

**TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

Condensed Consolidated
Interim Financial Statements
For the Six-month Period Ended
30 June 2021

With Independent Auditors' Report on Review of
Condensed Consolidated
Interim Financial Information

Güney Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

22 October 2021

This report contains 1 page of independent auditors' report on consolidated financial statements and 73 pages of consolidated financial statements and notes to the consolidated financial statements.

Türkiye İş Bankası Anonim Şirketi and Its Subsidiaries

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Report on the Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Türkiye İş Bankası A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Türkiye İş Bankası A.Ş. (the “Bank”) and its subsidiaries (together referred to as the “Group”) as at June 30, 2021, comprising of the condensed consolidated interim statement of financial position as at June 30, 2021 and the related condensed consolidated interim statements of income, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting” (IAS 34).

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 15, the accompanying interim condensed consolidated financial statements as at June 30, 2021 include a free provision for possible risks amounting to TL 2,730,000 thousands which was fully provided in prior years by the Group management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

Qualified Conclusion

Based on our review, except for the effect of the matter referred in the “Basis for Qualified Conclusion” paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

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

Fatma Ebru Yücel, SMMM
Partner

22 October 2021
Istanbul, Turkey

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

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

Assets	Note	30 June 2021	31 December 2020
Cash on hand		10,932,676	9,156,790
Balances with central bank	8	82,272,771	62,457,679
Loans and advances to banks		33,145,720	23,385,918
Financial assets at fair value through profit or loss	9	8,409,700	4,802,506
Derivative financial assets	23	7,825,317	6,976,484
Loans and advances to customers	10	440,493,133	398,470,869
- Measured at amortised cost		438,343,320	396,321,056
- Measured at fair value through profit or loss		2,149,813	2,149,813
Trade receivables		8,136,270	7,617,285
Insurance receivables		7,727,082	6,597,945
Inventories		5,645,310	4,437,781
Investment securities	9	130,817,674	126,334,600
- Financial assets at fair value through other comprehensive income		84,199,663	77,979,907
- Financial assets measured at amortised cost		46,618,011	48,354,693
Current tax assets		52,882	76,009
Investments in equity-accounted investees		1,535,268	1,280,688
Property, plant and equipment	12	26,244,829	24,807,871
Investment properties		4,592,726	4,653,743
Intangible assets and goodwill		3,036,161	2,749,347
Non-current assets held for sale		1,249,819	1,302,606
Deferred tax assets		5,694,387	4,807,716
Other assets		18,853,440	19,292,156
Total assets		796,665,165	709,207,993

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

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

Liabilities and equity	Note	30 June 2021	31 December 2020
Deposits		421,864,993	373,586,853
- Deposits from banks		4,954,720	5,704,272
- Deposits from customers		416,910,273	367,882,581
Obligations under repurchase agreements		34,532,324	24,558,771
Derivative financial liabilities	23	5,770,286	9,177,819
Lease payables		1,331,727	1,161,995
Funds borrowed	13	100,167,706	85,780,548
Debt securities issued		46,005,292	43,574,557
Payables to money market		1,730,524	1,425,876
Trade payables		6,609,953	7,629,133
Taxes and dues payable		1,224,370	962,213
Employee benefits		6,941,616	6,661,693
Corporate tax liability		723,611	2,228,132
Insurance contract liabilities		19,866,655	17,094,184
Provisions	15	4,860,106	4,199,247
Deferred tax liabilities		311,729	366,318
Other liabilities		26,198,665	20,967,829
Subordinated liabilities		28,169,115	24,414,842
Total liabilities		706,308,672	623,790,010
Share capital	16	6,115,938	6,115,938
Share premium		119,514	123,238
Legal reserves	16	6,553,504	6,090,139
Fair value reserves		(92,666)	1,300,529
Revaluation reserves		4,807,384	4,759,879
Hedging reserves		(3,225)	17,111
Translation reserves		4,208,047	4,570,973
Other reserves		(877,864)	(878,449)
Retained earnings		48,665,877	45,793,473
Total equity attributable to equity holders of the Bank		69,496,509	67,892,831
Non-controlling interests		20,859,984	17,525,152
Total equity		90,356,493	85,417,983
Total liabilities and equity		796,665,165	709,207,993
Commitment and contingencies	23	242,889,605	202,643,115

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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

	Note	1 January- 30 June 2021	1 January- 30 June 2020
Interest income on loans		21,191,634	16,404,049
Interest income on securities		7,710,183	5,660,390
Interest income on deposits at banks		367,960	251,538
Interest income on reserve deposit at central banks		322,863	10,125
Interest income on finance leases		382,387	248,615
Interest income on factoring transactions		296,800	148,564
Other interest income		340,529	86,619
Total interest income		30,612,356	22,809,900
Interest expense on deposits		(8,247,389)	(4,517,014)
Interest expense on borrowings		(1,302,173)	(1,451,111)
Interest expense on interbank borrowings		(2,276,901)	(518,640)
Interest expense on debt securities issued		(2,900,579)	(2,444,374)
Interest expense on leasing		(93,116)	(91,869)
Other interest expense		(216,294)	(412,469)
Total interest expense		(15,036,452)	(9,435,477)
Net interest income		15,575,904	13,374,423
Fee and commission income	17	4,525,818	3,332,986
Fee and commission expense	17	(1,594,377)	(1,127,822)
Net fee and commission income	17	2,931,441	2,205,164
Securities trading income, net		537,793	497,163
Derivative trading expense, net		(787,983)	(2,690,502)
Income from manufacturing operations		12,758,319	8,820,362
Income from insurance operations		4,576,046	4,102,677
Income from other operations		535,467	425,460
Cost of manufacturing operations		(8,224,132)	(6,248,297)
Cost of insurance operations		(4,265,691)	(3,183,790)
Cost of other operations		(921,757)	(790,112)
Other operating income	18	1,041,364	610,839
Other operating expenses	19	(10,587,870)	(9,189,385)
Foreign exchange gains/(losses), net		(2,552,526)	1,971,390
Impairment losses, net		(4,067,338)	(4,794,112)
Dividend income		56,006	22,491
Share of income from equity-accounted investees		126,619	37,453
Profit before income tax		6,731,662	5,171,224
Income tax expense		(794,611)	(1,323,368)
Profit for the period		5,937,051	3,847,856
Profit attributable to			
Equity holders of the Bank		3,826,499	2,877,296
Non-controlling interest		2,110,552	970,560
Profit for the period		5,937,051	3,847,856
Basic and diluted earnings per share (Full TL)	21	0.0340	0.0256

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated)

	1 January- 30 June 2021	1 January- 30 June 2020
Profit for the period	5,937,051	3,847,856
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Remeasurements of defined benefit liability	(884)	(950)
Revaluation of property, plant and equipment	160,158	40,638
Related tax	(42,422)	(5,684)
	116,852	34,004
Items that are or may be reclassified to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income	(1,770,115)	989,867
Foreign currency translation differences	1,318,840	602,841
Cash flow hedges- effective portion of changes in fair value	(50,177)	242,711
Related tax	359,444	(274,681)
	(142,008)	1,560,738
Other comprehensive income / (expenses), net of tax	(25,156)	1,594,742
Total comprehensive income for the period	5,911,895	5,442,598
Attributable to		
Equity holders of the Bank	2,098,530	3,909,639
Non-controlling interest	3,813,365	1,532,959
Total comprehensive income for the period	5,911,895	5,442,598

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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

Current Period	Attributable to equity holders of the Bank										Non-controlling interests	Total Equity
	Share capital	Share premium	Legal reserves	Fair value reserves	Revaluation reserves	Hedging reserves	Translation reserves	Other reserves	Retained earnings	Total		
Balance at 1 January 2021	6,115,938	123,238	6,090,139	1,300,529	4,759,879	17,111	4,570,973	(878,449)	45,793,473	67,892,831	17,525,152	85,417,983
Total comprehensive income for the period												
Net profit for the period	--	--	--	--	--	--	--	--	3,826,499	3,826,499	2,110,552	5,937,051
Other comprehensive income, net of tax												
Items that are or may be reclassified subsequently to profit or loss:												
Net change in fair value financial assets at fair value through other comprehensive income	--	--	--	(1,393,195)	--	--	--	--	--	(1,393,195)	(27,753)	(1,420,948)
Cash flow hedges effective portion of changes in fair value	--	--	--	--	--	(20,336)	--	--	--	(20,336)	(19,564)	(39,900)
Foreign currency translation differences for foreign operations	--	--	--	--	--	--	(363,009)	--	--	(363,009)	1,681,849	1,318,840
Items that are or may not be reclassified subsequently to profit or loss:												
Revaluation surplus on tangible assets	--	--	--	--	47,993	--	--	--	--	47,993	67,212	115,205
Net change in actuarial loss related to employee benefits	--	--	--	--	--	--	--	--	578	578	1,069	1,647
Total other comprehensive income/(expense)	--	--	--	(1,393,195)	47,993	(20,336)	(363,009)	578	--	(1,727,969)	1,702,813	(25,156)
Total comprehensive income/(expense) for the period	--	--	--	(1,393,195)	47,993	(20,336)	(363,009)	578	3,826,499	2,098,530	3,813,365	5,911,895
Contributions and distributions												
Dividend distribution	--	--	--	--	--	--	--	--	(661,415)	(661,415)	(524,348)	(1,185,763)
Transfer to legal reserves	--	--	463,428	--	--	--	--	--	(463,428)	--	--	--
Other ^(*)	--	--	--	--	--	--	--	--	(119,472)	(119,472)	7,779	(111,693)
Total contributions and distributions	--	--	463,428	--	--	--	--	--	(1,244,315)	(780,887)	(516,569)	(1,297,456)
Changes in ownership interests and other changes												
Changes in non-controlling interests without a change in control	--	(3,724)	(73)	--	(488)	--	83	7	815	(3,380)	3,208	(172)
Effects of bussiness combinations and other changes	--	--	10	--	--	--	--	--	289,405	289,415	34,828	324,243
Total changes in ownership interests and other changes	--	(3,724)	(63)	--	(488)	--	83	7	290,220	286,035	38,036	324,071
Balance at 30 June 2021	6,115,938	119,514	6,553,504	(92,666)	4,807,384	(3,225)	4,208,047	(877,864)	48,665,877	69,496,509	20,859,984	90,356,493

