

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi**  
**Publicly Announced Unconsolidated Financial**  
**Statements, Related Disclosures and Independent**  
**Auditors' Report Thereon**  
**as of and for the Year Ended**  
**31 December 2021**

*(Convenience Translation of Financial Statements and Related  
Disclosures and Footnotes Originally Issued in Turkish)*



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Convenience Translation of the Independent Auditor's Report Originally Prepared  
and Issued in Turkish to English

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

**A) Report on the Audit of the Unconsolidated Financial Statements**

*Qualified Opinion*

We have audited the unconsolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2021 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis For Qualified Opinion section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

*Basis for Qualified Opinion*

As stated in Note 2.8.4 of Section Five, the accompanying unconsolidated financial statements as at 31 December 2021 include a general reserve of total of TL 7,500,000 thousands, of which TL 2,850,000 thousands was recognized as expense in the current period and TL 4,650,000 thousands had been recognized as expense in prior periods, which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.



We conducted our audit in accordance with the “Regulation on Independent Audit of the Banks” (“BRSA Auditing Regulation”) published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (including Independence Standards) (“POA’s Code of Ethics”) and the ethical requirements in the regulations issued by POA that are relevant to audit of unconsolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA’s Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

#### *Impairment of loans measured at amortised cost*

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost are presented in Section III, No: VIII of the unconsolidated financial statements.

<b><i>Key audit matter</i></b>	<b><i>How the matter is addressed in our audit</i></b>
<p>As of 31 December 2021, loans measured at amortised cost comprise 56% of the Bank’s total assets.</p> <p>The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the “Regulation”) published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard (“Standard”).</p> <p>The Bank applies the “expected credit loss model” in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Bank management annually.</p> <p>The significant assumptions and estimates of the Bank’s management are as follows:</p> <ul style="list-style-type: none"><li>- significant increase in credit risk;</li><li>- incorporating the forward-looking macroeconomic information in calculation of credit risk; and</li></ul>	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"><li>• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.</li><li>• We evaluated the Bank’s business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples.</li><li>• We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank’s impairment accounting policy compared with the Regulation and Standard.</li><li>• We evaluated the Banks’s business model and methodology and the evaluation of the calculations were carried</li></ul>

<p>- design and implementation of expected credit loss model.</p> <p>The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Bank calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions including the impact of COVID-19, the level of judgements and its complex structure as explained above.</p>	<p>out with the control testing and detailed analysis by the involvement of specialist.</p> <ul style="list-style-type: none"> <li>• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including the impact of COVID 19 on prospective information and macroeconomic variables.</li> <li>• We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis including the impact of COVID-19 on the assumptions and estimates.</li> <li>• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.</li> <li>• We assessed the macroeconomic models that are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li> <li>• We evaluated the qualitative and quantitative assessments, which are used in determining the significant increase in credit risk.</li> <li>• We also evaluated the adequacy of the unconsolidated financial statements disclosures related to impairment provisions.</li> </ul>
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*Measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)*

The details of accounting policies and significant judgements of measurement (the fair value hierarchy of financial instruments determined as Level 3) of financial instruments are presented in Section III, No: VII of the unconsolidated financial statements.

<b><i>Key audit matter</i></b>	<b><i>How the matter is addressed in our audit</i></b>
<p>The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9.</p> <p>The fair value of the loan classified as financial assets measured at fair value through profit or loss according to business model is determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used.</p> <p>Management assesses the significant unobservable inputs and uncertainties due to assumptions and estimates with the involvement of an independent valuation firm.</p> <p>The Bank has also financial liabilities (securitization loans) which are accounted by using the fair value option on the initial recognition in order to eliminate any accounting mismatch in accordance with TFRS 9.</p> <p>The fair value of the securitization loans which are accounted as financial liabilities measured at fair value through profit or loss are determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used.</p> <p>As mentioned above, the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) is determined as key audit matter considering high degree of judgements and assumptions.</p>	<p>Our procedures for testing the fair value hierarchy of the financial instruments (the fair value hierarchy of financial instruments determined as Level 3) included below:</p> <ul style="list-style-type: none"><li>• We evaluated the design and implementation of the controls that the Bank sets for the measurement of fair value of the relevant financial instruments.</li><li>• We assessed the policy of the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) based on TFRS 9 and compared with the requirements of TFRS 9.</li><li>• We involved our own valuation specialists to evaluate the significant unobservable inputs and assumptions used by the Bank for the fair value calculation of the related instruments.</li><li>• We also evaluated the adequacy of the unconsolidated financial statements disclosures related to the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).</li></ul>



## Pension plan

The details of accounting policies and significant judgements of pension plan are presented in Section III No: XVII of the unconsolidated financial statements.

<b><i>Key audit matter</i></b>	<b><i>How the matter was addressed in our audit</i></b>
<p>The Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Bank's employees are the members of this Fund.</p> <p>As disclosed in the Note 3.17 to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members.</p> <p>As of 31 December 2021, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377.</p> <p>As of 31 December 2021, the Bank's non-transferrable liabilities are also calculated by independent actuary in accordance with TAS 19 Employee Benefits Standard.</p> <p>The valuation of the Pension Fund liabilities requires judgement in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan.</p> <p>Management uses independent actuaries to assist in assessing the uncertainty around these assumptions.</p> <p>Considering the subjectivity of key judgements and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>Our procedures for auditing calculations of the management's pension plan liability included below:</p> <ul style="list-style-type: none"><li>• We evaluated the design and implementation of the controls that the Bank has set for the liability calculations related to the pension plan was tested.</li><li>• We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations.</li><li>• We evaluated the significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities.</li><li>• We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations.</li><li>• We evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.</li><li>• We evaluated the adequacy of the unconsolidated financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities.</li></ul>



### *Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements*

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

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

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

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

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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



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

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

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

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

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

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2021 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Murat Alsan, SMMM  
Partner

2 February 2022  
İstanbul, Turkey



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**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED FINANCIAL REPORT**  
**AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2021**

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

1. General Information about the Bank
2. Unconsolidated Financial Statements of the Bank
3. Disclosures Related to Accounting Policies Applied in the Related Period
4. Financial Position and Risk Management Applications of the Bank
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Other Disclosures and Footnotes
7. Independent Auditors' Report

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

**Süleyman Sözen**  
Board of Directors  
Chairman

**Recep Baştuğ**  
General Manager

**Aydın Güler**  
Executive Vice President  
Responsible of Financial  
Reporting

**Hakan Özdemir**  
Financial Reporting and  
Accounting Director

**Jorge Saenz - Azcunaga**  
**Carranza**  
Audit Committee Member

**Avni Aydın Düren**  
Audit Committee Member

**Belkıs Sema Yurdum**  
Audit Committee Member

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Director of Investor Relations  
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## **1 General Information**

### **1.1 History of the bank including its incorporation date, initial legal status, amendments to legal status**

Türkiye Garanti Bankası Anonim Şirketi (“the Bank”) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 as a “private bank” and its “Articles of Association” was issued in the Official Gazette dated 25 April 1946.

Following the acquisition on 27 July 2015, Banco Bilbao Vizcaya Argentaria SA (BBVA)’s stake in the Bank reached to 39.90% and BBVA become the main shareholder. Accordingly, the Bank was moved to the “Foreign Deposit Banks” category from the “Private Deposit Bank” category by the Banking Regulation and Supervision Agency (“the BRSA”).

The Bank provides banking services through 863 domestic branches, 8 foreign branches and 1 representative offices abroad (31 December 2020: 884 domestic branches, 8 foreign branches and 2 representative offices). The Bank’s head office is located in Istanbul.

### **1.2 Bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on bank’s risk group**

As of 31 December 2021, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (“the Group”) and it is the main shareholder.

On 22 March 2011, BBVA had acquired; 78.120.000.000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 representing 18.60% ownership, and 26.418.840.000 shares of the Bank owned by Doğuş Holding AŞ at a total nominal value of TL 264,188 representing 6.29% ownership. BBVA, purchasing 24.89% shares of the Bank, had joint control on the Bank’s management together with group of companies under Doğuş Holding AŞ (“the Doğuş Group”).

On 7 April 2011, BBVA had acquired 503.160.000 shares at a nominal value of TL 5,032 and increased its ownership in the Bank’s share capital to 25.01%.

In accordance with the terms of the agreement between BBVA and the Doğuş Group which was previously disclosed on 19 November 2014, the sale of shares representing 14.89% of the share capital of the Bank with a face value of TL 625,380 and 62.538.000.000 shares by the Doğuş Group to BBVA, was completed on 27 July 2015. Following the acquisition, BBVA’s stake in the Bank reached to 39.90% and BBVA became the main shareholder. The Bank was moved to “Foreign Deposit Banks” category from “Private Deposit Bank” category by the BRSA.

On 21 February 2017, BBVA agreed with Doğuş Group to acquire 41.790.000.000 shares at a nominal value of TL 417,900 representing 9.95% ownership and on 22 March 2017 in accordance with the terms of the agreements share transfer had been finalized. After the share transfer BBVA’s interest in the share capital of the Bank is at 49.85%.

#### **BBVA Group**

BBVA is operating for more than 160 years, providing variety of wide spread financial and non-financial services to 80 million retail and commercial customers.

The Group's headquarter is in Spain, where the Group has concrete leadership in retail and commercial markets. BBVA adopting innovative, and customer and community oriented management style, besides banking, operates in insurance sector in Europe and portfolio management, private banking and investment banking in global markets.

BBVA which is the largest financial institution in Mexico and also the market leader in South America, operates in more than 25 countries with more than 113 thousand employees.

### 1.3 Information on the bank's Board of Directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and shareholdings in the bank

#### Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Chairman	29.05.1997	University	41 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	29 years
Recep Baştuğ	Member and CEO	06.09.2019	University	32 years
Sait Ergun Özen	Member	14.05.2003	University	35 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	34 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	30 years
Pablo Pastor Munoz	Member	31.03.2021	Master	30 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	31 years
Belkıs Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	41 years
Avni Aydın Düren	Independent Member and Member of Audit Committee	17.06.2020	Master	30 years
Mevhibe Canan Özsoy	Independent Member	04.04.2019	Master	33 years

#### CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Recep Baştuğ	CEO	06.09.2019	University	32 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	30 years
Betül Ebru Edin	EVP-Corporate, Investment Banking and Global Markets	25.11.2009	University	28 years
Işıl Akdemir Evlioğlu	EVP- Customer Solutions and Digital Banking	01.03.2020	Master	16 years
Cemal Onaran	EVP-Commercial Banking	17.01.2017	University	31 years
Didem Başer	EVP- Talent and Culture	01.03.2020	Master	27 years
Aydın Güler	EVP- Finance and Treasury	03.02.2016	University	31 years
Murat Atay	Head of Credit Risk Management	01.01.2021	PhD	28 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	22 years
Sibel Kaya	EVP- SME Banking	02.02.2021	University	24 years

The top management listed above does not hold any material unquoted shares of the Bank.

#### **1.4 Information on the Bank's qualified shareholders**

<b>Name / Company</b>	<b>Shares</b>	<b>Ownership</b>	<b>Paid-in Capital</b>	<b>Unpaid Portion</b>
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

#### **1.5 Summary information on the Bank's activities and services**

Activities of the Bank as stated at the third clause of its Articles of Association are as follows:

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law,
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by Turkish government and other official and private institutions on the condition that completion of the necessary approvals and permits by Capital Markets Board of Turkey,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than those stated above to be of benefit to the Bank, it is recommended in the general meeting, and the launching of the related project depends on the decision taken during the General Assembly which results in a change in the Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. Deposits are the main sources of the lending to the customers. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

#### **1.6 Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its subsidiaries**

None.

## 2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

### Türkiye Garanti Bankası Anonim Şirketi Balance Sheet (Statement of Financial Position) At 31 December 2021

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD 31 December 2021			PRIOR PERIOD 31 December 2020		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>96,070,689</b>	<b>172,989,187</b>	<b>269,059,876</b>	<b>40,531,365</b>	<b>87,439,392</b>	<b>127,970,757</b>
1.1	Cash and Cash Equivalents	5.1.1	44,568,492	155,920,012	200,488,504	15,068,077	69,609,157	84,677,234
1.1.1	Cash and Balances with Central Bank		13,530,186	109,582,964	123,113,150	6,997,122	48,169,467	55,166,589
1.1.2	Banks		666,522	43,494,704	44,161,226	254,194	21,429,215	21,683,409
1.1.3	Money Market Placements		30,486,557	2,964,602	33,451,159	8,003,922	239,378	8,243,300
1.1.4	Expected Credit Losses (-)		114,773	122,258	237,031	187,161	228,903	416,064
1.2	Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.1.2	853,972	5,416,191	6,270,163	578,558	6,929,395	7,507,953
1.2.1	Government Securities		815,868	380,110	1,195,978	518,067	2,077,532	2,595,599
1.2.2	Equity Securities		37,263	99,701	136,964	29,086	54,021	83,107
1.2.3	Other Financial Assets		841	4,936,380	4,937,221	31,405	4,797,842	4,829,247
1.3	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	5.1.3	35,382,397	9,393,760	44,776,157	22,424,484	8,933,994	31,358,478
1.3.1	Government Securities		35,311,746	8,963,970	44,275,716	22,255,104	8,691,269	30,946,373
1.3.2	Equity Securities		70,651	429,790	500,441	58,305	242,725	301,030
1.3.3	Other Financial Assets		-	-	-	111,075	-	111,075
1.4	Derivative Financial Assets	5.1.4	15,265,828	2,259,224	17,525,052	2,460,246	1,966,846	4,427,092
1.4.1	Derivative Financial Assets Measured at FVTPL		14,519,162	2,175,921	16,695,083	2,013,085	1,966,846	3,979,931
1.4.2	Derivative Financial Assets Measured at FVOCI		746,666	83,303	829,969	447,161	-	447,161
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTIZED COST</b>		<b>286,850,108</b>	<b>153,233,623</b>	<b>440,083,731</b>	<b>227,790,391</b>	<b>102,188,728</b>	<b>329,979,119</b>
2.1	Loans	5.1.5	273,785,070	151,069,530	424,854,600	215,622,779	99,461,744	315,084,523
2.2	Lease Receivables	5.1.6	-	-	-	-	-	-
2.3	Other Financial Assets Measured at Amortised Cost	5.1.7	22,748,762	19,276,562	42,025,324	22,653,295	11,687,924	34,341,219
2.3.1	Government Securities		22,714,693	17,247,652	39,962,345	22,619,714	10,541,868	33,161,582
2.3.2	Other Financial Assets		34,069	2,028,910	2,062,979	33,581	1,146,056	1,179,637
2.4	Expected Credit Losses (-)		9,683,724	17,112,469	26,796,193	10,485,683	8,960,940	19,446,623
<b>III.</b>	<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.1.8	<b>532,647</b>	<b>-</b>	<b>532,647</b>	<b>768,033</b>	<b>-</b>	<b>768,033</b>
3.1	Asset Held for Resale		532,647	-	532,647	768,033	-	768,033
3.2	Assets of Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>4,521,273</b>	<b>14,370,593</b>	<b>18,891,866</b>	<b>3,436,942</b>	<b>7,980,844</b>	<b>11,417,786</b>
4.1	Associates (Net)	5.1.9	47,221	-	47,221	45,780	-	45,780
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		47,221	-	47,221	45,780	-	45,780
4.2	Subsidiaries (Net)	5.1.10	4,474,052	14,370,593	18,844,645	3,391,162	7,980,844	11,372,006
4.2.1	Unconsolidated Financial Investments in Subsidiaries		4,456,705	14,370,593	18,827,298	3,287,142	7,980,844	11,267,986
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		17,347	-	17,347	104,020	-	104,020
4.3	Joint Ventures (Net)	5.1.11	-	-	-	-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	5.1.12	<b>5,194,595</b>	<b>346</b>	<b>5,194,941</b>	<b>5,319,194</b>	<b>267</b>	<b>5,319,461</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	5.1.13	<b>771,668</b>	<b>-</b>	<b>771,668</b>	<b>454,552</b>	<b>-</b>	<b>454,552</b>
6.1	Goodwill		-	-	-	-	-	-
6.2	Others		771,668	-	771,668	454,552	-	454,552
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	5.1.14	<b>814,148</b>	<b>-</b>	<b>814,148</b>	<b>704,701</b>	<b>-</b>	<b>704,701</b>
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	5.1.15	<b>4,226,924</b>	<b>-</b>	<b>4,226,924</b>	<b>3,509,508</b>	<b>-</b>	<b>3,509,508</b>
<b>X.</b>	<b>OTHER ASSETS (Net)</b>	5.1.16	<b>12,017,769</b>	<b>6,208,293</b>	<b>18,226,062</b>	<b>8,036,017</b>	<b>4,637,886</b>	<b>12,673,903</b>
<b>TOTAL ASSETS</b>			<b>410,999,821</b>	<b>346,802,042</b>	<b>757,801,863</b>	<b>290,550,703</b>	<b>202,247,117</b>	<b>492,797,820</b>

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

**Türkiye Garanti Bankası Anonim Şirketi**  
**Balance Sheet (Statement of Financial Position)**  
**At 31 December 2021**

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 December 2021			PRIOR PERIOD 31 December 2020		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	5.2.1	180,483,956	332,755,601	513,239,557	143,602,381	177,909,214	321,511,595
<b>II. FUNDS BORROWED</b>	5.2.2	1,119,813	35,693,426	36,813,239	1,558,595	23,879,846	25,438,441
<b>III. MONEY MARKET FUNDS</b>	5.2.3	7,402,927	2,226,671	9,629,598	71,830	-	71,830
<b>IV. SECURITIES ISSUED (NET)</b>	5.2.4	5,346,082	16,496,903	21,842,985	6,088,978	12,901,692	18,990,670
4.1 Bills		4,089,879	-	4,089,879	4,661,251	-	4,661,251
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		1,256,203	16,496,903	17,753,106	1,427,727	12,901,692	14,329,419
<b>V. FUNDS</b>		-	-	-	-	-	-
5.1 Borrowers' Funds		-	-	-	-	-	-
5.2 Others		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES MEASURED AT FVTPL</b>	5.2.5	-	24,035,836	24,035,836	-	15,980,865	15,980,865
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	5.2.6	6,938,591	6,024,155	12,962,746	4,310,977	4,033,168	8,344,145
7.1 Derivative Financial Liabilities Measured at FVTPL		6,897,380	5,784,248	12,681,628	4,250,654	3,798,190	8,048,844
7.2 Derivative Financial Liabilities Measured at FVOCI		41,211	239,907	281,118	60,323	234,978	295,301
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE PAYABLES (Net)</b>	5.2.7	778,439	77,661	856,100	830,788	42,233	873,021
<b>X. PROVISIONS</b>	5.2.8	4,082,854	8,957,984	13,040,838	5,985,404	3,065,706	9,051,110
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1,727,204	98,603	1,825,807	1,223,831	110,082	1,333,913
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		2,355,650	8,859,381	11,215,031	4,761,573	2,955,624	7,717,197
<b>XI. CURRENT TAX LIABILITY</b>	5.2.9	2,587,170	69,205	2,656,375	2,132,278	31,882	2,164,160
<b>XII. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.2.10	-	-	-	-	-	-
13.1 Asset Held for Sale		-	-	-	-	-	-
13.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBTS</b>	5.2.11	1,030,662	9,880,843	10,911,505	1,029,532	5,569,437	6,598,969
14.1 Borrowings		-	-	-	-	-	-
14.2 Other Debt Instruments		1,030,662	9,880,843	10,911,505	1,029,532	5,569,437	6,598,969
<b>XV. OTHER LIABILITIES</b>	5.2.12	28,966,245	3,943,869	32,910,114	18,337,471	3,353,820	21,691,291
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.2.13	79,210,893	(307,923)	78,902,970	61,783,033	298,690	62,081,723
16.1 Paid-in Capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital Reserves		784,434	-	784,434	784,434	-	784,434
16.2.1 Share Premium		11,880	-	11,880	11,880	-	11,880
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		772,554	-	772,554	772,554	-	772,554
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,531,823	191,105	1,722,928	1,487,187	114,358	1,601,545
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		8,563,003	(773,063)	7,789,940	3,745,069	(85,252)	3,659,817
16.5 Profit Reserves		51,045,044	274,035	51,319,079	45,131,892	269,584	45,401,476
16.5.1 Legal Reserves		1,506,754	-	1,506,754	1,465,374	-	1,465,374
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		49,269,359	-	49,269,359	43,428,505	-	43,428,505
16.5.4 Other Profit Reserves		268,931	274,035	542,966	238,013	269,584	507,597
16.6 Profit/Loss		13,086,589	-	13,086,589	6,434,451	-	6,434,451
16.6.1 Prior Periods' Profit/Loss		13,283	-	13,283	196,448	-	196,448
16.6.2 Current Period's Net Profit/Loss		13,073,306	-	13,073,306	6,238,003	-	6,238,003
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>317,947,632</b>	<b>439,854,231</b>	<b>757,801,863</b>	<b>245,731,267</b>	<b>247,066,553</b>	<b>492,797,820</b>

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





## Türkiye Garanti Bankası Anonim Şirketi

### Statement of Profit or Loss

For the year ended at 31 December 2021

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2021- 31 December 2021	PRIOR PERIOD 1 January 2020- 31 December 2020
<b>I. INTEREST INCOME</b>	<b>5.4.1</b>	<b>57,098,598</b>	<b>37,228,620</b>
1.1 Interest income on loans		43,601,675	29,565,695
1.2 Interest income on reserve deposits		905,980	81,711
1.3 Interest income on banks		48,309	120,838
1.4 Interest income on money market transactions		2,048,774	740,204
1.5 Interest income on securities portfolio		10,011,018	6,404,166
1.5.1 Financial assets measured at FVTPL		122,139	117,865
1.5.2 Financial assets measured at FVOCI		5,352,011	2,995,164
1.5.3 Financial assets measured at amortised cost		4,536,868	3,291,137
1.6 Financial lease income		-	-
1.7 Other interest income		482,842	316,006
<b>II. INTEREST EXPENSE</b>	<b>5.4.2</b>	<b>23,458,604</b>	<b>13,460,416</b>
2.1 Interest on deposits		19,454,116	9,265,731
2.2 Interest on funds borrowed		1,424,479	1,501,682
2.3 Interest on money market transactions		145,284	239,660
2.4 Interest on securities issued		2,256,289	1,903,586
2.5 Lease interest expense		122,903	129,771
2.6 Other interest expenses		55,533	419,986
<b>III. NET INTEREST INCOME (I - II)</b>		<b>33,639,994</b>	<b>23,768,204</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>	<b>5.4.12</b>	<b>8,500,819</b>	<b>5,978,016</b>
4.1 Fees and commissions received		11,570,828	7,550,842
4.1.1 Non-cash loans		947,895	714,449
4.1.2 Others		10,622,933	6,836,393
4.2 Fees and commissions paid		3,070,009	1,572,826
4.2.1 Non-cash loans		2,575	1,943
4.2.2 Others		3,067,434	1,570,883
<b>V. DIVIDEND INCOME</b>	<b>5.4.3</b>	<b>129,389</b>	<b>18,994</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>	<b>5.4.4</b>	<b>3,838,000</b>	<b>181,487</b>
6.1 Trading account income/losses		2,661,814	625,177
6.2 Income/losses from derivative financial instruments		(5,359,351)	(6,385,074)
6.3 Foreign exchange gains/losses		6,535,537	5,941,384
<b>VII. OTHER OPERATING INCOME</b>	<b>5.4.5</b>	<b>8,979,697</b>	<b>4,567,722</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>55,087,899</b>	<b>34,514,423</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>5.4.6</b>	<b>19,527,693</b>	<b>13,394,295</b>
<b>X. OTHER PROVISIONS (-)</b>	<b>5.4.6</b>	<b>7,491,601</b>	<b>3,766,103</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>5,060,739</b>	<b>3,706,612</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>5.4.7</b>	<b>7,612,243</b>	<b>6,331,031</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>15,395,623</b>	<b>7,316,382</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>1,909,194</b>	<b>1,323,028</b>
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)</b>	<b>5.4.8</b>	<b>17,304,817</b>	<b>8,639,410</b>
<b>XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)</b>	<b>5.4.9</b>	<b>4,231,511</b>	<b>2,401,407</b>
18.1 Current tax charge		4,639,274	4,168,731
18.2 Deferred tax charge (+)		3,011,260	288,613
18.3 Deferred tax credit (-)		(3,419,023)	(2,055,937)
<b>XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)</b>	<b>5.4.10</b>	<b>13,073,306</b>	<b>6,238,003</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
20.1 Income from assets held for sale		-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3 Others		-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Expenses on assets held for sale		-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3 Others		-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)</b>	<b>5.4.8</b>	-	-
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	<b>5.4.9</b>	-	-
23.1 Current tax charge		-	-
23.2 Deferred tax charge (+)		-	-
23.3 Deferred tax credit (-)		-	-
<b>XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)</b>	<b>5.4.10</b>	-	-
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>5.4.11</b>	<b>13,073,306</b>	<b>6,238,003</b>
<b>Earnings per Share</b>		<b>0.03113</b>	<b>0.01485</b>

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

*(Convenience Translation of Financial Statements Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended at 31 December 2021**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2021 - 31 December 2021	PRIOR PERIOD 1 January 2020 - 31 December 2020
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>13,073,306</b>	<b>6,238,003</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>4,264,789</b>	<b>2,006,291</b>
<b>2.1</b>	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>134,666</b>	<b>254,828</b>
2.1.1	Revaluation Surplus on Tangible Assets	(5,519)	406,692
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(144,331)	(158,177)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	256,419	51,220
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	28,097	(44,907)
<b>2.2</b>	<b>Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>4,130,123</b>	<b>1,751,463</b>
2.2.1	Translation Differences	5,399,204	2,025,712
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	547,991	328,433
2.2.3	Gains/losses from Cash Flow Hedges	724,972	223,145
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(2,733,139)	(968,059)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	(88,563)	55,553
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	279,658	86,679
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>17,338,095</b>	<b>8,244,294</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi**  
**Statement of Changes in Shareholders' Equity**  
**For the year ended at 31 December 2021**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)														
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	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				Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
						Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Foreign Currency Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others					
<b>PRIOR PERIOD</b> (01/01/2020-31/12/2020)																
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,423,653	(171,396)	217,096	3,360,170	(414,286)	(963,718)	39,170,872	6,158,841	-	53,765,666	
II. Correction made as per TAS 8		-	-	-	-	-	-	73,812	-	204,386	(278,198)	-	-	-	-	
2.1. Effect of Corrections		-	-	-	-	-	-	73,812	-	204,386	(278,198)	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Balances at Beginning of Period (I+II)	5.5	4,200,000	11,880	-	772,554	1,423,653	(171,396)	290,908	3,360,170	(209,900)	(1,241,916)	39,170,872	6,158,841	-	53,765,666	
IV. Total Comprehensive Income		-	-	-	-	314,078	(126,541)	(129,157)	2,025,712	268,644	(542,893)	-	196,448	6,238,003	8,244,294	
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. Others Changes		-	-	-	-	-	-	-	-	-	-	71,763	-	-	71,763	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	6,158,841	(6,158,841)	-	-	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	6,153,404	(6,153,404)	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	5,437	(5,437)	-	-	
Balances at end of the period (III+IV+...+X+XI)		4,200,000	11,880	-	772,554	1,737,731	(297,937)	161,751	5,385,882	58,744	(1,784,809)	45,401,476	196,448	6,238,003	62,081,723	
<b>CURRENT PERIOD</b> (01/01/2021-31/12/2021)																
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,737,731	(297,937)	161,751	5,385,882	58,744	(1,784,809)	45,401,476	6,434,451	-	62,081,723	
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)	5.5	4,200,000	11,880	-	772,554	1,737,731	(297,937)	161,751	5,385,882	58,744	(1,784,809)	45,401,476	6,434,451	-	62,081,723	
IV. Total Comprehensive Income		-	-	-	-	(17,879)	(115,464)	254,726	5,399,204	431,931	(1,701,012)	196,448	(183,165)	13,073,306	17,338,095	
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. Others Changes		-	-	-	-	-	-	-	-	-	-	106,952	-	-	106,952	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	5,614,203	(6,238,003)	-	(623,800)	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	(623,800)	-	(623,800)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,578,998	(5,578,998)	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	35,205	(35,205)	-	-	
Balances at end of the period (III+IV+...+X+XI)		4,200,000	11,880	-	772,554	1,719,852	(413,401)	416,477	10,785,086	490,675	(3,485,821)	51,319,079	13,283	13,073,306	78,902,970	

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

## Türkiye Garanti Bankası Anonim Şirketi

### Statement of Cash Flows

For the year ended at 31 December 2021

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2021 31 December 2021	1 January 2020 31 December 2020
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>5.6</b>	<b>(3,676,210)</b>	<b>21,903,644</b>
1.1.1 Interests received		49,702,105	35,603,486
1.1.2 Interests paid		(21,943,198)	(13,545,207)
1.1.3 Dividend received		129,389	18,994
1.1.4 Fees and commissions received		11,570,828	7,550,842
1.1.5 Other income		8,979,697	4,567,722
1.1.6 Collections from previously written-off receivables		1,062,228	682,228
1.1.7 Cash payments to personnel and service suppliers		(11,299,203)	(8,774,218)
1.1.8 Taxes paid		(4,147,059)	(3,138,121)
1.1.9 Others		(37,730,997)	(1,062,082)
<b>1.2 Changes in operating assets and liabilities</b>	<b>5.6</b>	<b>43,214,434</b>	<b>(11,841,125)</b>
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		1,216,932	(2,366,093)
1.2.2 Net (increase) decrease in due from banks		(47,132,282)	(9,256,057)
1.2.3 Net (increase) decrease in loans		(120,713,101)	(72,839,433)
1.2.4 Net (increase) decrease in other assets		(8,996,802)	(631,812)
1.2.5 Net increase (decrease) in bank deposits		1,220,440	(1,576,516)
1.2.6 Net increase (decrease) in other deposits		188,435,071	74,469,494
1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL		-	-
1.2.8 Net increase (decrease) in funds borrowed		18,399,985	(5,699,027)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		10,784,191	6,058,319
<b>I. Net cash flow from banking operations</b>	<b>5.6</b>	<b>39,538,224</b>	<b>10,062,519</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>	<b>5.6</b>	<b>(7,145,259)</b>	<b>(10,394,002)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(547,840)	(6,921)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(928,263)	(1,174,989)
2.4 Sales of tangible assets		523,254	576,962
2.5 Cash paid for purchase of financial assets measured at FVOCI		(25,232,925)	(18,348,400)
2.6 Cash obtained from sale of financial assets measured at FVOCI		15,602,890	12,608,994
2.7 Cash paid for purchase of financial assets measured at amortised cost		(538,393)	(7,300,654)
2.8 Cash obtained from sale of financial assets measured at amortised cost		3,976,018	3,251,006
2.9 Others		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>	<b>5.6</b>	<b>15,568,800</b>	<b>9,990,435</b>
3.1 Cash obtained from funds borrowed and securities issued		31,770,884	30,999,656
3.2 Cash used for repayment of funds borrowed and securities issued		(15,330,594)	(20,554,258)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(623,800)	-
3.5 Payments for financial leases		(247,690)	(454,963)
3.6 Others		-	-
<b>IV. Effect of translation differences on cash and cash equivalents</b>	<b>5.6</b>	<b>20,554,848</b>	<b>2,345,379</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	<b>5.6</b>	<b>68,516,613</b>	<b>12,004,331</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	<b>5.6</b>	<b>49,479,756</b>	<b>37,475,425</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	<b>5.6</b>	<b>117,996,369</b>	<b>49,479,756</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

## Türkiye Garanti Bankası Anonim Şirketi

### Statement of Profit Distribution

For The Year Ended 31 December 2021

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (*)	PRIOR PERIOD
		31 December 2021	31 December 2020
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1	CURRENT PERIOD PROFIT	17,304,817	8,639,410
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	4,231,511	2,401,407
1.2.1	Corporate tax (income tax)	4,231,511	2,401,407
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
<b>A.</b>	<b>NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>13,073,306</b>	<b>6,238,003</b>
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	35,205
<b>B.</b>	<b>NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>6,202,798</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	210,000
1.6.1	To owners of ordinary shares	-	210,000
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	413,800
1.9.1	To owners of ordinary shares	-	413,800
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of redeemed shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	STATUS RESERVES (-)	-	-
1.11	EXTRAORDINARY RESERVES	-	5,578,998
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	APPROPRIATED RESERVES	-	-
2.2	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1	To owners of ordinary shares	-	-
2.2.2	To owners of privileged shares	-	-
2.2.3	To owners of redeemed shares	-	-
2.2.4	To profit sharing bonds	-	-
2.2.5	To holders of profit and loss sharing certificates	-	-
2.3	DIVIDENDS TO PERSONNEL (-)	-	-
2.4	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	TO OWNERS OF ORDINARY SHARES	0.03113	0.01485
3.2	TO OWNERS OF ORDINARY SHARES (%)	311.27	148.52
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(\*) Decision regarding the 2021 profit distribution will be held at General Assembly meeting.

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

### **3 Accounting Policies**

#### **3.1 Basis of presentation**

The Bank prepares its financial statements in accordance with the Banking Regulation and Supervision Authority (“BRSA”) Accounting and Reporting Regulation which includes 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 Financial Reporting Standards (“TFRS”) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, real estates and subsidiaries accounted based on equity method.

Prepared in accordance with the “Communiqué amending the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 No. 30673.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes from 3.2 to 3.28.

##### **3.1.1 Changes in accounting policies and disclosures**

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2021 have no material effect on the financial statements, financial performance and on the Bank’s accounting policies. New and revised Turkish Accounting Standards issued but not yet effective as of the finalization date of the financial statements have no material effect on the financial statements, financial performance and on the Bank’s accounting policies.

In addition, the Interest Rate Benchmark Reform - Phase 2, which amends in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021, was published in December 2020. With the modifications made, certain exceptions are provided for the basis used in the determination of contractual cash flows and hedge accounting implementations. The effects of the changes on the Bank’s financials have been evaluated and it has been concluded that there is no material impact. On the other hand, Interest Rate Benchmark Reform process is ongoing for certain indicators and the Bank’s studies continue within the scope of compliance with the changes.

According to the announcement made by Public Oversight Accounting and Auditing Standards Authority on 20 January 2022, due to the fact that cumulative change in the general purchasing power of the last 3 years was 74.41%; it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. Therefore, no inflation adjustment has been applied on the financial statements dated 31 December 2021 in accordance with TAS 29.

##### **3.1.2 Other**

A new type of coronavirus (COVID-19), first emerging in China, has been classified by the World Health Organization as a pandemic affecting countries globally. The COVID-19 outbreak not only affects economic conditions both regionally and globally, as it causes disruptions in operations, especially in countries that are exposed to the epidemic. The effects of COVID-19 on the Bank’s financial statements are regularly monitored by the risk units and the Bank’s Management.

While preparing the interim financial statements dated 31 December 2021, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements.

## **3.2 Strategy for use of financial instruments and foreign currency transactions**

### **3.2.1 Strategy for use of financial instruments**

The liability side of the Bank's balance sheet is intensively composed of short-term deposits in line with the general trend in the banking sector. In addition to deposits, the Bank has access to longer-term borrowings via borrowings from abroad.

In order to manage the interest rate risk arising from short-term deposits, the Bank is keen on maintaining floating rate instruments such as government bonds with quarterly coupon payments and instruments like credit cards and consumer loans providing regular cash inflows.

A portion of the fixed-rate securities and loans, and the bonds of the Bank are hedged under fair value hedges. The fair value risks of such fixed-rate assets and financial liabilities are hedged with interest rate swaps and cross currency swaps. The fair value changes of the hedged fixed-rate financial assets and financial liabilities together with the changes in the fair value of the hedging instruments, namely interest rate swaps and cross currency swaps, are accounted under net trading income/losses in the statement of profit or loss. At the inception of the hedge and during the subsequent periods, the hedge is expected to achieve the offsetting of changes in fair value attributable to the hedged risk for which the hedge is designated, and accordingly, the hedge effectiveness tests are performed.

The Bank may classify its financial assets and liabilities as at fair value through profit or loss, at the initial recognition in order to eliminate any accounting inconsistency.

The fundamental strategy to manage the liquidity risk that may incur due to short-term structure of funding, is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The Bank's widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are the most effective tools in the realisation of this strategy. For this purpose, serving customers by introducing new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in management of interest and liquidity risk on balance sheet is product diversification both on asset and liability sides.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

Purchase and sale of short and long-term financial instruments are allowed within the pre-determined limits to generate risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

### **3.2.2 Foreign currency transactions**

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the statement of profit or loss.

In the unconsolidated financial statements, the financial subsidiaries are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 No. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements". In this context, foreign subsidiaries' asset and liability items in the balance sheet are translated into Turkish Lira by using foreign exchange rates as of the balance sheet date whereas income and expense items are translated into Turkish Lira by using average foreign exchange rates for the related period. Foreign exchange differences arising from translation of income and expense items and other equity items are accounted under capital reserves under Shareholders' Equity.

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 486,508,197 (31 December 2020: EUR 419,127,526) in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses amounting to TL 4,905,846 (31 December



2020: TL 2,172,707), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under Capital Reserves and Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss, respectively under Equity as of 31 December 2021. There is no ineffective portion arising from net investment hedge accounting.

### **3.3 Investments in associates and subsidiaries**

In the unconsolidated financial statements, the financial subsidiaries are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 No. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) “Separate Financial Statements”.

In accordance with the Turkish Accounting Standard 28 (TAS 28) for “Investments in Associates and Joint Ventures” through the equity method, the carrying value of financial subsidiaries are accounted in the financial statements with respect to the Bank’s share in these investments’ net asset value. While the Bank’s share on profits or losses of financial subsidiaries are accounted in the Bank’s Statement of Profit or Loss, the Bank’s share in other comprehensive income of financial subsidiaries are accounted in the Bank’s Statement of Other Comprehensive Income.

Non-financial subsidiaries and associates are accounted at cost in the financial statements after provisions for impairment losses deducted, if any, in accordance with TAS 27.

### **3.4 Forwards, options and other derivative transactions**

#### **3.4.1 Derivative financial assets**

##### *Derivative financial assets measured at fair value through profit/loss*

The Bank’s derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

Derivatives are initially recorded at their fair values. The related transaction costs are recognized in statement of profit or loss at the date they incur. The changes in their fair values are recorded on balance sheet under “Derivative Financial Assets measured at Fair Value through Profit/Loss” or “Derivative Financial Liabilities measured at Fair Value through Profit/Loss”, respectively depending on the fair values being positive or negative. Fair value changes for derivatives are recorded in the account of “Income/Losses from Derivative Transactions” under Statement of Profit or Loss.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stable, an adjustment to the transactions or quoted prices is made and this adjustment is reflected to the fair value measurement. In this context, the point is determined within the range that is most representative of fair value under current market conditions. Starting from 31 December 2021, the Bank started to use the TLREF-based OIS (“Overnight Indexed Swap”) market curve in order to reflect the fair value measurement more accurately for CBRT swap transactions and performed the necessary fair value measurement adjustments.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts as commitment. In the initial phase of currency swaps, the currency exchange transactions to realise at value dates are recorded and followed as irrevocable commitments in the off-balance sheet accounts up to their value dates.

