top management by monthly basis reports on credit risk, market risk, and operational risk areas. Credit risk concentration (borrower/group, business line, sector, maturity, currency, collateral etc.), analyses on the defaulting loan portfolio and stress tests, and analyses of capital adequacy; internal and legal market risk limits and compliance with operational risk losses. Apart from this, with the PD analysis reports made in the field of Credit Risk for 3 months, various breakdowns are analysed based on the number of defaults in which the borrower has the default rate. In addition, the report of the Audit Committee, which is prepared for 3 months, includes analyses on all risk types (capital adequacy, limits on market and liquidity risk, defaulting loan portfolio, sectoral information, credit concentration, risks related to information technology, etc.).

The Bank reduces the risks arising from the credit activity as determined by the process and policies it has established. The main instrument used in risk mitigation is collateral, and the collaterals obtained by the collateralization policy are managed by the Credits and Risk Management divisions such as portfolio, customer, collateral type, etc. and monitored regularly.

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VII. Explanations Related to Risk Management (continued)**a. Overview of Risk Weighted Assets**

| | | RWA | | Minimum capital requirements |
|----|--|--------------------|-------------------|------------------------------|
| | | September 30, 2020 | December 31, 2019 | September 30, 2020 |
| 1 | Credit risk (excluding counterparty credit risk) (CCR) | 1,838,933 | 2,488,787 | 193,088 |
| 2 | Of which standardized approach (SA) | 1,838,933 | 2,488,787 | 193,088 |
| 3 | Of which internal rating-based (IRB) approach | - | - | - |
| 4 | Counterparty credit risk | 170,150 | 17,273 | 17,866 |
| 5 | Of which standardized approach for counterparty credit risk (SA-CCR) | 170,150 | 17,273 | 17,866 |
| 6 | Of which internal model method (IMM) | - | - | - |
| 7 | Equity positions in banking book under market-based approach | - | - | - |
| 8 | Equity investments in funds – look-through approach | - | - | - |
| 9 | Equity investments in funds – mandate-based approach | - | - | - |
| 10 | Equity investments in funds – 1250% risk weighting approach | - | - | - |
| 11 | Settlement risk | - | - | - |
| 12 | Securitization exposures in banking book | - | - | - |
| 13 | Of which IRB ratings-based approach (RBA) | - | - | - |
| 14 | Of which IRB Supervisory Formula Approach (SFA) | - | - | - |
| 15 | Of which SA/simplified supervisory formula approach (SSFA) | - | - | - |
| 16 | Market risk | 59,588 | 69,081 | 6,257 |
| 17 | Of which standardized approach (SA) | 59,588 | 69,081 | 6,257 |
| 18 | Of which internal model approaches (IMM) | - | - | - |
| 19 | Operational risk | 300,386 | 452,306 | 31,541 |
| 20 | Of which Basic Indicator Approach | 300,386 | 452,306 | 31,541 |
| 21 | Of which Standardized Approach | - | - | - |
| 22 | Of which Advanced Measurement Approach | - | - | - |
| 23 | Amounts below the thresholds for deduction (subject to 250% risk weight) | - | - | - |
| 24 | Floor adjustment | - | - | - |
| 25 | Total (1+4+7+8+9+10+11+12+16+19+23+24) | 2,369,057 | 3,027,447 | 248,752 |

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VII. Explanations Related to Risk Management (continued)

Risk management strategies and practices are defined as follows: The Bank's Risk Management Group was established in 2001 as an independent unit which reports to the Member of Audit Committee have been responsible for the Audit, Internal Control and Risk Management.

Risk management is committed to control processes in order to determine the limits and measurement of operational risks, including the risks comprising of credit, market, interest rate, concentration, counterparty, liquidity, banking accounts and IT risks.

Objective of risk policies: In line with "Regulation on Internal Systems of Banks (published in the Official Gazette dated July 11, 2014 numbered 29057)", sustaining the Bank's operations in accordance with the Banks' strategic plans, mission, targets, profitability and productivity principles by determining Bank's risk strategy and maximum risk level in line with the volume, qualification and complexity of the Bank's operations by taking into consideration the Bank's past experience and performance. Moreover, ensuring to conserve the interests of depositors and the Bank's shareholder's interest at a maximum level.

Risk management regularly reports to Senior Management and the Audit Committee all the risks the bank is exposed to and concentrations, and the Bank's own internal limits of the legal limits are monitored daily, weekly, monthly and quarterly. These reports consist of VAR analysis, market risk limits, stress testing and scenario analysis, liquidity and interest rate, economic capital and capital adequacy analysis. These reports (daily value at risk (VAR) analysis, weekly interest rate risk, market risk limits and contains the calculation of economic capital) are also presented to Asset-Liability Management Committee on a weekly basis. Volatility and closing values of many market risk instruments are closely monitored and reported on a daily basis.

Quarterly stress tests and scenario analyses on economic capital, capital adequacy, liquidity and profitability scenarios and credit risk on Bank's loan portfolio including benchmark of similar banks are presented to the Audit Committee. Management follows the Bank's performance and the limits by using these detailed reports.

The Bank has a system set reporting in accordance with the legislation and the standard shock method for measuring and evaluating the interest rate risk arising from on-balance sheet and off-balance sheet positions in the banking accounts by using the standard shock method. The Regulation on Measurement and Evaluation and the Regulation on Credit Risk Mitigation Techniques is intended to be reported based on risk classes according to the procedures described. In addition, the liquidity coverage ratio calculated under Basel III is calculated using a separate reporting system and it is aimed to measure and monitor the balance between the Bank's net cash outflows and high quality liquid assets and total and foreign currency liquidity coverage ratios.

Risk Management Group calculates Basel II capital adequacy calculation systematically, namely Credit Risk, Market Risk and Operational Risk, in accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Bank's" published in the Official Gazette dated October 23, 2015, numbered 29511.

From January 1, 2014 equity and the capital adequacy ratio of the Bank is calculated in accordance with the "Change in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 29511, dated October 23, 2015 and "Regulation on Equities of Banks" published in the Official Gazette no.28756, dated September 5, 2013.

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VII. Explanations Related to Risk Management (continued)

The Bank updated its disclosures in accordance with the “Change in the Communiqué on the Financial Statements to be announced to public by Banks as well as Explanations and Footnotes Thereof” published in the Official Gazette no.28983, dated April 26, 2014 and in accordance with “Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks” published in the Official Gazette no.29599, dated January 20, 2016.

At the Bank, by considering Regulation on the Internal Systems of Banks published in the Official Gazette No. 29057 dated July 11, 2014, banking processes and policies were revised. Consequently, related procedures/policies are updated/formed and then approved by the Board of Directors.

In order to manage operational risks that the Bank is exposed to more effectively and form an integrated risk management point of view, Operational Risk Policy and IT Continuity Plan was updated, Data Management Procedure was formed. In order to define, measure, limit and report market risk the Bank is exposed to, Market Risk Policy is formed. When the Bank manages its treasury securities portfolio within the limits determined by the Board of Directors, Risk Management Group checks whether Treasury Department is within these risk limits.

Liquidity Risk is the risk that the Bank cannot fulfil its payment obligations fully and on time due to its insufficient cash inflow or due to inadequate available cash resulting from the mismatch between cash inflows and outflows. In order to define, measure, follow, report the liquidity risk the Bank is exposed to and take necessary actions for the results, Liquidity Risk Policy is formed. When Liquidity Risk Policy is formed, to manage the net liquidity position and liquidity requirement on an ongoing and forward-looking basis is aimed at.

Concentration risk is the risk within credit risk that is exposed according to individual debtor and debtor groups, to debtor groups that indicate similar characteristics in terms of economic and regional sector qualities, on the basis of the assets subject to the collateral securities that show similar price pattern behaviour; the risk that is to be considered also within the scope of the market risk and operational risk. In order to define, measure, follow and manage the concentration risk the Bank is exposed to, Concentration Risk Policy is formed. Concentration limits are monitored in compliance with the credit, deposit and related policies.

Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings an obligation to both sides. In order to define measure, follow and manage the counterparty credit risk the Bank is exposed to Counterparty Credit Risk Policy is formed. Counterparty credit risk management is conducted by the Financial Institutions Department of the Bank by taking into account the counterparty’s financial reports, general overview, rating, current and expected transaction volumes with T-Bank. The limits for counterparties are determined by the Board of Directors.