(*) According to the Articles of Incorporation of the Bank, a portion of the net profit for the year is distributed to the employees as a dividend. Provision recognised in 2020 for dividends to be distributed to employees within the scope of “IAS 19 Employee Benefits” has been added to distributable profit. The balance also includes the dividend distributed to the Bank’s employees according to the Articles of Incorporation of the Bank.

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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

Prior Period	Attributable to equity holders of the Bank										Non-controlling interests	Total Equity
	Share capital	Share premium	Legal reserves	Fair value reserves	Revaluation reserves	Hedging reserves	Translation reserves	Other reserves	Retained earnings	Total		
Balance at 1 January 2020	6,115,938	38,611	5,631,247	486,376	4,821,759	3,149	3,302,365	(789,608)	39,172,563	58,782,400	15,456,558	74,238,958
Total comprehensive income for the period												
Net profit for the period	--	--	--	--	--	--	--	--	2,877,296	2,877,296	970,560	3,847,856
Other comprehensive income, net of tax												
Items that are or may be reclassified subsequently to profit or loss:												
Net change in fair value financial assets at fair value through other comprehensive income	--	--	--	761,437	--	--	--	--	--	761,437	7,144	768,581
Cash flow hedges effective portion of changes in fair value	--	--	--	--	--	107,167	--	--	--	107,167	82,149	189,316
Foreign currency translation differences for foreign operations	--	--	--	--	--	--	147,087	--	--	147,087	455,754	602,841
Items that are or may not be reclassified subsequently to profit or loss:												
Revaluation surplus on tangible assets	--	--	--	--	17,484	--	--	--	--	17,484	17,250	34,734
Net change in actuarial loss related to employee benefits	--	--	--	--	--	--	--	(832)	--	(832)	102	(730)
Total other comprehensive income/(expense)	--	--	--	761,437	17,484	107,167	147,087	(832)	--	1,032,343	562,399	1,594,742
Total comprehensive income/(expense) for the period	--	--	--	761,437	17,484	107,167	147,087	(832)	2,877,296	3,909,639	1,532,959	5,442,598
Contributions and distributions												
Dividend distribution	--	--	--	--	--	--	--	--	--	--	(280,628)	(280,628)
Transfer to legal reserves	--	--	469,635	--	--	--	--	--	(469,635)	--	--	--
Other ^(*)	--	--	--	--	--	--	--	--	13,508	13,508	7,932	21,440
Total contributions and distributions	--	--	469,635	--	--	--	--	--	(456,127)	13,508	(272,696)	(259,188)
Changes in ownership interests and other changes												
Changes in non-controlling interests without a change in control	--	10	6,946	--	15,657	581	(3,139)	24	62,018	82,097	(121,428)	(39,331)
Effects of bussiness combinations and other changes	--	--	--	--	--	--	--	--	(82,491)	(82,491)	(30,356)	(112,847)
Total changes in ownership interests and other changes	--	10	6,946	--	15,657	581	(3,139)	24	(20,473)	(394)	(151,784)	(152,178)
Balance at 30 June 2020	6,115,938	38,621	6,107,828	1,247,813	4,854,900	110,897	3,446,313	(790,416)	41,573,259	62,705,153	16,565,037	79,270,190

(*) According to the Articles of Incorporation of the Bank, a portion of the net profit for the year is distributed to the employees as a dividend. Provision recognised in 2019 for dividends to be distributed to employees within the scope of “IAS 19 Employee Benefits” has been added to distributable profit.

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

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

	Note	1 January- 30 June 2021	1 January- 30 June 2020
Cash flows from operating activities:			
Profit for the period		5,937,051	3,847,856
<i>Adjustments for:</i>			
Depreciation and amortisation		1,575,833	1,338,078
Net interest income		(15,575,904)	(13,374,423)
Income tax expense		794,611	1,323,368
Increase/decrease in fair value of investment properties		--	--
Impairment losses on financial assets		4,067,338	4,794,112
Increase in provision for employee benefits		425,753	206,830
Unearned premium reserve		633,817	301,825
Provision for outstanding claims		879,116	651,095
Life mathematical provisions		618,852	435,474
Other provision releases/expenses, net		659,463	1,117,238
Share of income from equity accounted investees		(126,619)	(37,453)
Increase/decrease in other allowances of impairment losses, net		83,972	54,993
Gain on sale of property, plant and equipment and others		(276,620)	(105,867)
Dividend income		(56,006)	(22,491)
		(359,343)	530,635
Change in trading assets		(4,630,163)	(3,254,143)
Change in reserve deposits		(4,680,775)	(10,135,202)
Change in loans and advances to banks		26,583,445	4,720,867
Change in loans and advances to customers		(45,245,762)	(27,923,098)
Change in trade receivables		(540,696)	(632,926)
Change in insurance receivables		(1,170,271)	(1,300,637)
Change in inventories		(1,228,656)	(601,561)
Change in other assets		2,284,263	(5,760,699)
Change in deposits from banks		(22,493,180)	(16,312)
Change in deposits from customers		48,638,993	24,584,414
Change in obligations under repurchase agreements		8,907,450	13,359,290
Change in trade payables		(1,019,180)	(259,493)
Change in other liabilities and provisions		11,917,768	17,052,722
		16,963,893	10,363,857
Interest received		27,904,803	21,323,135
Interest paid		(13,793,977)	(9,292,968)
Income taxes paid		(3,241,607)	(1,830,294)
Net cash (used in)/from operating activities		27,833,112	20,563,730

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

Cash flows from investing activities:	Note	1 January- 30 June 2021	1 January- 30 June 2020
Dividends received		56,006	22,491
Acquisition of equity accounted investees		(100,727)	--
Acquisition of subsidiary, net of cash acquired		--	(16,183)
Acquisition of property, plant and equipment	12	(1,102,985)	(904,691)
Acquisition of intangible assets		(375,376)	(382,684)
Acquisition of investment properties		(76,397)	(10,304)
Proceeds from sale of investment properties		7,564	31,973
Proceeds from the sale of property, plant and equipment	12	180,901	282,818
Acquisition of investment securities		(27,459,324)	(30,048,513)
Proceeds from sale of investment securities		27,888,614	16,439,985
Net cash (used in) investing activities		(981,724)	(14,585,108)
Cash flows from financing activities:			
Proceeds from issue of debt securities and subordinated liabilities		10,660,789	20,483,202
Repayments of debt securities and subordinated liabilities		(15,657,718)	(22,707,865)
Proceeds from funds borrowed		28,101,579	35,870,584
Repayments of funds borrowed		(25,022,100)	(38,790,377)
Repayments of lease payables		(271,251)	(261,091)
Dividends paid		(1,320,087)	(280,628)
Net cash from financing activities		(3,508,788)	(5,686,175)
Net increase in cash and cash equivalents		23,342,600	292,447
Effects of foreign exchange rate fluctuations on cash and cash equivalents		2,036,352	1,758,078
Cash and cash equivalents at 1 January		53,539,407	47,928,635
Cash and cash equivalents at 30 June		78,918,359	49,979,160

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

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TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

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

1. Activities of the Bank and the Group

Türkiye İş Bankası Anonim Şirketi (“the Bank”) was incorporated in Turkey in 1924. The Bank provides private, retail, commercial and corporate banking, money market and securities market operations as well as international banking services. The Bank now operates a nationwide network of 1,204 (31 December 2020: 1,205) branches, 6,522 ATMs (31 December 2020: 6,560 ATMs), 15 branches in Turkish Republic of Northern Cyprus, 2 branches in U.K. (London), 2 branches in Kosovo (Pristina and Prizen), 2 branches in Iraq (Erbil and Baghdad), 1 branch in Bahrain (Manama).