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

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to stand alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other

variables, provided in the case of a non-financial variable that the variable is not specific to contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative but a separate financial instrument. If a hybrid contract contains a host that is an asset within the scope of this standard, it is applied the standard's requirements about classification of financial assets to the entire hybrid contract. The Bank does not have either any hybrid contract contains a host that is not an asset within the scope of this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard.

Credit derivatives are capital market tools designed to transfer credit risk from one party to another. The Bank's credit derivatives portfolio included in the off-balance sheet accounts composes of total return swaps and credit default swaps resulted from protection buying or selling.

Credit default swap is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values. Total return swap is a contract, in which the protection seller commits to make a certain payment and compensate the decreases in market values of the reference assets to the buyer under the condition that the protection buyer will transfer all the cash flows to be created by and the increases in market values of the reference asset. The Bank enters into total return swap contract for the purpose of generating long-term funding.

### **3.4.2 Derivative financial instruments held for hedging purpose**

TFRS 9 permits to defer implementation of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank continues to apply hedge accounting in accordance with TAS 39 in this context.

The Bank enters into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. The changes in fair values of derivative instruments held for fair value hedges are recognised in "Income/Losses from Derivative Financial Instruments". If the hedging is effective, the changes in fair value of the hedged item is presented in the Statement of Financial Position together with the fixed-rate loan. In case of fixed-rate financial assets measured at fair value through other comprehensive income, such changes are reclassified from Shareholders' Equity to Statement of Profit or Loss.

#### ***Derivative financial instruments measured at fair value through other comprehensive income***

The Bank enters into interest rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under Other Comprehensive Income or Expense to be Recycled to Profit/Loss in Shareholders' Equity, and the ineffective portion is recognised in Statement of Profit or Loss. The changes recognised in Shareholders' Equity are removed and included in Statement of Profit or Loss in the same period when the hedged cash flows effect the income or loss.

The Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to Statement of Profit or Loss under trading account income/loss caption over the maturity of the hedged item from that date of the hedge accounting is discontinued. While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders' equity and presented under Other Comprehensive Income or Expense to be Recycled to Profit or Loss, are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under Shareholders' Equity, are recognised in Statement of Profit or Loss considering the original maturity.

### **3.5 Interest income and expenses**

Interest is recorded according to the effective interest rate method (rate equalizing future cash flows of financial assets or liabilities to net present value) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. In applying the effective interest method, the Bank identifies fees that are an integral part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognised in profit or loss. In those cases, such fees are accounted as revenue or expense when the financial instrument is initially recognised in the financial statements.

When applying the effective interest method, The Bank amortises any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument.

In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements.

If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related Statement of Profit or Loss line and is amortized over the estimated life of financial asset.

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

### **3.6 Fees and commissions**

Fees and commissions except for which are integral part of the effective interest rates of financial instruments measured at amortized costs, are accounted for in accordance with TFRS 15 “Revenue from Contracts with Customers”. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

### **3.7 Financial instruments**

#### **3.7.1 Initial recognition of financial instruments**

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

### **3.7.2 Initial measurement of financial instruments**

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 “Revenue from Contracts with Customers”, at initial recognition, the Bank measures financial assets or financial liabilities at fair value. At initial recognition, financial asset or liability excluding the ones at fair value through profit or loss are accounted at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **3.7.3 Classification of financial instruments**

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

#### **3.7.3.1 Assessment of business model**

As per TFRS 9, the Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The entity’s business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

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

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

Assessment of the business model is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called ‘worst case’ or ‘stress case’ scenarios.

If cash flows are realised in a way that is different from the Bank’s expectations at the date that the Bank assessed the business model, that does not give rise to a prior period error in the Bank’s financial statements nor does it change the classification of the remaining financial assets held in that business model as long as the Bank considered all relevant information that was available at the time that it made the business model assessment. However, when the Bank assesses the business model for newly originated or newly purchased financial assets, it must consider information about how cash flows were realised in the past, along with all other relevant information.

The Bank’s business models are divided into three categories. These categories are defined below:

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

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Other business models: Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

### **3.7.3.2 Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding**

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

### **3.7.4 Measurement categories of financial assets and liabilities**

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

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

#### ***Financial investments and loans measured at amortised cost***

The Bank may measure its financial investments and loans at amortised cost if both of the following conditions are met:

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

*Financial investments measured at amortised cost:* Subsequent to the initial recognition, financial investments measured at amortised cost are accounted at amortised cost calculated by using the effective interest rate method. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.7.5.

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

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

Loans are recognized at cost and measured at amortized cost using the effective interest method. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.5.11.

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

As per TFRS 9, the financial investments are measured at fair value through other comprehensive income if both of the following conditions are met:

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

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. If the financial asset is reclassified as financial assets measured at fair value through profit or loss, the related cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from Equity to Profit or Loss as a reclassification adjustment at the reclassification date.

Financial assets measured at fair value through other comprehensive income are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized costs by using the discounting method with effective interest rate that approximates to fair value, of return for floating-rate securities; and by using valuation models or discounted cash flow techniques for fixed-rate securities. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in accumulated Other Comprehensive Income or Expense to be reclassified to Profit or Loss under the Shareholders' Equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders' equity are recognized in Statement of Profit or Loss.

Interests calculated and/or earned by using the effective interest method during holding of financial assets measured at fair value through other comprehensive income are recorded primarily in interest income. In case of the sale of such debt securities before maturity date, the difference between the sales income calculated as difference between the cost in accordance with the Uniform Chart of Accounts and the sales price and the recognized interest income is transferred to "Trading Income/Losses".

The Bank also owns consumer price indexed government bonds ("CPI") in its securities portfolio, reclassified as financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost. CPI's are valued and accounted for according to the effective interest rate method which is calculated based on the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI's. The Bank determines its expected inflation rates in compliance with this guide. The estimated inflation rate according to the Central Bank of Turkey's and the Bank's expectations, is updated during the year when it is considered necessary.

***Equity instruments measured at fair value through other comprehensive income***

At initial recognition, the Bank may make an irrevocable election to present in Other Comprehensive Income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. The Bank makes the election on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods' profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. TFRS 9 impairment requirements are not applicable for equity instruments.

***Financial assets and liabilities measured at fair value through profit or loss***

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the statement of profit or loss. Interest income earned on trading securities and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such securities are recorded under trading account income/losses in the statement of profit or loss. In cases where such securities are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

The Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit/ loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9.

The interest income/expense earned and the difference between the acquisition costs and the amortized costs of financial liabilities are recorded under interest income/expense in statement of profit or loss, the difference between the amortized costs and the fair values of financial liabilities are recorded under trading account income/losses in statement of profit or loss. The amount of change in the fair value of the financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income unless it creates accounting mismatch or increase the accounting mismatch. Excluding the change in credit risk of the liability, the change in the fair value of the liability shall be recognized in profit or loss.

**3.8 Disclosures on impairment of financial instruments**

The Bank recognises a loss allowance for expected credit losses on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income , loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette No. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. TFRS 9 impairment requirements are not applicable for equity instruments.

At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank shall use the change in the risk of a default occurring for the financial instrument.

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

The Bank calculates the expected credit loss on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis.

The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occurring over the expected life of the financial instrument. The Bank's aforementioned policy is presented in Note 3.8.3.

The Bank's impairment model having 3 stages based on the change in credit quality since initial recognition based on TFRS 9 is explained below.

### **3.8.1 Calculation of expected credit losses**

The Bank calculates expected credit losses 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 within a specified time horizon, which is usually set at 12 months, given certain characteristics. Based on TFRS 9, the Bank uses two different PDs in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems for both retail and commercial portfolios. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; (i) the behavioral data of the customer and the product in the Bank, (ii) the demographic information of the customer, and (iii) the behavioral data of the customer in the sector. 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 reflect 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. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

When expected credit losses are estimated, the Bank considers three scenarios (base scenario, bad scenario, good scenario). Each of these three scenarios is associated with different probability of default and loss given default. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.



**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. The Bank calculates 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. Such calculation is performed for each of three scenarios explained above.

**Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank calculates an allowance for the lifetime expected credit losses. Including multiple scenario usage, it is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

**Stage 3:** For the loans considered as impaired, the Bank accounts lifetime expected credit losses. The methodology is similar to stage 2 and the probability of default is taken into account as 100%.

The Bank considers a debt as default on these two below conditions;

1. **Objective Default Definition:** It means debt having past due more than 90 days. Current definition of default in the Bank is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default.
2. **Subjective Default Definition:** It means the Bank considers that a debt is unlikely to be paid. Whenever the Bank considers 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.

For the purpose of determining significant increases in credit risk and recognising a loss allowance on a collective basis, the Bank Group's financial instruments on the basis of shared credit risk characteristics. In this context, the methodology developed for the estimation of expected credit losses should include the risk features which meet the criteria for carrying the same credit risk characteristics. Examples of the Bank's common credit risk characteristics include, but are not limited to, the following:

- Customer type (retail or commercial / corporate)
- Product type
- Credit risk rating notes /scores
- Sector / market segmentation
- Collateral type
- Loan to value ratio
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

In addition, the Bank assesses a certain portion of commercial and corporate loans individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. The Bank makes such calculation by discounting the expected cash deficits from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, the Bank shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. The Bank makes such assessment by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

In accordance with the Bank's internal policies, TFRS 9 models are updated once a year. The related model update was made in the 4th quarter of 2021 and expected credit losses provision has been calculated based on the mentioned updated model at the year end 2021.

### **3.8.1.1 *Loan commitments and non-cash loans***

The expected credit losses on a loan commitment shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment. This is because for the purpose of applying the impairment requirements, a financial asset that is recognised following a draw down on a loan commitment shall be treated as a continuation of that commitment instead of as a new financial instrument. The expected credit losses on the financial asset shall therefore be measured considering the initial credit risk of the loan commitment from the date that the Bank became a party to the irrevocable commitment.

Expected credit losses on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

### **3.8.1.2 *Debt instruments measured at fair value through other comprehensive income***

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

### **3.8.1.3 *Credit cards and other revolving loans***

The Bank offers credit card and overdraft products which give ability to corporate and commercial customers demand repayment and cancel the undrawn commitment. Such products do not limit the period that the Bank is exposed to credit losses with the contractual notice. For this reason, the Bank calculates the expected credit losses for these products over a period of time reflecting the anticipation of customer behavior, the likelihood of default, and future risk mitigation procedures such as the Bank's reduction or removal of undrawn limits.

When determining the period over which the Bank is expected to be exposed to credit risk, but for which expected credit losses would not be mitigated by the Bank's normal credit risk management actions, the Bank considers factors such as historical information and experience about the below items:

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that the Bank expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

The Bank calculates expected credit losses on the revolving products of retail and corporate customers by considering 3-5 years.

The Bank makes assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in Note 3.8.3.

## **3.8.2 *Forward-looking macroeconomic information***

The Bank incorporates forward-looking macroeconomic information into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the Bank's credit risk parameters consists of the following steps:

Step 1: The Bank makes specifications and estimates of econometric models that reveal past relationships between credit risk parameters and macroeconomic variables in order to be able to generate estimates based on macroeconomic information. Macroeconomic variable prevailing during these estimates is mainly the Gross Domestic Product (GDP).

Step 2: Where macroeconomic scenarios do not include longer maturity, a process called “convergence to the mean” is applied.

Step 3: In order to estimate the ultimate parameters to be used in the calculation of the expected credit losses, the Bank applies the methods of credit risk parameters reflection and forward-looking impact inclusion into the parameters.

The Bank updates its macroeconomic parameters incorporated into significant increase in credit risk and expected credit loss assessments quarterly. The Bank has assessed the relevant updates for the last quarter in its models.

The Bank takes into account different scenarios in the calculation of expected credit loss by evaluating the current economic conditions and expert opinions. Accordingly, the macroeconomic value estimates taken into account in the expected loss provision calculation are presented below.

<b>Date</b>	<b>GDP</b>
31.12.2021	9.5%
31.12.2022	2.0%
31.12.2023	5.0%
31.12.2024	3.5%
31.12.2025	3.5%
31.12.2026	3.5%

### **3.8.3 Significant increase in credit risk**

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk.

#### *Qualitative assessment:*

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

- Loans overdue more than 30 days as of the reporting date,
- Loans classified as watchlist,
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason.

#### *Quantitative assessment:*

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

The absolute and relative thresholds used for the probability of default are differentiated on the basis of segment/ loan group.

The Bank classifies the related financial asset as Stage 2 (Significant Increase in Credit Risk) where both of the following criteria are satisfied as a result of quantitative assessment.

- Relative change in the Probability of Default (PD): If the "relative difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold.

- Absolute change in the PD: If the "absolute difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold (different from the threshold for the relative change).

#### **3.8.4 Low credit risk**

As per TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Bank is not considering financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Bank's other financial instruments or relative to the credit risk of the jurisdiction within which the Bank operates.

If the Bank determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its first recognition in the financial statements.

The Bank makes the definition of low credit risk based on the definition of "High Quality Liquid Asset" given in the Regulation on the Liquidity Coverage Ratio Calculation and the principles of the risk weight calculation based on the external rating note of the receivables from the Central Banks and the Central Governments in accordance with the Regulation on the Measurement and Assessment of Banks' Capital Adequacy.

The financial instruments that the Bank defines as having low credit risk based on TFRS 9 are as follows:

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placements etc.)
- Loans with the counterparty of the Treasury of the Republic of Turkey
- Receivables (reserves, free reserves, placements etc.) from the central banks of the branches of the Bank or its subsidiaries, securities issued or guaranteed by these central banks and securities issued / guaranteed by the treasury of these countries
- Loans granted to the treasury of countries having rating note of AA- and above and the securities issued or guaranteed by the treasury of these countries
- Local currency loans granted to the treasury of countries having rating below AA-, and securities in local currency issued or guaranteed by the treasury of these countries
- Securities exported or guaranteed by multilateral development banks or international organizations having rating of AA- and above.

#### **3.8.5 Disclosures on write down policy**

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as "Group V Loan" (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. The Bank performs objective and subjective assessments whether there is reasonable expectation.

In accordance with TFRS9, a provision is provided for the portions of the loans that are not expected to be recovered as explained in the accounting policies 3.8 Disclosures on impairment of financial instruments and 3.8.1 Calculation of expected credit losses. Accordingly, the loans which cannot be reasonably expected to be recovered regarding the opinions of the related department responsible from the collection and the portion up to the provision amount of the loans, that are classified as "Group V Loan" (Loans Classified as Loss), can be subject to write-down operation.

In addition, all of the loans that meet the conditions in the below are assessed by the Bank as having completely lost their ability to collect and can be written down based on the positive opinion of the related departments.

- i. Being monitored as a non-performing loan at least for 18 months,
- ii. Not having any collection in the last 6 months,
- iii. The absence of a qualified guarantee.

The write-down of these loans, which are not possible to be collected, is an accounting policy and this policy does not result in waiving the right of receivables.

### **3.9 Netting and derecognition of financial instruments**

#### **3.9.1 Netting of financial instruments**

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

#### **3.9.2 Derecognition of financial instruments**

##### **3.9.2.1 *Derecognition of financial assets due to change in contractual terms***

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

The Bank shall assess the characteristics of the new contractual terms of the financial asset based on quantitative and qualitative criteria. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and in case a significant change is determined, it is recognized as a modification gain or loss in Profit or Loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset.

When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognised in its entirety and the consideration received is recognised as a liability.

##### **3.9.2.2 *Derecognition of financial assets without any change in contractual terms***

The Bank derecognises the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party.

Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in Profit or Loss.

##### **3.9.2.3 *Derecognition of financial liabilities***

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

### **3.9.3 Reclassification of financial instruments**

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

### **3.9.4 Restructuring and refinancing of financial instruments**

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

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan by the Bank which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time)
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing

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

- Recovery in debt service,
- At least one year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,
- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

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

The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

### **3.10 Repurchase and resale agreements and securities lending**

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the uniform chart of accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Bank management’s future intentions, either at market prices or using discounting method with internal rate of return. The funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted for on an accrual basis.

Securities purchased under resale agreements are classified under “Money Market Placements” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period on such securities.

Securities lending transactions are classified under “Money Market Funds” and the related expense accruals are accounted.

### **3.11 Assets held for sale, discontinued operations and related liabilities**

According to the Turkish Financial Reporting Standard 5 (TFRS 5) “Assets Held for Sale and Discontinued Operations”, a tangible asset (or a group of assets to be disposed) classified as “asset held for sale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “asset held for sale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value. Assets held for sale consist of tangible assets and investments in associates to be disposed that were acquired against non-performing receivables.

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in statement of profit or loss. The Bank has no discontinued operations.

### **3.12 Goodwill and other intangible assets**

The Bank’s intangible assets consist of software, intangible rights and other intangible assets.

Goodwill and other intangible assets are recorded at cost in compliance with the Turkish Accounting Standard 38 (TAS 38) “Intangible Assets”.

The costs of other intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their initial purchase costs.

As per TAS 38, internally-generated software should be recognised as intangible assets if they meet the below listed criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use,
- Availability of the Bank’s intention to complete and use the intangible asset,
- The ability to use the intangible asset,
- Clarity in probable future economic benefits to be generated from the intangible asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,
- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

The directly attributable development costs of intangible asset are included in the cost of such assets, however the research costs are recognised as expense as incurred.

The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. Estimated useful lives of the Bank's intangible assets are 3-15 years and amortisation rates are 6.67-33.3%.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

### **3.13 Tangible assets**

The cost of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs.

As of 1 November 2015, changing the existing accounting policy, it has been decided to apply revaluation model for properties recorded under tangible assets instead of cost model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Within this framework, the revaluation difference arising from the valuations performed by independent expertise firms for all real estates registered in the ledger is accounted under revaluation surplus on tangible and intangible assets under equity.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sale price.

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. The depreciation rates and the estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

<b>Tangible assets</b>	<b>Estimated Useful Lives (Years)</b>	<b>Depreciation Rates %</b>
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Useful lives of buildings are reviewed at least once a year and if current estimates are different than previous estimates, then the revised estimates are considered as accounting policy change in accordance with Turkish Accounting Standard 8 (TAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors".

#### *Investment properties*

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in production, supply of goods or services, administrative purposes or sale in the ordinary course of business are classified as investment property. As of 1 November 2015, changing the existing accounting policy, it has been decided to apply fair value model for investment properties instead of cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all the investment properties registered in the ledger, a valuation study was performed by independent expertise firms and arising changes in their fair values resulting from these studies are recognized in statement of profit or loss at the date they incur.

Investment properties accounted at fair value are not depreciated.



#### *Right-of-use assets*

Based on the Bank's assessment, lease branches and buildings are recognized in compliance with TFRS 16 whereas ATM places, lease cars and other leases are considered out of TFRS 16 scope as a result of materiality assessment. Therefore, these leases are recognized under Other Operating Income.

At the commencement date, the Bank shall measure the right-of-use properties at cost in compliance with TFRS 16. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Bank measures the right-of-use asset applying a cost model. To apply the cost model, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

The Bank applies the depreciation requirements in TAS 16 "Property, Plant and Equipment" in depreciating real assets considered as right-of-use asset.

The Bank applies TAS 36 "Impairment of Assets" to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

### **3.14 Leasing activities**

Leases, in which the majority of risks and returns of the related asset belong to the lessor, are classified as operational lease. The rent payments for leases that meet the conditions of exemptions stated in TFRS 16, are recognized as expense in related periods' statement of profit or loss over the lease term in accordance with periodicity principle.

Based on TFRS 16, at the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the incremental borrowing interest rate.

After the commencement date, the Bank measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the Bank remeasures the lease liability to reflect changes to the lease payments. The Bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if either there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset. However, if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments or if there is a change in the amounts expected to be payable under a residual value guarantee, the Bank uses an unchanged discount rate.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the incremental borrowing interest rate at the effective date of the modification. The Bank decreases the carrying amount of the right-of-use

asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Bank recognises any gain or loss relating to the partial or full termination of the lease in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

### **3.15 Provisions and contingent liabilities**

Provisions and contingent liabilities resulted from past events, if it is probable that the commitment will be settled and a reliable estimate can be made for the amount of the obligation, are accounted for in accordance with the Turkish Accounting Standard 37 (TAS 37) “Provisions, Contingent Liabilities and Contingent Assets”.

### **3.16 Contingent assets**

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

### **3.17 Liabilities for employee benefits**

#### *Severance indemnities and short-term employee benefits*

As per the existing labour law in Turkey, the Bank is required to pay certain amounts to the employees retired or fired except for resignations or misbehaviours specified in the Turkish Labour Law.

Accordingly, the Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) “Employee Benefits” for all its employees who retired or whose employment is terminated, called up for military service or died.

The major actuarial assumptions used in the calculation of the total liability are as follows:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Net Effective Discount Rate	3.48%	3.01%
Discount Rate	19.10%	13.00%
Expected Rate of Salary Increase	16.60%	11.20%
Inflation Rate	15.10%	9.70%

The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees’ years-in-service.

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with TAS 19.

The actuarial gains/losses are recognised under shareholders’ equity as per the revised TAS 19.

#### *Retirement benefit obligations*

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee (and his/her dependents) will receive on retirement.

The Bank’s defined benefit plan (“the Plan”) is managed by “Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı” (“the Fund”) established as per the provisional Article 20 of the Social Security Law No.506 and the Bank’s employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506. These contributions are as follows:

	31 December 2021		31 December 2020	
	Employer	Employee	Employer	Employee
Pension contributions	15.5%	10.0%	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%	6.0%	5.0%

The Plan is composed of a) the contractual benefits of the employees, which are subject to transfer to Social Security Foundation (“SSF”) as per the Social Security Law No.5754 (“the Law”), and b) other social rights and medical benefits provided by the Bank but not transferable to SSF.

*a) Benefits transferable to SSF*

The first paragraph of the provisional Article 23 of Banking Law No.5411, published in the Official Gazette on 1 November 2005, No.25983, which requires the transfer of the members of the funds subject to the provisional Article 20 of the Social Security Law No.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, No.2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette No.26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members.

Following the publication of the verdict, the Turkish Grand National Assembly (“Turkish Parliament”) started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law No.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette No.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund (“SDIF”), the banks and the funds, by using a technical discount rate of 9.80% taking into account the Funds’ income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008. Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional Article 20 of the Social Security Law No.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette No. 27900 dated 9 April 2011 as per the decision of the Council of Ministers, No.2011/1559, and as per the Letter No. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional Article 20 of the Social Security and Public Health Insurance Law No.5510.

On 19 June 2008, Cumhuriyet Halk Partisi (“CHP”) applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the Article 73 and the first paragraph of the provisional Article 20 added to the Law No. 5510 are not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

Before the completion of two-years period set by the Council of Ministers on 14 March 2011 as explained above, as per the Article No. 51 of the Law No. 6645, published in the Official Gazette No. 29335 dated 23 April 2015, the Article No. 20 of the Law No. 5510 was amended giving the Council of Ministers the authority to determine the date of transfer without defining any timeline.

*b) Other benefits not transferable to SSF*

Other social rights and payments provided in the existing trust indenture but not covered through the transfer of the funds' members and their right-holders to the SSF, are to be covered by the funds and the institutions that employ the funds' members.

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS 19.

## **3.18 Taxation**

### **3.18.1 Corporate tax**

While corporate earnings are subject to corporate tax at the rate of 20% in Turkey; in accordance with the regulation introduced by the Law No. 7316 on the "Procedure for Collection of Public Receivables and the Law Amending Some Laws", this rate has been determined to be applied as 25% for the corporate earnings for the taxation periods of 2021 and as 23% for the corporate earnings for the taxation periods of 2022. This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions No.2009/14593 and No.2009/14594 of the Council of Ministers published in the Official Gazette No.27130 dated 3 February 2009, certain duty rates included in the articles No.15 and 30 of the new Corporate Tax Law No.5520 are revised. . Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions has been changed to 10% from 15% by the Presidential decision published in the Official Gazette No. 31697 dated 22 December 2021.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

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

75% of earnings generated through sale of equity shares, founders' shares, redeemed shares and pre-emption rights and 50% of earnings generated through sale of real estates held at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

All earnings generated through transfer of equity shares, founders' shares, redeemed shares and pre-emption rights by the companies being under legal proceedings or guarantor and mortgage provider of such companies, to banks, financial leasing companies and finance companies or the Savings Deposit Insurance Fund in connection with liquidation of their liabilities and earnings of banks, financial leasing companies and finance companies through sale of immovable part of such assets or other items are exempt from corporate tax at the rate of 50% and 75%, respectively.

As of 31 December 2021, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. These conditions are both the exceed in the increase of Producer Price Index in the last 3 accounting period including current period by 100% and the exceed in the increase in the current period by 10%. However, temporary article 33 has been added on the Tax Procedure Law No. 213 with the regulation made with the Tax Procedure Law and the Law on Change in Corporate Tax Law No. 7352 published in the Official Gazette No.31734 dated 29 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this, the financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, will not be subject to inflation adjustment, and for the 2023 accounting period; will not be subject to inflation adjustment as of the provisional tax periods, and the financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions are met or not. Profit/loss difference arising from inflation adjustment in the financial statements will be shown in previous years' profit/loss accounts and will not affect the corporate tax base.

The tax applications for foreign branches;

*NORTHERN CYPRUS*

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus No.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next seven years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October. According to the Decision of the TRNC Council of Ministers dated 25 March 2020, the prepaid taxes are calculated and paid at the rate of 15% tax on quarterly commercial earnings of the related year. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

*MALTA*

The corporate earnings are subject to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to an additional tax. The taxes payable is calculated by the obligating firm and the calculation is presented in the tax declaration form that is due till the following year's month of November.

**3.18.2 Deferred taxes**

According to the Turkish Accounting Standard 12 (TAS 12) "Income Taxes"; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

As explained in Note 3.18.1, the corporate tax has been determined as 25% for the corporate earnings for the taxation periods of 2021 and as 23% for the corporate earnings for the taxation periods of 2022. As the deferred tax assets or liabilities within the scope of TAS 12 are calculated based on the tax rates (and tax laws) that are effective or close to be effective as of the end of the reporting period (balance sheet date), using the tax rates expected to be applied in the periods when assets are converted into income or liabilities are paid, as of 31 December 2021, the Bank and evaluated their assets and liabilities according to their maturities and calculated deferred tax at the rate of 23% or 20% corresponding to the relevant maturities.

If transactions and events are recorded in the statement of profit or loss, then the related tax effects are also recognized in the statement of profit or loss. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

The deferred tax assets and liabilities are reported as net in the financial statements.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Furthermore, the deferred tax assets are not subject to profit distribution or capital increase as per the BRSA's related circular in cases where there are net asset balances after netting deferred tax assets with deferred tax liabilities.

### **3.18.3 Transfer pricing**

The article No.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “Disguised Profit Distribution by Way of Transfer Pricing”. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at 18 November 2007, explains the application related issues on this topic.

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

As stated in the General Communiqué No. 4 on Disguised Profit Distribution by Way of Transfer Pricing, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

### **3.19 Funds borrowed**

The Bank, whenever required, generates funds from domestic and foreign sources in the form of borrowings, syndications, securitizations, and bill and bond issuances in the local and international markets. The funds borrowed are recorded at their purchase costs and valued at amortised costs using the effective interest method.

In cases where such funds are valued at their amortised costs but this application results in measurement or accounting mismatch due to having the related financial instruments valued using different methods or the related gains or losses are recognized differently, such fundings are reclassified as financial liabilities at their fair values through profit or loss at initial recognition in order to prevent such mismatch. The interest expenses paid during holding the related financial liabilities and the difference between the amortized cost and the acquisition cost are recorded as interest expense in statement of profit or loss and the difference between the fair values and the amortized costs of the financial liabilities are recorded under trading account income/losses.

### **3.20 Share issuances**

If the Bank issues a share at a price above its nominal value, the difference between the issue price and the nominal value is accounted for “Share Premium” under Shareholders’ Equity.

### **3.21 Confirmed bills of exchange and acceptances**

Payments of the confirmed bills of exchange and acceptances are made simultaneously with the payments of the customers. Confirmed bills of exchange and acceptances are recorded in “off-balance sheet accounts” as possible debts and commitments, if any.

### **3.22 Government incentives**

As of 31 December 2021, the Bank does not have any government incentives or grants (2020: None).

### **3.23 Segment reporting**

The Bank operates in corporate, commercial, retail and investment banking. Accordingly, the banking products served to customers are; custody services, time and demand deposits, accumulating deposit accounts, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Miles&Smiles Card, FlexiCard, MoneyCard, BusinessCard, Shop & Fly, virtual cards under the brand names of Visa and Mastercard and also American Express credit cards and “Paracard” debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey's traditional agricultural products.

Additionally, the Bank provides banking services to enterprises and their employees working in retail and service sectors through product packages including overdraft accounts, POS machines, credit cards, cheque books, Turkish Lira and foreign currency deposits, investment accounts, internet banking and call-center, debit cards and bill payment modules.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and digital banking.

Information on the business segments is as follows:

<i>Current Period</i>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Net Interest Income	9,930,523	10,136,527	7,212,876	6,360,067	33,639,994
Net Fees And Commissions Income	6,027,730	2,434,859	(137,286)	175,516	8,500,819
Dividend Income	-	-	-	129,389	129,389
Net Trading Income/Losses (Net)	168,723	8,018,298	(7,769,583)	3,420,561	3,838,000
Other Operating Income (*)	346,747	104,727	27,955	708,633	1,188,061
Expected Credit Losses (-) (*)	(1,689,029)	(11,243,146)	453,275	742,843	(11,736,057)
Other Provisions (-)	-	-	-	(7,491,601)	(7,491,601)
Other Operating Expenses (-)	(6,579,116)	(2,592,205)	(382,584)	(3,119,078)	(12,672,982)
Income/Loss From Investments Under Equity Accounting	-	-	-	1,909,194	1,909,194
<b>Net Operating Profit</b>	<b>8,205,578</b>	<b>6,859,060</b>	<b>(595,346)</b>	<b>2,835,524</b>	<b>17,304,817</b>
Provision for Taxes	-	-	-	(4,231,511)	(4,231,511)
<b>Net Profit</b>	<b>8,205,578</b>	<b>6,859,060</b>	<b>(595,346)</b>	<b>(1,395,986)</b>	<b>13,073,306</b>
Segment Assets	118,481,590	284,363,032	290,687,010	45,378,365	738,909,997
Investments in Associates and Subsidiaries	-	-	-	18,891,866	18,891,866
<b>Total Assets</b>	<b>118,481,590</b>	<b>284,363,032</b>	<b>290,687,010</b>	<b>64,270,231</b>	<b>757,801,863</b>
Segment Liabilities	345,618,735	186,395,190	119,499,816	27,385,152	678,898,893
Shareholders' Equity	-	-	-	78,902,970	78,902,970
<b>Total Liabilities and Shareholders'</b>	<b>345,618,735</b>	<b>186,395,190</b>	<b>119,499,816</b>	<b>106,288,122</b>	<b>757,801,863</b>

<i>Prior Period</i>	<b>Retail Banking</b>	<b>Corporate Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Net Interest Income	7,250,149	6,111,935	7,638,210	2,767,909	23,768,204
Net Fees And Commissions Income	4,114,768	1,842,551	(118,327)	139,024	5,978,016
Dividend Income	-	-	-	18,994	18,994
Net Trading Income/Losses (Net)	156,771	1,861,004	(1,612,370)	(223,918)	181,487
Other Operating Income (*)	142,082	91,293	39,862	341,172	614,409
Expected Credit Losses (-) (*)	(2,116,934)	(7,520,047)	(412,359)	608,358	(9,440,982)
Other Provisions (-)	-	-	-	(3,766,103)	(3,766,103)
Other Operating Expenses (-)	(5,508,947)	(2,259,570)	(280,306)	(1,988,819)	(10,037,643)
Income/Loss From Investments Under Equity Accounting	-	-	-	1,323,028	1,323,028
<b>Net Operating Profit</b>	<b>4,037,889</b>	<b>127,166</b>	<b>5,254,710</b>	<b>(780,355)</b>	<b>8,639,410</b>
Provision for Taxes	-	-	-	(2,401,407)	(2,401,407)
<b>Net Profit</b>	<b>4,037,889</b>	<b>127,166</b>	<b>5,254,710</b>	<b>(3,181,762)</b>	<b>6,238,003</b>
Segment Assets	86,910,050	206,600,805	144,986,519	42,882,660	481,380,034
Investments in Associates and Subsidiaries	-	-	-	11,417,786	11,417,786
<b>Total Assets</b>	<b>86,910,050</b>	<b>206,600,805</b>	<b>144,986,519</b>	<b>54,300,446</b>	<b>492,797,820</b>
Segment Liabilities	215,622,818	118,682,843	76,593,778	19,816,658	430,716,097
Shareholders' Equity	-	-	-	62,081,723	62,081,723
<b>Total Liabilities and Shareholders'</b>	<b>215,622,818</b>	<b>118,682,843</b>	<b>76,593,778</b>	<b>81,898,381</b>	<b>492,797,820</b>

(\*) Prior year reversals from Expected Credit Losses presented under Other Operating Income in the Profit or Loss Statement are netted off with the Expected Credit Losses.

### 3.24 Profit reserves and profit appropriation

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

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, but holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used



to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

In the ordinary General Assembly Meeting dated 31 March 2021, a decision is made regarding distribution of the unconsolidated net profit of the Bank amounting to TL 6,238,003, and the table considering the distribution made based on the decision is presented in Note 5.10.2.

### **3.25 Earnings per share**

Earnings per share disclosed in the statement of profit or loss, are calculated by dividing net profit by the weighted average number of shares outstanding during the year concerned.

	<i>31 December 2021</i>	<i>31 December 2020</i>
Distributable net profit	13,073,306	6,238,003
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.03113	0.01485

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

There are no bonus shares issued in 2021 (2020: None).

### **3.26 Related parties**

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/subsidiary with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with TAS 24 “Related Parties”. The transactions with related parties are disclosed in detail in Note 5.7.

### **3.27 Cash and cash equivalents**

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank of Turkey; and cash equivalents include interbank money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

### **3.28 Other disclosures**

In order to comply with the Bank's financial position as of 31 December 2021 prepared in accordance with the Uniform Chart of Accounts published on 1 January 2021, a reclassification was performed for the collateral amounts given over the derivative transactions made with foreign banks between cash and cash equivalents and other assets lines as of 31 December 2020 amounting to TL 6,884,709. Based on these classifications, a classification of TL 40,089 was also performed between the interest income on banks and other interest income lines in the profit or loss statement for the relevant period (31 December 2020). The effects of this classifications on the cash flow statement were also updated. Collaterals in foreign non-bank institutions are continued to be recorded under other assets line.

These mentioned classifications did not have any impact on the asset size and performance of the Bank's statement of financial position. The Bank has reassessed the “Net Increase / (Decrease) in Funds Borrowed” amount presented in “Changes in Operating Assets and Liabilities” and has classified cash flows from syndication, securitization and special purpose loans which are related to financing activities as “Cash Flows from Financing Activities”. In the statement of cash flow for the period ended 31 December 2020, the Bank has made the reclassification between “Net Increase / (Decrease) in Funds Borrowed” and “Cash obtained from funds borrowed and securities issued” and “Cash used for

repayment of funds borrowed and securities issued” amounting to TL 11,465,083 and TL 3,602,991 respectively in order to be compliance with the statement of cash flow for the period ended 31 December 2021.

## 4 Financial Position and Results of Operations and Risk Management

### 4.1 Total capital

The capital items calculated as per the “Regulation on Equities of Banks” published on 5 September 2013, are presented below:

#### 4.1.1 Components of total capital

	<i>Current Period</i>	<i>Prior Period</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	4,972,554
Share Premium	11,880	11,880
Reserves	51,319,079	45,401,476
Other Comprehensive Income according to TAS	16,294,113	7,716,316
Profit	13,086,589	6,434,451
Current Period's Profit	13,073,306	6,238,003
Prior Periods' Profit	13,283	196,448
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	7,643	7,636
<b>Common Equity Tier I Capital Before Deductions</b>	<b>85,691,858</b>	<b>64,544,313</b>
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	5,183,462	2,160,619
Leasehold Improvements on Operational Leases (-)	94,599	119,670
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	748,424	433,162
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-

	<i>Current Period</i>	<i>Prior Period</i>
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>6,026,485</b>	<b>2,713,451</b>
<b>Total Common Equity Tier I Capital</b>	<b>79,665,373</b>	<b>61,830,862</b>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	<b>-</b>
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>79,665,373</b>	<b>61,830,862</b>
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	10,822,630	6,537,880
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	5,587,910	4,211,065
<b>Total Deductions from Tier II Capital</b>	<b>16,410,540</b>	<b>10,748,945</b>
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>16,410,540</b>	<b>10,748,945</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>96,075,913</b>	<b>72,579,807</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law	75	82

	<i>Current Period</i>	<i>Prior Period</i>
Other items to be Defined by the BRSA	2,909	1,802
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	-
<b>CAPITAL</b>		
<b>Total Capital ( Total of Tier I Capital and Tier II Capital )</b>	<b>96,072,929</b>	<b>72,577,923</b>
<b>Total Risk Weighted Assets</b>	<b>524,638,983</b>	<b>391,512,841</b>
<b>CAPITAL ADEQUACY RATIOS</b>		
<b>CET1 Capital Ratio (%)</b>	15.19	15.79
<b>Tier I Capital Ratio (%)</b>	15.19	15.79
<b>Capital Adequacy Ratio (%)</b>	18.31	18.54
<b>BUFFERS</b>		
Total Additional CET1 Capital Requirement Ratio (a+b)	2.53	2.53
a) Capital Conservation Buffer Ratio (%)	2.50	2.50
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.03	0.03
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	9.18	9.79
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	4,203,680	3,530,898
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	18,026,191	12,236,754
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	5,587,910	4,211,065
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	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

Within the scope of the measures announced by the BRSA on 21 December, 2021, the amount subject to credit risk shall be calculated by using the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date and negative revaluation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” are not included in capital calculation.

As of 31 December 2021, the amount subject to credit risk in calculating the regulatory capital adequacy ratio was calculated by taking into account the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date. If the specified measure is not taken into account, the capital adequacy ratio decreases to 15.69% as of 31 December 2021.

The Bank plans its Common Equity Tier 1 (CET1) Capital by considering 10% as the minimum target.