"Banking Book" includes all Assets and Liabilities (including credit) except trading securities portfolio. In order to define, measure, follow, report the interest rate risk related to banking book risk the Bank is exposed to and take necessary actions for the results, interest rate risk policy related to banking book is formed. Interest rate risk is managed by senior management in order to avoid losses from adverse interest rate movements.

Regarding internal assessment process (ISEDES / ICAAD) which aims at the Bank has capital requirement according to its risk profile, Internal Capital Management Procedure is formed. Within internal capital management scope, the Bank has established a stress test based management by taking into account the estimated maximum loss amount that may occur in credit, operational, market and other risks as well as the changes in the market.

In order to ensure that the Bank’s term deposit structure is in line with the Bank’s strategies and budget targets and is in a robust and sustainable structure, Deposit Policy is formed. Policies and systems in order to define, measure and follow the concentration risk of the Bank’s deposit is also explained in Deposit Policy.

Organization and structure of Risk Management Group: Risk Management Group work under the Board of Directors as their functions and responsibilities. The connection with the Board of Directors and Risk Management Group is provided through the Audit Committee.

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VII. Explanations Related to Risk Management (continued)

Risk Reporting and Scope and Nature of Measurement Systems: Limits and market risk reports are presented daily basis by the Risk Management Group, value at Risk report (ALCO), ECAP stress test, scenario analysis, Duration Gap primary shock, the market data and limit reports are presented a weekly basis to Assets-Liability Committee. On a quarterly basis, the rest of the reports and other works are reported to Audit Committee and Board of Directors.

Hedging Risk and Process of Risk Mitigation Policies and Process Related to Control Their Effectiveness Continuously: Bank carries out risk mitigation processes and risk hedging for credit risk in accordance with credit risk policies.

Risks related to market risk are measured and monitored in accordance with application procedures and policies. In this respect, the Board of Directors allocates the limits. Limits are monitored, reported, in the event of any limit exceed it is reported to relevant committees and units through documentation by electronic mail. In addition, information about limits on use and loan segment concentration is presented to Audit Committee and the Board of Directors quarterly.

Internal Loan Rating System

| | Internal Rating Grade | September 30, 2020 | (%) | December 31, 2019 | (%) | |
|--------------|-----------------------|--------------------|------------------|-------------------|------------------|---------------|
| High | Risk rating class 1 | A+ Excellent | 4,360 | 0.38 | 6,507 | 0.48 |
| | Risk rating class 2 | A- Excellent | 26,107 | 2.30 | 41,102 | 3.04 |
| Good | Risk rating class 3 | B+ Very Good | 217,054 | 19.14 | 125,635 | 9.30 |
| | Risk rating class 4 | B- Very Good | 52,108 | 4.60 | 121,591 | 9.00 |
| Standard | Risk rating class 5 | C+ Good | 234,762 | 20.71 | 280,426 | 20.75 |
| | Risk rating class 6 | C- Good | 337,150 | 29.74 | 373,040 | 27.61 |
| Substandard | Risk rating class 7 | D+ Ordinary | 68,423 | 6.04 | 133,987 | 9.92 |
| | Risk rating class 8 | D- Ordinary | 68,673 | 6.06 | 193,284 | 14.30 |
| | Risk rating class 9 | E Bad | 123,840 | 10.92 | 74,258 | 5.50 |
| | Risk rating class 10 | F Very Bad | - | - | - | - |
| Unrated | | | 1,289 | 0.11 | 1,325 | 0.10 |
| Total | | | 1,133,766 | 100.00 | 1,351,155 | 100.00 |

The Bank uses three main factors for internal credit rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non-financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non-financial data.

In the existing rating system, the collateral assigned to loans are not taken into account in the rating. The information about customers with F, E and D- rating is shown below.

“F” rating;

There are no clients with “F” rating (December 31, 2019: None).

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VII. Explanations Related to Risk Management (continued)

Internal Loan Rating System (continued)

“E” rating;

Number of clients with “E” rating is 11 and total outstanding risk is TRY 123,840 (December 31, 2019: TRY 74,258; 7 clients). 9% of these clients are granted against mortgage with outstanding risk of TRY 11,526 (December 31, 2019: TRY 11,814; 16%). 2% of these clients are granted against customer check/note with outstanding risk of TRY 1,942 (December 31, 2019: TRY 2,999; 4%). 3% of these clients are loan against assignment with outstanding risk of TRY 3,790. (December 31, 2019: TRY 1,606; 2.7%)

“D-” rating;

Number of clients with D- rating is 18 and total outstanding risk is TRY 68,673 (December 31, 2019 : TRY 193,284; 15 clients). 14% of these clients granted loan against customer check/note with outstanding risk of TRY 9,591 (December 31, 2019: 32,139; 19%). 40% of these clients granted loan against vehicle pledge with outstanding risk of TRY 27,389 (December 31, 2019: TRY 21,548; 11%).

There is no financial assets at fair value through profit and loss whose terms have been renegotiated.

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SECTION FIVE**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS****I. Explanations and Disclosures Related to the Assets****1. a) Information on Cash and Balances with the Central Bank of Turkey:**

| | September 30, 2020 | | December 31, 2019 | |
|--|--------------------|----------------|-------------------|----------------|
| | TRY | FC | TRY | FC |
| Cash in Vault/Foreign Currency | 5,780 | 31,999 | 6,040 | 33,692 |
| Balances with the Central Bank of Turkey | 45,112 | 316,696 | 296,725 | 294,478 |
| Total | 50,892 | 348,695 | 302,765 | 328,170 |

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

| | September 30, 2020 | | December 31, 2019 | |
|------------------------------|--------------------|----------------|-------------------|----------------|
| | TRY | FC | TRY | FC |
| Unrestricted demand deposits | 45,112 | 2,912 | 296,691 | 2,971 |
| Unrestricted time deposits | - | - | - | - |
| Restricted time deposits | - | - | - | - |
| Reserve deposits | - | 313,784 | 34 | 291,507 |
| Total | 45,112 | 316,696 | 296,725 | 294,478 |

c) Explanations related to reserve deposits:

According to the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey numbered 2011/11 and 2011/13 reserve deposit rates applied to TRY and FC liabilities has changed. The current required reserve rates as of the date of approval of the financial statements are as follows:

FC reserve deposits rates:

| FX demand deposits, notice deposits and FX private current accounts, FX deposits/FX participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities | FX deposits/FX participation accounts with 1-year and longer maturity and cumulative FX deposits/ FX participation accounts | FX Special fund pools | FX liabilities up to 1-year maturity (including 1-year) | FX liabilities 1-2 year maturity (including 2-year) | FX liabilities 2- 3 year maturity (including 3-year) | Other liabilities up to 3-5 year maturity (including 5-year) | Other liabilities longer than 5 years |
|--|---|-----------------------|---|---|--|--|---------------------------------------|
| %22.0 | %18.0 | %22.0 | %24.0 | %19.0 | %14.0 | %10.0 | %8.0 |

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I. Explanations and Disclosures Related to the Assets (continued)

c) Explanations related to reserve deposits (continued):

TRY reserve deposits rates:

| Demand deposits, notice deposits and private current accounts | Deposits/participation accounts up to 1-month maturity (including 1-month) | Deposits/participation accounts up to 3-month maturity (including 3-month) | Deposits/participation accounts up to 6-month maturity (including 6-month) | Deposits/participation accounts up to 1-year maturity | Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts | Other liabilities up to 1-year maturity (including 1-year) | Other liabilities up to 3-year maturity (including 3-year) | Other liabilities with longer 3-year maturity |
|---|--|--|--|---|--|--|--|---|
| %7.0 | %7.0 | %7.0 | %4.0 | %2.0 | %1.0 | %7.0 | %3.5 | %1.0 |

2. Information on financial assets at fair value through profit and loss (net):

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements: None

The Bank does not have net book value of unrestricted financial assets at fair value through profit and loss (December 31, 2019: None).

b) Positive differences related to derivative financial assets held-for-trading:

| | September 30, 2020 | | December 31, 2019 | |
|----------------------|--------------------|-----------|-------------------|-----------|
| | TRY | FC | TRY | FC |
| Forward Transactions | - | - | 282 | 24 |
| Swap Transactions | 3,902 | 64 | 16 | - |
| Futures Transactions | - | - | - | - |
| Options | - | - | - | - |
| Other | - | - | - | - |
| Total | 3,902 | 64 | 298 | 24 |

3. a) Information on banks:

| | September 30, 2020 | | December 31, 2019 | |
|---------------------------------|--------------------|----------------|-------------------|----------------|
| | TRY | FC | TRY | FC |
| Banks | | | | |
| Domestic | 135 | 101 | 462 | 117 |
| Foreign | - | 376,394 | - | 199,799 |
| Branches and head office abroad | - | - | - | - |
| Total | 135 | 376,495 | 462 | 199,916 |

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I. Explanations and Disclosures Related to the Assets (continued)

4. Information on fair value through the statement of other comprehensive income (FVTOCI) financial assets:

a.1) Information on fair value through the statement of other comprehensive income (FVTOCI) financial assets as collateral or blocked: None.

a.2) Information on financial assets available for sale subject to repurchase agreements: None.