The Bank also have representative offices in China and Egypt and three banking subsidiaries in Germany, Russia and Georgia. The Bank directly invests in equity participations of 28 companies operating mainly in industry and the financial sector.

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The Bank and its subsidiaries are herein referred to as the “Group”.

The consolidated financial statements as at and for the period ended 30 June 2021 have been approved on 22 October 2021 by relevant managers of Financial Management Division of the Bank. Authorised boards of the Bank and other regulatory bodies have the power to amend the statutory financial statements on which these IFRS financial statements are based.

The Group controls equity stakes in companies that are active in the areas of banking, insurance, private pensions, capital market brokerage, asset management, venture capital, factoring, reinsurance, finance leasing, investment banking, real estate investment, service and manufacturing. Activities carried out in these business areas and main companies are explained below in summary.

Financial services

Anadolu Anonim Türk Sigorta Şirketi (“Anadolu Sigorta”)

The Company was established in 1925 and operates in almost all non-life insurance branches. The Company’s shares are traded in Borsa İstanbul A.Ş.

Anadolu Hayat Emeklilik A.Ş. (“Anadolu Hayat”)

The Company was founded in 1990. The Company’s main activities are private individual or group pension and life insurance. There are 34 private pension funds founded by the Company. The Company’s shares are traded in Borsa İstanbul A.Ş.

Efes Varlık Yönetim A.Ş. (“Efes Varlık”)

The field of activity of the Company, which was founded in February 2011, is to purchase and sell the receivables and other assets of deposit banks, participation banks and other financial institutions.

İş Faktoring A.Ş. (“İş Faktoring”)

The Company, which operates in the factoring sector since 1993, is engaged in domestic and foreign factoring operations.

İş Finansal Kiralama A.Ş.

The Company, whose field of activity is financial leasing within the country and abroad started its operations in 1988. The Company’s shares are traded in Borsa İstanbul A.Ş.

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İş Gayrimenkul Yatırım Ortaklığı A.Ş. (“İş GYO”)

The Company, whose main field of activity is investing in real estate, capital market instruments backed by real estate, real estate projects and capital market instruments, is conducting its business in the sector as a real estate investment trust since 1999. The Company’s shares are traded in Borsa İstanbul A.Ş. since its establishment.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (“İş Girişim”)

The Company, which began its venture capital operations in 2000, is making long-term investments in entrepreneurship founded or to be found in Turkey with a development potential and in need of capital. The Company’s shares are traded in Borsa İstanbul A.Ş. since 2004.

İş Portföy Yönetimi A.Ş. (“İş Portföy”)

The purpose of the Company, which was founded in 2000, is to engage in capital market operations stated in its Articles of Incorporation. Among the capital market operations, the Company offers portfolio management and investment consulting services for corporate investors exclusively.

İş Yatırım Menkul Değerler A.Ş. (“İş Menkul”)

The Company is mainly engaged in intermediation, corporate finance, investment consulting and private portfolio management services. The Company’s shares are traded in Borsa İstanbul A.Ş. since May 2007.

İş Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in İstanbul in 1995, is portfolio management. The Company’s shares are traded in Borsa İstanbul A.Ş. since April 1996.

İşbank AG

İşbank AG was founded to carry out the banking transactions of the Bank in Europe. İşbank AG has 10 branches in total, 9 branches in Germany and 1 branch in the Netherlands.

Joint Stock Company İşbank (“JSC İşbank”)

JSC İşbank, which was acquired in 2011 and headquartered in Moscow, provides banking services by focusing on deposit, loan and brokerage operations with its branch in Moscow and representative offices in Kazan and St. Petersburg.

Joint Stock Company İşbank Georgia (“JSC Isbank Georgia”)

The Bank which was established in Georgia in the third quarter of 2015, is operating banking services mainly deposit, loan and exchange transactions. As part of the organisational structure of the Bank in abroad, Batumi and Tbilisi branches which were established in 2012 and 2014 respectively and proceed its operations as JSC Isbank Georgia.

Maxis Girişim Sermayesi Portföy Yönetimi A.Ş. (“Maxis Girişim”)

The purpose of the Company, which was founded in November 2017, is to establish and manage capital investment funds in accordance with the Capital Markets Law and related legislations.

Maxis Investments Ltd.

The purpose of the Company, which was founded in U.K. in 2005, is to engage in activities in foreign capital markets.

Milli Reasürans T.A.Ş. (“Milli Reasürans”)

The Company, which was founded in 1929 to provide reinsurance services, has a branch in Singapore.

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Moka Ödeme Kuruluşu A.Ş. (“Moka”)

The field of activity of the company, which was founded in 2014 and was acquired by the Bank in 2021, is to operate in payment services.

TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (“TSKB GYO”)

The major field of activity of the Company, which was founded in 2006, is to create and develop an investment property portfolio and to invest in capital market instruments that are based on investment properties. The Company’s shares are traded in Borsa İstanbul A.Ş. since April 2010.

Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”)

TSKB, the first private industrial development and investment bank of Turkey, is founded especially to support private sector investments and facilitate contribution of domestic and foreign capital to Turkish companies. The Bank’s shares are traded in Borsa İstanbul A.Ş.

Yatırım Finansman Menkul Değerler A.Ş. (“Yatırım Finansman”)

The purpose of the Company, which was founded in 1976, is to engage in capital market operations stated in its Articles of Incorporation.

Yatırım Varlık Kiralama A.Ş.

The purpose of the Company, which was founded in 2019, is to issue lease certificates in accordance with the Capital Markets Law and related legislations.

Arap Türk Bankası A.Ş. (“Arap Türk”)

Arap Türk has been established on 18 July 1976 as a joint stock entity in accordance with an agreement signed between the Republic of Turkey and the Libyan Arab Republic. In accordance with the Articles of Association, the Board of Directors shall elect a Chairman among its Turkish members and a Deputy Chairman among its Arab members. The General Manager shall always be nominated by the Arab shareholders and assigned by the Board.

Glass

Türkiye Şişe ve Cam Fabrikaları A.Ş. (“Şişecam Group”)

Şişecam Group consists of a holding company, Türkiye Şişe ve Cam Fabrikaları A.Ş., 52 subsidiaries, 2 joint ventures and 2 associates. Türkiye Şişe ve Cam Fabrikaları A.Ş. started its glass production in 1935. Besides Turkey, Şişecam Group operates in various countries such as Austria, Bosnia-Herzegovina, Bulgaria, China, Egypt, USA, Georgia, Germany, Hungary, Netherlands, India, Italy, Ukraine, Russia, Romania, Slovakia and Spain.

Şişecam Group’s core business is mainly glass production. In addition, Şişecam Group is engaged in the complementary industrial and commercial operations related to glass production and participated in various industrial and commercial companies’ capital and management.

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Other

Bayek Tedavi Sağlık Hizmetleri ve İşletme A.Ş. (“Bayek”)

The Company was founded in 1992 and it operates in medical and education services.

Erişim Müşteri Hizmetleri A.Ş. (“Erişim”)

The company was founded in November 2012 as customer contact center.

Gullseye Lojistik Teknolojileri A.Ş. (“Gullseye”)

The company provides IT solutions specialised in logistics industry since 2018.

İş Merkezleri Yönetim ve İşletim A.Ş. (“İşmer”)

The company was founded in 1999 and operates in facility management services.

İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. (“İş Net”)

İş Net locally and globally provides service in information and technology sectors since 1999.

Kasaba Gayrimenkul İnşaat Taahhüt ve Ticaret A.Ş. (“Kasaba Gayrimenkul”)

The Company operates as a contractor of large size construction projects since its establishment in 1997. “İş Altınhas İnşaat Taahhüt ve Ticaret A.Ş.”, formerly joint venture, has become a subsidiary on 2 July 2020 and the title of the company was changed to “Kasaba Gayrimenkul İnşaat Taahhüt ve Ticaret A.Ş.” as of 9 July 2020.

Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti. (“Kanyon”)

Kanyon was established on 6 October 2004. The main objective and operation of the investment is the management of Kanyon Complex, which includes residences, offices and shops; providing maintenance, security, basic environmental set up and similar activities as well as acting as an agent in the introduction and marketing of the projects belonging to the complex, including property letting and sale.

Kültür Yayınları İş-Türk A.Ş. (Kültür)

The field of activity of the company, which was founded in 1956, is to contribute to studies of cultural and art activities, museology and science.

Livewell Giyilebilir Sağlık Ürün Hizmetleri ve Teknolojileri San. ve Tic A.Ş. (“Livewell”)

The Company was founded in 2012 and provides mobile health and preventive health care services.

Nevotek Bilişim Ses ve İletişim Sistemleri San. ve Tic. A.Ş. (“Nevotek”)

Nevotek providing project consultancy, research and development of computer hardware audio technologies and telecommunication systems in domestic and foreign market since 2001. The Company is acting as an agent and performing, exporting, importing, distributorship, agency, installation, maintenance, after sale services, training and management, and marketing of these systems.