#### 4.1.2 Items included in capital calculation

<i>Current Period</i>	<i>Information about instruments included in total capital calculation</i>		
Issuer	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148AE7 ISIN: US900148AE73 Common Code: 161752479	ISIN: TRSGRANE2915	ISIN: TRSGRAN23013
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the “Regulation on Equities of Banks” and “the Communiqué Regarding the Capital Instruments that will be included in own funds of banks” within the legislation of Capital Markets Board of Turkey.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the “Regulation on Equities of Banks” and “the Communiqué Regarding the Capital Instruments that will be included in own funds of banks” within the legislation of Capital Markets Board of Turkey.
<b>Regulatory treatment</b>			
Subject to 10% deduction as of 1/1/2015	No	No	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	9,820 (31 December 2020: 5,535)	253 (31 December 2020: 253)	750 (31 December 2020: 750)
Nominal value of instrument (TL million)	9,820 (31 December 2020: 5,535)	253 (31 December 2020: 253)	750 (31 December 2020: 750)
Accounting classification of the instrument	34701 – Secondary Subordinated Loans	34601– Secondary Subordinated Loans	34601– Secondary Subordinated Loans
Issuance date of instrument	23.05.2017	09.10.2019	14.02.2020
Maturity structure of the instrument (demand/time)	Time	Time	Time
Original maturity of the instrument	24.05.2027	07.10.2029	14.02.2030
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 – USD 750,000,000	07.10.2024 – TL 252,880,000	14.02.2025 – TL 750,000,000
Subsequent call dates, if applicable	-	-	-
<b>Interest/dividend payment</b>			
Fixed or floating coupon/dividend payments	Fixed	Floating	Floating
Coupon rate and any related index	6.1250%	TLREF + 130 bps	TLREF + 250 bps
Existence of any dividend payment restriction	None	None	None
Fully discretionary, partially discretionary or mandatory	-	-	-
Existence of step up or other incentive to redeem	None	None	None
Noncumulative or cumulative	None	None	None
Convertible into equity shares	None	None	None
If convertible, conversion trigger (s)	-	-	-
If convertible, fully or partially	-	-	-
If convertible, conversion rate	-	-	-

If convertible, mandatory or optional conversion	-	-	-
If convertible, type of instrument convertible into	-	-	-
If convertible, issuer of instrument to be converted into	-	-	-
Write-down feature	Yes	Yes	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.
If bond can be written-down, full or partial	Partially or fully	Partially or fully	Partially or fully
If bond can be written-down, permanent or temporary	Continuously	Continuously	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of non-compliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.



#### 4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	9,512,868	1,605,426	11,118,294	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,722,928	-	1,722,928	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	7,789,940	1,605,426	9,395,366	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	51,319,079	-	51,319,079	
Profit or Loss	13,086,589	-	13,086,589	
Prior Periods' Profit/Loss	13,283	-	13,283	
Current Period Net Profit/Loss	13,073,306	-	13,073,306	
Deductions from Common Equity Tier I Capital (-)	-	-	843,023	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>78,902,970</b>	-	<b>79,665,373</b>	
Subordinated Debts	-	-	-	
Deductions from Tier I Capital (-)	-	-	-	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>	-	-	<b>79,665,373</b>	
Subordinated Debts	-	-	10,822,630	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	5,587,910	Stage 1 and Stage 2 expected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)	-	-	-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>	-	-	<b>16,410,540</b>	
Deductions from Total Capital (-)	-	-	2,984	Deductions from Capital as per the Regulation
<b>Total</b>	-	-	<b>96,072,929</b>	

Within the scope of the measures announced by the BRSA on 21 December, 2021, negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" are not taken into consideration in capital calculation for capital adequacy ratio.

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	5,261,362	301,971	5,563,333	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,601,545	-	1,601,545	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	3,659,817	301,971	3,961,788	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	45,401,476	-	45,401,476	
Profit or Loss	6,434,451	-	6,434,451	
Prior Periods' Profit/Loss	196,448	-	196,448	
Current Period Net Profit/Loss	6,238,003	-	6,238,003	
Deductions from Common Equity Tier I Capital (-)	-	-	552,832	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>62,081,723</b>		<b>61,830,862</b>	
Subordinated Debts	-	-	-	
Deductions from Tier I Capital (-)	-	-	-	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>			<b>61,830,862</b>	
Subordinated Debts			6,537,880	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			4,211,065	Stage 1 and Stage 2 expected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>10,748,945</b>	
Deductions from Total Capital (-)			1,884	Deductions from Capital as per the Regulation
<b>Total</b>			<b>72,577,923</b>	

## **4.2 Credit risk**

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is periodically reviewed in compliance with the legislation and in case that the risk level of debtor deteriorates, the credit limits are revised and further collateral is required by risk rating models developed and optimized for this purpose. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the Bank's lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and personal or corporate guarantees.

The Bank has control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed together with the risk from market fluctuations. The Bank follows up the risk arising from such instruments and takes the necessary actions to decrease it when necessary.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank's largest 100 and 200 cash loan customers compose 28.97% (31 December 2020: 27.35%) and 35.02% (31 December 2020: 33.49%) of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 41.69% (31 December 2020: 35.82%) and 51.94% (31 December 2020: 47.35%) of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 8.85% (31 December 2020: 8.77%) and 11.26% (31 December 2020: 11.17%) of the total "on and off balance sheet" assets, respectively.

Stage 1 and Stage 2 expected losses for credit risks of the Bank amount to TL 17,984,110 (general provision as of 31 December 2020: TL 12,114,805).

The Bank developed a statistical-based internal default rate model for its credit portfolio of corporate/commercial/medium-size companies. This internal default rate model is used for expected credit loss of the Bank. Risk rating system which has been used for both to determine branch managers' credit authorization limits and in credit assessment process, is also used in default rate model calculations.

The concentration table of the cash and non-cash loans for the Bank according to the risk rating system for its customers defined as corporate, commercial and medium-size enterprises is presented below:

	<i>Current Period</i>	<i>Prior Period</i>
	%	%
Above Average	7.73	5.12
Average	32.32	33.28
Below Average	59.95	61.60
<b>Total</b>	100.00	100.00

<b>Exposure Categories</b>	<i>Current Period</i>		<i>Prior Period</i>	
	<i>Risk Amount</i> (*)	<i>Average Risk Amount</i> (**)	<i>Risk Amount</i> (*)	<i>Average Risk Amount</i> (**)
Conditional and unconditional exposures to central governments or central banks	175,941,380	135,334,507	118,886,544	111,862,804
Conditional and unconditional exposures to regional governments or local authorities	1,458,841	1,295,706	1,312,440	1,050,198
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	871,160	380,806	197,006	218,017
Conditional and unconditional exposures to multilateral development banks	1,375,852	1,375,050	1,477,617	1,323,838
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	81,730,775	47,577,466	41,518,277	48,100,685
Conditional and unconditional exposures to corporates	240,210,944	219,193,709	206,213,241	187,730,851
Conditional and unconditional retail exposures	133,348,271	130,817,359	119,394,856	107,399,205
Conditional and unconditional exposures secured by real estate property	31,625,064	30,963,493	28,811,770	31,486,300
Past due items	4,004,061	4,384,343	5,048,239	5,812,056
Items in regulatory high-risk categories	22,890,874	7,434,380	533,652	591,792
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Shares	14,977,765	12,984,225	11,673,036	10,383,607
Other items	28,060,682	20,878,507	22,213,733	21,430,020

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

(\*\*) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

#### 4.2.1 Profile of significant exposures in major regions

<i>Current Period</i> (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Other	Total
Domestic	169,589,292	39,713,865	232,477,600	132,695,449	31,294,967	3,966,087	53,528,842	663,266,102
European Union (EU) Countries	4,189,463	17,801,404	1,725,915	127,675	245,162	34,637	1,384,868	25,509,124
OECD Countries (**)	93	15,678,850	527,803	14,268	20,257	125	784	16,242,180
Off-Shore Banking Regions	-	79,627	1,348,738	1,005	1,624	-	12	1,431,006
USA, Canada	89	7,808,289	35	23,553	26,710	1	772	7,859,449
Other Countries	2,162,443	363,854	2,140,358	486,321	36,344	3,211	59,842	5,252,373
Associates, Subsidiaries and Joint –Ventures	-	284,886	1,990,495	-	-	-	14,660,054	16,935,435
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>175,941,380</b>	<b>81,730,775</b>	<b>240,210,944</b>	<b>133,348,271</b>	<b>31,625,064</b>	<b>4,004,061</b>	<b>69,635,174</b>	<b>736,495,669</b>

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

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

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

<i>Prior Period</i> (*)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Other	Total
Domestic	114,924,068	13,894,984	199,076,836	118,784,922	28,584,807	4,949,105	24,510,933	504,725,655
European Union (EU) Countries	2,222,820	19,160,412	2,394,188	110,514	161,295	95,831	1,367,007	25,512,067
OECD Countries (**)	81	1,076,253	3,425	11,491	13,420	243	-	1,104,913
Off-Shore Banking Regions	-	110,898	6,170	331	312	-	-	117,711
USA, Canada	953	5,815,872	78	14,496	21,547	142	-	5,853,088
Other Countries	1,738,622	344,416	1,084,054	473,102	30,389	2,918	111,758	3,785,259
Associates, Subsidiaries and Joint –Ventures	-	1,115,442	3,648,490	-	-	-	11,417,786	16,181,718
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>118,886,544</b>	<b>41,518,277</b>	<b>206,213,241</b>	<b>119,394,856</b>	<b>28,811,770</b>	<b>5,048,239</b>	<b>37,407,484</b>	<b>557,280,411</b>

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

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

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

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**4.2.2 Risk profile by sectors or counterparties**

<i>Current Period</i> <sup>(*)</sup>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
<b>Agriculture</b>	-	-	-	-	-	-	1,621,227	701,443	219,932	10,609	11,668	-	-	-	-	-	-	1,920,141	644,738	2,564,879
Farming and Stockbreeding	-	-	-	-	-	-	1,016,334	547,201	171,615	7,754	8,970	-	-	-	-	-	-	1,614,797	137,077	1,751,874
Forestry	-	-	-	-	-	-	133,645	124,676	36,916	1,752	2,384	-	-	-	-	-	-	161,475	137,898	299,373
Fishery	-	-	-	-	-	-	471,248	29,566	11,401	1,103	314	-	-	-	-	-	-	143,869	369,763	513,632
<b>Manufacturing</b>	-	180,952	25,089	-	-	-	112,792,761	12,656,354	4,755,318	1,356,291	277,986	-	-	-	-	-	-	59,326,882	72,717,869	132,044,751
Mining and Quarrying	-	-	-	-	-	-	5,922,059	376,400	94,527	2,295	1,120	-	-	-	-	-	-	1,706,313	4,690,088	6,396,401
Production	-	-	6	-	-	-	68,015,707	12,017,906	4,004,021	395,015	184,656	-	-	-	-	-	-	47,828,836	36,788,475	84,617,311
Electricity, Gas and Water	-	180,952	25,083	-	-	-	38,854,995	262,048	656,770	958,981	92,210	-	-	-	-	-	-	9,791,733	31,239,306	41,031,039
<b>Construction</b>	-	-	3	-	-	-	13,726,988	3,489,790	1,011,647	133,671	181,189	-	-	-	-	-	-	8,866,193	9,677,095	18,543,288
<b>Services</b>	94,266	25	519,810	1,375,852	-	81,730,775	106,795,522	110,167,137	24,668,704	2,442,482	22,172,839	-	-	-	-	364,933	-	252,928,150	97,404,195	350,332,345
Wholesale and Retail Trade	-	-	513,494	-	-	-	47,670,868	98,815,470	19,939,240	1,248,879	21,473,607	-	-	-	-	-	-	168,296,756	21,364,802	189,661,558
Accommodation and Dining	-	25	3,109	-	-	-	8,849,350	2,294,755	2,532,515	98,219	107,698	-	-	-	-	-	-	6,391,872	7,493,799	13,885,671
Transportation and Telecom.	-	-	171	-	-	-	21,349,734	5,024,833	692,717	495,334	189,773	-	-	-	-	-	-	11,942,148	15,810,414	27,752,562
Financial Institutions	93,799	-	-	1,375,852	-	81,730,775	19,463,245	236,293	209,815	2,478	305,053	-	-	-	-	364,933	-	55,992,958	47,789,285	103,782,243
Real Estate and Rental Services	10	-	208	-	-	-	7,955,846	2,885,907	832,719	587,236	74,746	-	-	-	-	-	-	7,753,134	4,583,538	12,336,672
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	643	-	-	-	339,722	293,073	290,176	8,237	13,811	-	-	-	-	-	-	783,561	162,101	945,662
Health and Social Services	457	-	2,185	-	-	-	1,166,757	616,806	171,522	2,099	8,151	-	-	-	-	-	-	1,767,721	200,256	1,967,977
<b>Others</b>	175,847,114	1,277,864	326,258	-	-	-	5,274,446	6,333,547	969,463	61,008	247,192	-	-	-	-	14,612,832	28,060,682	107,483,157	125,527,249	233,010,406
<b>Total</b>	175,941,380	1,458,841	871,160	1,375,852	-	81,730,775	240,210,944	133,348,271	31,625,064	4,004,061	22,890,874	-	-	-	-	14,977,765	28,060,682	430,524,523	305,971,146	736,495,669

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<i>Prior Period</i> <sup>(*)</sup>	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
<b>Agriculture</b>	-	-	-	-	-	-	1,151,537	679,329	300,480	18,008	711	-	-	-	-	-	-	1,483,648	666,417	2,150,065
Farming and Stockbreeding	-	-	-	-	-	-	515,878	544,454	267,725	12,100	568	-	-	-	-	-	-	1,257,654	83,071	1,340,725
Forestry	-	-	-	-	-	-	133,219	100,957	25,978	4,881	108	-	-	-	-	-	-	123,487	141,656	265,143
Fishery	-	-	-	-	-	-	502,440	33,918	6,777	1,027	35	-	-	-	-	-	-	102,507	441,690	544,197
<b>Manufacturing</b>	-	-	52,833	-	-	-	94,688,721	10,814,925	5,724,044	1,871,583	104,938	-	-	-	-	-	-	50,402,430	62,854,614	113,257,044
Mining and Quarrying	-	-	-	-	-	-	3,742,413	354,883	182,097	3,137	370	-	-	-	-	-	-	1,729,781	2,553,119	4,282,900
Production	-	-	7	-	-	-	54,529,668	10,252,827	4,199,807	321,955	20,568	-	-	-	-	-	-	39,230,135	30,094,697	69,324,832
Electricity, Gas and Water	-	-	52,826	-	-	-	36,416,640	207,215	1,342,140	1,546,491	84,000	-	-	-	-	-	-	9,442,514	30,206,798	39,649,312
<b>Construction</b>	-	-	-	-	-	-	11,813,565	3,047,494	992,463	247,627	214,556	-	-	-	-	-	-	7,208,033	9,107,672	16,315,705
<b>Services</b>	96,457	-	6,966	1,477,617	-	41,518,277	95,788,706	99,200,814	20,967,675	2,866,359	128,594	-	-	-	-	301,031	-	172,513,883	89,838,613	262,352,496
Wholesale and Retail Trade	-	-	144	-	-	-	41,894,684	89,664,757	16,188,681	1,201,724	68,633	-	-	-	-	-	-	127,185,967	21,832,656	149,018,623
Accommodation and Dining	-	-	2,709	-	-	-	7,903,539	2,349,137	2,592,362	115,886	3,807	-	-	-	-	-	-	5,492,847	7,474,593	12,967,440
Transportation and Telecom.	-	-	171	-	-	-	20,076,600	3,991,207	590,796	545,930	5,633	-	-	-	-	-	-	8,506,455	16,703,882	25,210,337
Financial Institutions	95,204	-	-	1,477,617	-	41,518,277	17,562,063	255,502	168,407	2,234	26,266	-	-	-	-	301,031	-	22,890,336	38,516,265	61,406,601
Real Estate and Rental Services	12	-	4	-	-	-	6,541,565	2,182,574	950,515	989,566	22,363	-	-	-	-	-	-	5,995,503	4,691,096	10,686,599
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	2,365	-	-	-	586,514	262,176	230,281	7,426	1,146	-	-	-	-	-	-	897,318	192,590	1,089,908
Health and Social Services	1,241	-	1,573	-	-	-	1,223,741	495,461	246,633	3,593	746	-	-	-	-	-	-	1,545,457	427,531	1,972,988
<b>Others</b>	118,790,087	1,312,440	137,207	-	-	-	2,770,712	5,652,294	827,108	44,662	84,853	-	-	-	-	11,372,005	22,213,733	62,380,194	100,824,907	163,205,101
<b>Total</b>	118,886,544	1,312,440	197,006	1,477,617	-	41,518,277	206,213,241	119,394,856	28,811,770	5,048,239	533,652	-	-	-	-	11,673,036	22,213,733	293,988,188	263,292,223	557,280,411

- 1- Conditional and unconditional exposures to central governments or central banks
  - 2- Conditional and unconditional exposures to regional governments or local authorities
  - 3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
  - 4- Conditional and unconditional exposures to multilateral development banks
  - 5- Conditional and unconditional exposures to international organisations
  - 6- Conditional and unconditional exposures to banks and brokerage houses
  - 7- Conditional and unconditional exposures to corporates
  - 8- Conditional and unconditional retail exposures
  - 9- Conditional and unconditional exposures secured by real estate property
  - 10- Past due receivables
  - 11- Receivables in regulatory high-risk categories
  - 12- Exposures in the form of bonds secured by mortgages
  - 13- Securitisation positions
  - 14- Short term exposures to banks, brokerage houses and corporates
  - 15- Exposures in the form of collective investment undertakings
  - 16- Shares
  - 17- Other receivables
- (\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.

### 4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

Current Period	Term To Maturity						Total
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Demand	
Exposure Categories (*)							
Conditional and unconditional exposures to central governments or central banks	56,951,735	6,106,000	1,549,163	4,510,896	65,889,093	40,934,493	<b>175,941,380</b>
Conditional and unconditional exposures to regional governments or local authorities	-	-	59,274	287,361	1,112,206	-	<b>1,458,841</b>
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	380	232,061	66,943	79,766	208,627	283,383	<b>871,160</b>
Conditional and unconditional exposures to multilateral development banks	-	-	-	266	1,375,541	45	<b>1,375,852</b>
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	36,741,165	8,342,513	2,712,708	2,159,238	10,165,471	21,609,680	<b>81,730,775</b>
Conditional and unconditional exposures to corporates	10,894,158	25,632,787	30,433,794	40,322,666	120,684,336	12,243,203	<b>240,210,944</b>
Conditional and unconditional retail exposures	24,388,155	16,526,861	6,613,954	12,565,373	56,246,165	17,007,763	<b>133,348,271</b>
Conditional and unconditional exposures secured by real estate property	209,616	982,118	1,501,672	2,148,328	25,987,522	795,808	<b>31,625,064</b>
Past due items	-	-	-	-	-	4,004,061	<b>4,004,061</b>
Items in regulatory high-risk categories	1,306,975	693,692	14,729	47,097	20,163,365	665,016	<b>22,890,874</b>
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-
Shares	-	-	-	-	-	14,977,765	<b>14,977,765</b>
Other items	92,353	534,239	-	-	-	27,434,090	<b>28,060,682</b>
<b>Total</b>	<b>130,584,537</b>	<b>59,050,271</b>	<b>42,952,237</b>	<b>62,120,991</b>	<b>301,832,326</b>	<b>139,955,307</b>	<b>736,495,669</b>

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



<i>Prior Period</i>	Term To Maturity						Demand	Total
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year			
Conditional and unconditional exposures to central governments or central banks	27,765,766	3,722,236	4,260,659	3,353,498	59,795,536	19,988,849	<b>118,886,544</b>	
Conditional and unconditional exposures to regional governments or local authorities	-	-	3,026	471,767	837,643	4	<b>1,312,440</b>	
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	605	401	24	16,559	106,679	72,738	<b>197,006</b>	
Conditional and unconditional exposures to multilateral development banks	-	111,075	-	58,011	1,308,531	-	<b>1,477,617</b>	
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	
Conditional and unconditional exposures to banks and brokerage houses	9,461,343	12,322,877	738,127	1,295,993	13,482,806	4,217,131	<b>41,518,277</b>	
Conditional and unconditional exposures to corporates	7,874,588	16,785,739	27,665,107	30,023,429	113,695,489	10,168,889	<b>206,213,241</b>	
Conditional and unconditional retail exposures	12,153,200	8,072,997	6,881,815	9,085,131	60,943,513	22,258,200	<b>119,394,856</b>	
Conditional and unconditional exposures secured by real estate property	260,205	637,073	1,173,918	1,739,188	23,859,249	1,142,137	<b>28,811,770</b>	
Past due items	-	-	-	-	-	5,048,239	<b>5,048,239</b>	
Items in regulatory high-risk categories	1,135	38,722	56,503	35,799	187,634	213,859	<b>533,652</b>	
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	
Securitisation positions	-	-	-	-	-	-	-	
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	
Shares	-	-	-	-	-	11,673,036	<b>11,673,036</b>	
Other items	68,512	781,571	-	-	-	21,363,650	<b>22,213,733</b>	
<b>Total</b>	<b>57,585,354</b>	<b>42,472,691</b>	<b>40,779,179</b>	<b>46,079,375</b>	<b>274,217,080</b>	<b>96,146,732</b>	<b>557,280,411</b>	

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

#### 4.2.4 Exposure categories

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights for items that are not included in trading book; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings Long Term Credit Rating	Exposure Categories			
		Exposures to Central Governments or Central Banks	Exposures to Banks and Brokerage Houses		Exposures to Corporates
			Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

#### 4.2.5 Exposures by risk weight

<i>Current Period (*)</i>	0%	2%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Others	Deductions from Equity
<b>Risk Weights</b>													
Exposures before Credit Risk	170,304,931	30,892,595	-	28,564,471	-	17,807,366	44,351,333	119,899,696	273,748,550	22,399,958	-	-	845,931
<b>Mitigation</b>													
Exposures after Credit Risk	172,437,123	406,038	-	28,564,474	-	17,794,619	38,579,790	116,661,757	268,458,427	22,254,636	-	-	845,931

(\*) Excluding counterparty credit risk and securities positions

<i>Prior Period (*)</i>	0%	2%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Others	Deductions from Equity
<b>Risk Weights</b>													
Exposures before Credit Risk	126,012,955	8,215,476	-	19,237,880	-	13,965,843	37,843,194	119,311,447	222,488,242	223,009	-	-	554,717
<b>Mitigation</b>													
Exposures after Credit Risk	134,969,428	211,554	-	19,237,277	-	13,955,387	33,288,807	112,138,217	217,715,503	222,893	-	-	554,717

(\*) Excluding counterparty credit risk and securities positions

#### 4.2.6 Information by major sectors and type of counterparties

The Bank assesses its financial assets in 3 stages based on TFRS 9 as explained in accounting policy note 3.8.1 “Calculation of expected credit losses”. In this respect, the Bank recognizes life time expected credit losses for impaired loans (Stage 3) and considers the probability of default to be 100%.

When the loan is not under default yet, but there is a significant increase in the credit risk since origination date, the Bank calculates life time expected credit losses for these loans (Stage 2).

Regarding the remaining financial assets within the scope of TFRS 9, the Bank calculates 12-month estimated probability of default and measures the loss allowance for these loans (Stage 1) at an amount equal to 12-month (after the reporting date) expected credit losses.

<i>Current Period</i>	<b>Loans</b>		<i>IFRS 9 Expected Credit Losses</i>
	<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>Defaulted (Stage 3)</i>	
<b>Agriculture</b>	<b>333,257</b>	<b>57,170</b>	<b>95,422</b>
Farming and Stockbreeding	137,160	33,074	32,691
Forestry	19,410	14,096	12,636
Fishery	176,687	10,000	50,095
<b>Manufacturing</b>	<b>36,961,582</b>	<b>5,735,556</b>	<b>10,885,673</b>
Mining and Quarrying	3,710,488	26,991	1,247,431
Production	18,736,244	1,681,516	3,093,318
Electricity, Gas and Water	14,514,850	4,027,049	6,544,924
<b>Construction</b>	<b>3,146,176</b>	<b>1,955,947</b>	<b>1,940,620</b>
<b>Services</b>	<b>32,538,416</b>	<b>6,870,900</b>	<b>10,530,599</b>
Wholesale and Retail Trade	8,106,704	2,194,111	2,379,557
Accommodation and Dining	7,567,989	430,985	1,212,460
Transportation and Telecommunication	8,420,191	1,797,293	2,398,924
Financial Institutions	1,415,631	32,181	377,141
Real Estate and Rental Services	6,199,898	2,308,975	3,989,483
Professional Services	-	-	-
Educational Services	341,486	80,994	114,078
Health and Social Services	486,517	26,361	58,956
<b>Others</b>	<b>21,855,085</b>	<b>3,453,888</b>	<b>3,218,171</b>
<b>Total</b>	<b>94,834,516</b>	<b>18,073,461</b>	<b>26,670,485</b>

<i>Prior Period</i>	<b>Loans</b>		<i>IFRS 9 Expected Credit Losses</i>
	<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>Defaulted (Stage 3)</i>	
<b>Agriculture</b>	<b>315,808</b>	<b>73,701</b>	<b>83,888</b>
Farming and Stockbreeding	96,856	42,592	38,767
Forestry	21,368	23,861	19,985
Fishery	197,584	7,248	25,136
<b>Manufacturing</b>	<b>20,888,705</b>	<b>5,010,450</b>	<b>7,370,012</b>
Mining and Quarrying	269,017	28,068	42,719
Production	9,796,433	1,365,923	2,979,948
Electricity, Gas and Water	10,823,255	3,616,459	4,347,345
<b>Construction</b>	<b>2,828,046</b>	<b>1,550,749</b>	<b>1,297,292</b>
<b>Services</b>	<b>16,180,223</b>	<b>5,957,621</b>	<b>6,382,951</b>
Wholesale and Retail Trade	6,479,872	1,844,512	2,084,289
Accommodation and Dining	2,125,682	292,787	496,162
Transportation and Telecommunication	1,629,927	1,516,088	1,204,969
Financial Institutions	902,146	29,555	338,313
Real Estate and Rental Services	4,416,551	2,104,146	2,038,504
Professional Services	-	-	-
Educational Services	368,772	142,665	185,802
Health and Social Services	257,273	27,868	34,912
<b>Others</b>	<b>25,890,372</b>	<b>3,224,640</b>	<b>3,795,049</b>
<b>Total</b>	<b>66,103,154</b>	<b>15,817,161</b>	<b>18,929,192</b>

#### 4.2.7 Movements in value adjustments and provisions

<i>Current Period</i>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
1 Stage 3 Provisions	9,929,201	7,667,500	1,756,577	3,898,992	11,941,132
2 Stage 1 and Stage 2 Provisions	12,114,805	19,961,225	14,091,920	-	17,984,110

<i>Prior Period</i>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
1 Stage 3 Provisions	11,360,915	4,367,480	1,272,420	4,526,774	9,929,201
2 Stage 1 and Stage 2 Provisions	5,816,076	8,948,367	2,649,638	-	12,114,805

#### 4.2.8 Exposures subject to countercyclical capital buffer

<i>Current Period</i> Country	<b>RWAs of Banking Book for Private Sector Lending</b>	<b>RWAs of Trading Book</b>	<b>Total</b>
Turkey	370,439,658	3,519,102	373,958,759
Cayman Islands	1,340,313	-	1,340,313
Turkish Republic of Northern Cyprus	1,319,169	-	1,319,169
Malta	307,525	163	307,688
Switzerland	11,121	-	11,121
The Netherlands	27,731	1,901	29,632
United Kingdom	1,384,536	137,160	1,521,696
Macedonia	176	-	176
Romania	207,996	-	207,996
Others	1,565,105	6,196	1,571,301

<i>Prior Period</i> Country	<b>RWAs of Banking Book for Private Sector Lending</b>	<b>RWAs of Trading Book</b>	<b>Total</b>
Turkey	287,422,489	3,067,373	290,489,862
Cayman Islands	1,112,995	-	1,112,995
Turkish Republic of Northern Cyprus	1,059,720	-	1,059,720
Malta	380,751	-	380,751
Switzerland	5,918	-	5,918
The Netherlands	485,014	-	485,014
United Kingdom	1,966,821	137,996	2,104,817
Macedonia	178	-	178
Romania	373,878	-	373,878
Others	438,924	-	438,924

### 4.3 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2021, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 73,394,278 (31 December 2020: TL 35,810,911), net 'off-balance sheet' foreign currency long position amounts to TL 89,098,603 (31 December 2020: TL 48,393,293), while net foreign currency close position amounts to TL 15,704,325 (31 December 2020: TL 12,582,382).

The foreign currency position risk of the Bank is measured by "standard method" and "value-at-risk (VaR) model". Measurements by standard method are carried out monthly, whereas measurements by VaR are done daily. The foreign currency exchange risk is managed through transaction, dealer, desk and stop-loss limits approved by the Board of Directors for the trading portfolio beside the foreign currency net position standard ratio and the VaR limit.

The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	EUR	USD
<b>Foreign currency purchase rates at balance sheet date</b>	14.8480	13.0930
<b>Exchange rates for the days before balance sheet date:</b>		
Day 1	14.7050	12.9750
Day 2	14.2350	12.5430
Day 3	13.2430	11.7140
Day 4	12.7330	11.2390
Day 5	13.0280	11.5040
<b>Last 30-days arithmetical average rates</b>	15.2921	13.5250

**The Bank's currency risk:**

<i>Current Period</i>	<b>EUR</b>	<b>USD</b>	<b>Other FCs</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	31,266,282	60,609,758	17,706,924	109,582,964
Banks	10,808,315	27,849,969	4,836,420	43,494,704
Financial Assets Measured at Fair Value through Profit/Loss	116,072	5,300,119	-	5,416,191
Money Market Placements	-	2,964,602	-	2,964,602
Financial Assets Measured at Fair Value through Other Comprehensive Income	932,942	8,460,818	-	9,393,760
Loans (*)	72,388,121	76,903,758	2,168,785	151,460,664
Investments in Associates, Subsidiaries and Joint-Ventures	14,370,593	-	-	14,370,593
Financial Assets Measured at Amortised Cost	54,261	19,222,301	-	19,276,562
Derivative Financial Assets Held for Hedging Purpose	303	83,303	-	83,606
Tangible Assets	-	346	-	346
Intangible Assets	-	-	-	-
Other Assets (**)	515,582	2,614,523	(93,399)	3,036,706
<b>Total Assets</b>	<b>130,452,471</b>	<b>204,009,497</b>	<b>24,618,730</b>	<b>359,080,698</b>
<b>Liabilities</b>				
Bank Deposits	1,286,801	49,712	5,447	1,341,960
Foreign Currency Deposits	95,096,283	194,201,321	9,193,769	298,491,373
Money Market Funds	-	2,226,671	-	2,226,671
Other Fundings (***)	10,149,450	49,579,812	-	59,729,262
Securities Issued (****)	669,735	25,708,011	-	26,377,746
Miscellaneous Payables	1,251,584	597,005	53,312	1,901,901
Derivative Financial Liabilities Held for Hedging Purpose	37,102	585,903	-	623,005
Other Liabilities (*****)	1,405,882	7,232,814	33,144,362	41,783,058
<b>Total Liabilities</b>	<b>109,896,837</b>	<b>280,181,249</b>	<b>42,396,890</b>	<b>432,474,976</b>
<b>Net 'On Balance Sheet' Position</b>	<b>20,555,634</b>	<b>(76,171,752)</b>	<b>(17,778,160)</b>	<b>(73,394,278)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(7,167,992)</b>	<b>78,576,812</b>	<b>17,689,783</b>	<b>89,098,603</b>
Derivative Financial Assets	13,009,374	123,709,598	19,170,123	155,889,095
Derivative Financial Liabilities	20,177,366	45,132,786	1,480,340	66,790,492
Non-Cash Loans	-	-	-	-
<b>Prior Period</b>				
<b>Total Assets</b>	<b>84,582,594</b>	<b>105,160,102</b>	<b>18,660,123</b>	<b>208,402,819</b>
<b>Total Liabilities</b>	<b>61,602,802</b>	<b>155,714,871</b>	<b>26,896,057</b>	<b>244,213,730</b>
<b>Net 'On Balance Sheet' Position</b>	<b>22,979,792</b>	<b>(50,554,769)</b>	<b>(8,235,934)</b>	<b>(35,810,911)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(15,693,823)</b>	<b>55,884,657</b>	<b>8,202,459</b>	<b>48,393,293</b>
Derivative Financial Assets	8,871,880	86,686,839	12,871,832	108,430,551
Derivative Financial Liabilities	24,565,703	30,802,182	4,669,373	60,037,258
Non-Cash Loans	-	-	-	-

(\*) The foreign currency-indexed loans amounting TL 391,134 included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(\*\*) Includes expected credit losses in accordance with TFRS 9.

(\*\*\*) Includes funds presented under financial liabilities amounting TL 24,035,836 measured at fair value through profit or loss in balance sheet.

(\*\*\*\*) Includes securities issued as subordinated loan presented under subordinated debts in balance sheet.

(\*\*\*\*\*) Other liabilities include gold deposits of TL 32,922,268.

#### **4.4 Interest rate risk**

The interest rate risk resulting from balance sheet maturity mismatch presents the possible losses that may arise due to the changes in interest rates of interest sensitive assets and liabilities in the on- and off-balance sheet. Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the Weekly Assessment Committee and Assets-Liabilities Committee meetings taking into consideration the developments in market conditions.

The Bank's interest rate risk is measured by using economic value, economic capital, net interest income, income at risk, market price sensitivity of marketable securities portfolio, duration-gap and sensitivity analysis.

The results are supported by the sensitivity and scenario analysis performed periodically against the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the Board of Directors.



**4.4.1 Interest rate sensitivity of assets, liabilities and off balance sheet items (based on repricing dates)**

<i>Current Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	62,381,876	-	-	-	-	60,731,274	123,113,150
Banks	5,103,211	-	-	-	-	39,058,015	44,161,226
Financial Assets Measured at Fair Value through Profit/Loss	132,474	232,409	4,917,776	302,606	118,969	565,929	6,270,163
Money Market Placements	30,474,000	-	2,964,470	-	-	12,689	33,451,159
Financial Assets Measured at Fair Value through Other Comprehensive Income	4,876,680	6,266,956	9,345,747	8,476,533	6,299,366	9,510,875	44,776,157
Loans	107,394,060	42,995,992	135,826,676	99,557,573	27,803,886	11,276,413	424,854,600
Financial Assets Measured at Amortised Cost	4,601,335	2,134,135	7,586,445	13,109,083	6,036,618	8,557,708	42,025,324
Other Assets (**)	-	-	-	-	-	39,150,084	39,150,084
<b>Total Assets</b>	<b>214,963,636</b>	<b>51,629,492</b>	<b>160,641,114</b>	<b>121,445,795</b>	<b>40,258,839</b>	<b>168,862,987</b>	<b>757,801,863</b>
<b>Liabilities</b>							
Bank Deposits	357,243	848	-	-	-	1,768,666	2,126,757
Other Deposits	200,863,108	37,650,562	10,996,526	188,417	-	261,414,187	511,112,800
Money Market Funds	9,604,374	22	-	-	-	25,202	9,629,598
Miscellaneous Payables	-	-	-	-	-	25,311,771	25,311,771
Securities Issued (***)	1,466,754	2,884,104	10,216,593	7,720,972	10,115,457	350,610	32,754,490
Other Fundings	10,714,063	13,206,861	13,580,648	7,185,849	16,119,530	42,124	60,849,075
Other Liabilities	17,846	49,413	142,856	526,220	121,000	115,160,037	116,017,372
<b>Total Liabilities</b>	<b>223,023,388</b>	<b>53,791,810</b>	<b>34,936,623</b>	<b>15,621,458</b>	<b>26,355,987</b>	<b>404,072,597</b>	<b>757,801,863</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>125,704,491</b>	<b>105,824,337</b>	<b>13,902,852</b>	<b>-</b>	<b>245,431,680</b>
<b>On Balance Sheet Short Position</b>	<b>(8,059,752)</b>	<b>(2,162,318)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(235,209,610)</b>	<b>(245,431,680)</b>
<b>Off-Balance Sheet Long Position</b>	<b>25,270,785</b>	<b>39,232,653</b>	<b>9,641,532</b>	<b>12,843,398</b>	<b>15,889,481</b>	<b>-</b>	<b>102,877,849</b>
<b>Off-Balance Sheet Short Position</b>	<b>(8,096,667)</b>	<b>(30,163,619)</b>	<b>(16,389,578)</b>	<b>(26,841,713)</b>	<b>(21,505,045)</b>	<b>-</b>	<b>(102,996,622)</b>
<b>Total Position</b>	<b>9,114,366</b>	<b>6,906,716</b>	<b>118,956,445</b>	<b>91,826,022</b>	<b>8,287,288</b>	<b>(235,209,610)</b>	<b>(118,773)</b>

(\*) Interest accruals are also included in non-interest bearing column.

(\*\*) Includes expected credit losses in accordance with TFRS 9.

(\*\*\*) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

<i>Prior Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	21,781,892	-	-	-	-	33,384,697	55,166,589
Banks	1,441,095	-	-	-	-	20,242,314	21,683,409
Financial Assets at Fair Value through Profit/Loss	74,891	138,494	6,488,033	423,590	33,336	349,609	7,507,953
Money Market Placements	8,000,000	-	239,363	-	-	3,937	8,243,300
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,505,043	5,517,551	4,452,790	7,006,655	5,352,619	5,523,820	31,358,478
Loans	69,278,223	33,611,287	105,046,371	80,750,521	16,802,158	9,595,963	315,084,523
Financial Assets Measured at Amortised Cost	3,642,229	2,274,122	10,093,607	8,039,157	4,363,794	5,928,310	34,341,219
Other Assets (**)	147,246	-	-	-	-	19,265,103	19,412,349
<b>Total Assets</b>	<b>107,870,619</b>	<b>41,541,454</b>	<b>126,320,164</b>	<b>96,219,923</b>	<b>26,551,907</b>	<b>94,293,753</b>	<b>492,797,820</b>
<b>Liabilities</b>							
Bank Deposits	193,298	718	-	-	-	711,567	905,583
Other Deposits	140,558,329	32,326,831	8,638,324	2,241,433	-	136,841,095	320,606,012
Money Market Funds	71,748	58	-	-	-	24	71,830
Miscellaneous Payables	-	-	-	-	-	14,824,201	14,824,201
Securities Issued (***)	2,767,896	2,856,407	4,485,170	9,447,694	5,715,164	317,308	25,589,639
Other Fundings	11,594,179	6,364,244	10,517,742	3,089,286	9,831,122	22,733	41,419,306
Other Liabilities	17,897	39,922	104,253	533,275	184,406	88,501,496	89,381,249
<b>Total Liabilities</b>	<b>155,203,347</b>	<b>41,588,180</b>	<b>23,745,489</b>	<b>15,311,688</b>	<b>15,730,692</b>	<b>241,218,424</b>	<b>492,797,820</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>102,574,675</b>	<b>80,908,235</b>	<b>10,821,215</b>	<b>-</b>	<b>194,304,125</b>
<b>On Balance Sheet Short Position</b>	<b>(47,332,728)</b>	<b>(46,726)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(146,924,671)</b>	<b>(194,304,125)</b>
<b>Off-Balance Sheet Long Position</b>	<b>28,880,331</b>	<b>23,142,759</b>	<b>22,279,273</b>	<b>7,853,708</b>	<b>15,555,453</b>	<b>-</b>	<b>97,711,524</b>
<b>Off-Balance Sheet Short Position</b>	<b>(12,863,650)</b>	<b>(16,413,723)</b>	<b>(21,223,904)</b>	<b>(24,726,782)</b>	<b>(22,264,121)</b>	<b>-</b>	<b>(97,492,180)</b>
<b>Total Position</b>	<b>(31,316,047)</b>	<b>6,682,310</b>	<b>103,630,044</b>	<b>64,035,161</b>	<b>4,112,547</b>	<b>(146,924,671)</b>	<b>219,344</b>

(\*) Interest accruals are also included in non-interest bearing column.