Net book value of financial assets measured at fair value through other comprehensive income is TRY 138 (December 31, 2019: unquoted stocks amounting TRY 138).

b) Information on financial assets available for sale portfolio:

| | September 30, 2020 | December 31, 2019 |
|----------------------------|---------------------------|--------------------------|
| Debt securities | 8 | 7 |
| Quoted on a stock exchange | - | - |
| Not quoted | 8 | 7 |
| Share certificates | 138 | 138 |
| Quoted on a stock exchange | - | - |
| Not quoted | 138 | 138 |
| Impairment provision (-) | - | - |
| Total | 146 | 145 |

In line with the accounting policies of the Bank, all unquoted financial assets at fair value through other comprehensive income are recorded at fair value except for the Bank's investment of TRY 138 which is recorded investment at cost since its fair value cannot be reliably estimated (December 31, 2019: TRY 138).

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans:

a) Information on all types of loans or advances given to shareholders and employees of the Bank:

| | September 30, 2020 | | December 31, 2019 | |
|--|--------------------|--------------|-------------------|---------------|
| | Cash | Non-cash | Cash | Non-cash |
| Direct loans granted to shareholders | 316 | 1,539 | 593 | 19,384 |
| Corporate shareholders | 316 | 1,539 | 593 | 19,384 |
| Real person shareholders | - | - | - | - |
| Indirect loans granted to shareholders | 9,487 | 4,320 | 11,400 | 5,623 |
| Loans granted to employees | 569 | 675 | 506 | 699 |
| Total | 10,372 | 6,534 | 12,499 | 25,706 |

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

| Cash Loans | Standard Loans and Other Receivables | | | Loans and Other Receivables Under Close Monitoring | | |
|---------------------------------|--------------------------------------|-----------------------------|----------|--|-----------------------------|----------|
| | Loans and Other Receivables | Restructured or Rescheduled | Other | Loans and Other Receivables | Restructured or Rescheduled | Other |
| Non-specialized loans | 767,515 | - | - | 334,140 | 32,111 | - |
| Business loans | 172,015 | - | - | 328,929 | 32,111 | - |
| Export loans | 181,040 | - | - | 5,144 | - | - |
| Import loans | - | - | - | - | - | - |
| Loans given to financial sector | 231,333 | - | - | - | - | - |
| Foreign loans | 687 | - | - | - | - | - |
| Consumer loans | 566 | - | - | 35 | - | - |
| Credit cards | - | - | - | - | - | - |
| Precious metals loans | - | - | - | - | - | - |
| Other | 181,874 | - | - | 32 | - | - |
| Specialized loans | - | - | - | - | - | - |
| Other receivables | - | - | - | - | - | - |
| Total | 767,515 | - | - | 334,140 | 32,111 | - |

| Expected Credit Losses | Standard Loans | Loans Under Close Monitoring |
|-------------------------------------|----------------|------------------------------|
| 12 Months Expected Credit Loss | 9,066 | - |
| Significant Increase in Credit Risk | - | 71,218 |
| Total | 9,066 | 71,218 |

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans (continued):

c) Loans according to their maturity structure:

| Cash Loans | Standard Loans and Other Receivables | | Loans and Other Receivables Under Close Monitoring | |
|----------------------------|--------------------------------------|-----------------------------|--|-----------------------------|
| | Loans and Other Receivables | Restructured or Rescheduled | Loans and Other Receivables | Restructured or Rescheduled |
| Short-term Loans | 555,704 | - | 145,794 | 4,686 |
| Non-specialized Loans | 555,704 | - | 145,794 | 4,686 |
| Specialized Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Medium and Long-term Loans | 211,811 | - | 188,346 | 27,425 |
| Non-specialized Loans | 211,811 | - | 188,346 | 27,425 |
| Specialized Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Total | 767,515 | - | 334,140 | 32,111 |

Number of Changes for the Payment Plan

| Extension | Standard Loans and Other Receivables | Watching Loans and Other Receivables |
|------------------------|--------------------------------------|--------------------------------------|
| 1 or 2 times extended | - | 32,111 |
| 3, 4 or times extended | - | - |
| 5 Over the extended | - | - |
| Total | - | 32,111 |

| | Standard Loans and Other Receivables | Watching Loans and Other Receivables |
|------------------|--------------------------------------|--------------------------------------|
| 0 – 6 Month | - | 9,594 |
| 6 – 12 Month | - | - |
| 1 – 2 Year | - | - |
| 2 – 5 Year | - | - |
| 5 Years and Over | - | 22,517 |
| Total | - | 32,111 |

As of September 30, 2020, in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be reserved” the Bank calculated expected credit loss provision of TRY 1,434 for standard loans and close monitoring loans that have changes in payment plan.

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I. Explanations and Disclosures Related to the Assets (continued)**5. Information on loans (continued):**

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

| | Short Term | Medium and Long Term | Total |
|--|------------|----------------------|------------|
| Consumer Loans-TRY | - | 121 | 121 |
| Housing Loans | - | 23 | 23 |
| Car Loans | - | - | - |
| General Purpose Loans | - | 98 | 98 |
| Other | - | - | - |
| Consumer Loans -Indexed to FC | - | - | - |
| Housing Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans-FC | - | - | - |
| Housing Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Individual Credit Cards-TRY | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Individual Credit Cards-FC | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Personnel Loans-TRY | 45 | 358 | 403 |
| Housing Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | 45 | 358 | 403 |
| Other | - | - | - |
| Personnel Loans- Indexed to FC | - | - | - |
| Housing Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans-FC | - | - | - |
| Housing Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards-TRY | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Personnel Credit Cards-FC | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Overdraft Accounts-TRY (Real Persons) (*) | 77 | - | 77 |
| Overdraft Accounts-FC (Real Persons) | - | - | - |
| Total | 122 | 479 | 601 |

(*) Overdraft Accounts includes TRY 76 personnel loans.

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans (continued):

e) Information on commercial loans with instalments and corporate credit cards:

| | Short Term | Medium and Long Term | Total |
|--|--------------|----------------------|---------------|
| Commercial loans with instalment facility-TRY | 6,912 | 74,765 | 81,677 |
| Business Loans | - | - | - |
| Car Loans | - | 118 | 118 |
| General Purpose Loans | 6,912 | 74,647 | 81,559 |
| Other | - | - | - |
| Commercial loans with instalment facility - Indexed to FC | 2 | 7,608 | 7,610 |
| Business Loans | - | - | - |
| Car Loans | 2 | 2,345 | 2,347 |
| General Purpose Loans | - | 5,263 | 5,263 |
| Other | - | - | - |
| Commercial loans with instalment facility - FC | - | - | - |
| Business Loans | - | - | - |
| Car Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Corporate Credit Cards-TRY | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Corporate Credit Cards-FC | - | - | - |
| With Instalments | - | - | - |
| Without Instalments | - | - | - |
| Overdraft Accounts-TRY (Legal Entities) | 32 | - | 32 |
| Overdraft Accounts-FC (Legal Entities) | - | - | - |
| Total | 6,946 | 82,373 | 89,319 |

f) Allocation of loans by customers

| | September 30, 2020 | December 31, 2019 |
|--------------|--------------------|-------------------|
| Private | 1,133,766 | 1,351,155 |
| Public | - | - |
| Total | 1,133,766 | 1,351,155 |

g) Domestic and foreign loans

| | September 30, 2020 | December 31, 2019 |
|----------------|--------------------|-------------------|
| Domestic loans | 1,133,079 | 1,350,797 |
| Foreign loans | 687 | 358 |
| Total | 1,133,766 | 1,351,155 |

h) Loans granted to subsidiaries and associates:

None.