Mikla Yiyecek ve İçecek A.Ş. (“Mikla”)

Mikla was founded in 2020 after the division of Numnum Yiyecek ve İçecek A.Ş. The Company is managing and operating restaurants.

Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. (“Ortopro”)

Ortopro was founded in 2002 and it produces, trades, exports and imports the orthopedics, medical and surgical instruments.

Radore Veri Hizmetleri A.Ş. (“Radore”)

Radore was established in 2004 with the aim of developing individual and corporate web hosting services.

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Softtech Yazılım Teknolojileri A.Ş. (“Softtech”)

Softtech was founded under the business title of Tagsoft A.Ş in 2006. The title of the Tagsoft A.Ş, was changed to SoftTech A.Ş. and has continued its commercial activities as SoftTech A.Ş. since 28 February 2008. The Company operates as a software firm.

Tatil Budur Seyahat Acenteliği ve Turizm A.Ş. (“Tatil Budur”)

The Company was founded in 1997 and it provides services in tourism sector.

Toksöz Spor Malzemeleri Tic A.Ş. (“Toksöz Spor”)

Toksöz Spor is selling sporting goods and products since 1985.

Topkapı Danışmanlık Elektronik Hizmetler Pazarlama ve Ticaret A.Ş.(“Topkapı Danışmanlık”)

The company, which started its operations in current year, aims to contribute to the development of the online shopping sector operating in Turkey and to provide new generation payment solutions by processing customer data and to develop cooperation models.

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2. Basis of preparation

2.1 Basis of accounting

The Bank and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the accounting principles as promulgated by the Banking Regulation and Supervision Agency (“BRSA”), Capital Markets Board of Turkey, Ministry of Treasury and Finance, the Turkish Commercial Code and tax legislation. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and its interpretations adopted by the International Accounting Standards Board (“IASB”).

COVID-19 outbreak, which started in China and spread globally in the first half of 2020, caused serious effects on both economic and social life. In addition to the social life effects of the cautions taken to ensure the control of outbreak in many countries, there are also consequences observed which is negatively affecting economic activity both on regional and global scale. As in other countries where the pandemic is effective, various cautions also have been taken in our country in social and economic terms in order to reduce that negativeness and the cautions taken continue to be implemented with partial changes. The Bank and its consolidated subsidiaries sustain its activities for the period precisely by closely monitoring the processes related to outbreak, postponing retail and non-retail customers’ due debts, restructuring with grace period and existing or additional limit allocations in respect with customers’ needs. Assessments regarding the possible effects of the COVID-19 in 30 June 2021 consolidated financial statements are explained in Note 4 and Note 11.

“Interest Rate Benchmark Reform-Stage 2” which was released in December 2020, brought changes in various IAS / IFRSs effective from 1 January 2021, within the scope of the project of transition of the benchmark interest rates carried out by the International Accounting Standards Board. It was concluded that early implementation is not required by evaluating the effects of these changes on the financial statements. The Bank continues to perform required studies to comply with the Interest Rate Benchmark Reform in the current year.

2.2 Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and in the measurement of income and expenses in the profit and loss statement and in the carrying value of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were in consistent with those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

3. Significant accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with “IAS 34 Interim Financial Reporting”, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2020. They do not include all the information

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required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards.

The accounting policies applied in these consolidated financial statements are in consistent with those applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities unless otherwise stated.

3.1 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). The control exists if and only if; 1) when the Bank has the power over an affiliate which that power, directly or indirectly, give rights to govern the financial and operating policies of the entity so as to obtain benefits from its activities, 2) exposure, or rights, to variable returns from its involvement with the affiliate, 3) the ability to use its power over the affiliate to affect the amount of its returns. The Bank reassess its control power over its subsidiaries if there is an indication that there are changes to any of the three elements of control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

Interests in equity-accounted investees

The Group’s interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the

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consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Structured entities

Structured entities are entities that are created to accomplish a narrow and well defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates that the structured entity is controlled by the Group.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

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

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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Group entities

Subsidiaries	Country of Incorporation	Effective Ownership Rate %	
		30 June 2021	31 December 2020
<u>Manufacturing (Glass industry)</u>			
CJSC Brewery Pivdenna	Ukraine	50.97	50.97
Camiş Ambalaj San. A.Ş.	Turkey	50.97	50.97
Çayırova Cam San. A.Ş.	Turkey	50.97	50.97
JSC Mina	Georgia	50.97	50.97
Merefa Glass Company Ltd.	Ukraine	50.97	50.97
OOO Posuda	Russia	50.97	50.97
OOO Ruscam Glass Packaging Holding	Russia	50.97	50.97
OOO Ruscam Management Company	Russia	50.97	50.97
OOO Energosystems	Russia	50.97	50.97
Paşabahçe Bulgaria EAD	Bulgaria	50.97	50.97
Paşabahçe Egypt Glass Manufacturing S.A.E.	Egypt	50.97	50.97
Paşabahçe Glass Gmbh	Germany	50.97	50.97
Paşabahçe Investment B.V. ⁽¹⁾	Netherlands	--	50.97
Paşabahçe Mağazaları A.Ş.	Turkey	50.97	50.97
Paşabahçe Spain SL	Spain	50.97	50.97
Paşabahçe SRL	Italy	50.97	50.97
Paşabahçe USA Inc	USA	50.97	50.97
Paşabahçe (Shanghai) Trading Co. Ltd.	China	50.97	50.97
Richard Fritz Prototype+Spare Parts GmbH	Germany	50.97	50.97
Sisecam Automotive Germany GmbH ⁽²⁾	Germany	50.97	50.97
Sisecam Automotive Hungary Kft ⁽³⁾	Hungary	50.97	50.97
Sisecam Automotive Romania SA ⁽⁴⁾	Romania	50.97	50.97
Sisecam Automotive Rus JSC ⁽⁵⁾	Russia	50.97	50.97
Sisecam Automotive Rus Trading LLC ⁽⁶⁾	Russia	50.97	50.97
Sisecam Automotive Slovakia S.R.O. ⁽⁷⁾	Slovakia	50.97	50.97
Şişecam Automotive Bulgaria EAD	Bulgaria	50.97	50.97
Şişecam Flat Glass Holding B.V. ⁽¹⁾	Netherlands	--	50.97
Şişecam Flat Glass India Private Limited	India	50.97	50.97
Şişecam Flat Glass Italy S.R.L	Italy	50.97	50.97
Şişecam Flat Glass South Italy SRL	Italy	50.97	50.97
Şişecam Glass Packaging B.V.	Netherlands	50.97	50.97
Şişecam Otomotiv A.Ş.	Turkey	50.97	50.97
Şişecam Trade Co. Ltd.	China	50.97	50.97
Trakya Glass Bulgaria EAD	Bulgaria	50.97	50.97
Trakya Glass Rus AO	Russia	35.68	35.68
Trakya Glass Rus Trading OOO	Russia	35.68	35.68
Trakya Investment B.V.	Netherlands	50.97	50.97
TRSG Glass Holding B.V.	Netherlands	35.68	35.68
Türkiye Şişe ve Cam Fab. A.Ş.	Turkey	50.97	50.97
<u>Manufacturing (Other)</u>			
Cam Elyaf San. A.Ş.	Turkey	50.97	50.97
Camiş Egypt Mining Co.	Egypt	50.81	50.81
Camiş Elektrik Üretim A.Ş.	Turkey	50.97	50.97
Camiş Madencilik A.Ş.	Turkey	50.97	50.97
Cromital S.p.A.	Italy	50.97	50.97
Madencilik San. ve Tic. A.Ş.	Turkey	50.97	50.97