(\*\*) Includes expected credit losses in accordance with TFRS 9.

(\*\*\*) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

#### 4.4.2 Average interest rates on monetary financial instruments (%)

<i>Current Period</i>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	(0.07)	-	-	7.74
Banks	0.30	0.22	-	15.00
Financial Assets Measured at Fair Value through Profit/Loss	4.42	5.13	-	20.06
Money Market Placements	-	0.05	-	14.07
Financial Assets Measured at Fair Value through Other Comprehensive Income	4.48	6.06	-	18.87
Loans	3.87	5.12	-	20.58
Financial Assets Measured at Amortised Cost	0.20	5.22	-	16.66
<b>Liabilities</b>				
Bank Deposits	0.01	-	-	13.13
Other Deposits	0.11	0.18	-	11.24
Money Market Funds	-	0.64	-	13.96
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.76	-	16.79
Other Fundings	1.87	2.47	-	15.86

<i>Prior Period</i>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	(0.07)	-	-	5.40
Banks	0.30	0.25	-	14.25
Financial Assets at Fair Value through Profit/Loss	2.53	5.02	-	17.36
Money Market Placements	-	0.08	-	17.96
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.83	6.08	-	14.61
Loans	3.80	5.65	-	15.31
Financial Assets Measured at Amortised Cost	1.39	5.31	-	13.14
<b>Liabilities</b>				
Bank Deposits	0.01	-	-	14.42
Other Deposits	0.14	0.49	-	10.55
Money Market Funds	-	-	-	7.48
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.76	-	15.12
Other Fundings	1.63	2.53	-	9.10

## 4.5 Position risk of equity securities

### 4.5.1 Equity shares in associates and subsidiaries

Accounting policies for equity shares in associates and subsidiaries are disclosed in Note 3.3.

### 4.5.2 Comparison of carrying, fair and market values of equity shares

<i>Current Period</i>		<b>Comparison</b>		
<b>Equity Securities (shares)</b>		<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value</b>
<b>1</b>	<b>Investment in Shares- Grade A</b>	<b>18,723,366</b>	<b>18,692,361</b>	<b>548,581</b>
	Quoted Securities	148,011	148,011	548,581
<b>2</b>	<b>Investment in Shares- Grade B</b>	<b>160,378</b>	<b>134,937</b>	<b>540,569</b>
	Quoted Securities	134,937	134,937	540,569
<b>3</b>	<b>Investment in Shares- Grade C</b>	<b>7,060</b>	-	-
	Quoted Securities	-	-	-
<b>4</b>	<b>Investment in Shares- Grade D</b>	-	-	-
	Quoted Securities	-	-	-
<b>5</b>	<b>Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
	Quoted Securities	-	-	-
<b>6</b>	<b>Investment in Shares- Grade F</b>	<b>48</b>	-	-
	Quoted Securities	-	-	-

(\*) The balances are as per the results of equity accounting application.

<i>Prior Period</i>		<b>Comparison</b>		
<b>Equity Securities (shares)</b>		<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value</b>
<b>1</b>	<b>Investment in Shares- Grade A</b>	<b>11,302,321</b>	<b>11,184,644</b>	<b>445,672</b>
	Quoted Securities	91,417	91,417	445,672
<b>2</b>	<b>Investment in Shares- Grade B</b>	<b>108,783</b>	<b>83,342</b>	<b>439,163</b>
	Quoted Securities	83,342	83,342	439,163
<b>3</b>	<b>Investment in Shares- Grade C</b>	<b>5,620</b>	-	-
	Quoted Securities	-	-	-
<b>4</b>	<b>Investment in Shares- Grade D</b>	-	-	-
	Quoted Securities	-	-	-
<b>5</b>	<b>Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
	Quoted Securities	-	-	-
<b>6</b>	<b>Investment in Shares- Grade F</b>	<b>48</b>	-	-
	Quoted Securities	-	-	-

(\*) The balances are as per the results of equity accounting application.

#### 4.5.3 Realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals

Current Period	Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses	
		Total	Amount in Tier I Capital <sup>(*)</sup>	Total	Amount in Tier I Capital <sup>(*)</sup>
<b>Portfolio</b>					
1 Private Equity Investments	-	-	-	-	-
2 Quoted Shares	-	197,695	197,695	-	-
3 Other Shares	-	9,698,243	9,698,243	-	-
<b>Total</b>	<b>-</b>	<b>9,895,938</b>	<b>9,895,938</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> The balances are as per the results of equity accounting application.

Prior Period	Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses	
		Total	Amount in Tier I Capital <sup>(*)</sup>	Total	Amount in Tier I Capital <sup>(*)</sup>
<b>Portfolio</b>					
1 Private Equity Investments	-	-	-	-	-
2 Quoted Shares	-	89,507	89,507	-	-
3 Other Shares	-	5,640,126	5,640,126	-	-
<b>Total</b>	<b>-</b>	<b>5,729,633</b>	<b>5,729,633</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup> The balances are as per the results of equity accounting application.

#### 4.5.4 Capital requirement as per equity shares

Current Period		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1 Private Equity Investments	-	-	-	-
2 Quoted Shares	282,948	282,948	282,948	22,636
3 Other Shares	18,608,918	14,377,106	14,377,106	1,150,168
<b>Total</b>	<b>18,891,866</b>	<b>14,660,054</b>	<b>14,660,054</b>	<b>1,172,804</b>

Prior Period		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1 Private Equity Investments	-	-	-	-
2 Quoted Shares	174,759	174,759	174,759	13,981
3 Other Shares	11,243,027	11,243,027	11,243,027	899,442
<b>Total</b>	<b>11,417,786</b>	<b>11,417,786</b>	<b>11,417,786</b>	<b>913,423</b>

#### 4.6 Liquidity risk management and liquidity coverage ratio

Liquidity risk is managed by Asset and Liability Management Department (ALMD), Weekly Review Committee and Asset and Liability Committee (ALCO) in line with liquidity and funding policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure. Under stressed conditions, liquidity risk is managed within the contingency funding plan framework.

The Board of Directors reviews the liquidity risk management policy and approves the liquidity and funding risk management policy, ensures the effective of practice of policies and integrations with the Bank's risk management system. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

ALMD, performs daily liquidity management by ensuring compliance with regulatory and internal liquidity limits and monitoring related early warning indicators in case of probable liquidity squeezes. The medium and long term liquidity and funding management is performed by ALMD in accordance with ALCO decisions.

Head of Risk management defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Head of Risk management coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Head of Risk management analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Head of Risk Management department reviews assumptions and parameters used in liquidity risk analysis.

The liquidity risk analysis and the important liquidity indicators are reported regularly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented in ALCO report. Internal liquidity metrics are monitored with limit and alert levels approved by the Board of Directors/ the Board of Directors Risk Committee and reported regularly to related parties.

Decentralized management approach is adopted in the Bank's liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity of the Bank.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of customer deposits, interbank and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed. Additionally, in order to have a healthy liquidity buffer, most of the securities which are eligible as collateral at CBRT issued by Republic of Turkey Ministry of Treasury and Finance have active secondary market are comprised in the Bank's assets.

In the context of TL and foreign currencies liquidity management, the Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, risk mitigation according to the liquidity and funding policies (diversification of funding sources, holding high quality liquid assets reserve) and effective control environment and closely monitoring by limits. For those risks that cannot be reduced, the adoption of the current level of risk, reduction or termination of the activities that cause the risk is considered.

In liquidity risk stress testing framework, the level of the Bank's ability to cover cash outflows in liquidity crisis scenario based on the Bank's current cash flow structure, by high quality liquid assets is calculated. Scenario analysis are performed by assessing changing balance sheet structure, liquidity requirements and market conditions.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of policy regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Contingency Plan" in the Bank approved by the Board of Directors, including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators and probable scenarios where liquidity risk crisis and possible actions that can be taken.

In the scope of contingency plan within the framework of intraday liquidity risk management in liquidity and funding risk procedure, situations requiring the activation of contingency plan and indicating an intraday liquidity stress, and intraday liquidity metrics are monitored and intraday liquidity risk stress testing is performed. Furthermore, "Liquidity Contingency Plan" which is approved by the Board of Directors, is prepared independently in each subsidiary controlled by the Bank.

The Bank's liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR and Gold. Deposits and capital constitute most of TL funding. Retail customers cannot use foreign currency loans but are able to purchase FX for foreign currency deposits, leading to imbalances in deposit and loan volumes in the TL and FC balance sheet. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency assets and unused portion of USD, EURO and gold are used in TL funding via currency swap transactions. Swap transactions which is made for TL funding are made with CBRT, however swap transactions with foreign banks are being made in legal swap limits. Repo lines by open market operations and Borsa Istanbul ("OMO / BİST") are not utilized, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also Eurobonds of Republic of Turkey aren't used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other liquidity and funding metrics are monitored. During 2021, The Bank turned to sticky consumer deposits to increase of weights Consumer/SME deposits in TL deposits which significantly contributes to liquidity metrics such as the internal stress test.

The Bank keeps a strong liquidity buffer due to possible liquidity risks. Excess liquidity is utilized as overnight reverse repurchase transactions in BİST, in which, the collateral received by the bank is HQLA securities issued by CBRT and Ministry of Treasury and Finance.

#### **4.6.1 Liquidity coverage ratio**

Liquidity Coverage Ratio (LCR), aims for the banks having the ability to cover 30 days of liquidity needs with their own cash and high quality liquid assets that are easy to convert to cash during liquidity shortages in the markets. With that perspective and according to “Regulation for Banks’ Liquidity Coverage Ratio Calculations” (the Regulation) terms LCR ratio is calculated by having high quality liquid assets divided by net cash outflows. In both bank-only and consolidated basis, LCR ratio should be at least 80% for foreign currency and 100% for total.

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank’s high quality liquid assets are composed of 5.02% cash, 51.04% deposits in central banks and 43.94% securities considered as high quality liquid assets.

The Bank’s main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Funding source composition as of report date is 79.97% deposits, 10.98% funds borrowed and money market borrowings, 5.1% securities issued and 3.94% other liabilities.

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

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



<i>Current Period</i>		Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
		TL+FC	FC	TL+FC	FC
<b>High-Quality Liquid Assets</b>				<b>166,880,134</b>	<b>87,728,461</b>
1	Total high-quality liquid assets (HQLA)	166,880,134	87,728,461	166,880,134	87,728,461
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	319,758,020	192,546,117	29,552,712	19,254,612
3	Stable deposits	48,461,786	-	2,423,089	-
4	Less stable deposits	271,296,234	192,546,117	27,129,623	19,254,612
5	Unsecured wholesale funding, of which:	133,914,970	75,696,765	65,536,308	35,659,803
6	Operational deposits	-	-	-	-
7	Non-operational deposits	111,916,911	71,297,444	50,323,914	31,340,144
8	Unsecured funding	21,998,059	4,399,321	15,212,394	4,319,659
9	Secured wholesale funding				
10	Other cash outflows of which:	202,710,895	71,659,300	34,465,097	27,769,344
11	Outflows related to derivative exposures and other collateral requirements	16,701,006	20,212,631	16,701,006	20,212,631
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	186,009,889	51,446,669	17,764,091	7,556,713
14	Other revocable off-balance sheet commitments and contractual obligations	3,090	3,090	154	154
15	Other irrevocable or conditionally revocable off-balance sheet obligations	23,891,491	23,666,087	1,194,575	1,183,304
16	<b>Total Cash Outflows</b>			<b>130,748,846</b>	<b>83,867,217</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	50,342,257	23,838,544	38,608,394	21,433,087
19	Other cash inflows	6,427,318	54,930,833	6,427,318	54,930,833
20	<b>Total Cash Inflows</b>	<b>56,769,575</b>	<b>78,769,377</b>	<b>45,035,712</b>	<b>76,363,920</b>
21	<b>Total HQLA</b>			<b>166,880,134</b>	<b>87,728,461</b>
22	<b>Total Net Cash Outflows</b>			<b>85,713,134</b>	<b>21,282,352</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>194.66</b>	<b>412.90</b>

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the third quarter of 2021:

<i>Current Period</i>	Highest	Date	Lowest	Date	Average
<b>TL+FC</b>	463.70	23.10.2021	260.13	16.12.2021	463.70
<b>FC</b>	339.05	29.10.2021	169.14	17.11.2021	339.05

<i>Prior Period</i>	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>		
	TL+FC	FC	TL+FC	FC	
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)	115,025,954	59,481,266	115,025,954	59,481,266
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	236,181,502	138,559,703	21,612,360	13,855,970
3	Stable deposits	40,115,799	-	2,005,790	-
4	Less stable deposits	196,065,703	138,559,703	19,606,570	13,855,970
5	Unsecured wholesale funding, of which:	91,259,357	48,150,706	46,128,922	23,186,149
6	Operational deposits	-	-	-	-
7	Non-operational deposits	74,243,380	43,622,672	33,613,977	18,785,802
8	Unsecured funding	17,015,977	4,528,034	12,514,945	4,400,347
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	145,381,803	50,076,913	23,490,030	19,459,753
11	Outflows related to derivative exposures and other collateral requirements	11,225,434	14,245,985	11,225,434	14,245,985
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	134,156,369	35,830,928	12,264,596	5,213,768
14	Other revocable off-balance sheet commitments and contractual obligations	2,207	2,207	109	109
15	Other irrevocable or conditionally revocable off-balance sheet obligations	14,127,372	13,697,912	706,369	684,896
16	<b>Total Cash Outflows</b>			91,937,790	57,186,877
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	28,575,307	12,422,517	21,136,076	10,347,300
19	Other cash inflows	1,233,418	24,977,232	1,233,417	24,977,232
20	<b>Total Cash Inflows</b>	29,808,725	37,399,749	22,369,493	35,324,532
21	<b>Total HQLA</b>			<b>115,025,954</b>	<b>59,481,266</b>
22	<b>Total Net Cash Outflows</b>			<b>69,568,297</b>	<b>22,762,422</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>165.50</b>	<b>285.68</b>

<sup>(\*)</sup> The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

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

<i>Prior Period</i>	Highest	Date	Lowest	Date	Average
<b>TL+FC</b>	184.93	25.11.2020	151.36	25.10.2020	165.50
<b>FC</b>	452.40	08.12.2020	169.15	24.10.2020	285.68

#### 4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

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

<i>Current Period</i>	<b>Carrying Value</b>	<b>Nominal Outflows</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>
Bank Deposits	2,126,757	2,127,285	1,764,449	289,757	73,079	-	-	-
Other Deposits	511,112,800	513,030,726	258,699,605	54,134,743	168,273,775	17,823,779	14,085,478	13,346
Other Fundings	60,849,075	71,820,878	-	1,543,098	1,399,336	28,601,262	15,042,256	25,234,926
Interbank Money Market Takings	9,629,598	9,643,537	-	9,643,500	37	-	-	-
Securities Issued <sup>(*)</sup>	32,754,490	38,713,694	-	1,089,589	2,762,781	10,621,983	12,235,528	12,003,813
Lease payables (net)	856,100	1,272,047	-	24,416	71,771	209,789	781,454	184,617
<b>Total</b>	<b>617,328,820</b>	<b>636,608,167</b>	<b>260,464,054</b>	<b>66,725,103</b>	<b>172,580,779</b>	<b>57,256,813</b>	<b>42,144,716</b>	<b>37,436,702</b>

(\*) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

<i>Prior Period</i>	<b>Carrying Value</b>	<b>Nominal Outflows</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>
Bank Deposits	905,583	905,775	711,445	187,879	6,451	-	-	-
Other Deposits	320,606,012	322,292,420	136,198,232	39,159,113	130,606,205	7,194,617	9,125,661	8,592
Other Fundings	41,419,306	45,665,085	-	1,136,446	1,203,608	14,999,180	13,296,236	15,029,615
Interbank Money Market Takings	71,830	71,878	-	71,820	58	-	-	-
Securities Issued <sup>(*)</sup>	25,589,639	30,838,221	-	1,375,996	3,652,533	4,953,735	12,885,392	7,970,565
<b>Total</b>	<b>873,021</b>	<b>1,258,111</b>	<b>-</b>	<b>24,371</b>	<b>50,032</b>	<b>146,506</b>	<b>768,505</b>	<b>268,697</b>
	<b>389,465,391</b>	<b>401,031,490</b>	<b>136,909,677</b>	<b>41,955,625</b>	<b>135,518,887</b>	<b>27,294,038</b>	<b>36,075,794</b>	<b>23,277,469</b>

(\*) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

**4.6.3 Maturity analysis of assets and liabilities according to remaining maturities:**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	64,146,519	58,966,631	-	-	-	-	-	123,113,150
Banks	39,057,731	5,103,495	-	-	-	-	-	44,161,226
Financial Assets Measured at Fair Value through Profit/Loss	546,893	8,833	18,839	4,840,370	734,638	120,590	-	6,270,163
Money Market Placements	-	30,486,557	-	2,964,602	-	-	-	33,451,159
Financial Assets Measured at Fair Value through Other Comprehensive Income	500,441	462,745	2,520,353	1,481,057	25,340,122	14,471,439	-	44,776,157
Loans	593,163	60,779,657	50,905,040	121,051,390	132,431,828	37,780,623	21,312,899	424,854,600
Financial Assets Measured at Amortised Cost	-	438,769	1,310,954	4,660,637	25,663,725	9,951,239	-	42,025,324
Other Assets (*)	12,339,597	10,779,835	3,877,367	1,390,867	1,812,494	1,665,487	7,284,437	39,150,084
<b>Total Assets</b>	<b>117,184,344</b>	<b>167,026,522</b>	<b>58,632,553</b>	<b>136,388,923</b>	<b>185,982,807</b>	<b>63,989,378</b>	<b>28,597,336</b>	<b>757,801,863</b>
<b>Liabilities</b>								
Bank Deposits	1,764,449	361,460	848	-	-	-	-	2,126,757
Other Deposits	258,699,606	201,878,040	38,978,173	11,326,407	221,072	9,502	-	511,112,800
Other Fundings	-	1,308,136	1,051,421	27,687,092	12,310,555	18,491,871	-	60,849,075
Money Market Funds	-	9,629,576	22	-	-	-	-	9,629,598
Securities Issued (**)	-	1,064,374	2,293,846	9,366,542	8,818,982	11,210,746	-	32,754,490
Miscellaneous Payables	25,311,767	4	-	-	-	-	-	25,311,771
Other Liabilities (***)	5,499,815	2,478,952	2,967,120	1,661,466	2,512,403	6,023,649	94,873,967	116,017,372
<b>Total Liabilities</b>	<b>291,275,637</b>	<b>216,720,542</b>	<b>45,291,430</b>	<b>50,041,507</b>	<b>23,863,012</b>	<b>35,735,768</b>	<b>94,873,967</b>	<b>757,801,863</b>
<b>Liquidity Gap</b>	<b>(174,091,293)</b>	<b>(49,694,020)</b>	<b>13,341,123</b>	<b>86,347,416</b>	<b>162,119,795</b>	<b>28,253,610</b>	<b>(66,276,631)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>7,625,945</b>	<b>1,359,327</b>	<b>619,182</b>	<b>369,215</b>	<b>(574,808)</b>	<b>-</b>	<b>9,398,861</b>
Derivative Financial Assets	-	130,289,455	35,528,824	15,339,959	10,528,964	1,885,232	-	193,572,434
Derivative Financial Liabilities	-	122,663,510	34,169,497	14,720,777	10,159,749	2,460,040	-	184,173,573
Non-Cash Loans	-	22,324,223	6,142,264	3,841,840	362,718	-	228,057,449	260,728,494
<b>Prior Period</b>								
<b>Total Assets</b>	<b>58,816,419</b>	<b>84,217,187</b>	<b>30,754,746</b>	<b>106,583,694</b>	<b>144,671,506</b>	<b>44,294,988</b>	<b>23,459,280</b>	<b>492,797,820</b>
<b>Total Liabilities</b>	<b>155,410,152</b>	<b>145,754,753</b>	<b>40,960,358</b>	<b>29,267,251</b>	<b>25,410,435</b>	<b>21,961,398</b>	<b>74,033,473</b>	<b>492,797,820</b>
<b>Liquidity Gap</b>	<b>(96,593,733)</b>	<b>(61,537,566)</b>	<b>(10,205,612)</b>	<b>77,316,443</b>	<b>119,261,071</b>	<b>22,333,590</b>	<b>(50,574,193)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(728,625)</b>	<b>(2,207,626)</b>	<b>37,185</b>	<b>462,595</b>	<b>(85,148)</b>	<b>-</b>	<b>(2,521,619)</b>
Derivative Financial Assets	-	62,363,705	39,207,952	15,490,998	5,929,805	1,621,783	-	124,614,243
Derivative Financial Liabilities	-	63,092,330	41,415,578	15,453,813	5,467,210	1,706,931	-	127,135,862
Non-Cash Loans	-	26,794,333	3,876,595	1,870,011	271,319	-	144,931,407	177,743,665

(\*) Includes expected credit losses in accordance with TFRS 9.

(\*\*) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.

(\*\*\*) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

#### 4.7 Leverage ratio

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

The Bank’s leverage ratio calculated by taking average of end of month leverage ratios for the last three-month periods is 7.69% (31 December 2020: 8.96%). While the capital increased by 21.82% mainly as a result of increase in net profits, total risk amount increased by 42.77%. Therefore, the current period leverage ratio decreased by 127 basis points compared to prior period.

		<i>Current Period</i> <sup>(*)</sup>	<i>Prior Period</i> <sup>(*)</sup>
<b>On-balance sheet assets</b>			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	697,731,028	497,325,327
2	(Assets deducted in determining Tier I capital)	(752,986)	(545,188)
3	Total on-balance sheet risks (sum of lines 1 and 2)	696,978,042	496,780,139
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative instruments and credit derivatives	18,399,338	6,739,854
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	31,600,219	20,235,044
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	49,999,557	26,974,898
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	1,786,927	247,006
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	1,786,927	247,006
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	241,207,090	167,913,189
11	(Adjustments for conversion to credit equivalent amounts)	(5,744,892)	(2,533,857)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	235,462,198	165,379,332
<b>Capital and total risks</b>			
13	Tier I capital	75,232,666	61,754,721
14	Total risks (sum of lines 3, 6, 9 and 12)	984,226,724	689,381,375
<b>Leverage ratio</b>			
15	Leverage ratio	7.69	8.96

<sup>(\*)</sup> Amounts in the table are three-month average amounts.

#### 4.8 Fair values of financial assets and liabilities

<i>Current Period</i>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>	<b>698,238,525</b>	<b>690,559,835</b>
Interbank Money Market Placements	33,451,159	33,424,125
Banks (*)	146,861,122	146,825,433
Financial Assets Measured at Fair Value Through Profit/Loss	6,270,163	6,270,163
Financial Assets Measured at Fair Value through Other Comprehensive Income	44,776,157	44,776,157
Financial Assets Measured at Amortised Cost	42,025,324	42,756,554
Loans	424,854,600	416,507,403
<b>Financial Liabilities</b>	<b>615,717,400</b>	<b>613,833,790</b>
Bank Deposits	2,126,757	2,131,756
Other Deposits	511,112,800	509,389,858
Other Fundings from Financial Institutions	36,813,239	36,843,729
Securities Issued (**)	32,754,490	32,558,334
Other Liabilities	32,910,114	32,910,114

(\*) Including the balances at the Central Bank of Turkey

(\*\*) Including subordinated securities issued and presented under subordinated debts in balance sheet.

<i>Prior Period</i>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>	<b>456,050,784</b>	<b>453,204,763</b>
Interbank Money Market Placements	8,243,300	8,242,961
Banks (*)	59,515,311	59,514,703
Financial Assets Measured at Fair Value Through Profit/Loss	7,507,953	7,507,953
Financial Assets Available-for-Sale	31,358,478	31,358,478
Investments Held-to-Maturity	34,341,219	34,974,868
Loans	315,084,523	311,605,800
<b>Financial Liabilities</b>	<b>394,230,966</b>	<b>392,942,775</b>
Bank Deposits	905,583	905,818
Other Deposits	320,606,012	319,183,097
Other Fundings	25,438,441	25,416,667
Securities Issued (**)	25,589,639	25,745,902
Miscellaneous Payables	21,691,291	21,691,291

\*) Including the balances at the Central Bank of Turkey

(\*\*) Including subordinated securities issued and presented under subordinated debts in balance sheet.

The estimated fair value of banks, other fundings from Financial institutions, securities issued and deposits is calculated by finding discounted cash flows using current market interest rates.

Fair value of financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities are measured at amortised cost of financial assets or liabilities calculating by effective interest method.

The table below analyses financial instruments carried at fair value, by valuation method:

<i>Current Period</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial Assets Measured at Fair Value through Other Comprehensive Income	36,088,768	8,670,439	16,950	44,776,157
Financial Assets Measured at Fair Value through Profit/Loss	1,210,682	474,999	4,584,482	6,270,163
Derivative Financial Assets Held for Trading	-	16,670,384	-	16,670,384
Derivative Financial Assets Held for Hedging Purpose	-	854,668	-	854,668
<b>Financial Assets at Fair Value</b>	<b>37,299,450</b>	<b>26,670,490</b>	<b>4,601,432</b>	<b>68,571,372</b>
Derivative Financial Liabilities Held for Trading	933	8,708,915	3,588,682	12,298,530
Funds Borrowed (*)	-	-	24,035,836	24,035,836
Derivative Financial Liabilities Held for Hedging Purpose	-	664,216	-	664,216
<b>Financial Liabilities at Fair Value</b>	<b>933</b>	<b>9,373,131</b>	<b>27,624,518</b>	<b>36,998,582</b>

(\*) Funds borrowed includes financial liabilities measured at fair value through profit/loss.

<i>Prior Period</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial Assets Measured at Fair Value through Other Comprehensive Income	28,466,204	2,773,344	118,930	31,358,478
Financial Assets Measured at Fair Value through Profit/Loss	970,676	1,982,531	4,554,746	7,507,953
Derivative Financial Assets Held for Trading	5,315	3,909,801	64,815	3,979,931
Derivative Financial Assets Held for Hedging Purpose	-	447,161	-	447,161
<b>Financial Assets at Fair Value</b>	<b>29,442,195</b>	<b>9,112,837</b>	<b>4,738,491</b>	<b>43,293,523</b>
Derivative Financial Liabilities Held for Trading	-	6,329,470	1,237,104	7,566,574
Funds Borrowed (*)	-	-	15,980,865	15,980,865
Derivative Financial Liabilities Held for Hedging Purpose	-	777,571	-	777,571
<b>Financial Liabilities at Fair Value</b>	<b>-</b>	<b>7,107,041</b>	<b>17,217,969</b>	<b>24,325,010</b>

(\*) Funds borrowed includes financial liabilities measured at fair value through profit/loss.

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

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

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

The movement of financial assets in Level 3 is presented below.

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balances at Beginning of Period</b>	<b>4,738,491</b>	<b>4,517,842</b>
Purchases during the Period	260,585	449,380
Disposals through Sale/Redemptions	(123,187)	(185,909)
Valuation Effect	(274,457)	(42,822)
Transfers	-	-
<b>Balances at End of Period</b>	<b>4,601,432</b>	<b>4,738,491</b>

The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in note 5.1.8.2. This loan is classified under financial assets measured at fair value through profit/loss as per TFRS 9. The fair value of this loan is determined by the independent valuation company based on the weighted average of different methods (discounted cash flows, similar market multipliers and market value). Upon the result of the independent valuation, the Bank management also evaluated the methods and reflected its internal evaluation on fair value. The corresponding loan is considered as Level 3 based on TFRS 13 “Fair Value Measurement” standard.

Valuation techniques considered in the valuation work and any possible changes in the basic assumptions may affect the carrying value of the related asset. For discounted cash flows method, significant unobservable inputs are EBITDA, growth rate and weighted average cost of capital. The estimated fair value of the asset would increase if growth rate and EBITDA are higher and decrease if the weighted average cost of capital is higher. Trading multiples are the valuation techniques for pricing the assets. Trading multiples are derived by dividing the enterprise values of the companies to EBITDAs. The estimated fair value of the asset would increase if the multiples were higher and decrease if multiples were lower.

In the case of 0.25% increase / (0.25% decrease) in the assumptions used in the based discounted cash flow method and 0.25% decrease / (0.25% increase) in the risk-free return on investment, assuming that all other variables remain constant, the assets and profit for the period are approximately will increase by TL 89 million ( will decrease TL 89 million).

Based on TFRS 9, in order to eliminate the accounting mismatch, the securitized borrowings are measured at fair value and it is used the values of the Turkish Republic’s credit default swap (CDS) and Eurobonds together with the Z-spread of the Turkish Republic (TC) and the Bank. The credit default swap (CDS) level is determined based on the remaining maturity.

Regarding valuation of the related securitization transactions, it is determined a reference level which indicates the correlation among the transaction spread at inception date with either of the followings: TC CDS, TC eurobonds, and Z-spreads of the Bank and TC and considered the impact of daily changes in relevant parameters with variation in reference level. Therefore, the fair value of both the securitization transactions and the corresponding Total Return Swap (TRS) transactions are determined as Level 3.

#### **4.9 Transactions carried out on behalf of customers and items held in trust**

None.



## **4.10 Risk management objectives and policies**

The notes under this caption are prepared as per the “Regulation on Risk Management Disclosures” published in the Official Gazette No. 29511 dated 23 October 2015.

### **4.10.1 Risk management strategy and weighted amounts**

#### **4.10.1.1 Risk management strategy**

Risk Management ensures that; risk management policies and principles are applied and adopted throughout the Bank and its consolidated subsidiaries and that risk management system is maintained and improved which pursues risk-return relationship, and measures all risks together and which is in compliance with applicable regulation, bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached. Risk Management defines, measures, reports, monitors the risks and ensure the activities executed in order to control these risks thoroughly and timely; also monitors the results.

Policies and procedures regarding risk management are established for consolidated subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiaries subject to and the parent Bank’s risk management strategy, reviewed regularly and revised if necessary. The parent Bank ensures that risk management system is applied in subsidiaries where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the Board of Directors. Besides oversight of corporate risk management policies and practices, capital adequacy and planning with liquidity adequacy subjects, management of various risks that the Bank may be exposed to is the responsibility of the Risk Committee, which consists of members of the Board of Directors. Accordingly, the Risk Management, which performs risk management functions, reports to the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Unit, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors. Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models. The Bank’s main approach for the implementation of risk management model is establishing risk culture throughout the Bank, and aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for decision making and implementation mechanisms process by all employees.

Compliant with legislation, the Bank measures and monitors risks that exposed to, considering methods suitable with international standards. Risk measuring and reporting are performed via advanced methods and risk management software. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, reports are prepared for Board of Directors, relevant committees and senior management.

The Bank manages all exposed crisis situations within the framework of business continuity policy and business continuity program formed by strategic goals which designate The Bank’s business continuity vision and principles; takes necessary actions.

The Bank's risk appetite framework determines the risk level that the Board of Directors is prepared to accept in order to accomplish the goals and strategies with the consideration of the capacity of the institution to safely absorb those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits.

Risks that the Bank is exposed to is managed by providing effective control environment and monitoring limits. Unmitigated risks are either accepted with current risk levels or decreasing/terminating the activity that causes the risk.

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

Training programs for employees, risk reports to the Board of Directors, senior management and committees, risk appetite framework established by the Bank and ICAAP generate significant inputs to ensure that risk management culture is widely embraced.

On the other hand, within the scope of the "Regulation on the Precautionary Plans to be Prepared by Systemically Important Banks" published in the Official Gazette dated 16.03.2021 and numbered 31425, the Bank prepares a Recovery Plan and reports the Plan to BRSA.

The Recovery Plan describes; the "precautionary options" to be taken, in case the Recovery Plan indicators such as solvency (capital), liquidity, profitability indicators etc., fall below certain threshold levels. In this plan, besides the options that can be applied under stress scenarios, information about the bank's structure is also given. The main purposes of the Recovery Plan are the following:

- An overview, with a detailed analysis of core business lines, critical economic functions as well as its interconnectedness.
- A detailed explanation of the specific governance arrangements relating to the recovery plan, comprising its development, approval and integration in the overall corporate governance of the Bank.
- A description of the decision-making process regarding the potential adoption of recovery measures, underscoring the escalation process and the role of indicators in this process.
- An identification of feasible recovery actions to be potentially adopted in order to restore the Recovery Plan indicators such as liquidity, solvency (capital), profitability etc., following a substantial deterioration that has potentially led to the implementation of recovery measures. This identification should be accompanied by a financial assessment of each measure, their legal and operational requirements, their potential obstacles, and their time for implementation and, in a second step, their feasibility in different scenarios of financial stress.
- A reference to the communication plan to address both internal and external communication.

The main purpose of including scenarios in the recovery plan is to test the impact and feasibility of the different recovery measures. They also allow for proper identification of the potential impediments or delays in the implementation of the recovery measures in a range of situations. Therefore, it is worth noting that the role of scenarios is noticeably different from the role of scenarios in other supervisory tools, such as capital plans or stress-tests exercises, whereas there should be consistency among all these tools.

**4.10.1.2 Risk weighted amounts**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) <sup>(*)</sup>	420,575,730	327,533,984	33,646,058
2	Of which standardised approach (SA)	420,575,730	327,533,984	33,646,058
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	26,456,956	9,351,236	2,116,556
5	Of which standardised approach for counterparty credit risk (SA-CCR)	26,456,956	9,351,236	2,116,556
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	29,764,447	15,475,634	2,381,156
17	Of which standardised approach (SA)	29,764,447	15,475,634	2,381,156
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	47,841,850	39,151,987	3,827,348
20	Of which basic indicator approach	47,841,850	39,151,987	3,827,348
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	<b>524,638,983</b>	<b>391,512,841</b>	<b>41,971,118</b>

<sup>(\*)</sup> Excluding equity investments in funds and amounts below the thresholds for deductions from capital.

#### 4.10.2 Linkages between financial statements and risk amounts

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

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Subject to credit risk	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>	Subject to capital calculation	Not subject to capital requirements
<b>Assets</b>	<b>269,059,876</b>	<b>250,085,331</b>	<b>26,568,945</b>	<b>7,681,856</b>	<b>(237,031)</b>	<b>-</b>
Cash and cash equivalents	200,488,504	200,725,535	-	-	(237,031)	-
Financial assets measured at fair value through profit/loss (FVTPL)	6,270,163	4,583,639	-	1,686,524	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	44,776,157	44,776,157	9,043,893	-	-	-
Derivative financial assets	17,525,052	-	17,525,052	5,995,332	-	-
<b>Loans (net)</b>	<b>440,083,731</b>	<b>456,589,717</b>	<b>4,428,007</b>	<b>-</b>	<b>(16,179,215)</b>	<b>(28,296)</b>
Loans	424,854,600	425,178,462	-	-	2,909	(28,296)
Lease receivables	-	-	-	-	-	-
Non performing receivables	42,025,324	42,025,324	4,428,007	-	-	-
Expected credit losses (-)	26,796,193	10,614,069	-	-	16,182,124	-
Assets held for sale and assets of discontinued operations (net)	532,647	532,647	-	-	-	-
Ownership investments (net)	18,891,866	18,891,866	-	-	-	-
Tangible assets (net)	5,194,941	5,100,343	-	-	94,600	-
Intangible assets (net)	771,668	23,245	-	-	748,423	-
Investment property (net)	814,148	814,148	-	-	-	-
Current tax asset	-	-	-	-	-	-
Deferred tax asset	4,226,924	4,226,924	-	-	-	-
Other assets	18,226,062	21,698,851	-	-	(2,650)	(3,470,140)
<b>Total assets</b>	<b>757,801,863</b>	<b>757,963,072</b>	<b>30,996,952</b>	<b>7,681,856</b>	<b>(15,575,873)</b>	<b>(3,498,436)</b>
<b>Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deposits	512,432,979	-	-	-	-	512,432,979
Funds borrowed	36,813,239	-	3,870,976	-	-	32,942,264
Money market funds	9,629,598	-	9,629,598	-	-	-
Securities issued (net)	21,842,985	-	-	-	-	21,842,985
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtp	24,035,836	-	-	-	-	24,035,836
Derivative financial liabilities	12,962,746	-	-	-	-	12,962,746
Factoring payables	-	-	-	-	-	-
Lease payables (net)	856,100	-	-	-	-	856,100
Provisions	13,040,838	1,327,049	-	-	1,564,954	10,148,835
Current tax liability	2,656,375	-	-	-	-	2,656,375
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	10,911,505	-	-	-	10,822,630	88,875
Other liabilities	33,716,692	-	-	34,675	-	33,682,017
Shareholders' equity	78,902,970	-	-	-	78,630,880	272,090
<b>Total liabilities</b>	<b>757,801,863</b>	<b>1,327,049</b>	<b>13,500,574</b>	<b>34,675</b>	<b>91,018,464</b>	<b>651,921,102</b>

<sup>(\*)</sup> Disclosed based on gross position amounts subject to general market risk and specific risk.