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans (continued):

i) Expected credit losses for loans (Stage 3) :

| | September 30, 2020 | December 31, 2019 |
|--|-----------------------|-------------------|
| Expected Credit Losses | | |
| Loans and Receivables with Limited Collectability | 43 | 46,562 |
| Loans and Receivables with Doubtful Collectability | 1,722 | 46,909 |
| Uncollectable Loans and Receivables | 422,782 | 435,001 |
| Total | 424,547 | 528,472 |

j) Information on non-performing loans (Net):

j.1) Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled:

| | III. Group Loans and receivables with limited collectability | IV. Group Loans and receivables with doubtful collectability | V. Group Uncollectible loans and receivables |
|---|---|---|---|
| September 30, 2020 | | | |
| (Gross amount before provision) (*) | - | 15,352 | 56,469 |
| Restructured Loans and Other Receivables | - | 15,352 | 56,469 |
| Rescheduled Loans and Other Receivables | - | - | - |
| December 31, 2019 | | | |
| (Gross amount before specific provision)(*) | 2,996 | 32,332 | 4,861 |
| Restructured Loans and Other Receivables | 2,996 | 32,332 | 4,861 |
| Rescheduled Loans and Other Receivables | - | - | - |

(*) As of September 30, 2020 total expected credit losses set aside for the loans and other receivables restructured or tied to redemption plan is TRY 21,642 (December 31, 2019: TRY 28,235).

j.2) The movement of non-performing loans:

| | III. Group Loans and other receivables with limited collectability | IV. Group Loans and other receivables with doubtful collectability | V. Group Uncollectible loans and other receivables |
|---|---|---|---|
| December 31, 2019 Balance | 67,560 | 113,347 | 785,800 |
| Additions (+) | 3,228 | 5,340 | 60,161 |
| Transfers from other categories of non-performing loans (+) | - | 16,536 | 109,806 |
| Transfers to other categories of non-performing loans (-) | (24,892) | (101,450) | - |
| Collections (-) | (44,990) | (15,221) | (107,709) |
| Write-offs (-) | - | (2,820) | - |
| Corporate and commercial loans | - | - | - |
| Retail loans | - | - | - |
| Credit cards | - | - | - |
| Indexation difference (-) | - | - | - |
| Other | - | - | - |
| September 30, 2020 Balance | 906 | 15,732 | 848,058 |
| Provision (-) | (43) | (1,722) | (422,782) |
| Net Balances on Balance Sheet | 863 | 14,010 | 425,276 |

j.3) Information on foreign currency non-performing loans and other receivables:

None.

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I. Explanations and Disclosures Related to the Assets (continued)

5. Information on loans (continued):

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

| | III. Group | IV. Group | V. Group |
|--|---|---|---|
| | Loans and receivables with limited collectability | Loans and receivables with doubtful collectability | Uncollectible loans and receivables |
| September 30, 2020 (Net) | | | |
| Loans to Real Persons and Legal Entities (Gross) | 906 | 15,732 | 848,058 |
| Provision (-) | (43) | (1,722) | (422,782) |
| Loans to Real Persons and Legal Entities (Net) | 863 | 14,010 | 425,276 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |
| December 31, 2019 (Net) | | | |
| Loans to Real Persons and Legal Entities (Gross) | 67,560 | 113,347 | 785,800 |
| Specific provision (-) | (46,562) | (46,909) | (435,001) |
| Loans to Real Persons and Legal Entities (Net) | 20,998 | 66,438 | 350,799 |
| Banks (Gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Specific provision (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |

j.5) Interest accruals and valuation differences calculated for non-performing loans with expected credit losses in accordance with TFRS 9 are as follows:

As of September 30, 2020, TRY 54,018 interest has been calculated for transfers to follow-up accounts in accordance with TFRS 9 (September 30, 2019: TRY 61,320).

k) Main principles of liquidation policies of non-performing loans and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves"; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree.

l) Explanations on write-off policy:

As of September 30, 2020, there is not any written-off assets due to the decision of the Board of Directors (December 31, 2019: None).

The following loan amounting to TRY 3,000 booked in lending and other receivables category was excluded from the records after being sold to Armada Varlık Yönetimi AŞ. for TRY 2,820.

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I. Explanations and Disclosures Related to the Assets (continued)

6. Financial assets at amortized cost:

a.1) Information on financial assets at amortized cost investments given as collateral or blocked:

| | September 30, 2020 | | December 31, 2019 | |
|--|--------------------|----------|-------------------|----------|
| | TRY | FC | TRY | FC |
| Share certificates | - | - | - | - |
| Bond, Treasury bill and similar securities | 40,330 | - | 218,169 | - |
| Other | - | - | - | - |
| Total | 40,330 | - | 218,169 | - |

As of September 30, 2020, collateral or blocked financial assets measured at amortised cost; Interbank balance is TRY 30,347 and Takasbank balance is TRY 9,983 (December 31, 2019: collateral or blocked financial assets measured at amortised cost; stock exchange balance is TRY 45,826, Interbank balance is TRY 104,877, Takasbank balance is TRY 67,256, cheque clearing pledge is TRY 210).

a.2) Financial assets measured at amortised cost subject to repurchase agreements:

None.

Financial assets at amortized cost amounting to TRY 10,386 are being held as unrestricted deposits (December 31, 2019: TRY 722,047).

b) Information on amortized financial assets:

| | September 30, 2020 | December 31, 2019 |
|-------------------------------------|--------------------|-------------------|
| Government bonds | 50,716 | 940,216 |
| Treasury bills | - | - |
| Other public sector debt securities | - | - |
| Total | 50,716 | 940,216 |

c) Information on amortized financial assets:

| | September 30, 2020 | | December 31, 2019 | |
|--------------------------------|--------------------|----------|-------------------|----------|
| | TRY | FC | TRY | FC |
| Debt securities | | | | |
| Quoted on a stock exchange | 50,716 | - | 940,216 | - |
| Not quoted on a stock exchange | - | - | - | - |
| Provision for impairment (-) | - | - | - | - |
| Total | 50,716 | - | 940,216 | - |

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I. Explanations and Disclosures Related to the Assets (continued)

d) Movement of amortized financial assets:

| | September 30, 2020 | December 31, 2019 |
|---|--------------------|-------------------|
| Beginning balance | 940,216 | 1,011,588 |
| Foreign currency differences on monetary assets (*) | (422,736) | 16,467 |
| Purchases during year | 860,498 | - |
| Disposal through sales and redemptions (**) | (1,327,262) | (87,839) |
| Impairment provision (-) | - | - |
| Closing Balance | 50,716 | 940,216 |

(*) Interest income rediscount changes were shown in foreign currency differences on monetary assets line.

(**) The Bank decided to sell, by making changes in business plan within the scope of information and approval the Board of Directors, all of the CPI indexed securities, measured at amortized cost, which is stated to be able to sell 15% of the balance sheet value in the business plan, due to the recent exceptional economic developments, new BRSA regulations and COVID-19 effects.

7. Information on associates (Net):

The Bank has 1.4925% participation in the Credit Guarantee Fund.

8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

9. Information on jointly controlled entities:

The Bank has no jointly controlled entities in the current period.

10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period.

11. Information on derivative financial assets for hedging purposes:

The Bank has no financial assets for hedging purposes in the current period.

12. Information on tangible assets (Net):

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim period financial statements.

13. Information on intangible assets:

This footnote is not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” for the interim period financial statements.

14. Investment Property (Net):

None.

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I. Explanations and Disclosures Related to the Assets (continued)

15. Explanations on deferred tax assets:

- a) As of September 30, 2020, deferred tax asset calculated on financial loss is TRY 57,298 (December 31, 2019: deferred tax asset calculated on financial loss is TRY 57,298). Deferred tax asset calculated on the other temporary differences is TRY 4,963 (December 31, 2019: deferred tax liability calculated on other temporary differences is TRY 4,963).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

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

| | September 30, 2020 | December 31, 2019 |
|------------------------------|---------------------------|--------------------------|
| End of Current Period | | |
| Beginning of period | 184,212 | 107,551 |
| Acquisitions | 75,466 | 119,516 |
| Assets sold (Cost) | (72,664) | (33,539) |
| Impairment | 11,487 | (9,316) |
| Net Book Value | 198,501 | 184,212 |

17. Information on other assets:

- a) Breakdown of other assets:

| | September 30, 2020 | December 31, 2019 |
|-----------------------|---------------------------|--------------------------|
| Assets to be Sold | 1,229 | 1,250 |
| Settlement Accounts | 20,176 | 20,785 |
| Prepaid Expenses | 12,629 | 6,243 |
| Cash Collateral Given | 65,756 | - |
| Other | 4,469 | 2,522 |
| Total | 104,259 | 30,800 |

- b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.