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Subsidiaries	Country of Incorporation	Effective Ownership Rate %	
		30 June 2021	31 December 2020
Manufacturing (Other)			
Oxyvit Kimya Sanayii ve Tic. A.Ş.	Turkey	50.97	50.97
Ortopro	Turkey	34.78	35.10
SC Glass Trading B.V.	Netherlands	50.97	50.97
Şişecam Bulgaria EOOD	Bulgaria	50.97	50.97
Şişecam Chem Investment B.V. ⁽¹⁾	Netherlands	--	50.97
Sisecam Chemicals USA Inc.	USA	50.97	50.97
Şişecam Elyaf Sanayii A.Ş.	Turkey	50.97	50.97
Şişecam Enerji A.Ş.	Turkey	50.97	50.97
Şişecam Soda Lukavac DOO	Bosnia Herzegovina	50.97	50.97
Toksöz Spor	Turkey	32.42	32.72
Holding			
Trakya Yatırım Holding A.Ş.	Turkey	100.00	100.00
Service			
Bayek	Turkey	99.80	99.80
Erişim	Turkey	99.75	99.75
Gullseye	Turkey	100.00	100.00
İş Mer	Turkey	99.62	99.62
İş Net	Turkey	100.00	100.00
Kültür	Turkey	99.64	95.31
Kasaba Gayrimenkul	Turkey	95.31	99.64
Livewell	Turkey	100.00	100.00
Maxi Digital Gmbh	Germany	100.00	100.00
Maxitech Inc.	USA	100.00	100.00
Mikla	Turkey	29.89	30.17
Nevotek	Turkey	34.12	34.43
Softtech	Turkey	100.00	100.00
Softtech (Shanghai) Technology Co. Ltd.	China	100.00	100.00
Softtech Ventures Teknoloji A.Ş.	Turkey	100.00	100.00
Şişecam Çevre Sistemleri A.Ş.	Turkey	45.87	45.87
Şişecam Dış Ticaret A.Ş.	Turkey	50.97	50.97
Topkapı Danışmanlık ⁽⁸⁾	Turkey	100.00	--
Banking			
JSC İşbank	Russia	100.00	100.00
JSC Isbank Georgia	Georgia	100.00	100.00
Isbank AG	Germany	100.00	100.00
TSKB	Turkey	50.07	50.07
Reinsurance			
Milli Reasürans	Turkey	87.60	87.60
Insurance			
Anadolu Hayat	Turkey	74.32	74.32
Anadolu Sigorta	Turkey	57.21	57.21
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	Turkey	50.97	50.97
Leasing			
İş Finansal Kiralama A.Ş.	Turkey	43.51	43.51
Factoring			
İş Faktoring	Turkey	44.94	44.94
Other financial			
Efes Varlık	Turkey	66.75	66.75
İş Girişim	Turkey	35.77	36.10
İş GYO	Turkey	59.54	59.54
İş Menkul	Turkey	67.97	67.97
İş Portföy	Turkey	67.43	67.43
İş Yatırım Ortaklığı A.Ş.	Turkey	24.94	24.94
Maxis Girişim	Turkey	67.97	67.97
Maxis Investments Ltd.	U.K.	67.97	67.97
Moka ⁽⁹⁾	Turkey	100.00	--
TSKB GYO	Turkey	44.48	44.75
Yatırım Finansman	Turkey	48.53	48.53
Yatırım Varlık Kiralama A.Ş.	Turkey	48.53	48.53

(1) Paşabağçe Investment B.V., Şişecam Flat Glass Holding B.V. and Şişecam Chem Investment B.V. have merged within Şişecam Glass Packaging B.V. on 30 June 2021.

(2) The title of Richard Fritz Holding GmbH was changed to Sisecam Automotive Germany GmbH in current year.

(3) The title of Richard Fritz Kft was changed to Sisecam Automotive Hungary Kft in current year.

(4) The title of Glasscorp S.A. was changed to Sisecam Automotive Romania SA in current year.

(5) The title of Automotive Glass Alliance Rus AO was changed to Sisecam Automotive Rus JSC in current year.

(6) The title of Automotive Glass Alliance Rus Trading OOO was changed to Sisecam Automotive Rus Trading LLC in current year.

(7) The title of Richard Fritz Spol S.R.O. was changed to Sisecam Automotive Slovakia S.R.O. in current year.

(8) The title of Topkapı Yatırım Holding A.Ş. was changed to Topkapı Danışmanlık Elektronik Hizmetler Pazarlama ve Ticaret A.Ş. in 2020. The company started its operations in current year and included in scope of consolidation.

(9) Moka has included in consolidation due to the acquisition of the company in January 2021.

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Structured entity	Country of Incorporation
TIB Diversified Payment Rights Finance Company	Cayman Islands

The following investments in associates and joint ventures which the Group has significant influences have been accounted for using the equity method:

Investment in associates	Country of Incorporation	30 June 2021 Ownership %	31 December 2020 Ownership %
Anavarza Otelcilik A.Ş.	Turkey	50.00	50.00
Arap Türk Bankası A.Ş.	Turkey	20.58	20.58
Kanyon Yönetim ve İşl. Paz. A.Ş.	Turkey	50.00	50.00
Kredi Kayıt Bürosu	Turkey	9.09	9.09
Tatil Budur	Turkey	40.00	40.00
Pacific Soda LLC	USA	50.00	50.00
Radore Veri Merkezi Hizmetleri A.Ş.	Turkey	25.50	25.50
Rudnika Krecnjaka Vijenac D.O.O.	Bosnia Herzegovina	50.00	50.00
Saint Gobain Glass Egypt S.A.E.	Egypt	30.00	30.00
Solvay Şişecam Holding AG (“Solvay Şişecam”)	Austria	25.00	25.00

3.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

3.3 Changes in accounting policy

The condensed consolidated interim financial statements have been prepared on a basis consistent with the accounting policies set out in the financial statements of the Group for the year ended 31 December 2020 except for the adoption of new standards and interpretations effective as of 1 January 2021 which are listed below.

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

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

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

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

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

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

Relief from discontinuing hedging relationships

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

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

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

Separately identifiable risk components

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

Additional disclosures

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

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

Interest Rate Benchmark Reform - Phase 2 brought changes to various IAS / IFRSs effective from 1 January 2021, within the scope of the project of transition of the benchmark interest rates carried out by the International Accounting Standards Board.

The Bank continues to perform required studies to comply with the Interest Rate Benchmark Reform. Significant impact is not expected on the financial position or performance of the Group due to the amendments.

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

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

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

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective. The Group considers that new standards, interpretations and amendments would not have a significant impact on Group’s financial position. The Group is in the process of assessing the impact of that new standards, interpretations and amendments on financial position or performance of the Group.

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The Group continues adoption process regarding IFRS 17.

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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

Amendments to IAS 16 – Proceeds before intended use

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

There is no transition relief for the first time adopters.

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

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

Amendments to IAS 8 - Definition of Accounting Estimates

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

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

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

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Annual Improvements – 2018–2020 Cycle

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

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

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

4. Financial risk management

4.1 Introduction and overview

Risk management framework

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

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

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

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Subsidiaries within the Bank’s consolidated risk policy, in terms of their own business lines, measure, evaluate and monitor risks, establish risk limits. Risk limits are approved by their own Board of Directors. Risk levels are reported to the Bank’s Risk Committee within the periods set by the Bank, to monitor risk levels on consolidated basis. Risk Committee is the common communication platform for the Bank’s executive divisions in terms of assessing the risks the Bank is exposed to, making suggestions about the actions to be taken and approaches to be followed. Risk Committee reports its results to the Board of the Directors of the Bank.

Audit Committee: The Audit Committee consists of two members of the Board of Directors who do not have any executive functions. The Audit Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Group, functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated;
- The preliminary assessment on the selection process of independent audit firms and the systematic monitoring of the activities of these companies;
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

The Group’s strategy for the use of financial instruments

The Group’s liabilities are composed of short-term deposits and other middle and long-term resources. The liquidity risk, which may be caused by this status, can easily be controlled through deposit sustainability, as well as widespread network of correspondent banks, market maker status (the Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey. In this regard, the liquidity of the Group is constantly monitored. On the other hand, demand for foreign currency liquidity is met by money market operations and money swaps.

TRY denominated CPI bonds and floating rate notes in the Group’s securities portfolio have sufficient quality and capacity to reduce the risk which may be caused by the fluctuations in the interest rates. Funds collected are, to a great extent, fixed-interest rated. Sectoral developments are closely monitored and both fixed and floating rated placements are made according to the yields of alternative investment instruments. Some part of the funds is transferred to the Treasury guaranteed projects. In terms of placements, security principle has always been the priority of the Bank and the placements are oriented to high yielding and low risk assets by considering their maturity structure. Accordingly, a pricing policy that aims high return is implemented in long-term placements. Placements to loans and marketable securities are the fields with higher yields than the average return calculated for the Group’s field of activities.

The Group determines its lending strategy by taking into consideration the international and national economic data and expectations, market conditions, current and potential credit customers’ expectations and tendencies, and the risks like interest rate, liquidity, currency and credit risks. Furthermore, parallel to this strategy, the Group acts within the legal limits in terms of asset-liability management.

Main growth targets for different asset classes are set by long-term plans, which are shaped along with budgeting; and the bank takes necessary position in accordance with the said plans and the course of the market conditions against the short-term currency, interest rates and price movements.

Foreign currency, interest rate and price movements are monitored instantaneously. When taking position, the Group’s own transaction and control limits are also effectively monitored in addition to the legal limits and limit overrides are avoided. Besides the Bank’s asset-liability management is executed by the Asset-Liability Management Committee, within the risk limits determined by the Risk Committee, in order to keep the liquidity risk (within the boundaries of the equity), interest rate risk, currency risk and credit risk within certain limits and to maximise profitability.

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4.2 Credit Risk

Credit risk is defined as the probability of loss if the customer or counterparty fails to meet its obligations partially or completely on the terms set. Credit risk is considered in depth, covering the counterparty risks arising not only from loans and debt securities but also credit risks originating from the transactions defined as loans in the Banking Law.