<i>Prior Period</i>	<i>Carrying values of items in accordance with Turkish Accounting Standards</i>					<i>Not subject to capital requirements</i>
	<i>Carrying values in financial statements prepared as per TAS</i>	<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (*)</i>	<i>Subject to capital calculation</i>	
<b>Assets</b>	<b>121,086,048</b>	<b>115,802,078</b>	<b>5,543,018</b>	<b>4,262,954</b>	<b>(413,009)</b>	<b>-</b>
Cash and cash equivalents	77,792,525	78,205,534	-	-	(413,009)	-
Financial assets measured at fair value through profit/loss (FVTPL)	7,507,953	6,238,066	-	1,269,887	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	31,358,478	31,358,478	1,115,926	-	-	-
Derivative financial assets	4,427,092	-	4,427,092	2,993,067	-	-
<b>Loans (net)</b>	<b>329,979,119</b>	<b>340,335,160</b>	<b>72,084</b>	<b>-</b>	<b>(11,409,061)</b>	<b>(30,455)</b>
Loans	315,084,523	315,113,206	-	-	1,884	(30,455)
Lease receivables	-	-	-	-	-	-
Non performing receivables	34,341,219	34,341,219	72,084	-	-	-
Expected credit losses (-)	19,446,623	9,119,265	-	-	11,410,945	-
Assets held for sale and assets of discontinued operations (net)	768,033	768,033	-	-	-	-
Ownership investments (net)	11,417,786	11,417,786	-	-	-	-
Tangible assets (net)	5,319,461	5,199,790	-	-	119,671	-
Intangible assets (net)	454,552	21,390	-	-	433,162	-
Investment property (net)	704,701	704,701	-	-	-	-
Current tax asset	-	-	-	-	-	-
Deferred tax asset	3,509,508	3,509,508	-	-	-	-
Other assets	19,558,612	20,895,609	-	-	(6,720)	(1,330,277)
<b>Total assets</b>	<b>492,797,820</b>	<b>498,654,055</b>	<b>5,615,102</b>	<b>4,262,954</b>	<b>(11,275,957)</b>	<b>(1,360,732)</b>
<b>Liabilities</b>						
Deposits	321,511,595	-	-	-	-	321,511,595
Funds borrowed	25,438,441	-	1,515,138	-	-	23,923,303
Money market funds	71,830	-	71,830	-	-	0
Securities issued (net)	18,990,670	-	-	-	-	18,990,670
Funds	-	-	-	-	-	0
Financial liabilities measured at fvtp	15,980,865	-	-	-	-	15,980,865
Derivative financial liabilities	8,344,145	-	-	-	-	8,344,145
Factoring payables	-	-	-	-	-	-
Lease payables (net)	873,021	-	-	-	-	873,021
Provisions	9,051,110	809,936	-	-	1,367,718	6,873,456
Current tax liability	2,164,160	-	-	-	-	2,164,160
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	6,598,969	-	-	-	6,537,880	61,089
Other liabilities	21,691,291	-	-	26,314	-	21,664,977
Shareholders' equity	62,081,723	-	-	-	62,383,694	(301,971)
<b>Total liabilities</b>	<b>492,797,820</b>	<b>809,936</b>	<b>1,586,968</b>	<b>26,314</b>	<b>70,289,292</b>	<b>420,085,310</b>

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

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

<i>Current Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1 Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements" (as per 4.10.2.1)	759,905,835	744,491,170	17,525,052	7,681,856
2 Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	13,471,900	13,471,900	13,471,900	-
3 Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	13,500,574	-	13,500,574	-
4 Carrying Value of Other Liabilities as per TAS (as per 4.10.2.1)	34,675	-	-	34,675
<b>5 Total Net Amount within the Scope of Statutory Consolidation</b>	<b>759,842,487</b>	<b>757,963,071</b>	<b>17,496,378</b>	<b>7,647,181</b>
6 Off-balance Sheet Amounts (**)	943,275,174	79,171,166	7,038,101	635,720,654
7 Differences Resulted from the BRSA's Applications		(46,069,720)	(40,491)	-
8 Repurchase Transactions		-	2,002,889	-
<b>9 Risk Amounts</b>		<b>791,064,517</b>	<b>26,496,877</b>	<b>643,367,835</b>

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

(\*\*) The amounts present the balances of the off-balance sheet items.

<i>Prior Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1 Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements" (as per 4.10.2.1)	502,885,766	497,466,045	4,427,092	4,262,954
2 Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	1,188,010	1,188,010	1,188,010	-
3 Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	1,586,968	-	1,586,968	-
4 Carrying Value of Other Liabilities as per TAS (as per 4.10.2.1)	26,314	-	-	26,314
<b>5 Total Net Amount within the Scope of Statutory Consolidation</b>	<b>502,460,494</b>	<b>498,654,055</b>	<b>4,028,134</b>	<b>4,236,640</b>
6 Off-balance Sheet Amounts (**)	631,934,170	48,643,992	4,367,264	144,329,145
7 Differences Resulted from the BRSA's Applications		(15,558,980)	(23,304)	-
8 Repurchase Transactions		-	782,667	-
<b>9 Risk Amounts</b>		<b>531,739,067</b>	<b>9,154,761</b>	<b>148,565,785</b>

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

(\*\*) The amounts present the balances of the off-balance sheet items.

#### **4.10.2.3 Explanations on differences between carrying values in financial statements and risk amounts in capital adequacy calculation of assets and liabilities**

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

### **4.10.3 Credit risk**

#### **4.10.3.1 General information on credit risk**

##### **4.10.3.1.1 General qualitative information on credit risk**

The Bank's credit risk management policies; under the relevant legislation in line with the Bank's credit strategy approved by the board of directors are created based on the prudence, sustainability and customer credit worthiness principles. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents.

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their characteristics and size and the information is kept updated by inquiring the customers. Thus before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported.

Diversification to avoid concentrations are performed while determining the Bank's credit risk profile. Credit portfolios are evaluated depending upon the credit type, managed aggregately during their life cycle. Customer selection is made in accordance with the policies and strategies, affordability of the borrower to fulfil on a timely basis all financial obligations with his expected cash flows from foreseeable specific transactions or from its regular operations; without depending upon guarantors, bails or pledged assets is predicated. Necessary risk rating/scoring models are developed, reviewed, and validated for the different portfolios of the Bank. These models are created by ensuring the best separation of the customers in terms of their credibility and grading them using the objective criteria. The outputs of the internal rating and scoring models that developed based on the each portfolio are an important part of the loan approval process.

Loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the credit group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the regional offices, loans units and committees of headoffice, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors by notifying in written form.

Each unit operating in credit risk management is responsible for identifying risks arising from its own process, activities and systems, informing senior management and taking necessary action to reduce risk level.

The general risk policy including the risk appetite and indicators is determined by the board of directors. Risk management is handled, in order to reach the determined targets, by carrying out a continuous monitoring process with a proper classification of risks and customers in scope of the effective management mentality. The limit framework and delegation rules are specified by establishing proper decision systems in order to assess the risks correctly. Optimum limit levels are determined by taking into account the loss and returns during the limit setting process.

Organizational structure related to credit risk management and control functions is detailed below: Units within the scope of credit risk management; Corporate and Specialized Loans,

Commercial Loans, Corporate and Commercial Loans Restructuring, Wholesale Recovery, Retail Collection, Retail Loans Evaluations, Risk Strategies, Retail & SME Loans Risk Governance, Risk Planning Monitoring and Reporting, Credit Risk Management Advanced Analytics Discipline, Risk Projects, Validation, Credit Risk Control, Risk Management Control, and Regional Loans Coordination.

In addition, decisions regarding the credit policy in the corporate governance framework are taken by the relevant committees. In this context, there are Wholesale Credit Risk Committee, Retail Credit Risk Committee, Risk Management Committee, Risk Technology and Analytics Committee, Credit Restructuring Committee, NPL and Collection Committee, Credit Admission Committee, and Risk Committee. Allocated limits and conditions that exceeding the limits with their usage, evaluations regarding major risks and non-performing loans with high risk, information regarding NPLs, the data regarding the portfolios of subsidiaries are reported to senior management on a regular basis.

The Risk Management measures, monitors and reports credit risks by using validated probability of defaults obtained from the Bank's rating models, loss that is caused by defaulted customer and credit conversion factors. The Bank's internal capital is calculated and adequacy is assessed by considering stress tests and scenario analysis. Also, by considering optimum risk return balance, expectations regarding economic outlook the limits are determined for credit portfolios. Risk based analyses are executed, credit concentrations are monitored and the results are presented to senior management.

The Bank carries out on-site and central controls regarding credit risk by Internal Control Unit. Internal Control Unit, which is in the second line of defense, carries out on-site collateral and contract controls and centralized remote examinations in branches and business/support units, which are involved in credit risk management, respectively, alongside with the operational examinations in the regions. In addition, as a second line control specialist, Risk Management Control which reports to the Head of Risk Management conducts periodic controls and assessments on credit risk management on compliance with the Bank's credit risk policies, rules and procedures.

#### 4.10.3.1.2 Credit quality of assets

	<i>Current Period</i>	<i>Gross carrying value as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	16,071,215	593,607,901	10,614,068	599,065,048
2	Debt securities	-	86,301,043	-	86,301,043
3	Off-balance sheet exposures	2,002,246	135,926,727	1,326,913	136,602,060
<b>4</b>	<b>Total</b>	<b>18,073,461</b>	<b>815,835,671</b>	<b>11,940,981</b>	<b>821,968,151</b>

	<i>Prior Period</i>	<i>Gross carrying value as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	14,383,132	372,990,998	9,119,265	378,254,865
2	Debt securities	-	67,082,177	-	67,082,177
3	Off-balance sheet exposures	1,434,029	81,711,066	809,936	82,335,159
<b>4</b>	<b>Total</b>	<b>15,817,161</b>	<b>521,784,241</b>	<b>9,929,201</b>	<b>527,672,201</b>



**4.10.3.1.3 Changes in stock of default loans and debt securities**

	<i>Current Period</i>	<i>Prior Period</i>
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>14,383,132</b>	<b>17,298,981</b>
2 Loans and debt securities defaulted since the last reporting period	4,070,756	2,096,698
3 Receivables back to non-defaulted status	(602,424)	-
4 Amounts written off	(3,898,992)	(4,021,241)
5 Other changes (Collections and fx differences)	2,118,743	(991,306)
<b>6 Defaulted loans and debt securities at end of the reporting period</b>	<b>16,071,215</b>	<b>14,383,132</b>

**4.10.3.1.4 Additional disclosure related to the credit quality of assets**

**4.10.3.1.4.1 Qualitative disclosures related to the credit quality of assets**

As explained in accounting policy notes of 3.8 “Disclosures on impairment of financial assets” and 3.8.1 “Calculation of expected credit losses”, the Bank calculates the expected credit losses in accordance with TFRS 9. At each reporting date, the Bank assesses whether there is a significant increase in the credit risk of the financial instrument within the scope of impairment since it was initially recognized in the financial statements. In making this assessment, it uses the change in the estimated probability of default of the financial instrument.

A refinancing/restructuring refers to; extending a new loan for the purpose of repayment of a part or whole of the outstanding loans or related interest payments granted previously or, amending the conditions of such outstanding loans in order to facilitate the repayment capacity; due to current or foreseeable financial difficulties of the borrower or the related risk group.

**4.10.3.1.4.2 Breakdown of exposures by geographical areas, industry and ageing**

Disclosed under section 4.2 credit risk.

**4.10.3.1.4.3 Exposures provisioned against by major regions and sectors**

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Non-performing Loans</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>	<i>Non-performing</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>
Domestic	15,708,225	10,331,106	3,898,715	14,164,005	9,000,181	3,811,494
European Union (EU) Countries	337,791	264,301	19	197,683	101,389	206,131
OECD Countries	3	2	15	15	6	16
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	590	200	-	237	95	33
Other Countries	24,606	18,460	243	21,192	17,594	3,567
<b>Total</b>	<b>16,071,215</b>	<b>10,614,069</b>	<b>3,898,992</b>	<b>14,383,132</b>	<b>9,119,265</b>	<b>4,021,241</b>

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Non-performing</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>	<i>Non-performing</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>
<b>Agriculture</b>	<b>60,253</b>	<b>47,161</b>	<b>6,073</b>	<b>76,802</b>	<b>57,977</b>	<b>8,330</b>
Farming and Stockbreeding	36,691	26,879	5,001	45,799	32,953	7,635
Forestry	14,066	12,108	1,040	24,259	19,310	184
Fishery	9,496	8,174	32	6,744	5,714	511
<b>Manufacturing</b>	<b>5,348,690</b>	<b>3,497,832</b>	<b>1,412,422</b>	<b>4,731,884</b>	<b>2,889,129</b>	<b>1,845,376</b>
Mining and Quarrying	25,555	22,777	247	26,669	23,484	884
Production	1,592,328	1,131,796	92,793	1,278,047	990,414	359,402
Electricity, Gas and Water	3,730,807	2,343,259	1,319,382	3,427,168	1,875,231	1,485,090
<b>Construction</b>	<b>699,689</b>	<b>494,108</b>	<b>21,985</b>	<b>719,669</b>	<b>420,012</b>	<b>133,737</b>
<b>Services</b>	<b>6,801,195</b>	<b>4,628,964</b>	<b>1,138,989</b>	<b>5,847,130</b>	<b>3,723,799</b>	<b>897,844</b>
Wholesale and Retail Trade	2,159,005	1,574,858	109,340	1,794,304	1,355,138	231,896
Accommodation and Dining	450,379	318,247	23,910	300,957	181,933	88,237
Transportation and Telecommunication	1,793,455	1,194,139	331,255	1,508,035	957,421	226,948
Financial Institutions	32,110	29,668	705	29,444	27,067	848
Real Estate and Rental Services	2,269,159	1,432,860	630,238	2,055,296	1,056,299	343,680
Professional Services	-	-	0	-	-	-
Educational Services	76,027	60,482	42,960	137,350	127,909	4,672
Health and Social Services	21,060	18,710	581	21,744	18,032	1,563
<b>Others</b>	<b>3,161,388</b>	<b>1,946,004</b>	<b>1,319,523</b>	<b>3,007,647</b>	<b>2,028,348</b>	<b>1,135,954</b>
<b>Total</b>	<b>16,071,215</b>	<b>10,614,069</b>	<b>3,898,992</b>	<b>14,383,132</b>	<b>9,119,265</b>	<b>4,021,241</b>

**4.10.3.1.4.4 Ageing of past-due exposures**

<i>Current Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	602,577	2,153,755	5,519,490	4,143,105	647,698
Retail Loans	961,488	641,233	484,033	93,922	40,187
Credit Cards	321,010	240,073	181,456	29,267	11,921
Others	-	-	-	-	-
<b>Total</b>	<b>1,885,075</b>	<b>3,035,061</b>	<b>6,184,979</b>	<b>4,266,294</b>	<b>699,806</b>

<i>Prior Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	242,179	807,735	9,523,232	741,384	543,285
Retail Loans	164,799	407,220	1,041,562	75,683	47,973
Credit Cards	54,206	180,703	514,632	22,126	16,413
Others	-	-	-	-	-
<b>Total</b>	<b>461,184</b>	<b>1,395,658</b>	<b>11,079,426</b>	<b>839,193</b>	<b>607,671</b>

**4.10.3.2 Credit risk mitigation**

**4.10.3.2.1 Qualitative disclosure on credit risk mitigation techniques**

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

Calculating the value of the collateral depends on margins determined according to market and FX risks. Standard margins in use throughout the Bank are specific to type of the collateral and changes according to the currency of the collateral.

If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to the banking information system. Operational transactions are handled by centralized Operation unit (ABACUS). During the credit utilization, compliance of all conditions between credit decision and credit utilization (such as collateral conditions) are controlled systematically.

In the scope of capital adequacy ratio calculations, The Bank monitors up to date value of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and risk besides creditworthiness of the customer.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals, that are composed of cash or cash equivalents, real estate mortgages, high quality securities and Credit Guarantee Fund suretyship having Treasury guarantee, have been used in credit risk mitigation.

#### 4.10.3.2.2 Credit risk mitigation techniques

	<i>Current Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	549,022,138	50,042,910	48,248,913	2,138,701	2,138,701	-	-
2	Debt securities	86,185,212	115,831	29,620	-	-	-	-
<b>3</b>	<b>Total</b>	<b>635,207,350</b>	<b>50,158,741</b>	<b>48,278,533</b>	<b>2,138,701</b>	<b>2,138,701</b>	-	-
4	Of which defaulted (*)	16,071,148	67	592	-	-	-	-

(\*) The gross defaulted amount is given.

	<i>Prior Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	352,702,701	25,552,164	24,541,602	8,959,316	8,959,316	-	-
2	Debt securities	66,815,590	266,587	31,236	-	-	-	-
<b>3</b>	<b>Total</b>	<b>419,518,291</b>	<b>25,818,751</b>	<b>24,572,838</b>	<b>8,959,316</b>	<b>8,959,316</b>	-	-
4	Of which defaulted (*)	14,383,132	-	89	-	-	-	-

(\*) The gross defaulted amount is given.

#### 4.10.3.3 Credit risk under standardised approach

##### 4.10.3.3.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Rating notes issued by Fitch Ratings are presented in the table below, as per credit quality levels and risk weights per risk classes:

<i>Credit Quality Level</i>	<i>Fitch Ratings long term credit rating</i>	<i>Risk Classes</i>			
		<i>Exposures to Central Governments or Central Banks</i>	<i>Exposures to Banks and Brokerage Houses</i>		<i>Exposures to Corporates</i>
			<i>Exposures with Original Maturities Less Than 3 Months</i>	<i>Exposures with Original Maturities More Than 3 Months</i>	
1	AAA to AA-	%0	%20	%20	%20
2	A+ to A-	%20	%20	%50	%50
3	BBB+ to BBB-	%50	%20	%50	%100
4	BB+ to BB-	%100	%50	%100	%100
5	B+ to B-	%100	%50	%100	%150
6	CCC+ and below	%150	%150	%150	%150

**4.10.3.3.2 Credit risk exposure and credit risk mitigation techniques**

	<i>Current Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
	<b><i>Risk classes</i></b>						
1	Exposures to sovereigns and their central banks	161,997,331	2,723,197	164,127,870	131,919	3,022,776	1.84%
2	Exposures to regional and local governments	1,457,517	2,650	1,457,518	1,324	729,421	50.00%
3	Exposures to administrative bodies and non-commercial entities	850,223	48,525	850,153	13,659	863,812	100.00%
4	Exposures to multilateral development banks	45	-	45	-	-	0.00%
5	Exposures to international organizations	-	-	-	-	-	0.00%
6	Exposures to banks and brokerage houses	66,549,134	18,070,604	34,413,487	6,010,385	14,045,932	34.75%
7	Exposures to corporates	190,989,687	101,546,252	184,942,343	44,404,169	223,404,606	97.41%
8	Retail exposures	123,965,697	98,699,966	121,240,563	8,776,172	100,841,322	77.56%
9	Exposures secured by residential property	17,805,704	3,327	17,792,955	1,664	6,228,117	35.00%
10	Exposures secured by commercial property	12,267,483	2,636,176	12,220,682	1,543,791	8,913,316	64.76%
11	Past-due items	4,004,058	92	4,004,043	-	2,793,633	69.77%
12	Exposures in high-risk categories	22,600,438	550,229	22,455,336	289,770	33,805,927	148.63%
13	Covered bonds	-	-	-	-	-	0.00%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0.00%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0.00%
16	Shares	28,060,685	-	25,501,251	-	10,949,103	42.94%
17	Other exposures	14,977,765	-	14,977,765	-	14,977,765	100.00%
<b>18</b>	<b>Total</b>	<b>645,525,767</b>	<b>224,281,018</b>	<b>603,984,011</b>	<b>61,172,853</b>	<b>420,575,730</b>	<b>63.23%</b>

	<i>Prior Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
	<i>Risk classes</i>						
1	Exposures to sovereigns and their central banks	117,916,269	2,378,841	126,869,995	195,890	2,125,616	1.67%
2	Exposures to regional and local governments	1,312,439	23	1,312,439	1	656,220	50.00%
3	Exposures to administrative bodies and non-commercial entities	175,106	54,968	175,068	14,042	189,110	100.00%
4	Exposures to multilateral development banks	1,361,267	-	1,361,267	-	-	0.00%
5	Exposures to international organizations	-	-	-	-	-	0.00%
6	Exposures to banks and brokerage houses	31,477,592	27,503,139	23,252,349	4,483,233	9,521,200	34.33%
7	Exposures to corporates	166,966,692	70,365,398	159,772,638	35,291,573	190,335,403	97.58%
8	Retail exposures	112,984,798	73,581,388	106,161,639	5,985,363	84,106,582	75.00%
9	Exposures secured by residential property	13,965,597	494	13,955,140	247	4,884,385	35.00%
10	Exposures secured by commercial property	13,345,421	2,425,680	13,277,497	1,492,470	9,512,165	64.40%
11	Past-due items	5,048,237	143	5,048,237	-	3,518,113	69.69%
12	Exposures in high-risk categories	213,868	623,788	213,868	319,621	575,447	107.86%
13	Covered Bonds	-	-	-	-	-	0.00%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0.00%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0.00%
16	Other exposures	22,213,735	-	20,883,454	-	10,436,707	49.98%
17	Shares	11,673,036	-	11,673,036	-	11,673,036	100.00%
18	<b>Total</b>	<b>498,654,057</b>	<b>176,933,862</b>	<b>483,956,627</b>	<b>47,782,440</b>	<b>327,533,984</b>	<b>61.60%</b>

## 4.10.3.3 Exposures by asset classes and risk weights

	Regulatory portfolio Current Period	0%	2%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	157,885,556	-	-	4,189,275	-	-	75	-	2,184,883	-	-	-	164,259,789
2	Exposures to regional and local government	-	-	-	-	-	-	1,458,841	-	1	-	-	-	1,458,842
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	863,812	-	-	-	863,812
4	Exposures to multilateral development banks	45	-	-	-	-	-	-	-	-	-	-	-	45
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	406,038	-	21,959,135	-	-	16,825,429	-	1,233,270	-	-	-	40,423,872
7	Exposures to corporates	-	-	-	2,403,077	-	-	8,063,595	-	218,855,134	24,706	-	-	229,346,512
8	Retail exposures	-	-	-	12,208	-	-	416	116,661,757	13,342,354	-	-	-	130,016,735
9	Exposures secured by residential property	-	-	-	-	-	17,794,619	-	-	-	-	-	-	17,794,619
10	Exposures secured by commercial property	-	-	-	-	-	-	9,702,315	-	4,062,158	-	-	-	13,764,473
11	Past-due items	-	-	-	-	-	-	2,437,485	-	1,549,895	16,663	-	-	4,004,043
12	Exposures in high-risk categories	-	-	-	-	-	-	91,634	-	440,205	22,213,267	-	-	22,745,106
13	Covered Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Shares	-	-	-	-	-	-	-	-	14,977,765	-	-	-	14,977,765
17	Other exposures	14,551,522	-	-	779	-	-	-	-	10,948,950	-	-	-	25,501,251
18	<b>Total</b>	<b>172,437,123</b>	<b>406,038</b>	<b>-</b>	<b>28,564,474</b>	<b>-</b>	<b>17,794,619</b>	<b>38,579,790</b>	<b>116,661,757</b>	<b>268,458,427</b>	<b>22,254,636</b>	<b>-</b>	<b>-</b>	<b>665,156,864</b>



**Türkiye Garanti Bankası AŞ**

Unconsolidated Financial Report as of and  
for the Year Ended 31 December 2021  
(Thousands of Turkish Lira (TL))

*Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish*

	<b>Regulatory portfolio Prior Period</b>	<b>0%</b>	<b>2%</b>	<b>10%</b>	<b>20%</b>	<b>25%</b>	<b>35% secured by property mortgage</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>250%</b>	<b>Others</b>	<b>Total risk amount (post-CCF and CRM)</b>
1	Exposures to sovereigns and their central banks	123,162,117	-	-	2,222,661	-	-	45	-	1,681,062	-	-	-	127,065,885
2	Exposures to regional and local government	-	-	-	-	-	-	1,312,440	-	-	-	-	-	1,312,440
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	189,110	-	-	-	189,110
4	Exposures to multilateral development banks	1,361,267	-	-	-	-	-	-	-	-	-	-	-	1,361,267
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	211,554	-	16,064,368	-	-	10,311,129	-	1,148,531	-	-	-	27,735,582
7	Exposures to corporates	-	-	-	944,446	-	-	7,946,502	-	186,173,263	-	-	-	195,064,211
8	Retail exposures	-	-	-	4,922	-	-	3,863	112,138,217	-	-	-	-	112,147,002
9	Exposures secured by residential property	-	-	-	-	-	13,955,387	-	-	-	-	-	-	13,955,387
10	Exposures secured by commercial property	-	-	-	-	-	-	10,515,603	-	4,254,364	-	-	-	14,769,967
11	Past-due items	-	-	-	-	-	-	3,060,250	-	1,987,987	-	-	-	5,048,237
12	Exposures in high-risk categories	-	-	-	-	-	-	138,974	-	171,623	222,892	-	-	533,489
13	Covered Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Shares	-	-	-	-	-	-	-	-	11,673,036	-	-	-	11,673,036
17	Other exposures	10,446,043	-	-	879	-	-	-	-	10,436,532	-	-	-	20,883,454
18	<b>Total</b>	<b>134,969,427</b>	<b>211,554</b>	<b>-</b>	<b>19,237,276</b>	<b>-</b>	<b>13,955,387</b>	<b>33,288,806</b>	<b>112,138,217</b>	<b>217,715,508</b>	<b>222,892</b>	<b>-</b>	<b>-</b>	<b>531,739,067</b>

#### **4.10.4 Counterparty credit risk**

##### **4.10.4.1 *Qualitative disclosure on counterparty credit risk***

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

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

International framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms in order to mitigate the counterparty credit risk.

**4.10.4.2 Counterparty credit risk (CCR) approach analysis**

	<i>Current Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	12,419,936	4,884,998		1.4	17,267,427	13,971,203
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1,342,545	407,047
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	<b>Total</b>						<b>14,378,250</b>

	<i>Prior Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	4,427,092	4,367,264		1.4	8,771,051	5,936,664
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					383,708	77,528
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6</b>	<b>Total</b>						<b>6,014,192</b>

#### 4.10.4.3 Capital requirement for credit valuation adjustment (CVA)

	<i>Current Period</i>		<i>Prior Period</i>	
	<i>EAD post-CRM</i>	<i>RWA</i>	<i>EAD post-CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)		-		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-		-
3 All portfolios subject to the Standardised CVA capital obligation	17,267,427	12,078,706	8,771,051	3,337,044
<b>4 Total subject to the CVA capital obligation</b>	<b>17,267,427</b>	<b>12,078,706</b>	<b>8,771,051</b>	<b>3,337,044</b>

**4.10.4.4 CCR exposures by risk class and risk weights**

<i>Current Period</i>	<i>Risk weight</i>									
	<i>0%</i>	<i>2%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	<i>Total credit exposure</i>
<i>Regulatory portfolio</i>										
Exposures to sovereigns and their central banks	-	-	-	-	-	-	7,454,303	-	-	7,454,303
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	14	-	-	14
Exposures to multilateral development banks	207,693	-	-	-	-	-	-	-	-	207,693
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	116,564	-	1,352,106	5,373,799	-	794	-	-	6,843,263
Exposures to corporates	-	10,138	-	823	250,217	-	3,821,481	-	-	4,082,659
Retail exposures	-	-	-	-	-	22,040	-	-	-	22,040
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>207,693</b>	<b>126,702</b>	<b>-</b>	<b>1,352,929</b>	<b>5,624,016</b>	<b>22,040</b>	<b>11,276,592</b>	<b>-</b>	<b>-</b>	<b>18,609,972</b>

<i>Prior Period</i>	<i>Risk weight</i>									<i>Total credit exposure</i>
	<i>0%</i>	<i>2%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	
<i>Regulatory portfolio</i>										
Exposures to sovereigns and their central banks	-	-	-	-	466,803	-	310,329	-	-	777,132
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	11	-	-	11
Exposures to multilateral development banks	13,031	-	-	-	-	-	-	-	-	13,031
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	37,972	-	1,214,275	3,639,382	-	17,888	-	-	4,909,517
Exposures to corporates	-	-	-	9,905	110,200	-	3,323,818	-	-	3,443,923
Retail exposures	-	-	-	-	-	11,145	-	-	-	11,145
Other assets	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13,031</b>	<b>37,972</b>	<b>-</b>	<b>1,224,180</b>	<b>4,216,385</b>	<b>11,145</b>	<b>3,652,046</b>	<b>-</b>	<b>-</b>	<b>9,154,759</b>

#### 4.10.4.5 Collaterals for CCR

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	30,430	-	-	-	7,396,600	-
Cash-foreign currency	7,077	-	-	-	4,127,882	-
Domestic sovereign debts	-	-	-	-	-	2,817,474
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	8,404,357
<b>Total</b>	<b>37,507</b>	-	-	-	<b>11,524,482</b>	<b>11,221,831</b>

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	15,573	-	-	-	71,806	-
Cash-foreign currency	7,732	-	-	-	1,515,138	-
Domestic sovereign debts	-	-	-	-	-	1,187,977
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>23,305</b>	-	-	-	<b>1,586,944</b>	<b>1,187,977</b>

#### 4.10.4.6 Credit derivatives

	Current Period		Prior Period	
	Protection bought	Protection sold	Protection bought	Protection sold
<b>Notionals</b>				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	18,780,491	-	17,147,156
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
<b>Total Notionals</b>	-	<b>18,780,491</b>	-	<b>17,147,156</b>
<b>Fair Values</b>				
Positive fair values (asset)	-	-	-	64,814
Negative fair values (liability)	-	(2,436,949)	-	(1,237,105)

**4.10.4.7 Exposures to central counterparties**

	<i>Current Period</i>		<i>Prior Period</i>	
	<i>EAD (post-CRM)</i>	<i>RWA</i>	<i>EAD (post-CRM)</i>	<i>RWA</i>
<b>Exposures to QCCPs (total)</b>		<b>2,534</b>		<b>759</b>
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC derivatives	126,702	2,534	37,972	759
(ii) Exchange-traded derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-
<b>Exposures to non-QCCPs (total)</b>		-		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC derivatives	-	-	-	-
(ii) Exchange-traded derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-



#### 4.10.5 Securitisations

None.

#### 4.10.6 Market risk

##### 4.10.6.1 Qualitative disclosure on market risk

Market risk is managed in accordance with the strategies and policies defined by the Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of the Bank's definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the market risk management. Market risk strategies and policies are reviewed by the board of directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market risk for internal use, implementation fundamentals and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

Market risk is managed through measuring the risks in parallel with the international standards, setting the limits, capital reserving and additionally through mitigating via hedging transactions.

The Market Risk function under Market and Structural Risk Department monitors the activities of Global Markets Trading Department via risk reports and the limits approved by the board of directors.

Market Risk, which is defined as the risk arising from the price fluctuations in balance sheet and off-balance sheet trading positions, is being calculated and reported daily via Value at Risk (VaR) Model.

##### 4.10.6.2 Market risk under standardised approach

		<i>RWA</i>	
		<i>Current Period</i>	<i>Prior Period</i>
	<b>Outright products</b>	<b>29,734,147</b>	<b>15,387,046</b>
1	Interest rate risk (general and specific)	2,692,038	1,959,950
2	Equity risk (general and specific)	896,672	527,546
3	Foreign exchange risk	25,183,175	12,814,500
4	Commodity risk	962,262	85,050
	<b>Options</b>	<b>30,300</b>	<b>88,588</b>
5	Simplified approach	-	-
6	Delta-plus method	30,300	88,588
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>29,764,447</b>	<b>15,475,634</b>

#### 4.10.7 Operational risk

The value at operational risk is calculated according to the basic indicator approach as per the Article 24 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and income derived from insurance claims.

<i>Current Period</i>				<b>Total/ No. of Years of Positive Gross Income</b>	<b>Rate (%)</b>	<b>Total</b>
<b>Basic Indicator Approach</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2020</b>			
Gross Income	23,096,234	23,265,901	30,184,824	25,515,653	15	3,827,348
Value at Operational Risk (Total x % 12.5)						47,841,850

<i>Prior Period</i>				<b>Total/ No. of Years of Positive Gross Income</b>	<b>Rate (%)</b>	<b>Total</b>
<b>Basic Indicator Approach</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2019</b>			
Gross Income	16,281,044	23,096,234	23,265,901	20,881,060	15	3,132,159
Value at Operational Risk (Total x % 12.5)						39,151,987

#### **4.10.8 Banking book interest rate risk**

##### **4.10.8.1 Nature of interest rate risk resulting from banking book, major assumptions on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk**

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the Weekly Review Committee and Monthly Asset-Liability meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Within the scope of monitoring the re-pricing risk arising from maturity mismatch, the sensitivity of the durations/gap, economic value, economic capital, net interest income, earnings at risk, market price of securities portfolio are measured and the internal early warning and limit levels in this context are monitored and reported regularly. Calculated risk metrics and generated reports are used in the management of the balance sheet interest risk under the supervision of the Asset and Liability Committee. In the said analyses, the present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates. For non-matured products, maturity is determined based on interest rate determination frequency and customer behaviour. These results are supported by periodic sensitivities and scenario analyses against fluctuations that may be experienced in the markets.

Early loan payments under the option risk are considered as unusual payments affecting the repayment of the principal above the regular payment plan, which changes the number and amount of the current payment plan. Within the scope of the early payment model studies, early payment data is based on total early payment and partial early payment distinction. Within the framework of internal net interest income and economic value calculations, early payment option is reflected in monthly reports considering the early payment assumption.

The interest rate risk resulting from the banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from Banking Book as per Standard Shock Method” published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulting from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

Branches and lines of business are eliminated from interest rate risk through the transfer pricing system and these risks are transferred to the Asset and Liability Management Department (ALM) and managed by ALM in a central structure.

**4.10.8.2 Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method**

<i>Current Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500bp	(4,918,711)	(5.22)%
2	TL	(-) 400bp	4,462,149	4.74%
3	USD	(+) 200bp	975,143	1.04%
4	USD	(-) 200bp	(934,898)	(0.99)%
5	EUR	(+) 200bp	2,310,778	2.45%
6	EUR	(-) 200bp	(2,516,691)	(2.67)%
<b>Total (of negative shocks)</b>			<b>1,010,560</b>	<b>1.07%</b>
<b>Total (of positive shocks)</b>			<b>(1,632,790)</b>	<b>(1.73)%</b>

<i>Prior Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500bp	(6,209,372)	(8.56)%
2	TL	(-) 400bp	5,872,483	8.09%
3	USD	(+) 200bp	401,784	0.55%
4	USD	(-) 200bp	(629,807)	(0.87)%
5	EUR	(+) 200bp	1,446,619	1.99%
6	EUR	(-) 200bp	(1,707,593)	(2.35)%
<b>Total (of negative shocks)</b>			<b>3,535,083</b>	<b>4.87%</b>
<b>Total (of positive shocks)</b>			<b>(4,360,969)</b>	<b>(6.02)%</b>

**4.10.9 Remuneration policy**

**4.10.9.1 Qualitative disclosures regarding remuneration policies**

**4.10.9.1.1 Disclosures related with Remuneration Committee**

The Bank's Remuneration Committee is comprised of two non-executive members of the board. The committee convenes for 5 times during the year. The duties and responsibilities of the Committee include the following:

- To conduct the necessary monitoring and audit process in order to ensure that the remuneration policy and practices are implemented in accordance with the related laws and regulations and risk management principles;
- To review and if necessary, revise the remuneration policy at least once a year in order to ensure its compliance with the laws and regulations or market practices in Turkey;
- To determine and approve remuneration packages of the executive and non-executive Board of Directors, Chief Executive Officer and Executive Vice Presidents;
- To follow up the revision requirements of the policies, procedures and regulations related with its areas of responsibility and to take actions in order to ensure that they are kept updated.

The Bank has received consultancy service for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank board members, senior management and the Bank staff deemed to perform the functions having material impact on the Bank's risk profile are considered as identified staff; and by the end of 2020, the number of identified staff is 26.

#### **4.10.9.1.2 Information on the design and structure of remuneration process**

The Bank relies on the following values while managing its Remuneration Policy. These values are considered in all compensation practices.

- a. Fair
- b. Transparent
- c. Based on measurable and balanced performance targets
- d. Encouraging sustainable success
- e. In line with the Bank Risk Management Principles

The main objective of the Remuneration Policy is to maintain the internal and external balances in the remuneration structure. Internal balance is ensured with the principles of “equal pay for equal work” and performance-based remuneration”. As for external balance, the data obtained from employee reward and benefit researches conducted by independent research organizations are taken into account.

The Remuneration Policy of 2021 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee. Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

#### **4.10.9.1.3 Evaluation about how the bank’s remuneration processes take the current and future risks into account**

The Bank follows the Risk Management Principles while implementing the remuneration processes. It adopts the remuneration policies that are in line with Bank’s long-term objectives and risk management structures and avoiding excessive risk-taking.

#### **4.10.9.1.4 Evaluation about how the Bank associates variable remunerations with performance**

In the association of variable remunerations with performance, various indicators considered among financial and non-financial performance criteria specified by the Bank such as return on regulatory capital, efficiency, profitability, customer satisfaction (NTS), digital sales are taken into account.

In the variable remuneration for the identified staff, personal performance criteria, the Bank’s performance criteria and BBVA Group’s performance criteria are collectively taken into account. The weightings of such performances taken into account as such may vary according to the position of the identified staff member.

In case of occurrence of risky situations regarding capital adequacy or if and when necessary, Bank may pursue a more conservative policy in relation to all remuneration issues, particularly regarding variable remunerations. In this context, methodological changes such as deferral, retention, malus and clawback may be applied in relation to variable remunerations in accordance with the principles set out by the applicable laws.

#### **4.10.9.1.5 Evaluation about the bank’s methods to adjust remunerations according to long-term performance**

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the “Guidelines on Sound Remuneration Practices in Banks” that at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

#### **4.10.9.1.6 Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments**

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the “Guidelines on Sound Remuneration Practices in Banks” variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2021, BBVA shares are taken as reference for payments based on non-cash instruments.

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

## 5 Disclosures and Footnotes on Unconsolidated Financial Statements

### 5.1 Assets

#### 5.1.1 Cash and cash equivalents

##### 5.1.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,916,282	14,007,635	2,722,172	6,403,283
Central Bank of Turkey	11,613,904	91,085,992	4,274,948	40,444,718
Others	-	4,489,337	2	1,321,466
<b>Total</b>	<b>13,530,186</b>	<b>109,582,964</b>	<b>6,997,122</b>	<b>48,169,467</b>

##### Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	11,613,904	32,119,361	4,274,948	14,434,418
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	58,966,631	-	26,010,300
<b>Total</b>	<b>11,613,904</b>	<b>91,085,992</b>	<b>4,274,948</b>	<b>40,444,718</b>

The reserve requirements in TL, FC and gold that maintained in accordance with the “Communiqué Regarding the Reserve Requirements” numbered 2005/1 are included in the table.

According to the Communiqué on Required Reserves published in the Official Gazette dated July 1, 2021 and numbered 31528, the facility for maintain Turkish lira reserve requirements in foreign currency was terminated as of October 1, 2021.

The required reserve rates for TL liabilities vary between 3% and 8% for TL deposits and other liabilities according to their maturities as of 31 December 2021 (31 December 2020: 1% and 6% for all TL liabilities); the reserve rates for foreign currency liabilities vary between 5% and 26% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2021 (31 December 2020: 5% and 22% for all foreign currency liabilities).

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

##### 5.1.1.2 Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	176,782	347,784	334	124,050
Foreign banks	489,740	43,146,920	253,860	21,305,165
Foreign head offices and branches	-	-	-	-
<b>Total</b>	<b>666,522</b>	<b>43,494,704</b>	<b>254,194</b>	<b>21,429,215</b>

The placements at foreign banks include blocked accounts amounting TL 20,499,346 (31 December 2020: TL 9,311,678) of which TL 5,937,765 (31 December 2020: TL 2,222,619) kept at the central banks of Malta, TL 368,848 (31 December 2020: TL 201,295) kept at Turkish Republic of Northern Cyprus and TL 14,192,733 (31 December 2020: TL 6,887,764) kept at various banks as collateral.