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II. Explanations and Disclosures Related to the Liabilities**1. Information on maturity structure of deposits:****a.1) September 30, 2020:**

| | Demand | 7 Day Call Accounts | Up to 1 month | 1-3 Months | 3-6 Months | 6 Month-1 Year | 1 Year And over | Accumulating Deposits | Total |
|-----------------------------|----------------|------------------------|------------------|------------------|---------------|-------------------|--------------------|--------------------------|------------------|
| Saving deposits | 11,162 | - | 49,700 | 634,339 | 37,928 | 4,435 | 11,428 | - | 748,992 |
| Foreign currency deposits | 140,025 | - | 72,735 | 910,343 | 16,535 | 7,929 | 45,146 | - | 1,192,713 |
| Residents in Turkey | 135,478 | - | 72,735 | 875,864 | 8,886 | 6,169 | 3,343 | - | 1,102,475 |
| Residents abroad | 4,547 | - | - | 34,479 | 7,649 | 1,760 | 41,803 | - | 90,238 |
| Public sector deposits | 6,627 | - | - | - | - | - | - | - | 6,627 |
| Commercial deposits | 33,482 | - | 65,973 | 108,952 | 47 | 18 | 1,019 | - | 209,491 |
| Other institutions deposits | 232 | - | 1,892 | 7,295 | 671 | - | - | - | 10,090 |
| Precious metals deposits | - | - | - | - | - | - | - | - | - |
| Bank deposits | 2,256 | - | - | - | - | - | - | - | 2,256 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 241 | - | - | - | - | - | - | - | 241 |
| Foreign Banks | 2,015 | - | - | - | - | - | - | - | 2,015 |
| Participation Banks | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 193,784 | - | 190,300 | 1,660,929 | 55,181 | 12,382 | 57,593 | - | 2,170,169 |

a.2) December 31, 2019:

| | Demand | 7 Day Call Accounts | Up to 1 month | 1-3 Months | 3-6 Months | 6 Month-1 Year | 1 Year And over | Accumulating Deposits | Total |
|-----------------------------|----------------|------------------------|------------------|------------------|----------------|-------------------|--------------------|--------------------------|------------------|
| Saving deposits | 14,005 | - | 32,222 | 1,176,108 | 109,069 | 49,980 | 16,508 | - | 1,397,892 |
| Foreign currency deposits | 103,037 | - | 51,017 | 937,673 | 45,376 | 8,532 | 35,848 | - | 1,181,483 |
| Residents in Turkey | 100,483 | - | 44,146 | 905,359 | 40,121 | 5,794 | 4,374 | - | 1,100,277 |
| Residents abroad | 2,554 | - | 6,871 | 32,314 | 5,255 | 2,738 | 31,474 | - | 81,206 |
| Public sector deposits | 1,621 | - | - | - | - | - | - | - | 1,621 |
| Commercial deposits | 53,357 | - | 143,260 | 277,969 | 10,295 | 4,069 | 2,000 | - | 490,950 |
| Other institutions deposits | 455 | - | 1,416 | 24,836 | 3,231 | - | - | - | 29,938 |
| Precious metals deposits | - | - | - | - | - | - | - | - | - |
| Interbank deposits | 3,207 | - | - | - | - | - | - | - | 3,207 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 353 | - | - | - | - | - | - | - | 353 |
| Foreign Banks | 2,854 | - | - | - | - | - | - | - | 2,854 |
| Participation Banks | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 175,682 | - | 227,915 | 2,416,586 | 167,971 | 62,581 | 54,356 | - | 3,105,091 |

b.1) Information on saving deposits under the guarantee of saving deposits insurance:**i. Information on saving deposits:**

| Saving Deposits | Under the Guarantee of Insurance | | Exceeding the Limit of Insurance | |
|--|-------------------------------------|----------------------|-------------------------------------|----------------------|
| | September 30, 2020 | December 31, 2019 | September 30, 2020 | December 31, 2019 |
| Saving deposits | 245,323 | 354,334 | 497,841 | 1,028,843 |
| Foreign currency saving deposits | 101,621 | 89,551 | 707,856 | 570,526 |
| Other deposits in the form of saving deposits | 458 | 1,069 | 5,014 | 14,475 |
| Foreign branches' deposits under foreign authorities' insurance | - | - | - | - |
| Off-shore banking regions' deposits under foreign authorities' insurance | - | - | - | - |
| Total | 347,402 | 444,954 | 1,210,711 | 1,613,844 |

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II. Explanations and Disclosures Related to the Liabilities (continued)**1. Information on maturity structure of deposits (continued):**

- ii. Deposit amounts not under the guarantee of saving deposit:

Deposits of real persons not under the guarantee of saving deposit insurance:

| | September 30, December 31, 2019 2020 | |
|--|---|-----|
| Deposits and accounts in branches abroad | - | - |
| Deposits of ultimate shareholders and their close families | - | - |
| Deposits of chairman, members of the Board of Directors and assistant general managers and their close families | 1,562 | 458 |
| Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004. | - | - |
| Saving deposits in banks established in Turkey exclusively for offshore banking activities | - | - |

2. Information on derivative financial liabilities:

- a) Negative differences table related to derivative financial liabilities held-for-trading:

| | September 30, 2020 | | December 31, 2019 | |
|----------------------|--------------------|----|-------------------|----|
| | TRY | FC | TRY | FC |
| Forward Transactions | - | - | - | - |
| Swap Transactions | - | - | 2,989 | - |
| Futures Transactions | - | - | - | - |
| Options | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | 2,989 | - |

3. Information on borrowings:

- a) Information on banks and other financial institutions:

| | September 30, 2020 | | December 31, 2019 | |
|--|--------------------|----|-------------------|----|
| | TRY | FC | TRY | FC |
| From Domestic Banks and Institutions | 2,335 | - | 6,547 | - |
| From Foreign Banks, Institutions and Funds | - | - | - | - |
| Total | 2,335 | - | 6,547 | - |

- b) Maturity analysis of borrowings:

| | September 30, 2020 | | December 31, 2019 | |
|----------------------|--------------------|----|-------------------|----|
| | TRY | FC | TRY | FC |
| Short-term | 2,335 | - | 6,547 | - |
| Medium and long-term | - | - | - | - |
| Total | 2,335 | - | 6,547 | - |

- c) Additional explanations related to the concentrations of the Bank's major liabilities:

Bank diversifies its funding resources by customer deposits and domestic borrowings. 51% of bank deposits and 55% of other deposits are denominated in foreign currencies.

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II. Explanations and Disclosures Related to the Liabilities (continued)

4. Information on funds provided from repurchase agreement transactions: None.

5. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:

None.

6. Explanations on lease obligations (Net):

a) The general explanations on criteria used in determining instalments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, instalments are based on useful life, usage periods and provisions of the Tax Procedural Code.

b) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. In 2020, operational lease expenses amounting to TRY 5,585 have been recorded in the profit and loss accounts. The lease periods vary between 5 and 10 years (December 31, 2019: TRY 6,738).

c) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

7. Information on derivative financial liabilities for hedging purposes:

None.

8. Information on provisions:

a) Information on general provisions: None.

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: None (December 31, 2019: None.)

c) The specific provisions of TRY 91,348 were provided for unindemnified non-cash loans. (December 31, 2019: TRY 88,048)

d) Information on employee termination benefits and unused vacation accrual:

The Bank has calculated the reserve for employee termination benefits by using actuarial valuation methods as set out in the TAS No: 19 and reflected this in the financial statements.

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II. Explanations and Disclosures Related to the Liabilities (continued)

8. Information on provisions (continued)

d) Information on employee termination benefits and unused vacation accrual (continued):

d.1) Table of provision for employee of benefits:

| | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Employee termination benefit provision | 12,171 | 9,914 |
| Unused vacation provision | 3,305 | 2,713 |
| Total of provision for employee benefits | 15,476 | 12,627 |

In accordance with TAS 19 “Turkish Accounting Standard on Employee Benefits”; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement. According to communique numbered 28585 dated March 12, 2013 published in Turkish Trade Registry Gazette, as per TAS 19 actuarial gain that is recorded under shareholders’ equity amounting to TRY 662 as of September 30, 2020 (December 31, 2019: TRY 1,691 gain).

e) Information on other provisions:

e.1) Provisions for possible losses: None.

e.2) The breakdown of the sub accounts if other provisions exceed 10% of the grand total of provisions:

| | September 30, 2020 | December 31, 2019 |
|---|---------------------------|--------------------------|
| Provisions provided for unindemnified noncash loans | 91,348 | 88,048 |
| Other provisions (*) | 21,013 | 23,488 |
| Total | 112,361 | 111,536 |

(*) Other provisions include TRY 438 of bonus provisions, TRY 9,786 of litigation provisions, TRY 1,949 of non-litigation provisions and TRY 8,840 of other provisions. (December 31, 2019: TRY 438 of bonus provisions, TRY 6,784 of litigation provisions, TRY 7,133 of non-litigation provisions, TRY 9,133 of other provisions).