The impact of the COVID-19 outbreak on credit portfolio and credit risk indicators is monitored closely. The negative impact of the pandemic is taken into account while calculating the expected credit loss. In addition to the aforementioned analysis, reverse stress tests are conducted regularly by determining the increase in non-performing loans ratio and exchange rate which will cause the Bank's capital adequacy (excluding temporary measures taken by the BRSA in response to the COVID-19 pandemic) to decrease to the legal limits.

For risk management reporting purposes the Group considers and consolidates all elements of credit risk exposure.

Exposure to credit risk

30 June 2021	Loans and advances to customers	Trade receivables	Other assets exposure to credit risk^(*)
Risk exposure			
Non performing financial assets	8,764,748	--	--
Gross amount	23,177,750	193,327	536,411
Expected credit loss for Stage 3	(14,413,002)	(193,327)	(536,411)
Performing financial assets	431,728,385	8,136,270	660,447,707
Gross amount	445,068,836	8,136,270	661,155,936
Expected credit loss for Stage 1 and 2	(13,340,451)	--	(708,229)
Carrying amount	440,493,133	8,136,270	660,447,707

(*) Loans and advances to banks, trading and investment securities, insurance receivables, non-cash loans, commitments and derivative transactions are also included.

31 December 2020	Loans and advances to customers	Trade receivables	Other assets exposure to credit risk^(*)
Risk exposure			
Non performing financial assets	9,422,740	--	--
Gross amount	24,223,406	163,335	488,350
Expected credit loss for Stage 3	(14,800,666)	(163,335)	(488,350)
Performing financial assets	389,048,129	7,617,285	600,936,905
Gross amount	400,276,663	7,617,285	601,602,325
Expected credit loss for Stage 1 and 2	(11,228,534)	--	(665,420)
Carrying amount	398,470,869	7,617,285	600,936,905

(*) Loans and advances to banks, trading and investment securities, insurance receivables, non-cash loans, commitments and derivative transactions are also included.

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Restructuring in performing loans are made by extending the maturity of the loan with changing conditions of contract aiming to enhance solvency of customer or customer’s demand. Restructuring in non-performing loans are generally made by establishing a new redemption plan within the context of a protocol aiming the collection of those receivables whose redemption plan are not valid because of delinquency previously.

As of 30 June 2021 and 31 December 2020, details of restructured loans under Stage 2 are as follows:

Restructured Loans under Stage 2	30 June 2021		31 December 2020	
	Loans with revised contract terms	Refinanced	Loans with revised contract terms	Refinanced
Corporate and commercial loans	9,085,302	11,272,751	8,065,886	9,812,765
Export loans	35,986	242,628	140,706	353,138
Consumer loans	4,571	1,402,405	4,049	1,497,092
Credit cards	452,473	--	397,342	--
Other receivables	6,342,146	4,227,366	5,955,755	4,719,267
Total restructured loans under Stage 2	15,920,478	17,145,150	14,563,738	16,382,262

Collateral policy

The Group give utmost importance to ensure that loans are furnished with collaterals. Most of the loans extended are collateralised by establishing pledge over real estate, movable or commercial enterprise, holding promissory notes and other liquid assets as collateral, or by acceptance of letters of guarantee and individual or corporate guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 30 June 2021 and 31 December 2020.

An estimate of the fair value of collateral and other security enhancements held against closely monitored loans and advances to customers (stage 2) as follows:

	30 June 2021	31 December 2020
Secured closely monitored loans:	46,067,803	39,711,790
<i>Secured by mortgages^(*)</i>	12,426,187	11,911,506
<i>Pledges on wages and vehicles</i>	2,977,774	1,689,219
<i>Cheques & Notes</i>	6,965	586
<i>Secured by cash collateral</i>	299,087	418,463
<i>Other (surety, commercial enterprise under pledge etc.)</i>	30,357,790	25,692,016
Unsecured closely monitored loans	10,422,192	7,737,079
Total closely monitored loans and advances to customers	56,489,995	47,448,869

(*) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair value of the real estate provided in expertise reports. This net value is compared to loan balance and mortgage amount, and lowest of the three values is presented here as collateral’s fair value.

As at 30 June 2021 and 31 December 2020, the Group has no closely monitored loans and advances to banks, investment securities, trade receivables or other assets.

An estimate of the fair value of collateral held against non-performing loans and advances to customers (stage 3) is as follows:

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	30 June 2021	31 December 2020
Secured non-performing loans	15,649,204	15,721,180
<i>Secured by cash collateral</i>	4,557	1,141
<i>Secured by mortgages^(*)</i>	7,059,041	6,992,211
<i>Vehicle pledge</i>	268,317	291,010
<i>Other (surety, commercial enterprise under pledge etc.)</i>	8,317,289	8,436,818
Unsecured non-performing loans	7,528,546	8,502,226
Total non-performing loans and advances to customers	23,177,750	24,223,406

(*) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair value of the real estate provided in expertise reports. This net value is compared to loan balance and mortgage amount, and lowest of the three values is presented here as collateral’s fair value.

Rating system

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorisation limits of Branches, Regional Offices, Loan Divisions, and the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall loan portfolio are subject to risk limits in order to provide further minimisation of potential risk.

The rating/scoring results related to the cash commercial and corporate loans portfolio are classified as “Strong”, “Standard” and “Below Standard” by considering their default features. The loans whose borrowers’ capacity to fulfill their obligations is very good, are defined as “Strong”, whose borrowers’ capacity to fulfill its obligations in due time is reasonable, are defined as “Standard” and whose borrowers’ capacity to fulfill their obligations is poor, are defined as “Below Standard”. The percentage of the portfolio according to the rating/scoring results is as follows:

	30 June 2021 (%)	31 December 2020 (%)
Strong	45.61	48.71
Standard	48.45	43.51
Below standard	5.94	7.78

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4.3 Liquidity risk

Maturity analysis of financial assets and liabilities according to their remaining maturities:

30 June 2021	Demand	Less than one month	1-3 months	3-12 months	1-5 Years	Over 5 years	Carrying amount
Cash on hand	10,932,676	--	--	--	--	--	10,932,676
Balances with central bank ^(*)	37,807,900	44,476,081	--	--	--	--	82,283,981
Loans and advances to banks ^(*)	18,898,086	9,178,299	3,057,645	2,075,543	--	--	33,209,573
Financial assets at fair value through profit or loss ^(**)	3,751,715	2,686,706	2,277,449	3,340,618	3,423,125	183,116	15,662,729
Loans and advances to customers ^(***)	16,965,966	45,851,672	35,486,018	133,597,273	169,051,100	44,116,807	445,068,836
Trade receivables	876,280	3,205,036	2,794,634	1,095,588	164,732	--	8,136,270
Insurance receivables	279,919	420,472	1,046,621	3,159,165	2,439,898	381,007	7,727,082
Financial assets at fair value through other comprehensive income	1,423,153	2,769,225	1,816,847	9,954,056	41,613,570	26,622,812	84,199,663
Financial assets measured at amortised cost ^(*)	--	1,628,065	994,307	6,199,983	26,693,480	11,144,990	46,660,825
Other assets ^(*)	11,711,402	3,086,993	479,292	2,018,203	1,658,317	--	18,954,207
Total assets	102,647,097	113,302,549	47,952,813	161,440,429	245,044,222	82,448,732	752,835,842
Deposits	178,663,348	174,609,288	46,738,871	17,807,702	3,302,796	742,988	421,864,993
Obligations under repurchase agreements	--	30,640,264	1,933,680	1,940,472	17,908	--	34,532,324
Lease payables	--	42,228	72,382	317,538	647,794	251,785	1,331,727
Funds borrowed	78,961	5,733,077	7,431,545	32,848,217	38,423,383	15,652,523	100,167,706
Debt securities issued	--	1,238,884	2,542,359	15,381,085	20,341,502	6,501,462	46,005,292
Payables to money market	--	1,637,986	92,538	--	--	--	1,730,524
Trade payables	1,191,803	3,595,459	805,012	1,007,956	9,723	--	6,609,953
Taxes and dues payable	--	1,222,864	1,506	--	--	--	1,224,370
Insurance contract liabilities	1,568,618	468,647	1,404,109	6,852,051	6,554,648	3,018,582	19,866,655
Subordinated liabilities	--	--	90,372	2,591,223	12,189,360	13,298,160	28,169,115
Other liabilities	20,729,658	1,526,586	1,064,203	1,652,503	907,893	317,822	26,198,665
Total liabilities	202,232,388	220,715,283	62,176,577	80,398,747	82,395,007	39,783,322	687,701,324
Net	(99,585,291)	(107,412,734)	(14,223,764)	81,041,682	162,649,215	42,665,410	65,134,518

(*) Expected credit losses are not included.

(**) Derivative financial instruments measured at fair value through profit or loss are included.

(***) Non-performing loans and expected credit losses are not included.