**Due from foreign banks**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Restricted Balances</b>	<b>Unrestricted Balances</b>	<b>Restricted Balances</b>	<b>Unrestricted Balances</b>
EU Countries	4,187,784	7,607,925	606,412	4,691,249
USA and Canada	11,272,933	-	5,690,572	-
OECD Countries (*)	5,080,462	12,495,993	4,430,749	4,419,134
Off-Shore Banking Regions	-	-	-	-
Other	2,596,135	395,428	1,519,614	201,295
<b>Total</b>	<b>23,137,314</b>	<b>20,499,346</b>	<b>12,247,347</b>	<b>9,311,678</b>

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

**5.1.1.3 Receivables from reserve repo transactions**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Domestic Transactions</b>	<b>30,486,557</b>	<b>-</b>	<b>8,003,922</b>	<b>-</b>
Central Bank of Turkey	-	-	-	-
Banks	30,161,870	-	8,003,922	-
Others	324,687	-	-	-
<b>Foreign Transactions</b>	<b>-</b>	<b>2,964,602</b>	<b>-</b>	<b>239,378</b>
Central banks	-	-	-	-
Banks	-	2,964,602	-	239,378
Others	-	-	-	-
<b>Total</b>	<b>30,486,557</b>	<b>2,964,602</b>	<b>8,003,922</b>	<b>239,378</b>

**5.1.1.4 Expected credit losses for cash and cash equivalents**

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Current Period</b>				
<b>Balances at Beginning of Period</b>	<b>416,064</b>	<b>-</b>	<b>-</b>	<b>416,064</b>
Additions during the Period (+)	1,195,292	-	-	1,195,292
Disposals (-)	(1,422,739)	-	-	(1,422,739)
Transfer to 12 month ECL (Stage1)	-	-	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	48,414	-	-	48,414
<b>Balances at End of Period</b>	<b>237,031</b>	<b>-</b>	<b>-</b>	<b>237,031</b>

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Prior Period</b>				
<b>Balances at Beginning of Period</b>	<b>149,340</b>	<b>-</b>	<b>-</b>	<b>149,340</b>
Additions during the Period (+)	1,500,540	-	-	1,500,540
Disposals (-)	(1,285,501)	-	-	(1,285,501)
Transfer to 12 month ECL (Stage1)	-	-	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	51,685	-	-	51,685
<b>Balances at End of Period</b>	<b>416,064</b>	<b>-</b>	<b>-</b>	<b>416,064</b>

## 5.1.2 Information on financial assets measured at fair value through profit/loss

### 5.1.2.1 Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked

None.

### 5.1.2.2 Financial assets measured at fair value through profit or loss

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Securities	815,868	380,110	518,067	2,077,532
Equity Securities	37,263	99,701	29,086	54,021
Other Financial Assets (*)	841	4,936,380	31,405	4,797,842
<b>Total</b>	<b>853,972</b>	<b>5,416,191</b>	<b>578,558</b>	<b>6,929,395</b>

(\*) Financial assets measured at fair value through profit or loss include a loan amounting to USD 769,872,381 (31 December 2020: USD 756,288,034) provided to a special purpose entity. As detailed in Note 5.1.8.2, according to the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. After the capital increase, USD 154,885,708 of the related loan, which corresponds to the share of receivables in the Bank, has been paid off.

This loan is classified under financial assets measured at fair value through profit/loss as per TFRS 9. The fair value of this loan is determined by the independent valuation company based on the weighted average of different methodologies (discounted cash flows, similar market multipliers, same sector transaction multipliers, market value and analyst reports). The corresponding loan is considered as Level 3 based on TFRS 13 "Fair Value Measurement" standard.

Valuation techniques considered in the valuation work and any possible changes in the basic assumptions may affect the carrying value of the related asset. For discounted cash flows method, significant unobservable inputs are EBITDA, growth rate and weighted average cost of capital. The estimated fair value of the asset would increase if growth rate and EBITDA are higher and decrease if the weighted average cost of capital is higher. Trading multiples and transaction multiples for the companies operating in the same sector are the other valuation techniques for pricing the assets. Transaction multiples for the companies operating in the same sector are based on similar transactions based on geographical features, industry, size, target market and other factors. Transaction multiples are derived by dividing the enterprise values of the companies to EBITDAs. The estimated fair value of the asset would increase if the multiples were higher and decrease if multiples were lower.

In the case that the growth rate in the assumptions used in the discounted cash flow method in the valuation report is increased by 0.25% / (decreased by 0.25%) and the risk-free return on investment rate is decreased by 0.25% / (increased by 0.25%), assuming that all other variables remain constant, the assets recognized in the financial statements and the profit for the period will increase by approximately TL 89 million (will decrease TL 89 million).

## 5.1.3 Financial assets measured at fair value through other comprehensive income

### 5.1.3.1 Financial assets subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	5,986,386	3,308,937	12,661,189	2,546,991
Assets subject to Repurchase Agreements	3,164,455	1,730,384	-	-
<b>Total</b>	<b>9,150,841</b>	<b>5,039,321</b>	<b>12,661,189</b>	<b>2,546,991</b>

### 5.1.3.2 Details of financial assets measured at fair value through other comprehensive income

	Current Period	Prior Period
<b>Debt Securities</b>	<b>36,521,305</b>	<b>25,910,988</b>
Quoted at Stock Exchange	36,521,305	25,910,988
Unquoted at Stock Exchange	-	-
<b>Common Shares/Investment Fund</b>	<b>11,477</b>	<b>8,376</b>
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	6,986	3,885
<b>Value Increase/Impairment Losses (-)</b>	<b>8,243,375</b>	<b>5,439,114</b>
<b>Total</b>	<b>44,776,157</b>	<b>31,358,478</b>

Expected losses of TL 49,243 (31 December 2020: TL 151,859) are accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

#### 5.1.4 Derivative financial assets

##### 5.1.4.1 Positive differences on derivative financial assets measured at FVTPL

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	816,734	23,610	372,953	17,972
Swap Transactions	13,556,705	2,091,772	1,616,431	1,887,781
Futures	-	-	-	5,315
Options	121,024	60,539	23,701	55,778
Others	-	-	-	-
<b>Total</b>	<b>14,494,463</b>	<b>2,175,921</b>	<b>2,013,085</b>	<b>1,966,846</b>

##### 5.1.4.2 Derivative financial assets held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	24,699	-	-	-
Cash Flow Hedges	746,666	83,303	447,161	-
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>771,365</b>	<b>83,303</b>	<b>447,161</b>	<b>-</b>

As of 31 December 2021, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	Face Value	Current Period		Prior Period		
		Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	66,337,846	342,442	664,216	35,260,261	26,295	710,133
-TL	9,610,000	259,139	41,211	3,860,000	26,295	61,946
-FC	56,727,846	83,303	623,005	31,400,261	-	648,187
Cross Currency Swaps	570,899	398,750	-	1,153,461	420,866	67,438
-TL	93,028	398,750	-	255,260	420,866	-
-FC	477,871	-	-	898,201	-	67,438
Currency Forwards	661,477	113,476	-	-	-	-
-TL	294,779	113,476	-	-	-	-
-FC	366,698	-	-	-	-	-
<b>Total</b>	<b>67,570,222</b>	<b>854,668</b>	<b>664,216</b>	<b>36,413,722</b>	<b>447,161</b>	<b>777,571</b>



**5.1.4.3 Fair value hedge accounting**

<i>Current Period</i>				Net Fair Value Change of Hedging Item		Statement of profit or loss Effect (gains/losses from derivative financial instruments)
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(22,791)	24,699	(2,023)	14,396
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	-	-	-	-
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	349,358	-	(381,075)	(12,108)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	-	-	-	64,211

<i>Prior Period</i>				Net Fair Value Change of Hedging Item		Statement of profit or loss Effect (gains/losses from derivative financial instruments)
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	12,559	-	(27,070)	18,333
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	-	-	-	20
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	368,153	-	(387,762)	3,358
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	3,228	-	(67,438)	(52,891)

**5.1.4.4 Cash flow hedge accounting**

<b>Current Period</b>							
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>		<b>Gains/Losses Accounted under Shareholders' Equity in the Period</b>	<b>Gains/Losses Accounted under Statement of Profit/Loss in the Period</b>	<b>Ineffective Portion (net) Accounted under Statement of Profit/Loss</b>
			<b>Asset</b>	<b>Liability</b>			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	-	(37,771)	9,427	(32,994)	(4,338)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	317,743	(204,337)	562,576	129,670	54,829
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	-	(39,010)	9,924	22,764	(905)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	398,750	-	(12,733)	(12,909)	28
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	113,476	-	113,476	-	-

In the current period, the amount reclassified from the Shareholders' Equity to the Statement of Profit or Loss due to the ceased hedging transactions is TL (75,411) and the amount recognized in Equity is TL 73,422.

<i>Prior Period</i>							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Statement of Profit/Loss in the Period	Ineffective Portion (net) Accounted under Statement of Profit/Loss
			Asset	Liability			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	-	(87,019)	(106,402)	(15,855)	(9,009)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	26,295	(208,282)	(36,543)	(61,559)	(19,436)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	420,866	-	(22,079)	(19,599)	-
Spot Position (*)	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	-	(3,338)	-	-
Spot Position (*)	Expected investment expenditures	Cash flow risk resulted from foreign currency exchange rates	-	-	(24,655)	-	-
Spot Position (**)	Expected eurobond coupon revenues	Cash flow risk resulted from foreign currency exchange rates	-	-	24,655	-	-

(\*) Consists of foreign currency items on the asset side of the balance sheet.

(\*\*) Consists of foreign currency items on the liabilities side of the balance sheet.

In the current period, the amount reclassified from the Shareholders' Equity to the Statement of Profit or Loss due to the ceased hedging transactions is TL (163,017) and the amount recognized in Equity is TL 131,477.

## 5.1.5 Loans

### 5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	-	<b>1,563,727</b>	-	<b>722,425</b>
Corporates	-	1,563,727	-	722,425
Individuals	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>3,097</b>	<b>189,593</b>	<b>106,352</b>	<b>46,804</b>
<b>Loans to Employees</b>	<b>447,819</b>	<b>23</b>	<b>376,633</b>	-
<b>Total</b>	<b>450,916</b>	<b>1,753,343</b>	<b>482,985</b>	<b>769,229</b>

**5.1.5.2 Performing loans and loans under follow-up including restructured loans, and provisions allocated for such loans**

Current Period Cash Loans <sup>(*) (**)</sup>	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
<b>Loans</b>	<b>328,198,560</b>	<b>38,716,671</b>	<b>24,007,766</b>	<b>17,860,388</b>
Working Capital Loans	48,213,494	4,820,567	1,162,251	8,843,886
Export Loans	29,217,242	3,125,527	170,593	274,861
Import Loans	-	-	-	-
Loans to Financial Sector	10,925,100	202,018	-	-
Consumer Loans	74,799,285	8,428,529	2,844,594	50,707
Credit Cards	43,285,801	5,047,807	760,164	0
Others	121,757,638	17,092,223	19,070,164	8,690,934
<b>Specialization Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>328,198,560</b>	<b>38,716,671</b>	<b>24,007,766</b>	<b>17,860,388</b>

(\*) Non-performing loans are not included.

Prior Period Cash Loans <sup>(*) (**)</sup>	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
<b>Loans</b>	<b>245,008,958</b>	<b>36,078,494</b>	<b>14,545,750</b>	<b>5,068,189</b>
Working Capital Loans	48,061,611	5,582,329	1,044,559	2,632,728
Export Loans	22,385,308	1,190,085	121,912	134,943
Import Loans	-	-	-	-
Loans to Financial Sector	9,133,209	108,542	540	-
Consumer Loans	47,554,627	15,071,526	2,871,650	40,025
Credit Cards	28,943,815	3,628,390	422,390	-
Others	88,930,388	10,497,622	10,084,699	2,260,493
<b>Specialization Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>245,008,958</b>	<b>36,078,494</b>	<b>14,545,750</b>	<b>5,068,189</b>

(\*) Non-performing loans are not included.

(\*\*)As of 31 December 2020, based on the resolution of the BRSA dated 27 March 2020 and numbered 8970 and dated 8 December 2020 and numbered 9312, valid from 17 March 2020 until 30 June 2021, the total amount of the loans that continued to be classified as Stage 1 which have past due days between 30 days and 90 days is amounting to TL 176,155.

<i>Current Period</i>	Corporate/ Commercial Loans		Consumer Loans		Total	
	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	126,692,495	93,324,780	107,972,550	208,735	234,665,045	93,533,515
Loans under Follow-up (Stage 2)	15,318,170	49,543,776	15,695,416	27,463	31,013,586	49,571,239
<b>Total Stage 1 and 2 Loans</b>	<b>142,010,665</b>	<b>142,868,556</b>	<b>123,667,966</b>	<b>236,198</b>	<b>265,678,631</b>	<b>143,104,754</b>
Expected Credit losses-Stage 1-2 (-)	2,804,406	12,010,296	1,315,114	796	4,119,520	12,011,092
Total Non-performing Loans (Stage 3)	<b>5,311,940</b>	<b>7,962,493</b>	<b>2,794,499</b>	<b>2,283</b>	<b>8,106,439</b>	<b>7,964,776</b>
Expected Credit losses-Stage 3 (-)	3,883,947	5,074,530	1,654,233	1,358	5,538,180	5,075,888

<i>Prior Period</i>	Corporate/ Commercial Loans		Consumer Loans		Total	
	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	101,860,295	72,472,341	70,568,515	107,807	172,428,810	72,580,148
Loans under Follow-up (Stage 2)	14,332,038	20,303,992	21,034,699	21,704	35,366,737	20,325,696
<b>Total Stage 1 and 2 Loans</b>	<b>116,192,333</b>	<b>92,776,333</b>	<b>91,603,214</b>	<b>129,511</b>	<b>207,795,547</b>	<b>92,905,844</b>
Expected Credit losses-Stage 1-2 (-)	3,011,972	5,417,680	1,718,989	901	4,730,961	5,418,581
Total Non-performing Loans (Stage 3)	5,549,537	6,555,900	2,277,695	-	7,827,232	6,555,900
Expected Credit losses-Stage 3 (-)	4,175,931	3,477,013	1,466,321	-	5,642,252	3,477,013

	<i>Current Period</i>		<i>Prior Period</i>	
	Performing Loans	Loans Under Follow-Up	Performing Loans	Loans Under Follow-Up
12-Month ECL (Stage 1)	2,450,350	-	1,980,761	-
Significant Increase in Credit Risk (Stage 2)	-	13,680,262	-	8,168,781

As of 31 December 2021, loans amounting to TL 4,936,289 are benefited as collateral under funding transactions (31 December 2020: TL 3,723,673).

Collaterals received for loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
	Loans Collateralized by Cash	2,425,486	50,878	-
Loans Collateralized by Mortgages/Shares/Credit Guarantee Fund Sureties	29,659,044	2,947,723	-	32,606,767
Loans Collateralized by Pledged Assets	9,650,263	198,775	-	9,849,038
Loans Collateralized by Cheques and Notes	249,494	6,122	-	255,616
Loans Collateralized by Other Collaterals	18,377,127	7,435,520	-	25,812,647
Unsecured Loans	3,091,610	684,812	5,807,971	9,584,393
<b>Total</b>	<b>63,453,024</b>	<b>11,323,830</b>	<b>5,807,971</b>	<b>80,584,825</b>

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
	Loans Collateralized by Cash	800,981	85,045	-
Loans Collateralized by Mortgages/Shares/Credit Guarantee Fund Sureties	16,507,391	4,420,193	-	20,927,584
Loans Collateralized by Pledged Assets	2,836,699	283,672	-	3,120,371
Loans Collateralized by Cheques and Notes	85,723	8,413	-	94,136
Loans Collateralized by Other Collaterals	10,639,675	12,536,739	-	23,176,414
Unsecured Loans	2,787,983	649,139	4,050,780	7,487,902
<b>Total</b>	<b>33,658,452</b>	<b>17,983,201</b>	<b>4,050,780</b>	<b>55,692,433</b>

Delinquency periods of loans under follow-up;

<i>Current Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
31-60 days	176,053	966,593	204,852	1,347,498
61-90 days	239,827	384,416	102,516	726,759
Others	63,037,144	9,972,821	5,500,603	78,510,568
<b>Total</b>	<b>63,453,024</b>	<b>11,323,830</b>	<b>5,807,971</b>	<b>80,584,825</b>

<i>Prior Period (*)</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
31-60 days	202,962	642,567	109,308	954,837
61-90 days	196,168	252,004	48,359	496,531
Others	33,259,322	17,088,630	3,893,113	54,241,065
<b>Total</b>	<b>33,658,452</b>	<b>17,983,201</b>	<b>4,050,780</b>	<b>55,692,433</b>

(\*) As of 31 December 2020, based on the resolution of the BRSA dated 17 March 2020 and numbered 8948 and dated 8 December 2020 and numbered 9312; starting from 17 March 2020 until 30 June 2021, the total amount of the loans that continued to be classified as stage 2 which have past due days between 90 days and 180 days is amounting to TL 1,300,763.

**5.1.5.3 Maturity analysis of cash loans**

<i>Current Period</i>	<b>Performing Loans and Other Receivables</b>		<b>Loans under Follow-Up and Other Receivables</b>	
	<b>Loans and Other Receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and Other Receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Short-term Loans</b>	<b>138,666,259</b>	<b>203,365</b>	<b>12,387,065</b>	<b>1,158,474</b>
Loans	138,666,259	203,365	12,387,065	1,158,474
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-term Loans</b>	<b>178,324,276</b>	<b>11,004,660</b>	<b>26,329,606</b>	<b>40,709,680</b>
Loans	178,324,276	11,004,660	26,329,606	40,709,680
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

<i>Prior Period</i>	<b>Performing Loans and Other Receivables</b>		<b>Loans under Follow-Up and Other Receivables</b>	
	<b>Loans and Other Receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>	<b>Loans and Other Receivables</b>	<b>Loans and Receivables with Revised Contract Terms</b>
<b>Short-term Loans</b>	<b>98,683,762</b>	<b>261,332</b>	<b>7,321,509</b>	<b>496,583</b>
Loans	98,683,762	261,332	7,321,509	496,583
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-term Loans</b>	<b>134,746,944</b>	<b>11,316,920</b>	<b>24,590,492</b>	<b>23,283,849</b>
Loans	134,746,944	11,316,920	24,590,492	23,283,849
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

**5.1.5.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards**

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>2,656,866</b>	<b>79,155,724</b>	<b>81,812,590</b>
Housing Loans	27,930	25,280,926	25,308,856
Automobile Loans	202,670	2,205,953	2,408,623
General Purpose Loans	2,426,266	51,668,845	54,095,111
Other	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>159,261</b>	<b>159,261</b>
Housing Loans	-	159,261	159,261
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>964</b>	<b>90,807</b>	<b>91,771</b>
Housing Loans	-	59,419	59,419
Automobile Loans	339	17,151	17,490
General Purpose Loans	625	14,237	14,862
Other	-	-	-
<b>Retail Credit Cards – TL</b>	<b>37,235,731</b>	<b>182,542</b>	<b>37,418,273</b>
With Installment	17,286,717	182,542	17,469,259
Without Installment	19,949,014	-	19,949,014
<b>Retail Credit Cards – FC</b>	<b>160,730</b>	<b>-</b>	<b>160,730</b>
With Installment	-	-	-
Without Installment	160,730	-	160,730
<b>Personnel Loans – TL</b>	<b>40,277</b>	<b>192,755</b>	<b>233,032</b>
Housing Loan	-	399	399
Automobile Loans	-	-	-
General Purpose Loans	40,277	192,356	232,633
Other	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>427</b>	<b>-</b>	<b>427</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	427	-	427
Other	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>194,448</b>	<b>493</b>	<b>194,941</b>
With Installment	66,422	493	66,915
Without Installment	128,026	-	128,026
<b>Personnel Credit Cards – FC</b>	<b>1,792</b>	<b>-</b>	<b>1,792</b>
With Installment	-	-	-
Without Installment	1,792	-	1,792
<b>Deposit Accounts– TL (Real persons)</b>	<b>3,808,407</b>	<b>-</b>	<b>3,808,407</b>
<b>Deposit Accounts– TL (Personnel)</b>	<b>17,627</b>	<b>-</b>	<b>17,627</b>
<b>Deposit Accounts– FC (Real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>44,117,269</b>	<b>79,781,582</b>	<b>123,898,851</b>

<i>Prior Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>1,312,986</b>	<b>61,142,502</b>	<b>62,455,488</b>
Housing Loans	18,390	21,264,889	21,283,279
Automobile Loans	150,350	1,941,950	2,092,300
General Purpose Loans	1,144,246	37,935,663	39,079,909
Other	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>148,475</b>	<b>148,475</b>
Housing Loans	-	148,475	148,475
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>29</b>	<b>68,908</b>	<b>68,937</b>
Housing Loans	-	40,814	40,814
Automobile Loans	-	16,709	16,709
General Purpose Loans	29	11,385	11,414
Other	-	-	-
<b>Retail Credit Cards – TL</b>	<b>25,699,907</b>	<b>290,857</b>	<b>25,990,764</b>
With Installment	12,675,471	290,857	12,966,328
Without Installment	13,024,436	-	13,024,436
<b>Retail Credit Cards – FC</b>	<b>59,737</b>	<b>-</b>	<b>59,737</b>
With Installment	-	-	-
Without Installment	59,737	-	59,737
<b>Personnel Loans – TL</b>	<b>38,381</b>	<b>179,691</b>	<b>218,072</b>
Housing Loan	-	808	808
Automobile Loans	-	-	-
General Purpose Loans	38,381	178,883	217,264
Other	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>142,946</b>	<b>613</b>	<b>143,559</b>
With Installment	50,521	613	51,134
Without Installment	92,425	-	92,425
<b>Personnel Credit Cards – FC</b>	<b>837</b>	<b>-</b>	<b>837</b>
With Installment	-	-	-
Without Installment	837	-	837
<b>Deposit Accounts– TL (Real persons)</b>	<b>2,632,691</b>	<b>-</b>	<b>2,632,691</b>
<b>Deposit Accounts– TL (Personnel)</b>	<b>14,165</b>	<b>-</b>	<b>14,165</b>
<b>Deposit Accounts– FC (Real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>29,901,679</b>	<b>61,831,046</b>	<b>91,732,725</b>



**5.1.5.5 Installment based commercial loans and corporate credit cards**

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,379,259</b>	<b>16,509,497</b>	<b>17,888,756</b>
Real Estate Loans	5,772	917,076	922,848
Automobile Loans	423,952	7,368,245	7,792,197
General Purpose Loans	949,535	8,224,176	9,173,711
Other	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>-</b>	<b>165,120</b>	<b>165,120</b>
Real Estate Loans	-	49,357	49,357
Automobile Loans	-	4,701	4,701
General Purpose Loans	-	111,062	111,062
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>935</b>	<b>1,270,044</b>	<b>1,270,979</b>
Real Estate Loans	-	-	-
Automobile Loans	935	1,157,872	1,158,807
General Purpose Loans	-	112,172	112,172
Other	-	-	-
<b>Corporate Credit Cards – TL</b>	<b>11,009,417</b>	<b>264,358</b>	<b>11,273,775</b>
With Installment	5,707,835	264,358	5,972,193
Without Installment	5,301,582	-	5,301,582
<b>Corporate Credit Cards – FC</b>	<b>44,261</b>	<b>-</b>	<b>44,261</b>
With Installment	-	-	-
Without Installment	44,261	-	44,261
<b>Deposit Accounts– TL (Corporates)</b>	<b>2,371,137</b>	<b>-</b>	<b>2,371,137</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14,805,009</b>	<b>18,209,019</b>	<b>33,014,028</b>

<i>Prior Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,201,606</b>	<b>10,357,196</b>	<b>11,558,802</b>
Real Estate Loans	797	684,036	684,833
Automobile Loans	322,558	3,238,507	3,561,065
General Purpose Loans	878,251	6,434,653	7,312,904
Other	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>-</b>	<b>352,872</b>	<b>352,872</b>
Real Estate Loans	-	47,604	47,604
Automobile Loans	-	50,229	50,229
General Purpose Loans	-	255,039	255,039
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>2,937</b>	<b>269,152</b>	<b>272,089</b>
Real Estate Loans	-	-	-
Automobile Loans	2,937	180,419	183,356
General Purpose Loans	-	88,733	88,733
Other	-	-	-
<b>Corporate Credit Cards – TL</b>	<b>6,532,632</b>	<b>248,274</b>	<b>6,780,906</b>
With Installment	3,209,845	248,274	3,458,119
Without Installment	3,322,787	-	3,322,787
<b>Corporate Credit Cards – FC</b>	<b>18,792</b>	<b>-</b>	<b>18,792</b>
With Installment	-	-	-
Without Installment	18,792	-	18,792
<b>Deposit Accounts– TL (Corporates)</b>	<b>1,739,236</b>	<b>-</b>	<b>1,739,236</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>9,495,203</b>	<b>11,227,494</b>	<b>20,722,697</b>

**5.1.5.6 Allocation of loans by customers**

	<i>Current Period</i>	<i>Prior Period</i>
Public Sector	2,592,685	936,271
Private Sector	406,190,700	299,765,120
<b>Total</b>	<b>408,783,385</b>	<b>300,701,391</b>

(\*) Non-performing loans are not included.

**5.1.5.7 Allocation of domestic and foreign loans (\*)**

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	405,793,659	297,936,898
Foreign Loans	2,989,726	2,764,493
<b>Total</b>	<b>408,783,385</b>	<b>300,701,391</b>

(\*) Non-performing loans are not included.

**5.1.5.8 Loans to associates and subsidiaries**

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	3,386,563	3,341,934
Indirect Lending	-	-
<b>Total</b>	<b>3,386,563</b>	<b>3,341,934</b>

**5.1.5.9 Provision allocated for non-performing loans (Stage 3)**

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans - Limited Collectibility	472,312	22,682
Doubtful Loans	745,031	436,042
Uncollectible Loans	9,396,725	8,660,541
<b>Total</b>	<b>10,614,068</b>	<b>9,119,265</b>

**5.1.5.10 Non-performing loans (NPLs) (Net)**

*Non-performing loans and loans restructured from this category*

	<b>Group III Substandard Loans</b>	<b>Group IV Doubtful Loans</b>	<b>Group V Uncollectible Loans</b>
<b><i>Current Period</i></b>			
(Gross Amounts before Provisions)	2,255	421,547	5,998,872
Restructured Loans and Receivables	2,255	421,547	5,998,872
<b><i>Prior Period</i></b>			
(Gross Amounts before Provisions)	20,463	287,105	3,747,246
Restructured Loans and Receivables	20,463	287,105	3,747,246

**Movements in non-performing loans groups**

<i>Current Period</i>	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans</b>	<b>Doubtful Loans</b>	<b>Uncollectible Loans</b>
<b>Balances at End of Prior Period</b>	<b>85,292</b>	<b>832,276</b>	<b>13,465,564</b>
Additions (+)	1,179,772	2,365,216	525,768
Transfer from Other NPL Categories (+)	-	206,994	1,654,922
Transfer to Other NPL Categories (-)	206,994	1,654,922	-
Collections during the Period (-) (*)	87,972	455,644	2,592,104
Write down / Write-offs (-) (**)	-	-	3,285,943
Debt Sale (-) (***)	-	-	613,049
Corporate and Commercial Loans	-	-	272,257
Retail Loans	-	-	202,269
Credit Cards	-	-	138,523
Other	-	-	-
Foreign Currency Differences	59,289	21,653	4,571,097
<b>Balances at End of Period</b>	<b>1,029,387</b>	<b>1,315,573</b>	<b>13,726,255</b>
Provisions (-)	472,312	745,031	9,396,725
<b>Net Balance on Balance Sheet</b>	<b>557,075</b>	<b>570,542</b>	<b>4,329,530</b>

<i>Prior Period</i>	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans</b>	<b>Doubtful Loans</b>	<b>Uncollectible Loans</b>
<b>Balances at End of Prior Period</b>	<b>1,984,530</b>	<b>5,110,985</b>	<b>10,203,466</b>
Additions (+)	668,478	954,337	473,883
Transfer from Other NPL Categories (+)	-	2,438,151	6,980,855
Transfer to Other NPL Categories (-)	2,438,151	6,980,855	-
Collections during the Period (-)	130,598	956,497	1,768,249
Write down / Write-offs (-) (**)	-	3	4,015,201
Debt Sale (-) (***)	-	-	6,037
Corporate and Commercial Loans	-	-	5,957
Retail Loans	-	-	-
Credit Cards	-	-	80
Other	-	-	-
Foreign Currency Differences	1,033	266,158	1,596,847
<b>Balances at End of Period</b>	<b>85,292</b>	<b>832,276</b>	<b>13,465,564</b>
Provisions (-)	22,682	436,042	8,660,541
<b>Net Balance on Balance Sheet</b>	<b>62,610</b>	<b>396,234</b>	<b>4,805,023</b>

(\*) As of 31 December 2021, includes receivables of 602,424 TL, which have been reclassified to non-defaulted status.

(\*\*) Includes loans for which 100 % provision is provided during the corresponding period.

(\*\*\*) Consists of sale of non-performing loans.

***Non-performing loans in foreign currencies***

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b><i>Current Period</i></b>			
<b>Balance at End of Period</b>	<b>81,297</b>	<b>164,829</b>	<b>8,715,509</b>
Provisions (-)	57,047	140,624	5,689,400
<b>Net Balance at Balance Sheet</b>	<b>24,250</b>	<b>24,205</b>	<b>3,026,109</b>
<b><i>Prior Period</i></b>			
<b>Balance at End of Period</b>	<b>31,306</b>	<b>108,749</b>	<b>7,294,576</b>
Provisions (-)	5,303	97,531	4,056,369
<b>Net Balance at Balance Sheet</b>	<b>26,003</b>	<b>11,218</b>	<b>3,238,207</b>

***Gross and net non-performing loans as per customer categories***

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans</b>	<b>Doubtful Loans</b>	<b>Uncollectible Loans</b>
<b>Current Period (Net)</b>	<b>557,075</b>	<b>570,542</b>	<b>4,329,530</b>
Loans to Individuals and Corporates (Gross)	1,029,387	1,315,573	13,726,255
Provision (-)	472,312	745,031	9,396,725
Loans to Individuals and Corporates (Net)	557,075	570,542	4,329,530
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>62,610</b>	<b>396,234</b>	<b>4,805,023</b>
Loans to Individuals and Corporates (Gross)	85,292	832,276	13,465,564
Provision (-)	22,682	436,042	8,660,541
Loans to Individuals and Corporates (Net)	62,610	396,234	4,805,023
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-

**Interest accruals, valuation differences and related provisions calculated for non-performing loans**

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
<b>Current Period (Net)</b>	<b>47,832</b>	<b>70,183</b>	<b>231,286</b>
<b>Interest accruals and valuation differences</b>	87,084	149,308	839,445
Provision (-)	39,252	79,125	608,159
<b>Prior Period (Net)</b>	<b>3,442</b>	<b>28,808</b>	<b>190,085</b>
<b>Interest accruals and valuation differences</b>	4,451	43,767	519,377
Provision (-)	1,009	14,959	329,292

**Collaterals received for non-performing loans**

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	18,912	607	-	19,519
Loans Collateralized by Mortgages	8,189,553	258,724	-	8,448,277
Loans Collateralized by Pledged Assets	1,342,166	34,602	-	1,376,768
Loans Collateralized by Cheques and Notes	134,638	1,879	-	136,517
Loans Collateralized by Other Collaterals	1,946,451	1,674,014	-	3,620,465
Unsecured Loans	1,434,905	251,037	783,727	2,469,669
<b>Total</b>	<b>13,066,625</b>	<b>2,220,863</b>	<b>783,727</b>	<b>16,071,215</b>

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	15,438	373	-	15,811
Loans Collateralized by Mortgages	7,673,133	227,732	-	7,900,865
Loans Collateralized by Pledged Assets	1,443,293	37,793	-	1,481,086
Loans Collateralized by Cheques and Notes	138,457	2,975	-	141,432
Loans Collateralized by Other Collaterals	1,549,781	1,309,329	-	2,859,110
Unsecured Loans	1,037,713	159,035	788,080	1,984,828
<b>Total</b>	<b>11,857,815</b>	<b>1,737,237</b>	<b>788,080</b>	<b>14,383,132</b>

**5.1.5.11 Expected credit loss for loans**

<i>Current Period</i>	Stage 1	Stage 2	Stage 3	Total
<b>Balances at End of Prior Period</b>	<b>1,980,761</b>	<b>8,168,781</b>	<b>9,119,265</b>	<b>19,268,807</b>
Additions during the Period (+)	4,043,018	8,524,124	2,769,096	15,336,238
Disposals (-)	(4,719,333)	(4,810,007)	(1,424,296)	(10,953,636)
Debt Sales (-)	-	-	(613,049)	(613,049)
Write-offs (-)	-	-	(3,285,943)	(3,285,943)
Transfer to Stage1	1,684,974	(1,683,198)	(1,776)	-
Transfer to Stage 2	(666,439)	815,373	(148,934)	-
Transfer to Stage 3	(18,157)	(1,357,192)	1,375,349	-
Foreign Currency Differences	145,526	4,022,381	2,824,356	6,992,263
<b>Balances at End of Period</b>	<b>2,450,350</b>	<b>13,680,262</b>	<b>10,614,068</b>	<b>26,744,680</b>

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balances at End of Prior Period</b>	<b>1,088,983</b>	<b>3,861,963</b>	<b>10,738,342</b>	<b>15,689,288</b>
Additions during the Period (+)	3,031,839	7,842,126	2,149,156	13,023,121
Disposals (-)	(2,910,181)	(3,156,400)	(1,296,723)	(7,363,304)
Debt Sales (-)	-	-	(5,767)	(5,767)
Write-offs (-)	-	-	(4,015,191)	(4,015,191)
Transfer to Stage 1	1,091,226	(1,089,912)	(1,314)	-
Transfer to Stage 2	(437,871)	437,871	-	-
Transfer to Stage 3	(3,363)	(507,898)	511,261	-
Foreign Currency Differences	120,128	781,031	1,039,501	1,940,660
<b>Balances at End of Period</b>	<b>1,980,761</b>	<b>8,168,781</b>	<b>9,119,265</b>	<b>19,268,807</b>

#### **5.1.5.12 Liquidation policy for uncollectible loans and receivables**

Loans and other receivables Classified as Loss are collected through legal follow-up and conversion of collaterals into cash.

#### **5.1.5.13 Write-off policy**

##### **5.1.5.13.1 Disclosures on write down policy**

As of 31 December 2021, in accordance with the relevant accounting policy the Bank has written down "Group V Loan" (Loans Classified as Loss) amounting to TL 9,447,212 (31 December 2020 TL 5,008,760). During the period, the non-performing loan ratio of the Bank calculated as 5.88% (31 December 2020: 6.06% ) by taking into account the written-off loans in accordance with the amendment on the relevant Provisions Regulation instead of 3.78% to (31 December 2020: 4.56% ).

<b>Write down</b>	<i>Prior Period</i>		<i>Current Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Credit Card	491,568	-	502,949	-
Other Loans	2,406,870	6,284,304	2,356,747	2,056,930
Interest Receivables	20,831	243,639	20,164	71,970

##### **5.1.5.13.2 Disclosures on write-off policy**

The general policy of the Bank regarding write-off process for loans under follow-up is to write-off the loans which are documented as uncollectible during the legal follow-up process. As of 31 December 2021, total loans written-off from assets are TL 41,331 (31 December 2020: TL 1,267).

#### **5.1.6 Lease receivable**

None.

## 5.1.7 Financial assets measured at amortised cost

### 5.1.7.1 Financial assets subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	17,046,913	16,002,062	11,311,663	5,035,602
Investments subject to Repurchase Agreements	4,014,558	1,175,157	74,625	-
<b>Total</b>	<b>21,061,471</b>	<b>17,177,219</b>	<b>11,386,288</b>	<b>5,035,602</b>

### 5.1.7.2 Government securities measured at amortised cost

	Current Period	Prior Period
Government Bonds	39,826,467	33,066,329
Treasury Bills	135,878	95,253
Other Government Securities	-	-
<b>Total</b>	<b>39,962,345</b>	<b>33,161,582</b>

### 5.1.7.3 Financial assets measured at amortised cost

	Current Period	Prior Period
<b>Debt Securities</b>	<b>34,272,288</b>	<b>28,770,189</b>
Quoted at Stock Exchange	32,093,774	27,605,817
Unquoted at Stock Exchange	2,178,514	1,164,372
<b>Valuation Increase/(Decrease)</b>	<b>7,753,036</b>	<b>5,571,030</b>
<b>Total</b>	<b>42,025,324</b>	<b>34,341,219</b>

### 5.1.7.4 Movement of financial assets measured at amortised cost

	Current Period	Prior Period
<b>Balances at Beginning of Period</b>	<b>34,341,219</b>	<b>28,616,918</b>
Foreign Currency Differences On Monetary Assets	8,939,724	2,114,059
Purchases during the Period	538,393	7,300,654
Disposals through Sales/Redemptions	(3,976,018)	(3,251,006)
Valuation Effect	2,182,006	(439,406)
<b>Balances at End of Period</b>	<b>42,025,324</b>	<b>34,341,219</b>

### 5.1.7.5 Expected credit loss for financial assets measured at amortised cost

Current Period	Stage 1	Stage 2	Stage 3	Total
<b>Balances at End of Prior Period</b>	<b>177,816</b>	-	-	<b>177,816</b>
Additions during the Period (+)	7,437	-	-	7,437
Disposal (-)	(149,413)	-	-	(149,413)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	15,673	-	-	15,673
<b>Balances at End of Period</b>	<b>51,513</b>	-	-	<b>51,513</b>



<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Balances at End of Prior Period</b>	<b>124,434</b>	-	-	<b>124,434</b>
Additions during the Period (+)	253,815	-	-	253,815
Disposal (-)	(219,538)	-	-	(219,538)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	19,105	-	-	19,105
<b>Balances at End of Period</b>	<b>177,816</b>	-	-	<b>177,816</b>

## 5.1.8 Assets held for sale and assets of discontinued operations

### 5.1.8.1 Movement of assets held for sale and assets of discontinued operations

	<i>Current Period</i>	<i>Prior Period</i>
<b>End of Prior Period</b>		
<b>Cost</b>	<b>779,713</b>	<b>1,010,245</b>
<b>Accumulated Depreciation (-)</b>	<b>(11,680)</b>	<b>(12,171)</b>
<b>Net Book Value</b>	<b>768,033</b>	<b>998,074</b>
<b>End of Current Period</b>		
Additions	202,565	158,576
Disposals (Cost)	(462,615)	(414,172)
Disposals (Accumulated Depreciation)	1,467	491
Impairment Losses	23,197	25,064
Depreciation Expense for Current Period (-)	-	-
<b>Cost</b>	<b>542,860</b>	<b>779,713</b>
<b>Accumulated Depreciation (-)</b>	<b>(10,213)</b>	<b>(11,680)</b>
<b>Net Book Value</b>	<b>532,647</b>	<b>768,033</b>

**5.1.8.2 Investments in subsidiaries and associates to be disposed**

	<i>Current Period</i>	<i>Prior Period</i>
<b>End of Prior Period</b>		
Cost	<b>881,140</b>	<b>881,140</b>
Impairment Losses (-)	<b>(881,140)</b>	<b>(587,940)</b>
Net Book Value	-	<b>293,200</b>
<b>End of Current Period</b>		
Additions	-	-
Disposals (Cost)	-	-
Disposals (Accumulated Depreciation)	-	-
Impairment Losses (-)	-	(293,200)
Depreciation Expense for Current Period	-	-
Cost (*)	-	<b>881,140</b>
Impairment Losses (-)	-	<b>(881,140)</b>
Net Book Value	-	-

(\*)Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192.500.000.000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 22.1265% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

As per the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. The Entity's paid-in capital after the general assembly had been TL 3,982,280. The Bank's shareholding ratios in the Entity's capital did not change as a result of the increase, and the nominal value of the direct shares increased from TL 11 to TL 881.140 and the number of shares increased from 1,106,325 to 88,114,036,863. As explained the details before the capital increase in Note 5.1.2.2, valuation differences recorded on the financial asset are presented as impairment in Assets Held for Sale and Discontinued Operations after capital increase. In 2020, all of the assets acquired under TFRS 5 was impaired.