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II. Explanations and Disclosures Related to the Liabilities (continued)

9. Explanations on taxes payable:

a) Information on current tax liability:

a.1) As of September 30, 2020, the bank has no remaining tax liability/asset after prepaid taxes are netted off (December 31, 2019: None).

a.2) Explanations on taxes payable:

| | September 30, 2020 | December 31, 2019 |
|-------------------------|--------------------|-------------------|
| BITT | 1,062 | 1,380 |
| Taxation on Securities | 1,606 | 4,251 |
| Payroll Tax | 1,169 | 1,140 |
| Property Tax | 302 | 610 |
| Value Added Tax Payable | 672 | 588 |
| Stamp Tax | 36 | 35 |
| Corporate Tax Payable | - | - |
| Other | 249 | 783 |
| Total | 5,096 | 8,787 |

a.3) Information on premiums:

| | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Social Security Premiums-Employer | 808 | 779 |
| Social Security Premiums-Employee | 511 | 491 |
| Bank Social Aid Pension Fund Premium-Employer | 68 | 64 |
| Bank Social Aid Pension Fund Premium-Employee | 34 | 33 |
| Pension Fund Membership Fees and Provisions-Employee | - | - |
| Pension Fund Membership Fees and Provisions-Employer | - | - |
| Unemployment Insurance-Employee | - | - |
| Unemployment Insurance-Employer | - | - |
| Other | - | - |
| Total | 1,421 | 1,367 |

b) Explanations on deferred tax liabilities, if any: None.

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II. Explanations and Disclosures Related to the Liabilities (continued)

10. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

As of September 30, 2020 the nominal value of the Bank's capital is amounting to TRY 1 Billion and consists of 10,000 million shares

| | September 30, 2020 | December 31, 2019 |
|------------------|---------------------------|--------------------------|
| Common stock (*) | 1,000,000 | 650,000 |
| Preferred stock | - | - |

(*) Nominal Capital

- b) The Bank does not apply registered share capital system.
- c) Information on share capital increases' their sources and other information on increased capital shares in the current period: Explained in a) section.
- d) Information on share capital increases from revaluation funds in the current period: None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.
- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored by the Financial Reporting Department and reported to the Board of Directors, Asset and Liability Committee. Risk Management tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank's future interest income via simulations of net interest income and scenario analysis.

- g) Information on preferred shares: None.
- h) Information on marketable securities value increase fund: None.

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III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

| | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| Loan granting commitments | 1,455 | 1,478 |
| Payment commitments for checks | 19,841 | 26,077 |
| Forward asset purchase and sales commitments | 72,675 | 1,856 |
| Other irrevocable commitments | - | - |
| Total | 93,971 | 29,411 |

b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit

b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letters of credits:

| | September 30, 2020 | December 31, 2019 |
|----------------------------------|--------------------|-------------------|
| Bank acceptance loans | - | - |
| Letters of credit | 45,003 | 30,580 |
| Other guarantees and collaterals | 482,240 | 468,383 |
| Total | 527,243 | 498,963 |

b.2) Guarantees, suretyships, and similar transactions:

| | September 30, 2020 | December 31, 2019 |
|--------------------------------|--------------------|-------------------|
| Definite letter of guarantees | 461,232 | 679,558 |
| Temporary letter of guarantees | 9,767 | 23,233 |
| Other letter of guarantees | 108,226 | 121,729 |
| Total | 579,225 | 824,520 |

c) Total amount of non-cash loans:

| | September 30, 2020 | December 31, 2019 |
|---|--------------------|-------------------|
| Non-cash loans given against achieving cash loans | 37,806 | 65,944 |
| With maturity of 1 year or less than 1 year | - | 27,107 |
| With maturity of more than 1 year | 37,806 | 38,837 |
| Other non-cash loans | 1,068,662 | 1,257,539 |
| Total | 1,106,468 | 1,323,483 |

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IV. Explanations and Disclosures Related to the Statement of Income**1. a) Information on interest on loans:**

| | September 30, 2020 | | September 30, 2019 | |
|----------------------------------|--------------------|---------------|--------------------|---------------|
| | TRY | FC | TRY | FC |
| Interest on loans (*) | | | | |
| Short term loans | 61,850 | 7,086 | 108,539 | 11,331 |
| Medium and long term loans | 25,346 | 11,291 | 44,779 | 10,023 |
| Interest on non-performing loans | 56,084 | - | 62,573 | - |
| Total | 143,280 | 18,377 | 215,891 | 21,354 |

(*) Includes fees and commissions obtained from cash loans.

b) Information on interest received from banks:

| | September 30, 2020 | | September 30, 2019 | |
|---------------------------------|--------------------|--------------|--------------------|--------------|
| | TRY | FC | TRY | FC |
| The Central Bank of Turkey | - | - | - | 41 |
| Domestic banks | 3,479 | 2 | 292 | 105 |
| Foreign banks | - | 1,315 | - | 6,577 |
| Branches and head office abroad | - | - | - | - |
| Total | 3,479 | 1,317 | 292 | 6,723 |

c) Interest received from marketable securities portfolio:

| | September 30, 2020 | | September 30, 2019 | |
|---|--------------------|----------|--------------------|----------|
| | TRY | FC | TRY | FC |
| Assets available for sale | - | - | - | - |
| Assets held to maturity | - | - | - | - |
| Trading financial assets | - | - | - | - |
| Financial assets at fair value through profit and loss | 744 | - | - | - |
| Financial assets at fair value through other comprehensive income | 1,215 | 1 | - | - |
| Financial assets measured at amortized cost | 23,554 | - | 111,591 | - |
| Total | 25,513 | 1 | 111,591 | - |

d) Information on interest income received from associates and subsidiaries: None.

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IV. Explanations and Disclosures Related to the Statement of Income (continued)**2. a) Information on interest on funds borrowed:**

| Interest on funds borrowed (*) | September 30, 2020 | | September 30, 2019 | |
|---------------------------------|--------------------|----------|--------------------|-----------|
| | TRY | FC | TRY | FC |
| Banks | 367 | - | 365 | 91 |
| The Central Bank of Turkey | - | - | - | - |
| Domestic banks | 367 | - | 365 | 59 |
| Foreign banks | - | - | - | 32 |
| Branches and head office abroad | - | - | - | - |
| Other financial institutions | - | - | - | - |
| Total | 367 | - | 365 | 91 |

(*) Includes fees and commission expenses for borrowings.

b) **Information on interest expense to associates and subsidiaries:** None.c) **Information on interest expense to marketable securities issued:** None.d) **Distribution of interest expense on deposits based on maturity of deposits:**

| Account Name | September 30, 2020 | | | | | | | Accumulating Deposits | Total |
|---------------------------|--------------------|---------------|----------------|----------------|--------------|------------------|----------|-----------------------|-------|
| | Time Deposits | | | | | | | | |
| | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | | |
| TRY | | | | | | | | | |
| Bank deposits | - | - | - | - | - | - | - | - | |
| Saving deposits | - | 2,755 | 59,193 | 4,831 | 1,045 | 1,750 | - | 69,574 | |
| Public sector deposits | - | - | - | - | - | - | - | - | |
| Commercial deposits | - | 3,198 | 10,163 | 1,032 | 12 | 214 | - | 14,619 | |
| Other deposits | - | 77 | 915 | 55 | - | - | - | 1,047 | |
| 7 days call accounts | - | - | - | - | - | - | - | - | |
| Precious metal deposits | - | - | - | - | - | - | - | - | |
| Total | - | 6,030 | 70,271 | 5,918 | 1,057 | 1,964 | - | 85,240 | |
| Foreign Currency | | | | | | | | | |
| Foreign currency deposits | - | 622 | 11,082 | 753 | 146 | 33 | - | 12,636 | |
| Bank deposits | - | - | 263 | - | - | - | - | 263 | |
| 7 days call accounts | - | - | - | - | - | - | - | - | |
| Precious metal deposits | - | - | - | - | - | - | - | - | |
| Total | - | 622 | 11,345 | 753 | 146 | 33 | - | 12,899 | |
| Grand Total | - | 6,652 | 81,616 | 6,671 | 1,203 | 1,997 | - | 98,139 | |