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Maturity analysis of financial assets and liabilities according to their remaining maturities:

31 December 2020	Demand	Less than one month	1-3 months	3-12 months	1-5 Years	Over 5 years	Carrying amount
Cash on hand	9,156,790	--	--	--	--	--	9,156,790
Balances with central bank ^(*)	23,003,416	39,462,888	--	--	--	--	62,466,304
Loans and advances to banks ^(*)	12,393,195	8,741,990	1,461,505	863,972	--	--	23,460,662
Financial assets at fair value through profit or loss ^(**)	3,884,060	1,753,923	1,868,754	2,483,926	1,151,033	108,240	11,249,936
Loans and advances to customers ^(***)	14,607,677	39,839,015	38,499,953	109,697,588	156,546,961	41,085,469	400,276,663
Trade receivables	666,626	4,554,910	2,134,535	248,621	12,593	--	7,617,285
Insurance receivables	251,629	329,507	1,133,271	2,458,487	1,885,125	539,926	6,597,945
Financial assets at fair value through other comprehensive income	1,452,340	3,443,998	2,719,249	8,781,171	33,771,331	27,811,818	77,979,907
Financial assets measured at amortised cost ^(*)	--	3,875,394	2,862,680	7,822,902	25,063,124	8,789,393	48,413,493
Other assets ^(*)	9,910,284	6,448,076	421,794	1,628,897	959,630	--	19,368,681
Total assets	75,326,017	108,449,701	51,101,741	133,985,564	219,389,797	78,334,846	666,587,666
Deposits	157,114,781	156,222,324	39,594,438	16,601,475	3,436,569	617,266	373,586,853
Obligations under repurchase agreements	--	24,121,353	11,642	425,776	--	--	24,558,771
Lease payables	--	27,204	60,057	244,564	537,581	292,589	1,161,995
Funds borrowed	71,644	3,047,269	5,093,319	29,688,294	34,040,335	13,839,687	85,780,548
Debt securities issued	--	2,245,825	2,245,472	13,794,442	19,826,169	5,462,649	43,574,557
Payables to money market	--	1,425,876	--	--	--	--	1,425,876
Trade payables	256,320	5,724,921	1,023,071	622,032	2,789	--	7,629,133
Taxes and dues payable	--	961,011	1,202	--	--	--	962,213
Insurance contract liabilities	1,475,858	468,284	1,452,637	5,710,400	5,010,204	2,976,801	17,094,184
Subordinated liabilities	--	--	98,489	--	12,615,590	11,700,763	24,414,842
Other liabilities	16,811,660	1,497,934	2,037,406	620,829	--	--	20,967,829
Total liabilities	175,730,263	195,742,001	51,617,733	67,707,812	75,469,237	34,889,755	601,156,801
Net	(100,404,246)	(87,292,300)	(515,992)	66,277,752	143,920,560	43,445,091	65,430,865

(*) Expected credit losses are not included.

(**) Derivative financial instruments measured at fair value through profit or loss are included.

(***) Non-performing loans and expected credit losses are not included.

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4.4 Market risk

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group’s interest rate gap position on non-trading portfolios is as follows:

30 June 2021	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Carrying amount
Cash on hand	--	--	--	--	--	10,932,676	10,932,676
Balances with central bank ^(*)	7,049,236	--	--	--	--	75,234,745	82,283,981
Loans and advances to banks ^(*)	10,553,273	3,057,645	2,075,543	--	--	17,523,112	33,209,573
Loans and advances to customers ^(**)	88,431,374	37,866,020	127,973,106	156,122,975	33,823,306	852,055	445,068,836
Trade receivables	3,205,036	2,794,634	1,095,588	164,732	--	876,280	8,136,270
Insurance receivables	420,472	1,046,621	3,159,165	2,439,898	381,007	279,919	7,727,082
Financial assets at fair value through other comprehensive income	18,054,165	11,625,895	17,092,737	19,012,949	16,990,764	1,423,153	84,199,663
Financial assets measured at amortised cost ^(*)	7,515,388	8,355,851	19,737,882	9,514,976	1,536,728	--	46,660,825
Other assets ^(*)	2,206,533	386,355	1,950,610	486,917	--	13,923,792	18,954,207
Total assets	137,435,477	65,133,021	173,084,631	187,742,447	52,731,805	121,045,732	737,173,113
Deposits	174,609,480	46,740,107	17,811,649	3,297,421	742,988	178,663,348	421,864,993
Obligations under repurchase agreements	30,640,264	1,933,680	1,940,472	17,908	--	--	34,532,324
Lease payables	10,712	29,096	79,952	239,469	972,498	--	1,331,727
Funds borrowed	7,416,436	41,801,461	39,825,553	9,297,129	1,748,166	78,961	100,167,706
Debt securities issued	1,238,884	4,206,273	13,717,171	20,341,502	6,501,462	--	46,005,292
Payables to money market	1,637,986	92,538	--	--	--	--	1,730,524
Trade payables	3,595,459	805,012	1,007,956	9,723	--	1,191,803	6,609,953
Taxes and dues payable	41,010	1,506	--	--	--	1,181,854	1,224,370
Insurance contract liabilities	--	--	--	--	--	19,866,655	19,866,655
Subordinated liabilities	--	2,383,553	2,591,223	12,189,360	11,004,979	--	28,169,115
Other liabilities	2,264,946	612,822	1,286,559	551,567	1,284,343	20,198,428	26,198,665
Total liabilities	221,455,177	98,606,048	78,260,535	45,944,079	22,254,436	221,181,049	687,701,324
Net	(84,019,700)	(33,473,027)	94,824,096	141,798,368	30,477,369	(100,135,317)	49,471,789

(*) Expected credit losses are not included.

(**) Non-performing loans and expected credit losses are not included.

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Exposure to interest rate risk – non-trading portfolios

31 December 2020	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Carrying amount
Cash on hand	--	--	--	--	--	9,156,790	9,156,790
Balances with central bank ^(*)	3,079,150	--	--	--	--	59,387,154	62,466,304
Loans and advances to banks ^(*)	9,391,835	1,461,505	863,972	--	--	11,743,350	23,460,662
Loans and advances to customers ^(**)	79,427,941	41,085,890	106,800,230	141,861,282	30,229,613	871,707	400,276,663
Trade receivables	4,554,910	2,134,519	248,621	12,593	--	666,642	7,617,285
Insurance receivables	329,507	1,133,271	2,458,487	1,885,125	539,926	251,629	6,597,945
Financial assets at fair value through other comprehensive income	18,682,164	10,695,046	15,703,290	14,935,126	16,511,941	1,452,340	77,979,907
Financial assets measured at amortised cost ^(*)	8,747,632	9,462,509	19,358,476	8,902,492	1,942,384	--	48,413,493
Other assets ^(*)	4,814,406	368,747	1,391,993	617,873	--	12,175,662	19,368,681
Total assets	129,027,545	66,341,487	146,825,069	168,214,491	49,223,864	95,705,274	655,337,730
Deposits	156,222,714	39,596,057	16,605,053	3,430,980	617,266	157,114,783	373,586,853
Obligations under repurchase agreements	24,121,353	11,642	425,776	--	--	--	24,558,771
Lease payables	557	7,245	122,526	395,200	636,467	--	1,161,995
Funds borrowed	6,301,972	34,751,521	33,738,373	6,379,011	4,538,027	71,644	85,780,548
Debt securities issued	1,887,417	3,318,405	13,557,538	19,348,548	5,462,649	--	43,574,557
Payables to money market	1,425,876	--	--	--	--	--	1,425,876
Trade payables	5,724,921	1,023,071	622,032	2,789	--	256,320	7,629,133
Taxes and dues payable	41,744	1,202	--	--	--	919,267	962,213
Insurance contract liabilities	--	--	--	--	--	17,094,184	17,094,184
Subordinated liabilities	--	2,286,510	--	12,714,079	9,414,253	--	24,414,842
Other liabilities	529,842	310,236	448,309	118,644	204,820	19,355,978	20,967,829
Total liabilities	196,256,396	81,305,889	65,519,607	42,389,251	20,873,482	194,812,176	601,156,801
Net	(67,228,851)	(14,964,402)	81,305,462	125,825,240	28,350,382	(99,106,902)	54,180,929

(*) Expected credit losses are not included.

(**) Non-performing loans and expected credit losses are not included.