The main purpose of the lending banks is to transfer the shares of Türk Telekom to an expert investor after the necessary conditions are met. For this purpose, on 19 September 2019, an international investment bank was authorized as a sales consultant, and in this context necessary actions related to sales will be taken and negotiations with potential investors started within the framework of an active sales plan.

In accordance with the Bank's announcement on Public Disclosure Platform dated 17 December 2021, LYY Telekomunikasyon A.Ş. and the Türkiye Wealth Fund have started to negotiate for the sale of 192.500.000.000 Group A registered shares representing 55% of the share capital of Türk Telekomünikasyon A.Ş. owned by LYY Telekomünikasyon A.Ş.

## 5.1.9 Investments in associates

### 5.1.9.1 Investments in associates

Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	4.98	4.98
2 Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
3 İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	4.95	4.97
4 Borsa İstanbul AŞ <sup>(2)</sup>	İstanbul/Turkey	0.30	0.34
5 KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
6 Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara/Turkey	2.48	2.48
7 Kredi Garanti Fonu AŞ <sup>(2)</sup>	Ankara/Turkey	1.49	1.49
8 JCR Avrasya Derecelendirme A.Ş. <sup>(2)</sup>	İstanbul/Turkey	2.86	2.86
9 Birleşik İpotek Finansmanı A.Ş. <sup>(2)</sup>	İstanbul/Turkey	8.33	8.33

	Total Assets	Shareholders ' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	397,536	328,592	96,050	27,498	-	93,651	35,413	-
2	2,257,103	221,808	13,005	7,828	2,659	55,173	29,865	-
3	31,274,420	3,002,208	121,728	528,839	76,573	655,999	359,199	-
4	27,906,549	4,570,511	604,597	125,954	-	1,242,390	794,074	-
5	544,660	339,776	297,247	13,036	472	47,719	48,549	-
6	1,243,995,280	42,698,108	942,523	38,171,968	8,018,011	34,497,932	44,732,807	-
7	963,634	560,910	30,717	44,582	-	95,447	55,708	-
8	34,723	27,961	26,022	487	-	2,467	6,146	-
9	51,021	50,248	757	985	146	248	-	-

(1) Financial information is as of 30 June 2021.

(2) Financial information is as of 31 December 2020.

(\*) Total fixed assets include tangible and intangible assets.

### 5.1.9.2 Movement of investments in associates

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>45,780</b>	<b>35,158</b>
<b>Movements during the Period</b>	<b>1,441</b>	<b>10,622</b>
Acquisitions	-	6,921
Bonus Shares Received	-	5,782
Dividends from Current Year Profit	-	-
Sales	-	-
Increase in Market Values	-	-
Impairment Reversals/(Losses)	1,441	(2,081)
<b>Balance at End of Period</b>	<b>47,221</b>	<b>45,780</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of Period (%)</b>	-	-

**5.1.9.3 Sectoral distribution of investments and associates**

<b>Investments in Associates</b>	<b>Current Period</b>	<b>Prior Period</b>
Banks	25,557	25,557
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	10,101	10,101
Other Associates	11,563	10,122

**5.1.9.4 Quoted associates**

None.

**5.1.9.5 Valuation methods of investments in associates**

<b>Investments in Associates</b>	<b>Current Period</b>	<b>Prior Period</b>
Valued at Cost	47,221	45,780
Valued at Fair Value	-	-

**5.1.9.6 Investments in associates sold during the current period**

None.

**5.1.9.7 Investments in associates acquired during the current period**

None.

## 5.1.10 Investments in subsidiaries

### 5.1.10.1 Information on capital adequacy of major subsidiaries

The Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio. Information on capital adequacy of major subsidiaries is presented below.

<i>Current Period</i>	Garanti Bank International NV	Garanti Holding BV	Garanti Finansal Kiralama AŞ	Garanti Emeklilik ve Hayat AŞ	Garanti Yatırım Menkul Kıymetler AŞ
<b>COMMON EQUITY TIER I CAPITAL</b>					
Paid-in Capital to be Entitled for Compensation after All Creditors	2,036,498	6,516,625	357,848	517,159	13,750
Share Premium	-	192,637	-	-	-
Share Cancellation Profits	-	-	-	-	-
Legal Reserves	1,117,850	367,760	792,783	291,383	798,171
Other Comprehensive Income according to TAS	5,879,634	165,935	-	2,082	-
Current and Prior Periods' Profits	180,110	321,459	190,151	635,160	508,315
Minority interest	-	-	-	-	40,040
<b>Common Equity Tier I Capital Before Deductions</b>	<b>9,214,092</b>	<b>7,564,416</b>	<b>1,340,782</b>	<b>1,445,784</b>	<b>1,360,276</b>
<b>Deductions From Common Equity Tier I Capital</b>					
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	9,422	1,624,004	1,751	8,613	1,014
Leasehold Improvements on Operational Leases (-)	-	705	-	784	1,850
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	80,154	784,086	17,284	37,455	3,622
Net Deferred Tax Asset/Liability (-)	-	-	-	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>89,576</b>	<b>2,408,795</b>	<b>19,035</b>	<b>46,852</b>	<b>6,486</b>
<b>Total Common Equity Tier I Capital</b>	<b>9,124,516</b>	<b>5,155,621</b>	<b>1,321,747</b>	<b>1,398,932</b>	<b>1,353,790</b>
<b>Total Deductions From Tier I Capital</b>	-	-	-	-	-
<b>Total Tier I Capital</b>	<b>9,124,516</b>	<b>5,155,621</b>	<b>1,321,747</b>	<b>1,398,932</b>	<b>1,353,790</b>
<b>TIER II CAPITAL</b>	-	<b>148,458</b>	-	-	-
<b>TOTAL CAPITAL</b>	<b>9,124,516</b>	<b>5,304,079</b>	<b>1,321,747</b>	<b>1,398,932</b>	<b>1,353,790</b>

<i>Prior Period</i>	Garanti Bank International NV	Garanti Holding BV	Garanti Finansal Kiralama AŞ	Garanti Emeklilik ve Hayat AŞ	Garanti Yatırım Menkul Kıymetler AŞ
<b>COMMON EQUITY TIER I CAPITAL</b>					
Paid-in Capital to be Entitled for Compensation after All Creditors	1,243,533	3,488,929	357,848	517,159	13,750
Share Premium	-	117,453	-	-	-
Share Cancellation Profits	-	-	-	-	-
Legal Reserves	1,054,337	160,518	646,432	138,235	308,681
Other Comprehensive Income according to TAS	3,110,694	184,669	-	7,453	-
Current and Prior Periods' Profits	50,370	149,050	146,351	463,149	489,490
Minority interest	-	-	-	-	39,357
<b>Common Equity Tier I Capital Before Deductions</b>	<b>5,458,934</b>	<b>4,100,619</b>	<b>1,150,631</b>	<b>1,125,996</b>	<b>851,278</b>
<b>Deductions From Common Equity Tier I Capital</b>					
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	9,562	1,080,373	1,175	2,189	851
Leasehold Improvements on Operational Leases (-)	-	939	-	1,117	2,288
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	52,669	492,398	16,154	39,225	4,460
Net Deferred Tax Asset/Liability (-)	-	-	-	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>62,231</b>	<b>1,573,710</b>	<b>17,329</b>	<b>42,531</b>	<b>7,599</b>
<b>Total Common Equity Tier I Capital</b>	<b>5,396,703</b>	<b>2,526,909</b>	<b>1,133,302</b>	<b>1,083,465</b>	<b>843,679</b>
<b>Total Deductions From Tier I Capital</b>	-	-	-	-	-
<b>Total Tier I Capital</b>	<b>5,396,703</b>	<b>2,526,909</b>	<b>1,133,302</b>	<b>1,083,465</b>	<b>843,679</b>
<b>TIER II CAPITAL</b>	-	<b>90,551</b>	-	-	-
<b>TOTAL CAPITAL</b>	<b>5,396,703</b>	<b>2,617,460</b>	<b>1,133,302</b>	<b>1,083,465</b>	<b>843,679</b>

### 5.1.10.2 Investments in subsidiaries

	Subsidiary	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
4	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
6	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
7	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
8	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
10	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
11	Garanti Holding BV	Amsterdam/the Netherlands	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	23,377	15,834	-	11,909	-	9,452	8,311	-
2	81,907	41,428	410	5,809	-	21,156	2,014	-
3	4,181	1,965	785	-	-	215	(68)	-
4	5,622	4,002	-	804	-	958	638	-
5	9,704,794	1,377,987	25,111	650,001	-	190,150	146,351	-
6	4,355,909	345,106	17,979	623,341	6,006	131,936	50,150	-
7	2,615,761	1,320,551	30,608	58,413	31,857	506,299	492,950	-
8	319,326	266,932	2,132	26,274	4,867	67,583	64,266	-
9	3,134,012	1,436,750	42,893	282,878	79,251	634,738	463,150	-
10	61,320,394	9,202,270	541,442	761,090	1,920	180,117	50,367	-
11	5,844,753	5,843,772	-	-	-	(1,108)	(743)	-

(\*) Total fixed assets include tangible and intangible assets.

### 5.1.10.3 Movement of investments in subsidiaries

	Current Period	Prior Period
<b>Balances at Beginning of Period</b>	<b>11,372,006</b>	<b>8,551,720</b>
<b>Movements during the Period</b>	<b>7,472,639</b>	<b>2,820,286</b>
Acquisitions (*)	547,841	-
Bonus Shares Received	-	382,110
Earnings from Current Year Profit	1,909,194	1,323,028
Sales/Liquidations	-	-
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values	(296,926)	(910,565)
Currency Differences on Foreign Subsidiaries	5,399,204	2,025,713
Impairment Reversals/(Losses)	(86,674)	-
<b>Balance at End of Period</b>	<b>18,844,645</b>	<b>11,372,006</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of Period (%)</b>	-	-

(\*) On 6 July 2021 the Bank made a capital increase of EUR 53.5 million for Garanti Holding BV, one of its wholly-owned subsidiaries, and Garanti Holding BV made a capital increase of EUR 53.0 million for Garanti Netherlands BV, its 100% subsidiary. The additional liquidity provided as a result of the capital increase was used in intra-group loan closings.

**5.1.10.4 Sectoral distribution of investments in subsidiaries**

<b>Subsidiaries</b>	<b>Current Period</b>	<b>Prior Period</b>
Banks	9,177,916	5,424,807
Insurance Companies	1,220,282	954,245
Factoring Companies	282,948	174,759
Leasing Companies	1,368,934	1,146,060
Finance Companies	6,777,219	3,568,115
Other Subsidiaries	17,346	104,020

**5.1.10.5 Quoted consolidated investments in subsidiaries**

	<b>Current Period</b>	<b>Prior Period</b>
Quoted at Domestic Stock Exchange	282,948	174,759
Quoted at Foreign Stock Exchange	-	-

**5.1.10.6 Valuation methods of investments in subsidiaries**

<b>Subsidiaries</b>	<b>Current Period</b>	<b>Prior Period</b>
Valued at Cost	17,346	104,020
Valued at Fair Value (*)	18,827,299	11,267,986

(\*) The balances are as per the results of equity accounting application.

**5.1.10.7 Investments in subsidiaries disposed during the current period**

None.

**5.1.10.8 Investments in subsidiaries acquired during the current period**

None.

**5.1.11 Investments in Joint-Ventures**

None.

**5.1.12 Tangible assets**

	Real Estates	Right-of-use Assets	Vehicles	Other Tangible Assets	Total
<b>At End of Prior Period:</b>					
<b>Cost</b>	<b>3,484,388</b>	<b>1,374,164</b>	<b>29,262</b>	<b>3,191,396</b>	<b>8,079,210</b>
<b>Accumulated Depreciation (-)</b>	<b>(41,711)</b>	<b>(514,586)</b>	<b>(13,969)</b>	<b>(2,189,483)</b>	<b>(2,759,749)</b>
<b>Net Book Value at End of Prior Period</b>	<b>3,442,677</b>	<b>859,578</b>	<b>15,293</b>	<b>1,001,913</b>	<b>5,319,461</b>
<b>At End of Current Period:</b>					
Additions	9,267	310,370	5,457	660,081	985,175
Revaluation Model Difference	(5,100)	-	-	-	(5,100)
Revaluation Model Difference (Accumulated Depreciation)	-	-	-	-	-
Transfers to Investment Property	(68,660)	-	-	-	(68,660)
Disposals (Costs)	-	(280,937)	(1,881)	(352,597)	(635,415)
Disposals (Accumulated Depreciation)	-	78,433	1,803	180,801	261,037
Impairment/Reversal of Impairment Losses	-	-	-	-	-
Depreciation Expense for Current Period (-)	(39,717)	(263,890)	(2,355)	(355,595)	(661,557)
<b>Cost at End of Current Period</b>	<b>3,419,895</b>	<b>1,403,597</b>	<b>32,838</b>	<b>3,498,880</b>	<b>8,355,210</b>
<b>Accumulated Depreciation at End of Current</b>	<b>(81,428)</b>	<b>(700,043)</b>	<b>(14,521)</b>	<b>(2,364,277)</b>	<b>(3,160,269)</b>
<b>Net Book Value at End of Current Period</b>	<b>3,338,467</b>	<b>703,554</b>	<b>18,317</b>	<b>1,134,603</b>	<b>5,194,941</b>

The Bank accounts its real estates recorded under tangible assets based on the revaluation model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Accordingly, for all real estates registered in the ledger, valuation studies are performed by independent expertise firms.



### 5.1.13 Intangible assets

#### 5.1.13.1 Useful lives and amortisation rates

Intangible assets include softwares and other intangible assets. The estimated useful lives of such assets vary between 3 and 15 years.

#### 5.1.13.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

#### 5.1.13.3 Balances at end of current period

	Beginning of Period		End of Period	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	1,415,041	643,373	991,987	537,435

#### 5.1.13.4 Movements of intangible assets for current period

	Current Period	Prior Period
<b>Net Book Value at End of Prior Period</b>	<b>454,552</b>	<b>350,882</b>
Internally Generated Intangibles		-
Additions due to Mergers, Transfers and Acquisition	403,773	259,904
Disposals (-)	(65,907)	(61,058)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(105,938)	(95,176)
Currency Translation Differences on Foreign Operations		-
Other Movements	85,188	-
<b>Net Book Value at End of Current Period</b>	<b>771,668</b>	<b>454,552</b>

#### 5.1.13.5 Details for any individually material intangible assets

None.

#### 5.1.13.6 Intangible assets capitalised under government incentives at fair values

None.

#### 5.1.13.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

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

None.

#### 5.1.13.9 Commitments to acquire intangible assets

None.

#### 5.1.13.10 Disclosure on revalued intangible assets

None.

#### 5.1.13.11 Research and development costs expensed during current period

None.

#### 5.1.13.12 Goodwill

None.

#### 5.1.13.13 Movements in goodwill during current period

None.

#### 5.1.14 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
<b>Net Book Value at Beginning Period</b>	<b>704,701</b>	<b>703,141</b>
Additions	-	441
Disposals	(23,930)	(81,929)
Transfers	68,660	24,225
Fair Value Change	64,717	58,823
<b>Net Book Value at End of Period</b>	<b>814,148</b>	<b>704,701</b>

The investment property is held for operational leasing purposes. The Bank account its investment property based on the fair value model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all investment properties registered in the ledger, valuation studies are performed by independent expertise firms every year.

#### 5.1.15 Deferred tax asset

As of 31 December 2021, the Bank has a deferred tax asset of TL 4,226,924 (31 December 2020: TL 3,509,508) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

As of 31 December 2021, the Bank has a deferred tax asset of TL 6,675,223 (31 December 2020: TL 3,849,653) calculated on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods and on tax losses, which is presented as netted-off with a deferred tax liability of TL 2,448,299 (31 December 2020: TL 340,145) on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Tax Base</b>	<b>Deferred Tax Amount</b>	<b>Tax Base</b>	<b>Deferred Tax Amount</b>
Provisions <sup>(*)</sup> <sup>(**)</sup>	8,803,115	1,991,054	3,877,683	770,642
Stages 1&2 Credit Losses	17,663,098	3,626,623	11,843,582	2,368,716
Differences between the Carrying Values and Taxable Values of Financial Assets <sup>(***)</sup>	(5,866,523)	(1,305,186)	2,662,417	603,350
Revaluation Differences on Real Estates	(2,440,508)	(298,948)	(2,395,926)	(296,145)
Other	894,465	213,381	304,547	62,945
<b>Deferred Tax Asset</b>	<b>19,053,647</b>	<b>4,226,924</b>	<b>16,292,303</b>	<b>3,509,508</b>

<sup>(\*)</sup> Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.

<sup>(\*\*)</sup> Includes the deferred tax effect arising from valuation of loans measured at fair value through profit or loss.

<sup>(\*\*\*)</sup> Calculations are performed at the relevant tax rates applicable in the country of the foreign branches' financial assets.

As of 31 December 2021, TL 407,763 deferred tax income (31 December 2020: TL 1,767,324 deferred tax income) and TL 309,653 (31 December 2020: TL 41,772 deferred tax income) of deferred tax income are recognised in the statement of profit or loss and the shareholders' equity, respectively. In the current period, the deferred tax effect arising from the disposal of tangible asset recognized at fair value is disclosed under prior periods' profit/loss.

**5.1.16 Other Assets**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TP</b>	<b>YP</b>	<b>TP</b>	<b>YP</b>
Derivative Financial Assets (Derivative Guarantees)	720,637	4,439,594	587,673	3,306,391
Receivables From Clearing Transactions	7,015,825	58,404	4,473,668	24,134
Prepaid Expenses	3,005,409	1,875	2,101,268	1,320
Cash Guarantees Given	14,077	1,448,885	12,727	1,011,438
Receivables From Forward Sale of Assets	105,137	-	1,137	147,246
Other	1,156,684	259,535	859,544	147,357
<b>Total</b>	<b>12,017,769</b>	<b>6,208,293</b>	<b>8,036,017</b>	<b>4,637,886</b>

## 5.2 Liabilities

### 5.2.1 Maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
<b>Saving Deposits</b>	<b>30,527,615</b>	-	<b>6,102,484</b>	<b>58,157,604</b>	<b>7,071,367</b>	<b>1,745,707</b>	<b>3,622,706</b>	<b>1,376</b>	<b>107,228,859</b>
<b>Foreign Currency Deposits</b>	<b>176,416,061</b>	-	<b>17,903,117</b>	<b>95,615,803</b>	<b>2,247,038</b>	<b>2,527,816</b>	<b>3,733,894</b>	<b>47,644</b>	<b>298,491,373</b>
Residents in Turkey	169,327,870	-	17,612,374	92,076,118	1,946,446	2,172,884	2,472,061	47,002	285,654,755
Residents in Abroad	7,088,191	-	290,743	3,539,685	300,592	354,932	1,261,833	642	12,836,618
<b>Public Sector Deposits</b>	<b>1,860,052</b>	-	<b>505,436</b>	<b>37,023</b>	<b>1,164</b>	<b>3,655</b>	-	-	<b>2,407,330</b>
<b>Commercial Deposits</b>	<b>17,748,135</b>	-	<b>28,661,511</b>	<b>10,678,166</b>	<b>291,048</b>	<b>995,198</b>	<b>2,316,373</b>	-	<b>60,690,431</b>
<b>Other</b>	<b>515,192</b>	-	<b>1,015,882</b>	<b>2,671,082</b>	<b>95,455</b>	<b>771,005</b>	<b>4,303,923</b>	-	<b>9,372,539</b>
<b>Precious Metal Deposits</b>	<b>31,632,551</b>	-	-	<b>190,945</b>	<b>334,124</b>	<b>46,781</b>	<b>717,867</b>	-	<b>32,922,268</b>
<b>Bank Deposits</b>	<b>1,764,449</b>	-	<b>288,057</b>	<b>71,682</b>	-	-	<b>2,569</b>	-	<b>2,126,757</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	12,566	-	1,171	-	-	-	-	-	13,737
Foreign Banks	628,737	-	286,886	71,682	-	-	2,569	-	989,874
Special Financial Institutions	1,123,146	-	-	-	-	-	-	-	1,123,146
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>260,464,055</b>	-	<b>54,476,487</b>	<b>167,422,305</b>	<b>10,040,196</b>	<b>6,090,162</b>	<b>14,697,332</b>	<b>49,020</b>	<b>513,239,557</b>

(\*) As of 31.12.2021, the Bank has a total of TL 7,547,261 foreign exchange-protected deposit instrument of which TL 180,250 opened within the scope of the "Communiqué on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts" published by the CBRT in the Official Gazette dated 21 December 2021 and numbered 31696, TL 7,367,011 opened within the scope of the announcement of the Ministry of Treasury and Finance ("Treasury") dated 24 December 2021. Foreign exchange revaluation differences amounting to TL 806,578 regarding the foreign exchange-protected deposit instrument calculated as of the balance sheet date are presented in other assets under assets and included in deposits under liabilities.

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
<b>Saving Deposits</b>	<b>21,631,929</b>	-	<b>4,933,740</b>	<b>54,914,729</b>	<b>598,761</b>	<b>327,900</b>	<b>1,273,240</b>	<b>1,719</b>	<b>83,682,018</b>
<b>Foreign Currency Deposits</b>	<b>79,828,517</b>	-	<b>10,225,909</b>	<b>58,837,397</b>	<b>2,022,734</b>	<b>1,666,955</b>	<b>3,222,141</b>	<b>37,565</b>	<b>155,841,218</b>
Residents in Turkey	76,936,560	-	10,096,467	56,484,204	1,823,659	1,363,455	2,263,021	36,302	149,003,668
Residents in Abroad	2,891,957	-	129,442	2,353,193	199,075	303,500	959,120	1,263	6,837,550
<b>Public Sector Deposits</b>	<b>880,139</b>	-	<b>37,809</b>	<b>64,397</b>	<b>136</b>	<b>10</b>	-	-	<b>982,491</b>
<b>Commercial Deposits</b>	<b>12,830,535</b>	-	<b>24,484,188</b>	<b>14,055,824</b>	<b>148,798</b>	<b>872,187</b>	<b>666,525</b>	-	<b>53,058,057</b>
<b>Other</b>	<b>391,099</b>	-	<b>172,403</b>	<b>1,121,142</b>	<b>19,856</b>	<b>176,034</b>	<b>3,236,314</b>	-	<b>5,116,848</b>
<b>Precious Metal Deposits</b>	<b>20,636,012</b>	-	-	<b>160,290</b>	<b>366,278</b>	<b>41,207</b>	<b>721,593</b>	-	<b>21,925,380</b>
<b>Bank Deposits</b>	<b>711,446</b>	-	<b>176,715</b>	<b>15,119</b>	-	-	<b>2,303</b>	-	<b>905,583</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	5,340	-	-	-	-	-	-	-	5,340
Foreign Banks	684,619	-	176,715	15,119	-	-	2,303	-	878,756
Special Financial Institutions	21,487	-	-	-	-	-	-	-	21,487
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>136,909,677</b>	-	<b>40,030,764</b>	<b>129,168,898</b>	<b>3,156,563</b>	<b>3,084,293</b>	<b>9,122,116</b>	<b>39,284</b>	<b>321,511,595</b>

**5.2.1.1 Saving deposits insured by Saving Deposit Insurance Fund**

**Information on saving deposits covered by deposit insurance and exceeding insurance coverage limit:**

	Covered by Deposit Insurance Over Deposit Insurance Limit		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	47,996,031	41,063,229	57,884,483	42,071,686
Foreign Currency Saving Deposits	38,768,676	25,573,877	148,542,962	72,868,396
Other Saving Deposits	11,769,763	10,285,722	18,436,756	10,182,644
Foreign Branches' Deposits Under Foreign Insurance Coverage	2,167,033	1,427,705	554	238
Off-Shore Branches' Deposits Under Foreign Insurance Coverage		-		-

**5.2.1.2 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance**

None.

**5.2.1.3 Saving deposits not covered by insurance limits**

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	31,208	19,853
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	198,731	142,150
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code No. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

**5.2.2 Funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	674,365	1,288,090
Domestic Banks and Institutions	1,119,813	1,945,707	884,230	1,032,449
Foreign Banks, Institutions and Funds	-	33,747,719	-	21,559,307
<b>Total</b>	<b>1,119,813</b>	<b>35,693,426</b>	<b>1,558,595</b>	<b>23,879,846</b>

**5.2.2.1 Maturities of funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	948,797	470,486	1,542,177	1,851,955
Medium and Long-Term	171,016	35,222,940	16,418	22,027,891
<b>Total</b>	<b>1,119,813</b>	<b>35,693,426</b>	<b>1,558,595</b>	<b>23,879,846</b>

**5.2.2.2 Disclosures for concentration areas of bank's liabilities**

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

### 5.2.3 Money market funds

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Domestic Transactions</b>	<b>7,402,848</b>	-	<b>70,949</b>	-
Financial Institutions and Organizations	7,376,780	-	29,847	-
Other Institutions and Organizations	7,613	-	16,294	-
Individuals	18,455	-	24,808	-
<b>Foreign Transactions</b>	<b>79</b>	<b>2,226,671</b>	<b>881</b>	-
Financial Institutions and Organizations	-	2,226,671	-	-
Other Institutions and Organizations	-	-	850	-
Individuals	79	-	31	-
<b>Total</b>	<b>7,402,927</b>	<b>2,226,671</b>	<b>71,830</b>	-

### 5.2.4 Securities issued

<i>Current Period</i>	<b>TL</b>		<b>FC</b>	
	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>
Nominal	4,139,890	2,361,088	-	18,671,035
Cost	4,010,234	2,317,017	-	18,568,545
Carrying Value (*)	4,089,879	1,256,203	-	16,496,903

(\*) The Bank repurchased its own TL securities with a total face value of TL 1,090,320 and foreign currency securities with a total face value of USD 183,255,000 and netted off such securities in the accompanying financial statements.

<i>Prior Period</i>	<b>TL</b>		<b>FC</b>	
	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>
Nominal	4,689,395	2,267,502	-	14,244,885
Cost	4,549,118	2,239,143	-	14,152,997
Carrying Value (*)	4,661,251	1,427,727	-	12,901,692

(\*) The Bank repurchased its own TL securities with a total face value of TL 874,386 and foreign currency securities with a total face value of USD 206,993,000 and netted off such securities in the accompanying financial statements.

### 5.2.5 Financial liabilities measured at fair value through profit/loss

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>		
Funds Borrowed	-	24,035,836	-	15,980,865
<b>Total</b>	<b>-</b>	<b>24,035,836</b>	<b>-</b>	<b>15,980,865</b>

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,112,303,572 (31 December 2020: USD 2,323,462,798) as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 December 2021, the accumulated fair value change of the related financial liabilities amounted to TL 3,769,054 (31 December 2020: TL 1,265,467) and the corresponding gains/losses recognised in the statement of profit/loss mounted to TL 2,503,587 (31 December 2020: TL 540,161). The carrying value of the related financial liability amounted to TL 24,035,836 (31 December 2020: TL 15,980,865).

## 5.2.6 Derivative financial liabilities

### 5.2.6.1 Negative differences on derivative financial liabilities measured at FVTPL

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	1,874,549	33,679	146,089	8,756
Swap Transactions	4,896,529	5,336,853	4,058,849	3,273,561
Futures	-	933	-	-
Options	126,302	29,685	44,093	35,226
Others	-	-	-	-
<b>Total</b>	<b>6,897,380</b>	<b>5,401,150</b>	<b>4,249,031</b>	<b>3,317,543</b>

### 5.2.6.2 Derivative financial liabilities held for hedging purpose

Derivative Financial Liabilities held for Hedging Purpose	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	-	383,098	1,623	480,647
Cash Flow Hedges	41,211	239,907	60,323	234,978
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>41,211</b>	<b>623,005</b>	<b>61,946</b>	<b>715,625</b>

## 5.2.7 Lease liabilities (Net)

### 5.2.7.1 Operational lease liabilities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	313,080	210,706	220,909	153,292
1-4 Years	642,913	432,687	620,102	430,297
More than 4 Years	316,054	212,707	417,100	289,432
<b>Total</b>	<b>1,272,047</b>	<b>856,100</b>	<b>1,258,111</b>	<b>873,021</b>

As of 31 December 2021, the weighted average of the incremental borrowing interest rates applied to TL, EUR and USD lease liabilities presented in the statement of financial position of the Bank are 18.8%, 2.3% and 6.9% (31 December 2020: 13.9%, 0.6% and 7.0%) respectively.

## 5.2.8 Provisions

### 5.2.8.1 Reserve for employee severance indemnity

	Current Period	Prior Period
<b>Balances at Beginning of Period</b>	<b>738,465</b>	<b>538,697</b>
Provision for the Period	147,769	136,282
Actuarial Gain/Loss	76,377	115,741
Payments During the Period	(50,162)	(52,255)
<b>Balances at End of Period</b>	<b>912,449</b>	<b>738,465</b>

### 5.2.8.2 Provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables

None (31 December 2020: None).

### 5.2.8.3 Expected credit losses (Stage 3) for non-cash loans that are not indemnified or converted into cash

	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	4,940	1,791
Doubtful Loans and Receivables	4,614	3,846
Uncollectible Loans and Receivables	1,317,510	804,299
<b>Total</b>	<b>1,327,064</b>	<b>809,936</b>

#### 5.2.8.4 Other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	1,825,807	1,333,913
Provision for Promotion Expenses of Credit Cards	270,419	219,291
Provision for Lawsuits	415,219	299,662
Provision for Non-Cash Loans	2,892,018	2,177,654
Other Provisions (*)	7,637,375	5,020,590
<b>Total</b>	<b>13,040,838</b>	<b>9,051,110</b>

(\*)Includes total general reserve of TL 7,500,000 (31 December 2020: 4,650,000) consisting of TL 2,850,000 and TL 4,650,000 recognized as expense in the current period and prior periods, respectively.

#### *Recognized liability for defined benefit plan obligations*

The Bank obtained an actuarial report dated 5 January 2022 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 6,538,417 at 31 December 2021 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2021 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 5 January 2022 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 3,360,883 remains as of 31 December 2021 as details are given in the table below.

	<i>31 December 2021</i>	<i>31 December 2020</i>
<b>Transferable Pension and Medical Benefits:</b>		
Net present value of pension benefits transferable to SSF	(3,605,978)	(2,200,812)
Net present value of medical benefits and health premiums transferable to SSF	849,322	925,296
General administrative expenses	(97,979)	(74,857)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(2,854,635)</b>	<b>(1,350,373)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>9,393,052</b>	<b>7,469,328</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>6,538,417</b>	<b>6,118,955</b>
<b>Non-Transferable Benefits:</b>		
Other pension benefits	(1,680,862)	(1,396,390)
Other medical benefits	(1,496,672)	(1,175,852)
<b>Total Non-Transferable Benefits (4)</b>	<b>(3,177,534)</b>	<b>(2,572,242)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>3,360,883</b>	<b>3,546,713</b>



Movement of recognized liability for asset shortage over the Bank's defined benefit plan

	31 December 2021	31 December 2020
<b>Balance at Beginning of Period</b>	-	-
Actual contributions paid during the period	(160,523)	(127,520)
Total expense recognized in the statement of profit or loss	92,569	85,084
Amount recognized in the shareholders' equity	67,954	42,436
<b>Balance at End of Period</b>	-	-

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	31 December 2021	31 December 2020
	%	%
Discount Rate <sup>(*)</sup>	19.10	13.00
Inflation Rate <sup>(*)</sup>	15.10	9.70
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	19.30	13.90
Future Pension Increase Rate <sup>(*)</sup>	15.10	9.70

<sup>(\*)</sup> The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years-in-service.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follow:

Defined Benefit Obligation	Pension Benefits Effect	Medical Benefits Effect	Overall Effect
Assumption change	%	%	%
Discount rate +0.5%	(6.40)	(8.80)	(7.50)
Discount rate -0.5%	7.10	10.10	8.50
Medical inflation rate +0.5%	-	10.00	4.70
Medical inflation rate -0.5%	-	(8.80)	(4.10)

Retirement Indemnities	Sensitivity of Past Service Liability	Sensitivity of Normal Cost
Assumption change	%	%
Discount rate +0.5%	(5.30)	(7.00)
Discount rate -0.5%	5.80	7.80
Inflation rate +0.5%	5.20	(3.60)
Inflation rate -0.5%	(5.00)	3.80

## 5.2.9 Tax liability

### 5.2.9.1 Current tax liability

#### 5.2.9.1.1 Tax liability

As of 31 December 2021, the corporate tax liability amounts to TL 1,911,428 (31 December 2020: TL 1,756,560) after offsetting with prepaid taxes. If the differences arising between the book value and the tax base value of the assets subject to the current tax liability are related to the shareholders' equity account group, the current tax asset or liability is netted off by the relevant accounts in this group.

#### 5.2.9.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	1,911,428	1,756,560
Taxation on Securities Income	126,239	102,988
Taxation on Real Estates Income	8,644	8,665
Banking Insurance Transaction Tax	349,311	189,865
Foreign Exchange Transaction Tax	115,529	19,230
Value Added Tax Payable	55,560	12,996
Others	81,568	67,106
<b>Total</b>	<b>2,648,279</b>	<b>2,157,410</b>

#### 5.2.9.1.3 Premiums

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	138	107
Social Security Premiums-Employer	170	131
Bank Pension Fund Premium-Employees	439	345
Bank Pension Fund Premium-Employer	620	532
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	2,212	1,851
Unemployment Insurance-Employer	4,470	3,743
Others	47	41
<b>Total</b>	<b>8,096</b>	<b>6,750</b>

#### 5.2.9.2 Deferred tax liability

None (31 December 2020: None).

## 5.2.10 Liabilities for assets held for sale and assets of discontinued operations

None.

### 5.2.11 Subordinated debts

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Domestic Banks	-	-	-	-
Domestic Other Institutions	1,030,662	-	1,029,532	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	9,880,843	-	5,569,437
<b>Total</b>	<b>1,030,662</b>	<b>9,880,843</b>	<b>1,029,532</b>	<b>5,569,437</b>

Disclosures on subordinated debts are reported in Note 4.1.2.

### 5.2.12 Other liabilities

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Payables from credit card transactions	21,172,969	207,755	13,340,047	76,790
Payables from clearing transactions	5,372,202	11,262	3,534,101	23,089
Other	2,421,074	3,724,852	1,463,323	3,253,941
<b>Total</b>	<b>28,966,245</b>	<b>3,943,869</b>	<b>18,337,471</b>	<b>3,353,820</b>

### 5.2.13 Shareholders' equity

#### 5.2.13.1 Paid-in capital

	<i>Current Period</i>	<i>Prior Period</i>
Common Shares	4,200,000	4,200,000
Preference Shares	-	-

#### 5.2.13.2 Registered share capital system

<b>Capital</b>	<b>Paid-in Capital</b>	<b>Ceiling per Registered Share Capital</b>
Registered Shares	4,200,000	10,000,000

#### 5.2.13.3 Capital increases in current period

None.

#### 5.2.13.4 Capital increases from capital reserves in current period

None.

#### 5.2.13.5 Capital commitments for current and future financial periods

None.

#### 5.2.13.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

#### 5.2.13.7 Information on privileges given to stocks representing the capital

None.

**5.2.13.8 Securities value increase fund**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Investments in Associates, Subsidiaries and Joint-Ventures</b>	<b>10,849,361</b>	<b>238,897</b>	<b>5,428,074</b>	<b>295,244</b>
Valuation difference	10,849,361	238,897	5,428,074	295,244
Exchange rate difference	-	-	-	-
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income</b>	<b>1,589,422</b>	<b>(826,320)</b>	<b>184,109</b>	<b>(53,356)</b>
Valuation difference	1,427,799	(826,320)	190,749	(53,356)
Exchange rate difference	161,623	-	(6,640)	-
<b>Total</b>	<b>12,438,783</b>	<b>(587,423)</b>	<b>5,612,183</b>	<b>241,888</b>

**5.2.13.9 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Movables	232,119	47,950	52,120	27,525
Real Estates	1,719,852	143,155	1,737,731	86,833
Defined Benefit Plans' Actuarial Gains/Losses	(413,401)	-	(297,937)	-
Other	(6,747)	-	(4,727)	-
<b>Total</b>	<b>1,531,823</b>	<b>191,105</b>	<b>1,487,187</b>	<b>114,358</b>

**5.2.13.10 Bonus shares of associates, subsidiaries and joint-ventures**

	<i>Current Period</i>	<i>Prior Period</i>
Bankalararası Kart Merkezi A.Ş.	5,781	5,781
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Dati Yatırım Holding A.Ş.	7	-
<b>Total</b>	<b>7,643</b>	<b>7,636</b>

**5.2.13.11 Legal reserves**

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	961,534	961,534
II. Legal Reserve	545,220	503,840
Special Reserves	-	-
<b>Total</b>	<b>1,506,754</b>	<b>1,465,374</b>

**5.2.13.12 Extraordinary reserves**

	<i>Current Period</i>	<i>Prior Period</i>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	49,812,325	43,936,102

### 5.3 Off-Balance Sheet Items

#### 5.3.1 Off-balance sheet contingencies

##### 5.3.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 19,275,698 (31 December 2020: TL 26,769,647), commitments for cheque payments of TL 3,956,330 (31 December 2020: TL 3,174,209) and commitments for credit card limits of TL 61,609,747 (31 December 2020: TL 46,297,211).