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IV. Explanations and Disclosures Related to the Statement of Income (continued)**d) Distribution of interest expense on deposits based on maturity of deposits (continued):**

| September 30, 2019 | | | | | | | | |
|---------------------------|-----------------|---------------|----------------|----------------|---------------|------------------|-----------------------|----------------|
| Time Deposits | | | | | | | | |
| Account Name | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | Accumulating Deposits | Total |
| TRY | | | | | | | | |
| Bank deposits | - | 46 | - | - | - | - | - | 46 |
| Saving deposits | - | 7,870 | 175,561 | 25,151 | 10,916 | 4,361 | - | 223,859 |
| Public sector deposits | - | - | 103 | 889 | - | - | - | 992 |
| Commercial deposits | - | 9,436 | 50,954 | 7,488 | 580 | 542 | - | 69,000 |
| Other deposits | - | 224 | 6,812 | 137 | - | - | - | 7,173 |
| 7 days call accounts | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | - | 17,576 | 233,430 | 33,665 | 11,496 | 4,903 | - | 301,070 |
| Foreign Currency | | | | | | | | |
| Foreign currency deposits | - | 744 | 18,135 | 1,205 | 704 | 68 | - | 20,856 |
| Bank deposits | - | - | 37 | - | - | - | - | 37 |
| 7 days call accounts | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | - | 744 | 18,172 | 1,205 | 704 | 68 | - | 20,893 |
| Grand Total | - | 18,320 | 251,602 | 34,870 | 12,200 | 4,971 | - | 321,963 |

3. Information on Dividend Income: As of September 30, 2020 the dividend income amounts to TRY 37 (September 30, 2019: TRY 10).

4. Information on net trading income:

| | September 30, 2020 | September 30, 2019 |
|--|---------------------------|---------------------------|
| Income | 165,745 | 162,607 |
| Gains on capital market operations | 3,375 | - |
| Gains on derivative financial instruments | 41,361 | 22,784 |
| Foreign exchange gains | 121,009 | 139,823 |
| Losses (-) | (170,481) | (178,910) |
| Losses on capital market operations | (4,391) | (8,305) |
| Losses on derivative financial instruments | (3,382) | (41,264) |
| Foreign exchange losses | (162,708) | (129,341) |
| Total | (4,736) | (16,303) |

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

5. Information on other operating income:

| | September 30, 2020 | September 30, 2019 |
|---|--------------------|--------------------|
| Cancelled provisions for assets held for sale | 13,146 | - |
| Income of previous year | 4,062 | 1,092 |
| Income from sales of assets | 6,729 | 3,470 |
| Provisions for communication expense collected from customers | 104 | 42 |
| Provisions for expenditure collected from customers | 1 | 9 |
| Other | 553 | 843 |
| Total | 24,595 | 5,456 |

6. Provision for impairment of loans and other receivables:

| | September 30, 2020 | September 30, 2019 |
|--|-----------------------|-----------------------|
| Expected Credit Losses | (86,558) | 85,063 |
| <i>12 Month ECL (Stage 1)</i> | (8,821) | (5,687) |
| <i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i> | 19,751 | (12,384) |
| <i>Lifetime ECL Impaired Credits (Stage 3)</i> | (97,488) | 103,134 |
| Impairment Losses on Securities | - | - |
| Financial Assets Measured at Fair Value through Profit/Loss | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - |
| Impairment Losses on Associates, Subsidiaries and Joint-ventures | - | - |
| <i>Associates</i> | - | - |
| <i>Subsidiaries</i> | - | - |
| <i>Joint-ventures</i> | - | - |
| Other | - | - |
| Total | (86,558) | 85,063 |

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

7. Information on other operating expenses:

| | September 30, 2020 | September 30, 2019 |
|---|--------------------|--------------------|
| Provision for employee termination benefits | - | - |
| Taxes and duties | 8,105 | 4,170 |
| Bank social aid fund deficit provision | - | - |
| Impairment expenses of fixed assets | - | - |
| Depreciation expenses of fixed assets | 17,303 | 13,669 |
| Impairment expenses of intangible assets | - | - |
| Impairment expense of goodwill | - | - |
| Depreciation expenses of intangible assets | 2,182 | 3,392 |
| Impairment for investments accounted for under equity method | - | - |
| Impairment expenses of assets to be disposed | 1,659 | 2,596 |
| Depreciation expenses of assets to be disposed | 21 | 21 |
| Impairment expenses of assets held for sale and discontinued operations | - | - |
| Other operating expenses | 30,346 | 34,134 |
| Rent expenses | 48 | 202 |
| Maintenance expenses | 11,135 | 9,938 |
| Advertisement expenses | 682 | 287 |
| Other expenses (*) | 18,481 | 23,707 |
| Loss on sales of assets | 5,553 | 350 |
| Other (**) | 11,890 | 15,823 |
| Total | 77,059 | 74,155 |

(*) Included in other operating expenses; vehicle expenses are TRY 1,908, communication expenses are TRY 3,477, heating-lightening expenses are TRY 1,152, stationery expenses are TRY 222, cleaning expenses are TRY 721, non-deductible expenses are TRY 260, computer usage expenses are TRY 3,280, subcontractor company expenses are TRY 3,125, expertise expenses are TRY 580, common expenses are TRY 1,025, insurance expenses are TRY 1,074, representation expenses are TRY 492, other expenses are TRY 1,165 (September 30, 2019; vehicle expenses are TRY 4,401, communication expenses are TRY 4,467, heating-lightening expenses are TRY 1,365, stationery expenses are TRY 434, cleaning expenses are TRY 597, non-deductible expenses are TRY 131, computer usage expenses are TRY 3,371, subcontractor company expenses are TRY 3,211, expertise expenses are TRY 637, common expenses are TRY 1,356, insurance expenses are TRY 974, representation expenses are TRY 1,307 and other expenses are TRY 1,456).

(**) Included in other assurance and financial consultancy expenses are TRY 3,928, Saving Deposit Insurance Fund is TRY 2,676, other provisions are TRY 2,987 and other expenses are TRY 2,298 (September 30, 2019: assurance and financial consultancy expenses are TRY 2,629, Saving Deposit Insurance Fund is TRY 2,011, other expenses are TRY 10,140 and other provisions are TRY 1,043).

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

8. Information on tax provision for continued and discontinued operations:

As of September 30, 2020 the Bank has no current tax expense. (September 30, 2019: None). As of September 30, 2020 the bank has no deferred tax expense. (September 30, 2019: TRY 6,918 deferred tax expense).

| | September 30, 2020 | September 30, 2019 |
|---|---------------------------|---------------------------|
| Profit before tax | 65,971 | (175,949) |
| Tax calculated 22% | (14,514) | 38,709 |
| Deferred tax adjustment due to financial loss | 14,571 | (45,722) |
| Disallowable and exemptions, net | (57) | 95 |
| Tax Calculated | - | (6,918) |

9. The explanations on net income / loss for the period:

a) The nature amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the understanding of the Bank's performance for the period: None.

b) Financial Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.

c) Profit or loss attributable to minority shares: None.

Convenience Translation of Financial Statements and Report Originally Issued in Turkish)
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IV. Explanations and Disclosures Related to the Statement of Income (continued)

10. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

| | September 30, 2020 | September 30, 2019 |
|--|---------------------------|---------------------------|
| <u>Other fees and commissions received</u> | | |
| Expertise fees collected from customers | 497 | 606 |
| Transfer commissions | 118 | 12 |
| Insurance commission | 353 | 186 |
| Cheque expenses | 11 | 1 |
| Safe deposit box commissions | 14 | 8 |
| Information expenses | 55 | - |
| Bill of credit commissions | 2 | 10 |
| Letter of credit commissions | 2 | 2 |
| Credit card commissions and fees | 7 | 10 |
| Collection item commissions | 1 | 7 |
| Other banking operations income (*) | 486 | 1,136 |
| Total | 1,546 | 1,978 |

(*) Other banking operations income includes accounts such as bank operations income, collection expenses, loan expenses.

| | September 30, 2020 | September 30, 2019 |
|---|---------------------------|---------------------------|
| <u>Other fees and commissions given</u> | | |
| Commissions given to banks | 703 | 553 |
| EFT commissions | 117 | 104 |
| Bond exchange transaction fee | 132 | 57 |
| Transfer commissions | 77 | 63 |
| Settlement and custody commission | 94 | 41 |
| Credit card commissions | 98 | 72 |
| ATM commission | 6 | 6 |
| Other | 216 | 62 |
| Total | 1,443 | 958 |

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V. Explanations on the Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) September 30, 2020:

| Risk Group of The Bank | Subsidiaries, associates and jointly controlled entities | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|------------------------------------|--|----------|--|----------|---|----------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans and other receivables | | | | | | |
| Balance at beginning of period | - | - | 593 | 19,384 | 11,400 | 5,623 |
| Balance at end of period | - | - | 316 | 1,539 | 9,487 | 4,320 |
| Interest and commission income | - | - | - | - | 1,768 | 3 |

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contain foreign bank accounts amounting to TRY 316.

b) December 31, 2019:

| Risk Group of The Bank | Subsidiaries, associates and jointly controlled entities | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|------------------------------------|--|----------|--|----------|---|----------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans and other receivables | | | | | | |
| Balance at beginning of period | - | - | 53,163 | 48,693 | - | 3,014 |
| Balance at end of period | - | - | 593 | 19,384 | 11,400 | 5,623 |
| Interest and commission income (*) | - | - | - | - | - | 1 |

(*) Interest income and commission income are interest income for September 2019 respectively.

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 235.

c.1) Information on related party deposits balances:

| Risk Group of The Bank | Subsidiaries, associates and jointly controlled entities | | Direct and indirect shareholders of the Bank | | Other entities included in the risk group | |
|--------------------------------|--|-------------------|--|-------------------|---|-------------------|
| | September 30, 2020 | December 31, 2019 | September 30, 2020 | December 31, 2019 | September 30, 2020 | December 31, 2019 |
| Deposits | | | | | | |
| Balance at beginning of period | - | - | 3,543 | 999 | 8 | 709 |
| Balance at end of period | - | - | 1,679 | 3,543 | - | 8 |
| Interest on deposits (*) | - | - | - | - | - | - |

(*) Deposit interest rate is the interest expense for September 2019 period respectively.

In addition, the Bank has no "Funds Borrowed" used from risk group of the Bank (December 31, 2019: None) and there is no interest expense was incurred from funds borrowed in 2020 (September 30, 2019: None).

c.2) Information on forward and option agreements and other similar agreements made with related parties: None.

d) As of September 30, 2020, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 6,076 (September 30, 2019: TRY 9,205).

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V. Explanations on the Risk Group of the Bank (continued)

2. Disclosures for related parties:

- a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various commercial transactions with related parties.

- b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

| | Amount | % Compared to the Amounts in the Financial Statements |
|-----------------------------|---------------|--|
| Banks and other receivables | 316 | 0.08 |
| Borrowings | 9,487 | 0.84 |
| Non-cash loans | 5,858 | 0.52 |
| Deposits | 1,772 | 0.08 |

These transactions are priced in accordance with the general pricing policies of the Bank.

- c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: Explained in disclosure.b).
- d) Transactions accounted under the equity method: None.
- e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.45%. Details of these loans are explained in 1a above.

VI. Explanations and disclosures related to subsequent events

None.

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SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. Explanations on the Independent Auditor’s Review Report:

The unconsolidated financial statements of the Bank for the period ended September 30, 2020 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Deloitte Touche Tohmatsu Limited).

The independent auditor’s limited review report dated November 13, 2020 is presented preceding the unconsolidated financial statements

II. Other Footnotes and Explanations Prepared by Independent Auditors: None.

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SECTION SEVEN (*)

INFORMATION ON INTERIM ACTIVITY REPORT

Chairman's and General Manager's Message

Dear Shareholders ;

The COVID-19 pandemic which emerged in China, affected our country in March and declared as a "global pandemic" by the World Health Organization, came to the fore as the most important factor shaping the economic agenda in 2020. Turkey was one of the best country who control the pandemic and manage the process effectively and stepping into the normalization process quickly comparing with other countries.

Likewise, as Turklandbank, we became one of the banks that minimized the COVID-19 pandemic and its effects; by taking the relevant measures at the highest level.

During the COVID-19 pandemic, as the Bank, we quickly put into use our pre-determined practices to protect our employees and customers and to continue our banking activities without interruption.

We informed our employees quickly and closely monitored the health of both our employees and their families.

Despite all the negative effects of the COVID-19 pandemic; our bank announced a net profit of TRY 66 million in the 9 month period of 2020. As of September 30, 2020, our Bank's total assets were TRY 2.9 billion, net loans TRY 2 billion and deposits TRY 2.2 billion.

In the third quarter of 2020, our Bank's paid-in capital is increased from TRY 650 million to TRY 1 billion, and as of September 30, 2020, our total equity is at the level of TRY 527 million, while our Bank's capital adequacy ratio is 21.87%.

In the next period, we will continue to add value to all our stakeholders with the support of our strong main partners and our experienced management staff.

Changes in the Articles of Association during the period:

None.

Assessment of Financial Position:

In the third quarter period of 2020; assets of Turkland Bank A.Ş. reached 2,942 million TRY, loans reached 1,494 million TRY, guarantee and bills are 1,106 million TRY.

In the third quarter of 2020, securities portfolio reached 51 million TRY.

In the third quarter of 2020, deposit volume reached 2,170 million TRY.

In the third quarter of 2019, the Bank's net loss was 193 million TRY and in the third quarter of 2020 net profit was 66 million TRY.

Credit risk and capital adequacy

As of September 30, 2020 capital adequacy ratio of the Bank is 21.87% and above legal requirement which is 8%.

Non-performing loans in total loan portfolio is 43.27% and provision for non-performing loans is 49.10%.

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Information on Interim Activity Report (continued)

Summary Financial Highlights

| Thousand TRY | September 30, 2020 | December 31, 2019 |
|-------------------------------|-----------------------|-------------------|
| Total Assets | 2,942,462 | 3,900,559 |
| Loans (net) | 1,493,984 | 1,723,601 |
| Loans (gross) | 1,998,462 | 2,317,862 |
| Marketable Securities (Net) | 50,846 | 940,234 |
| Banks/Money Market Placements | 566,604 | 260,300 |
| Deposits | 2,170,169 | 3,105,091 |
| Borrowings | 2,335 | 6,547 |
| Equity | 527,319 | 112,378 |
| Commitments and Contingencies | 1,106,468 | 1,323,483 |

| Thousand TRY | September 30, 2020 | September 30, 2019 |
|-----------------------|-----------------------|--------------------|
| Net Interest Income | 82,236 | 26,505 |
| Net Commission Income | 17,108 | 20,303 |
| Profit Before Taxes | 65,971 | (186,244) |
| Net Profit | 65,971 | (193,162) |

Summary Financial Ratios (%)

| | September 30, 2020 | December 31, 2019 |
|--|-----------------------|-------------------|
| Capital Adequacy Ratio | 21.87 | 15.47 |
| Loans/Deposits | 68.84 | 55.51 |
| Loans/Total Assets | 50.77 | 44.19 |
| Liquid Assets/Total Assets | 20.65 | 7.77 |
| Non-performing Loans (net)/Total Loans (net) | 29.46 | 25.43 |
| Non-performing Loans (gross)/Total Loans (gross) | 43.27 | 41.71 |
| Non-performing Loans (net)/Total Assets | 14.96 | 11.24 |
| Expected Credit Losses/Non-performing Loans | 49.10 | 54.67 |

Turkland Bank at the end of the third quarter of 2020

T-Bank is presented in one of Turkey's leading financial and industrial centres with its 17 branch offices and a staff of 347 employees.

Determined to be a solution partner for its customers, T-Bank focuses on raising the quality of its services and products within the framework of its sustainable growth strategy. Thus, the Bank increases its satisfaction and loyalty rate every day and aims to provide its customers with a unique banking experience.

T-Bank manages to transform its effective and broad correspondent bank network in the Middle Eastern and North African region of its main shareholders into a competitive edge. The Bank also seeks to establish long-term relationships with banks that will add value to its services and further strengthen its financial structure.

(*) Amounts presented in Section Seven are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.