##### 5.3.1.2 Possible losses, commitments and contingencies resulted from off-balance sheet items

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	57,782,766	32,453,565
Letters of Guarantee in TL	44,007,746	31,475,024
Letters of Credit	23,175,354	10,137,818
Bills of Exchange and Acceptances	2,751,737	2,173,451
Endorsements	1,128,961	-
Other Guarantees	159,274	119,880
<b>Total</b>	<b>129,005,838</b>	<b>76,359,738</b>

##### Expected losses for non-cash loans and irrevocable commitments

	Stage 1	Stage 2	Stage 3	Total
<b>Current Period</b>				
<b>Balances at Beginning of Period</b>	<b>536,508</b>	<b>831,210</b>	<b>809,936</b>	<b>2,177,654</b>
Additions during the Period (+)	756,480	724,284	205,964	1,686,728
Disposals (-)	(984,269)	(595,453)	(180,207)	(1,759,929)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	195,338	(194,707)	(631)	-
Transfer to Stage 2	(52,749)	53,482	(733)	-
Transfer to Stage 3	(142)	(31,559)	31,701	-
Foreign Currency Differences	64,697	261,834	461,034	787,565
<b>Provisions at End of Period</b>	<b>515,863</b>	<b>1,049,091</b>	<b>1,327,064</b>	<b>2,892,018</b>

	Stage 1	Stage 2	Stage 3	Total
<b>Prior Period</b>				
<b>Balances at Beginning of Period</b>	<b>238,320</b>	<b>350,262</b>	<b>622,573</b>	<b>1,211,155</b>
Additions during the Period (+)	647,512	764,242	348,969	1,760,723
Disposals (-)	(480,007)	(238,442)	(260,524)	(978,973)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	144,361	(143,945)	(416)	-
Transfer to Stage 2	(41,604)	56,584	(14,980)	-
Transfer to Stage 3	(271)	(18,211)	18,482	-
Foreign Currency Differences	28,197	60,720	95,832	184,749
<b>Provisions at End of Period</b>	<b>536,508</b>	<b>831,210</b>	<b>809,936</b>	<b>2,177,654</b>

Lifetime expected credit loss (Stage 3) of TL 2,002,246 (31 December 2020: TL 809,936) is made for unliquidated non-cash loans of TL 1,327,064 (31 December 2020: TL 1,434,029) recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

**5.3.1.3 Non-cash loans**

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	20,797,645	14,143,550
With Original Maturity of 1 Year or Less	2,948,430	2,272,692
With Original Maturity of More Than 1 Year	17,849,215	11,870,858
Other Non-Cash Loans	108,208,193	62,216,188
<b>Total</b>	<b>129,005,838</b>	<b>76,359,738</b>

**5.3.1.4 Sectoral risk concentration of non-cash loans**

	<i>Current Period</i>				<i>Prior Period</i>			
	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
<b>Agriculture</b>	<b>185,294</b>	<b>0.43</b>	<b>295,015</b>	<b>0.34</b>	<b>120,752</b>	<b>0.38</b>	<b>66,929</b>	<b>0.15</b>
Farming and Stockbreeding	86,467	0.20	53,586	0.06	78,187	0.25	14,980	0.03
Forestry	29,812	0.07	50,978	0.06	20,634	0.06	35,972	0.08
Fishery	69,015	0.16	190,451	0.22	21,931	0.07	15,977	0.04
<b>Manufacturing</b>	<b>11,082,160</b>	<b>25.01</b>	<b>41,860,128</b>	<b>49.42</b>	<b>8,088,269</b>	<b>25.42</b>	<b>21,455,300</b>	<b>48.17</b>
Mining and Quarrying	481,626	1.09	358,640	0.42	311,013	0.98	249,576	0.56
Production	7,299,142	16.47	28,595,516	33.76	5,507,663	17.31	13,874,814	31.15
Electricity, Gas, Water	3,301,392	7.45	12,905,972	15.24	2,269,593	7.13	7,330,910	16.46
<b>Construction</b>	<b>5,484,659</b>	<b>12.38</b>	<b>13,009,472</b>	<b>15.36</b>	<b>3,913,005</b>	<b>12.30</b>	<b>7,887,926</b>	<b>17.71</b>
<b>Services</b>	<b>24,146,296</b>	<b>54.50</b>	<b>25,882,091</b>	<b>30.57</b>	<b>17,526,121</b>	<b>55.07</b>	<b>13,325,629</b>	<b>29.93</b>
Wholesale and Retail Trade	13,669,991	30.85	9,638,609	11.38	10,060,778	31.61	5,466,175	12.27
Accommodation and Dining	1,109,985	2.51	996,460	1.18	763,987	2.40	645,917	1.45
Transportation and	1,907,623	4.31	4,605,167	5.44	1,562,899	4.91	2,543,159	5.71
Financial Institutions	4,600,216	10.38	10,186,389	12.03	3,345,100	10.51	4,376,049	9.83
Real Estate and Rental Services	2,518,729	5.68	339,271	0.40	1,497,849	4.71	220,544	0.5
Professional Services	-	-	-	-	-	-	-	-
Educational Services	51,997	0.12	5,152	0.01	44,668	0.14	2,267	0.01
Health and Social Services	287,755	0.65	111,043	0.13	250,840	0.79	71,518	0.16
<b>Others</b>	<b>3,408,088</b>	<b>7.68</b>	<b>3,652,635</b>	<b>4.31</b>	<b>2,176,193</b>	<b>6.83</b>	<b>1,799,614</b>	<b>4.04</b>
<b>Total</b>	<b>44,306,497</b>	<b>100.00</b>	<b>84,699,341</b>	<b>100.00</b>	<b>31,824,340</b>	<b>100</b>	<b>44,535,398</b>	<b>100</b>

**5.3.1.5 Non-cash loans classified under Stage I and II**

<i>Current Period</i>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Non-Cash Loans</b>	<b>40,523,036</b>	<b>76,882,596</b>	<b>3,521,376</b>	<b>6,275,896</b>
Letters of Guarantee	40,276,089	50,759,581	3,469,572	5,482,337
Bills of Exchange and Bank Acceptances	63,962	2,605,011	1,804	80,959
Letters of Credit	160,485	22,341,940	-	672,929
Endorsements	22,500	1,016,790	50,000	39,671
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	159,274	-	-

<i>Prior Period</i>	<b>Group I</b>		<b>Group II</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Non-Cash Loans</b>	<b>28,350,984</b>	<b>40,196,745</b>	<b>3,371,337</b>	<b>3,409,653</b>
Letters of Guarantee	28,015,726	28,448,756	3,357,280	3,077,654
Bills of Exchange and Bank Acceptances	64,784	1,974,826	5,410	126,586
Letters of Credit	270,475	9,653,283	8,647	205,413
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	119,880	-	-

### 5.3.2 Financial derivative instruments

<i>Current Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Total</b>
<b>Derivative Financial Instruments held for Risk Management</b>						
<b>A. Total Derivative Financial Instruments held for Risk Management</b>	<b>86,790</b>	<b>5,395,089</b>	<b>13,723,061</b>	<b>38,325,140</b>	<b>10,040,142</b>	<b>67,570,222</b>
Fair Value Hedges	-	-	-	6,223,904	4,543,271	10,767,175
Cash Flow Hedges	86,790	5,395,089	13,723,061	32,101,236	5,496,871	56,803,047
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>						
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>240,462,445</b>	<b>66,496,978</b>	<b>18,009,417</b>	<b>6,232,258</b>	<b>2,349,678</b>	<b>333,550,776</b>
Currency Forwards-Purchases	6,092,769	4,051,437	4,939,249	104,261	-	15,187,716
Currency Forwards-Sales	6,121,965	4,221,594	5,450,453	107,186	-	15,901,198
Currency Swaps-Purchases	99,986,180	28,960,045	2,866,056	2,960,754	834,938	135,607,973
Currency Swaps-Sales	104,332,443	27,427,201	2,650,559	3,060,057	1,514,740	138,985,000
Currency Options-Purchases	10,345,556	553,431	417,926	-	-	11,316,913
Currency Options-Sales	13,338,771	553,158	423,046	-	-	14,314,975
Currency Futures-Purchases	117,104	360,235	633,150	-	-	1,110,489
Currency Futures-Sales	127,657	369,877	628,978	-	-	1,126,512
<b>Interest Rate related Derivative Transactions (II)</b>	<b>3,724,623</b>	<b>25,730,300</b>	<b>24,550,608</b>	<b>67,253,119</b>	<b>88,682,677</b>	<b>209,941,327</b>
Interest Rate Swaps-Purchases	1,758,877	12,131,942	12,118,690	31,063,078	43,379,003	100,451,590
Interest Rate Swaps-Sales	1,758,877	12,131,942	12,118,690	31,063,078	43,379,003	100,451,590
Interest Rate Options-Purchases	-	654,650	-	2,403,520	1,924,671	4,982,841
Interest Rate Options-Sales	-	654,650	313,228	2,723,443	-	3,691,321
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	206,869	-	-	-	-	206,869
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	157,116	-	-	-	157,116
<b>Other Trading Derivatives (III)</b>	<b>11,407,822</b>	<b>862,212</b>	<b>6,049,881</b>	<b>13,885,442</b>	<b>39,279,000</b>	<b>71,484,357</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>255,594,890</b>	<b>93,089,490</b>	<b>48,609,906</b>	<b>87,370,819</b>	<b>130,311,355</b>	<b>614,976,460</b>
<b>Total Derivative Transactions (A+B)</b>	<b>255,681,680</b>	<b>98,484,579</b>	<b>62,332,967</b>	<b>125,695,959</b>	<b>140,351,497</b>	<b>682,546,682</b>



Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
<b>Derivative Financial Instruments held for Risk Management</b>						
<b>A. Total Derivative Financial Instruments held for Risk Management</b>	<b>1,476,000</b>	<b>363,672</b>	<b>2,527,858</b>	<b>22,477,151</b>	<b>9,569,041</b>	<b>36,413,722</b>
Fair Value Hedges	-	3,672	108,046	2,732,484	5,202,241	8,046,443
Cash Flow Hedges	1,476,000	360,000	2,419,812	19,744,667	4,366,800	28,367,279
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>						
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>116,208,218</b>	<b>78,762,415</b>	<b>26,548,574</b>	<b>2,419,948</b>	<b>1,258,037</b>	<b>225,197,192</b>
Currency Forwards-Purchases	3,234,406	3,033,146	3,252,464	133,771	-	9,653,787
Currency Forwards-Sales	3,182,685	2,903,147	3,045,813	132,947	-	9,264,592
Currency Swaps-Purchases	48,241,405	34,577,356	8,600,269	1,080,104	503,307	93,002,441
Currency Swaps-Sales	57,230,988	36,931,811	9,028,071	1,061,524	754,730	105,007,124
Currency Options-Purchases	1,588,095	421,555	852,907	5,784	-	2,868,341
Currency Options-Sales	1,749,667	434,376	836,758	5,818	-	3,026,619
Currency Futures-Purchases	501,272	235,059	442,800	-	-	1,179,131
Currency Futures-Sales	479,700	225,965	489,492	-	-	1,195,157
<b>Interest Rate related Derivative Transactions (II)</b>	<b>12,638,694</b>	<b>13,844,326</b>	<b>18,443,382</b>	<b>38,526,197</b>	<b>65,933,195</b>	<b>149,385,794</b>
Interest Rate Swaps-Purchases	6,319,347	6,922,163	9,221,897	18,241,551	32,280,326	72,985,284
Interest Rate Swaps-Sales	6,319,347	6,922,163	9,221,485	18,241,551	32,280,326	72,984,872
Interest Rate Options-Purchases	-	-	-	665,802	1,180,800	1,846,602
Interest Rate Options-Sales	-	-	-	1,377,293	191,743	1,569,036
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
<b>Other Trading Derivatives (III)</b>	<b>8,313,624</b>	<b>379,569</b>	<b>206,295</b>	<b>12,154,311</b>	<b>22,140,000</b>	<b>43,193,799</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>137,160,536</b>	<b>92,986,310</b>	<b>45,198,251</b>	<b>53,100,456</b>	<b>89,331,232</b>	<b>417,776,785</b>
<b>Total Derivative Transactions (A+B)</b>						
	<b>138,636,536</b>	<b>93,349,982</b>	<b>47,726,109</b>	<b>75,577,607</b>	<b>98,900,273</b>	<b>454,190,507</b>

### 5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2021, there are total return swaps of the Bank with a total face value of USD 4,224,607,144 (31 December 2020: USD 2,323,462,798) classified under “other derivative financial instruments”, where the Bank is on the selling side of the protection.

### 5.3.4 Contingent liabilities and assets

The Bank made a total provision amounting to TL 415,219 (31 December 2020: TL 299,662) for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.3.7.4, other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc.

### **5.3.5 Services rendered on behalf of third parties**

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

## 5.4 Statement of Profit or Loss

### 5.4.1 Interest income

#### 5.4.1.1 Interest income from loans (\*)

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Interest income received from loans</b>				
Short-term loans	15,247,898	779,786	7,590,922	478,736
Medium and long-term loans	21,369,249	5,534,838	15,974,463	4,839,346
Loans under follow-up	522,070	147,834	479,436	202,792
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>37,139,217</b>	<b>6,462,458</b>	<b>24,044,821</b>	<b>5,520,874</b>

(\*) Includes also the fee and commission income on cash loans

#### 5.4.1.2 Interest income from banks

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Central Bank of Turkey	-	-	292	-
Domestic Banks	15,585	334	43,611	1,393
Foreign Banks	5,664	26,726	42,474	33,068
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>21,249</b>	<b>27,060</b>	<b>86,377</b>	<b>34,461</b>

#### 5.4.1.3 Interest income from securities portfolio

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Financial Assets Measured at Fair Value through Profit or Loss	95,222	26,917	83,787	34,078
Financial Assets Measured at Fair Value through Other Comprehensive Income	4,959,022	392,989	2,560,617	434,547
Financial Assets Measured at Amortised Cost	4,074,130	462,738	2,832,744	458,393
<b>Total</b>	<b>9,128,374</b>	<b>882,644</b>	<b>5,477,148</b>	<b>927,018</b>

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The valuation of such securities has been calculated according to the actual index as of 31 December 2021.

#### 5.4.1.4 Interest income received from associates and subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Subsidiaries	386,887	257,809

## 5.4.2 Interest Expenses

### 5.4.2.1 Interest expenses on funds borrowed (\*)

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>133,026</b>	<b>598,863</b>	<b>131,796</b>	<b>587,869</b>
Central Bank of Turkey	-	-	23,624	1,896
Domestic Banks	133,026	38,899	68,526	20,335
Foreign Banks	-	559,964	39,646	565,638
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>692,590</b>	<b>-</b>	<b>782,017</b>
<b>Total</b>	<b>133,026</b>	<b>1,291,453</b>	<b>131,796</b>	<b>1,369,886</b>

(\*) Also includes the fee and commission expenses on borrowings.

### 5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	417,679	340,750

### 5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Securities Issued	974,564	1,281,725	820,201	1,083,385

### 5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Account Description	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
			Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
<b>Turkish Lira</b>									
	Bank Deposits	27,400	76,940	-	-	-	-	-	104,340
	Saving Deposits	-	513,958	10,221,200	665,538	261,030	450,752	-	12,112,478
	Public Sector Deposits	-	3,134	5,721	221	192	-	-	9,268
	Commercial Deposits	-	2,841,456	2,130,640	84,041	190,788	278,521	-	5,525,446
	Other	2	99,374	200,150	18,865	209,382	806,538	-	1,334,311
	"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
	<b>Total TL</b>	<b>27,402</b>	<b>3,534,862</b>	<b>12,557,711</b>	<b>768,665</b>	<b>661,392</b>	<b>1,535,811</b>	<b>-</b>	<b>19,085,843</b>
<b>Foreign Currency</b>									
	Foreign Currency Deposits	2	30,982	236,765	17,039	26,320	56,569	194	367,871
	Bank Deposits	-	39	-	-	-	-	-	39
	"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
	Precious Metal Deposits	-	-	-	-	1	362	-	363
	<b>Total FC</b>	<b>2</b>	<b>31,021</b>	<b>236,765</b>	<b>17,039</b>	<b>26,321</b>	<b>56,931</b>	<b>194</b>	<b>368,273</b>
	<b>Grand Total</b>	<b>27,404</b>	<b>3,565,883</b>	<b>12,794,476</b>	<b>785,704</b>	<b>687,713</b>	<b>1,592,742</b>	<b>194</b>	<b>19,454,116</b>

Prior Period	Account Description	Demand Deposits	Time Deposits				Accumulating Deposit Accounts	Total
			Up to 1 Month	1-3 Months	3-6 Months	6-12 Months		
<b>Turkish Lira</b>								
	Bank Deposits	1,489	58,543	-	-	-	-	60,032
	Saving Deposits	10	287,696	5,023,674	31,494	26,242	178,182	5,547,298
	Public Sector Deposits	-	8,734	8,668	1	-	1	17,404
	Commercial Deposits	3	1,152,512	1,179,187	23,711	25,329	121,706	2,502,448
	Other	2	43,861	126,184	33,514	14,578	465,143	683,282
	"7 Days Notice" Deposits	-	-	-	-	-	-	-
	<b>Total TL</b>	<b>1,504</b>	<b>1,551,346</b>	<b>6,337,713</b>	<b>88,720</b>	<b>66,149</b>	<b>765,032</b>	<b>8,810,464</b>
<b>Foreign Currency</b>								
	Foreign Currency Deposits	1	29,075	289,635	11,032	27,647	89,577	339
	Bank Deposits	-	94	-	-	-	-	94
	"7 Days Notice" Deposits	-	-	-	-	-	-	-
	Precious Metal Deposits	-	-	-	-	21	7,846	7,867
	<b>Total FC</b>	<b>1</b>	<b>29,169</b>	<b>289,635</b>	<b>11,032</b>	<b>27,668</b>	<b>97,423</b>	<b>339</b>
	<b>Grand Total</b>	<b>1,505</b>	<b>1,580,515</b>	<b>6,627,348</b>	<b>99,752</b>	<b>93,817</b>	<b>862,455</b>	<b>9,265,731</b>

#### 5.4.2.5 Interest expense on money market transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	119,404	25,880	235,375	4,285

#### 5.4.2.6 Interest expense on lease liabilities

##### 5.4.2.6.1 Interest expense on financial leases

	Current Period	Prior Period
Financial Lease Expenses	-	-

##### 5.4.2.6.2 Operational lease expenses

	Current Period	Prior Period
Operational lease expenses	122,903	129,771

#### 5.4.2.7 Interest expenses on factoring payables

None.

#### 5.4.3 Dividend income

	Current Period	Prior Period
Financial Assets Valued at Fair Value through Profit or Loss	3,605	1,772
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,159	2,143
Others	123,625	15,079
<b>Total</b>	<b>129,389</b>	<b>18,994</b>

#### 5.4.4 Trading income/losses

	<i>Current Period</i>	<i>Prior Period</i>
<b>Income</b>	<b>408,794,232</b>	<b>152,630,502</b>
Trading Account Income	4,344,194	1,758,882
Gains from Derivative Financial Instruments	29,333,430	10,688,264
Foreign Exchange Gains	375,116,608	140,183,356
<b>Losses (-)</b>	<b>404,956,232</b>	<b>152,449,015</b>
Trading Account Losses	1,682,380	1,133,705
Losses from Derivative Financial Instruments	34,692,781	17,073,338
Foreign Exchange Losses	368,581,071	134,241,972
<b>Total</b>	<b>3,838,000</b>	<b>181,487</b>

TL 5,361,278 (31 December 2020: TL 4,289,379) of foreign exchange gains and TL 16,675,074 (31 December 2020: TL 2,415,466) of foreign exchange losses are resulted from the exchange rate changes of derivative financial transactions.

The Bank enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to EUR 13,157,908 and securitization borrowings amounting to EUR 19,026,306 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 246,097,568 and deposits amounting to TL 4,130,000, USD 980,000,000 and forward EUR 480,000,000 by designating interest rate swaps with the same face values. Accordingly, in the current period, gain of TL 15,449 (31 December 2020: gain of TL 16,656) and loss of TL 236,152 (31 December 2020: loss of TL (247,380)) resulting from cross currency and interest rate swap were recognised under shareholders' equity, respectively.

The Bank enters into interest rate and cross currency swap agreements in order to hedge the change in fair value of fixed-rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 200,000 and EUR 7,411,765, for its fixed-rate coupons with a total face value of USD 387,500,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL (22,791) (31 December 2020: gain of TL 12,559) and TL 349,358 (31 December 2020: gain of TL 371,381) respectively. The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

The Bank enters forward foreign currency transactions in order to hedge its payment commitments made within the context of a special mile program that the Bank is subject to from the exchange rate risk that will occur due to fluctuations in the market exchange rates. Cash flow hedge accounting is applied for the payment commitments amounting to USD 28,007,200 in total (31 December 2020: None) by designating foreign currency forwards with the same nominal values and terms. As of 31 December 2021, TL 113,476 (31 December 2020: None) arising from cash flow accounting is accounted under Equity. There is no ineffective portion arising from cash flow hedge accounting.

#### 5.4.5 Other operating income

The items under “other operating income” generally consists of collection or reversals of prior years’ expected credit losses, banking services related costs recharged to customers and income on custody services.

	<i>Current Period</i>	<i>Prior Period</i>
<b>Reversal of Prior Years’ Provisions</b>	<b>8,065,345</b>	<b>4,146,680</b>
Stage 1 Provisions	3,185,037	1,123,801
Stage 2 Provisions	2,848,859	1,557,092
Stage 3 Provisions	1,757,740	1,272,420
Others	273,709	193,367
<b>Revenues from Sale of Assets</b>	<b>496,542</b>	<b>114,882</b>
<b>Others</b>	<b>417,810</b>	<b>306,160</b>
<b>Total</b>	<b>8,979,697</b>	<b>4,567,722</b>

#### 5.4.6 Expected credit losses and other provisions

	<i>Current Period</i>	<i>Prior Period</i>
<b>Expected Credit Losses</b>	<b>19,527,693</b>	<b>13,394,295</b>
12-Month ECL (Stage 1)	2,875,617	2,588,834
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	9,441,585	6,481,718
Lifetime ECL Impaired Credits (Stage 3)	7,210,491	4,323,743
<b>Other Provisions</b>	<b>7,491,601</b>	<b>3,766,103</b>
Impairment Losses on Securities	279	8,544
<i>Financial Assets Measured at Fair Value through Profit/Loss</i>	279	3,142
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	-	5,402
Impairment Losses on Associates, Subsidiaries and Joint-ventures	86,674	295,281
<i>Associates</i>	-	295,281
<i>Subsidiaries</i>	86,674	-
<i>Joint-ventures</i>	-	-
Others (*)	7,404,648	3,462,278
<b>Total</b>	<b>27,019,294</b>	<b>17,160,398</b>

(\*) Includes general reserve expense of TL 2,850,000 recognized in the current period (31 December 2020: TL 2,150,000).

#### 5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Termination Benefits	147,769	104,984
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	130	98,725
Depreciation Expenses of Tangible Assets	397,523	353,983
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	106,119	95,176
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	2,043	7,881
Depreciation Expenses of Right-of-use Assets	263,889	290,607
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	5,359,946	4,358,215
<i>Operational Lease related Expenses (*)</i>	210,830	186,466
<i>Repair and Maintenance Expenses</i>	75,697	65,816
<i>Advertisement Expenses</i>	248,379	159,421
<i>Other Expenses</i>	4,825,040	3,946,512
Loss on Sale of Assets	5,659	882
Others (**)	1,329,165	1,020,578
<b>Total</b>	<b>7,612,243</b>	<b>6,331,031</b>

(\*) Includes lease related expenses out of the scope of TFRS 16.

(\*\*) Includes Saving Deposits Insurance Fund related expenses of TL 681,969 (31 December 2020: TL 581,914) in the current period.

#### 5.4.8 Information on profit/loss before taxes from continued and discontinued operations

The profit before taxes includes a net interest income of TL 33,639,994 (31 December 2020: TL 23,768,204), a net fees and commissions income of TL 8,500,819 (31 December 2020: TL 5,978,016) and operating expenses of TL 7,612,243 (31 December 2020: TL 6,331,031). The Bank's profit before taxes realized at TL 17,304,817 (31 December 2020: TL 8,639,410) increasing by 100.30% (31 December 2020: decreasing by 10.53%) as compared to prior year.

#### 5.4.9 Information on provision for taxes from continued and discontinued operations

For the period ended 31 December 2021, the Bank recorded a tax income of TL 4,639,274 (31 December 2020: TL 4,168,731) and a deferred tax income of TL 407,763 (31 December 2020: deferred tax income of TL 1,767,324).

##### *Deferred tax benefit/charge on timing differences:*

<b>Deferred tax benefit/(charge) on timing differences</b>	<i>Current Period</i>	<i>Prior Period</i>
Increase in tax deductible timing differences (+)	(3,412,305)	(1,939,231)
Decrease in tax deductible timing differences (-)	418,676	54,759
Increase in taxable timing differences (-)	2,592,584	233,854
Decrease in taxable timing differences (+)	(6,718)	(116,706)
<b>Total</b>	<b>(407,763)</b>	<b>(1,767,324)</b>



***Deferred tax benefit/charge in the statement of profit/loss arising on timing differences, tax losses and tax deductions and exemptions:***

<b>Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions</b>	<b>Current Period</b>	<b>Prior Period</b>
(Increase)/Decrease in Tax Deductible Timing Differences (net)	(2,993,629)	(1,884,472)
(Increase)/Decrease in Taxable Timing Differences (net)	2,585,866	117,148
(Increase)/Decrease in Tax Losses (net)	-	-
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
<b>Total</b>	<b>(407,763)</b>	<b>(1,767,324)</b>

**5.4.10 Information on net profit/loss from continued and discontinued operations**

Net profit/loss from continued operations is 13,073,306 TL (31 December 2020: TL 6,238,003).

The Bank has no discontinued operations (31 December 2020: None).

**5.4.11 Net profit/loss**

**5.4.11.1 Any further explanation on operating results needed for better understanding of the Bank's performance**

None.

**5.4.11.2 Any changes in estimations that might have a material effect on current and subsequent period results**

None.

**5.4.12 Components of other items in statement of profit/loss**

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the income statement include mainly fees and commissions related with credit card transactions and other banking services.

## **5.5 Consolidated statement of changes in shareholders' equity**

### **5.5.1 Any changes arising from application of accounting for financial instruments in current period**

#### **5.5.1.1 Reconciliation of foreign exchange differences at beginning and end of current period**

As of 31 December 2021, an increase of TL 5,399,204 (31 December 2020: TL 2,025,712) that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

#### **5.5.1.2 Information on changes in financial assets measured at fair value through other comprehensive income**

“Unrealized profits / losses” arising from changes in financial assets measured at fair value through other comprehensive income, are not reflected in the income statement until the realization of either the collection of the value corresponding to the relevant financial asset, the sale, disposal of the asset or its weakness, and are accounted under shareholders' equity. After netting with the related deferred tax effect, an increase of TL 431,931 of (31 December 2020: an increase TL 268,644) is presented in the shareholders' equity for such transactions.

#### **5.5.1.3 Information on hedge funds**

##### **5.5.1.3.1 Increases due to cash flow hedges**

As disclosed in note 5.4.4 Trading income/losses, the Bank has various cash flow hedges. After netting with the related deferred tax effect, an increase of TL 574,062 (31 December 2020: a decrease of TL 176,002) is presented in the shareholders' equity for such hedge transactions.

##### **5.5.1.3.2 Information on changes in investment hedging items related with foreign entities**

As disclosed in note 3.2.2 Foreign currency transactions, the Bank applies net investment hedge accounting for foreign exchange differences arising from the conversion of foreign currency investments and foreign currency long term loans to Turkish Lira. After netting with the related deferred tax effect, a increase of TL 2,186,511 (31 December 2020: a decrease of TL 774,447) is presented in the shareholders' equity for such hedge transactions.

### **5.5.2 Transfers to legal and extraordinary reserves**

	<i>Current Period</i>	<i>Prior Period</i>
Transfers to Legal Reserves from Prior Year Profits	41,380	-
Transfers to Extraordinary Reserves from Prior Year Profits	5,537,618	6,153,404

### **5.5.3 Issuance of share certificates**

Please refer to Note 5.2.4.

### **5.5.4 Effects of prior years' corrections to beginning balances of current period**

Please refer to Note 3.28.

### **5.5.5 Compensation of prior period losses**

None (31 December 2020: TL None).

## 5.6 Statement of Cash Flows

### 5.6.1 Disclosures for “other” items and “effect of change in foreign currency rates cash and cash equivalents” in statement of cash flows

The net cash inflows arising from banking operations amount to TL 39,538,224 (31 December 2020: TL 10,062,519). TL 43,214,434 (31 December 2020: TL 11,841,125 cash outflow) of the net cash outflow is generated from the cash inflows resulted from the change in operating assets and liabilities and TL (3,676,210) (31 December 2020: TL 21,903,644) from the cash inflows resulted from operating profit. The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to a net inflow of TL 10,784,191 (31 December 2020: TL 6,058,319 net cash outflow). The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 37,730,997 (31 December 2020: TL 1,062,082).

The net cash inflows from financing activities is TL 15,568,800 (31 December 2020: TL 9,990,435 net cash outflow).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 20,554,848 (31 December 2020: TL 2,345,379).

### 5.6.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Note 5.1.10.3 of investments in subsidiaries.

### 5.6.3 Cash inflows from disposal of associates, subsidiaries and joint-ventures

None (31 December 2020: None).

### 5.6.4 Cash and cash equivalents at beginning of period

	<i>Current Period</i> <i>31 December 2021</i>	<i>Prior Period</i> <i>31 December 2020</i>
<b>Cash on Hand</b>	<b>9,125,455</b>	<b>3,995,007</b>
Cash in TL	2,722,172	1,594,581
Cash in Foreign Currency	6,403,283	2,400,426
<b>Cash Equivalents</b>	<b>40,354,301</b>	<b>33,480,418</b>
Other	40,354,301	33,480,418
<b>TOTAL</b>	<b>49,479,756</b>	<b>37,475,425</b>

### 5.6.5 Cash and cash equivalents at end of period

	<i>Current Period</i> <i>31 December 2021</i>	<i>Prior Period</i> <i>31 December 2020</i>
<b>Cash on Hand</b>	<b>15,923,917</b>	<b>9,125,455</b>
Cash in TL	1,916,282	2,722,172
Cash in Foreign Currency	14,007,635	6,403,283
<b>Cash Equivalents</b>	<b>102,072,452</b>	<b>40,354,301</b>
Other	102,072,452	40,354,301
<b>TOTAL</b>	<b>117,996,369</b>	<b>49,479,756</b>

**5.6.6 Restricted cash and cash equivalents due to legal requirements or other reasons**

The placements at foreign banks include blocked accounts amounting TL 20,499,346 (31 December 2020: TL 9,311,678) of which TL 5,937,765 (31 December 2020: TL 2,222,619) and TL 368,848 (31 December 2020: TL 201,295) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

The blocked account at the Central Bank of Turkey with a principal of TL 58,966,631 (31 December 2020: TL 26,010,300) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold.

**5.6.7 Additional information**

**5.6.7.1 Restrictions on the Bank's potential borrowings**

None (31 December 2020: None).

**5.6.7.2 Cash inflows presenting increase in operating capacity of the Bank**

None (31 December 2020: None).

## 5.7 Related Party Risks

### 5.7.1 Transactions with the Bank's risk group

#### 5.7.1.1 Loans and other receivables

##### Current Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	9,505,341	2,096,812	651,108	722,425	113,315	50,868
Balance at end of period	14,327,512	3,366,181	774,676	1,563,727	10,060	193,011
Interest and Commission Income	399,395	28,315	545	-	7,915	89

##### Prior Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	7,260,837	1,576,370	1,628	991,046	791	45,586
Balance at end of period	9,505,341	2,096,812	651,108	722,425	113,315	50,868
Interest and Commission Income	263,742	22,075	500	-	7,486	174

#### 5.7.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	1,889,426	1,797,896	70,153	131,127	417,657	89,892
Balance at end of period	2,404,548	1,889,426	31,849	70,153	7,064,055	417,657
Interest Expense	262,350	124,285	83	120	207,866	8,999

#### 5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit/(Loss):						
Balance at beginning of period	3,000,560	2,862,339	30,664,682	22,919,062	-	-
Balance at end of period	3,888,943	3,000,560	35,864,072	30,664,682	-	-
Total Profit/(Loss)	10,737	8,691	(10,137)	(262,003)	-	-
Transactions for Hedging:						
Balance at beginning of period	-	-	565,120	643,552	-	-
Balance at end of period	-	-	220,100	565,120	-	-
Total Profit/(Loss)	-	-	(1,029)	(2,069)	-	-

Based on the decision of the Banking Regulation and Supervision Agency dated 22 June 2018 and numbered 7855, the special purpose entity and Türk Telekom A.Ş. have not been included in the risk group in accordance with the Articles 3 and 49 of the Banking Law No. 5411.

## **5.7.2 The Bank's risk group**

### **5.7.2.1 Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions**

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

### **5.7.2.2 Concentration of transaction volumes and balances with risk group and pricing policy**

The cash loans of the risk group amounting TL 3,389,690 (31 December 2020: TL 3,448,287) compose 0.80% (31 December 2020: 1.09%) of the Bank's total cash loans and 0.45% (31 December 2020: 0.70%) of the Bank's total assets. The total loans and similar receivables amounting TL 15,112,248 (31 December 2020: TL 10,269,764) compose 1.99% (31 December 2020: 2.08%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 5,122,919 (31 December 2020: TL 2,870,105) compose 3.97% (31 December 2020: 3.76%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 9,500,452 (31 December 2020: TL 2,377,236) compose 1.85% (31 December 2020: 0.74%) of the Bank's total deposits.

The funds borrowed by the Bank from its risk group amounting TL 33,258,677 (31 December 2020: TL 20,978,790) compose 90.34% (31 December 2020: 82.47%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arm's-length basis.

The credit card ("POS") payables to the related parties, amounted to TL 237,278 (31 December 2020: TL 196,304).

A total rent income of TL 20,432 (31 December 2020: TL 17,681) was recognized for the real estates rented to the related parties.

Operating expenses for TL 128,433 (31 December 2020: TL 101,084) were incurred for the IT services rendered by the related parties. Banking services fees of TL 35,452 (31 December 2020: TL 50,188) were recognized from the related parties.

Insurance brokerage fee of TL 445,432 (31 December 2020: TL 343,954), shares brokerage fee of TL 248,153 (31 December 2020: TL 134,108), and fixed-rate securities brokerage fee of TL 10,064 (31 December 2020: TL 6,367) were received from the subsidiaries.

Operating expenses of TL 97,724 (31 December 2020: TL 84,759) for operational leasing services rendered by the related parties were recognized as expenses.

Including the payments related to resigners, the net payment provided or to be provided to the key management of the Bank amounts to TL 84,704 as of 31 December 2021 (31 December 2020: TL 76,902).

### **5.7.2.3 Other matters not required to be disclosed**

None (31 December 2020: None).

### **5.7.2.4 Transactions accounted for under equity method**

Please refer to Note 5.1.10 investments in subsidiaries.

### **5.7.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licenses, funding, guarantees, management services**

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

Purchase of equipment for the Bank's internal use are partly arranged through leasing.

## 5.8 Domestic, foreign and off-Shore branches or equity investments, and foreign representative offices

### 5.8.1 Domestic and foreign branches and representative offices

<i>Current Period</i>	Number of Branches	Number Of Employees			
<b>Domestic Branches</b>	863	18,233			
			<b>Country</b>		
<b>Foreign Representative Offices</b>	1	1	1- China		
				<b>Total Assets</b>	<b>Legal Capital</b>
<b>Foreign Branches</b>	1	14	1- Malta	54,249,995	-
	7	106	2- NCTR	7,433,660	80,000

<i>Prior Period</i>	Number of Branches	Number Of Employees			
<b>Domestic Branches</b>	884	18,540			
			<b>Country</b>		
<b>Foreign Representative Offices</b>	1	1	1-Germany		
	1	1	2- China		
				<b>Total Assets</b>	<b>Legal Capital</b>
<b>Foreign Branches</b>	1	13	1- Malta	30,001,077	-
	7	101	2- NCTR	4,312,995	80,000

### 5.8.2 Opening or closing of domestic and foreign branches and representative offices and significant changes in organisational structure

In 2021, 1 domestic branch was opened and 22 branches were closed. (In 2020, 1 domestic branch was opened and 21 branches were closed.)

## 5.9 Fees related with the services provided by independent auditors/independent audit agencies

In accordance with the decision made by Public Oversight Accounting and Auditing Standards Authority dated 26 March 2021, fees, based on the given reporting period, in relation to the services provided by independent auditors or independent audit agencies excluding value added tax costs are presented in the following table.

	<i>Current Period</i>	<i>Prior Period</i>
Independent audit fees in the reporting period	7,756	5,923
Fees for tax advisory	1,332	1,013
Fees for other assurance services	717	597
Fees for other services except independent audit	144	30
<b>Total</b>	<b>9,949</b>	<b>7,563</b>



**5.10 Matters Arising Subsequent to Balance Sheet Date**

None.

## 6. Other Disclosures on Activities of the Bank

### 6.1 Bank's latest international risk ratings

#### MOODY'S (December 2020)

Outlook	Negative
Long-Term FC Deposit	B2
Long-Term TL Deposit	B2
Short-Term FC Deposit	Not Prime
Short-Term TL Deposit	Not Prime
Basic Loan Assessment	b3
Adjusted Loan Assessment	b3
Senior Unsecured Rating (Regular Bond)	B2 (Negative)
Senior Unsecured Rating (Medium-Term Note Program)	P (B2)
Long-Term National Scale Rating (NSR)	A1.tr
Short-Term NSR	TR-1

#### FITCH RATINGS (December 2021)

Long-Term FC	B+ / Negative
Short-Term FC	B
Long-Term TL	BB-/ Negative
Short-Term TL	B
Financial Capacity	b+
Support	4
NSR	AA(tur)
Long-Term National Scale Rating (NSR)	Negative
Senior Unsecured Long-Term Notes	B+
Senior Unsecured Short-Term Notes	B
Subordinated Notes	B

#### JCR EURASIA RATINGS (September 2021)

Long-Term International FC	BBB- (Stable)
Short-Term International FC	A-3 (Stable)
Long-Term International TL	BBB (Stable)
Short-Term International TL	A-3 (Stable)
Long-Term NSR	AAA(Trk) (Stable)
Short-Term NSR	A-1+(Trk) (Stable)
Independency from Shareholders	A
Support	1

## 6.2 Dividends

As per the decision made at the annual general assembly of shareholders of the parent Bank on 31 March 2021, the distribution of the net profit of the year 2020, was as follows;

<b>2020 PROFIT DISTRIBUTION TABLE</b>	
<b>2020 Net Profit</b>	<b>6,238,003</b>
A- I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(35,205)
B- First dividend at 5% of the paid-in capital	(210,000)
C- Extraordinary reserves at 5% after above deductions	(301,400)
D- Second dividend to the shareholders	(413,800)
E- Extraordinary reserves	(5,236,218)
F- II. Legal reserve (Turkish Commercial Code 519/2)	(41,380)

## 6.3 Other disclosures

The Board of Directors of BBVA decided to launch a Voluntary Takeover Bid for the entire share capital of Türkiye Garanti Bankası A.Ş. ("Garanti" or the "Company") not already owned by BBVA. The terms and conditions of the Voluntary Takeover Bid were submitted to the Capital Markets Board ("CMB") for approval by BBVA on November 18, 2021 and the process is ongoing.

## **7 Disclosures on Independent Auditors' Report**

### **7.1 Disclosure on independent auditors' report**

The unconsolidated financial statements of the Bank as of 31 December 2021, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 2 February 2022, is presented before the accompanying financial statements.

### **7.2 Disclosures and footnotes prepared by independent auditors**

None.