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4.5 Currency risk

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

Management of currency risk

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

30 June 2021^(*)	USD	EURO	Other currencies	Total
Cash on hand	4,792,971	3,188,455	535,469	8,516,895
Balances with central bank ^(**)	29,227,985	32,789,161	13,207,686	75,224,832
Loans and advances to banks	10,758,227	7,058,545	7,250,127	25,066,899
Financial assets at fair value through profit or loss	3,208,289	1,469,307	3,664,056	8,341,652
Derivative assets held for hedge accounting	660,349	--	--	660,349
Loans and advances to customers	103,300,509	93,420,116	2,707,048	199,427,673
Trade receivables	2,425,127	731,496	102,384	3,259,007
Insurance receivables	1,057,621	362,330	330,924	1,750,875
Financial assets at fair value through other comprehensive income	27,190,342	3,019,447	4,713	30,214,502
Financial assets measured at amortised cost	5,583,685	1,374,619	531,113	7,489,417
Other assets	5,071,080	1,730,527	363,020	7,164,627
Total foreign currency denominated monetary assets	193,276,185	145,144,003	28,696,540	367,116,728
Deposits ^(***)	118,113,048	82,444,604	50,089,518	250,647,170
Obligations under repurchase agreements	7,788,386	535,578	--	8,323,964
Funds borrowed	52,102,684	36,704,088	27,028	88,833,800
Derivative liabilities held for hedge accounting	95,815	--	--	95,815
Debt securities issued	37,655,503	--	98,643	37,754,146
Trade payables	1,722,462	456,947	11,268	2,190,677
Insurance contract liabilities	2,969,701	838,822	392,892	4,201,415
Subordinated liabilities	25,875,372	--	--	25,875,372
Other liabilities	5,529,960	3,052,124	355,391	8,937,475
Total foreign currency denominated monetary liabilities	251,852,931	124,032,163	50,974,740	426,859,834
Net statement of financial position	(58,576,746)	21,111,840	(22,278,200)	(59,743,106)
Net off balance sheet position	72,727,698	(16,895,477)	22,315,868	78,148,089
Net long/(short) position	14,150,952	4,216,363	37,668	18,404,983

(*) Assets and liabilities of foreign subsidiaries denominated in their own functional currencies are not included in the table above.

(**) Reserve deposits in terms of precious metals amounting to TL 13,467,331 are included.

(***) Precious metal deposit accounts amounting to TL 37,947,829 are included.

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31 December 2020^(*)	USD	EURO	Other currencies	Total
Cash on hand	4,287,122	1,708,909	631,673	6,627,704
Balances with central bank ^(**)	25,824,347	20,223,607	13,339,045	59,386,999
Loans and advances to banks	6,177,392	3,155,553	6,247,246	15,580,191
Financial assets at fair value through profit or loss	3,165,704	1,325,461	448,647	4,939,812
Derivative assets held for hedge accounting	429,699	--	--	429,699
Loans and advances to customers	88,309,282	84,647,878	2,025,181	174,982,341
Trade receivables	1,799,637	749,677	68,071	2,617,385
Insurance receivables	753,131	233,027	339,168	1,325,326
Financial assets at fair value through other comprehensive income	24,829,573	4,383,387	3,971	29,216,931
Financial assets measured at amortised cost	5,876,532	2,572,070	1,701,377	10,149,979
Other assets	4,664,516	3,457,149	532,543	8,654,208
Total foreign currency denominated monetary assets	166,116,935	122,456,718	25,336,922	313,910,575
Deposits ^(***)	107,516,663	74,349,773	46,688,125	228,554,561
Obligations under repurchase agreements	5,359,028	213,896	--	5,572,924
Funds borrowed	43,186,227	32,743,037	46,064	75,975,328
Derivative liabilities held for hedge accounting	152,307	--	--	152,307
Debt securities issued	36,353,443	--	86,676	36,440,119
Trade payables	1,318,462	547,822	31,608	1,897,892
Insurance contract liabilities	2,359,053	687,824	335,774	3,382,651
Subordinated liabilities	22,127,862	--	--	22,127,862
Other liabilities	4,891,638	2,383,409	218,269	7,493,316
Total foreign currency denominated monetary liabilities	223,264,683	110,925,761	47,406,516	381,596,960
Net statement of financial position	(57,147,748)	11,530,957	(22,069,594)	(67,686,385)
Net off balance sheet position	69,824,349	(13,033,049)	23,340,880	80,132,180
Net long/(short) position	12,676,601	(1,502,092)	1,271,286	12,445,795

(*) Assets and liabilities of foreign subsidiaries denominated in their own functional currencies are not included in the table above.

(**) Reserve deposits in terms of precious metals amounting to TL 13,700,154 are included.

(***) Precious metal deposit accounts amounting to TL 36,807,875 are included.

For the purposes of the evaluation of the table above, the figures represent the TL equivalent of the related foreign currencies.

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5. Management of insurance risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the company and coverage portion transfers to policyholders and transfer conditions.

Objective of managing risks arising from insurance contracts and policies used to minimise such risks

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Group’s “Risk Management Policies” issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Group’s asset quality and limitations allowed by the insurance standards together with the Group’s risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Group’s Board of Directors by considering the Group’s long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorisation limitations during policy issuing include authorisations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorisations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly.

It is essential that all the authorised personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Group can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company’s financial structure, company transfers the exceeding portion of risks assumed over the Group’s risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the “Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit” updated and approved annually by the Board of Directors.

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Reinsurance risk is monitored regularly according to criteria described in the “Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit” policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

6. Business combinations

There is no business combination within the scope of “IFRS 3 Business Combinations” between 1 January and 30 June 2021.

7. Financial Instruments

Fair value information

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, appropriate valuation methodologies. However, judgment is necessary to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

Management has estimated that the fair value of certain financial assets and liabilities recorded at amortised cost are not materially different than their recorded values except for those of loans and advances to customers and investment securities. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair values, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Classification of fair value measurement

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

Level 1: inputs that are quoted 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 (i.e., as prices) or indirectly (i.e., derived from prices).

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

Loans at fair value through profit or loss

All creditors including the Group reached an agreement on restructuring the loans granted to the company in the previous period. As previously stated, loans of the company had been planning to be restructured based on required permits and necessary approvals within a new structured entity which was already incorporated or will be incorporated in the Republic of Turkey and owned by the creditors either directly or indirectly through takeover of the shares, that have been pledged by the company as a guarantee for the credit risk. Above mentioned process was completed in 2018 and, in this context the Bank owns 11.5972% and Türkiye Sınai Kalkınma Bankası A.Ş., a group company owns 1.6172% of the newly formed structured entity.

At the Ordinary Meeting of the General Assembly of 2018, it has been decided to increase the share capital of the mentioned company by TL 3,982,230, all to be covered by common receivables. Whereas the Bank’s and Türkiye Sınai Kalkınma Bankası A.Ş.’ ownership ratio in the company has not changed, the nominal value of the shares owned increased from TL 6 to TL 461,833 and from TL 1 to TL 64,403 respectively. These amounts are recognised under Assets Held for Sale and Discontinued Operations account.

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The remaining loan amount after the capital increase of the mentioned company amounting to TL 2,149,813 (31 December 2020 TL 2,149,813) is accounted under “Loans at fair value through profit or loss”. The amount of impairment recognised for the total asset converted into loan and capital is TL 1,778,094 and is classified under the specified item.

Assets, which are converted into loan and capital, amounted TL 2,676,049 are measured at fair value in scope of “IFRS 9 Financial Instruments” and “IFRS 5 Assets Held for Sale and Discontinued Operations”. The mentioned loan’s fair value is determined by an independent valuation company, considering the various valuation method such as discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports. The potential changes in the fundamental estimations and assumptions in the valuation work may affect the carrying fair value of the asset. As of the reporting date, the Bank has re-evaluated the fair value of the financial asset by considering the current market conditions and macroeconomic indicators and has not made any changes in the current value of the asset at the end of the year. Balance of related asset is followed in financial statements as Level 3 within the scope of “IFRS 13 Fair Value Measurement” standard.

If the growth rate and risk-free return rate on investment used in the discounted cash flow method in the valuation report are increased or decreased by 0.25%, provided that all other variables are constant, the total value of assets recognised in the financial statements and profit before tax will increase by about 63 million (full amount) or decrease 56 million TL (full amount).

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

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The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments.

30 June 2021	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investment securities - Financial assets at fair value through profit or loss	8,409,700	1,769,450	6,261,662	378,588	8,409,700
Derivative financial instruments	7,253,029	--	7,253,029	--	7,253,029
Derivatives used for hedging purposes	572,288	--	572,288	--	572,288
Investment securities - Financial assets at fair value through other comprehensive income (*)	84,199,663	33,256,868	49,549,293	1,346,289	84,152,450
Loans - Financial assets at fair value through profit or loss	2,149,813	--	--	2,149,813	2,149,813
Financial liabilities measured at fair value					
Derivative financial instruments	5,486,426	--	5,486,426	--	5,486,426
Derivative liabilities held for hedge accounting	283,860	--	283,860	--	283,860

(*) As of 30 June 2021, equity shares that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 47,213 have been measured at cost.

31 December 2020	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investment securities - Financial assets at fair value through profit or loss	4,802,506	2,148,952	2,552,990	100,564	4,802,506
Derivative financial instruments	6,447,430	--	6,447,430	--	6,447,430
Derivatives used for hedging purposes	529,054	--	529,054	--	529,054
Investment securities - Financial assets at fair value through other comprehensive income (*)	77,979,907	51,835,889	25,155,857	889,233	77,880,979
Loans - Financial assets at fair value through profit or loss	2,149,813	--	--	2,149,813	2,149,813
Financial liabilities measured at fair value					
Derivative financial instruments	8,700,385	--	8,700,385	--	8,700,385
Derivative liabilities held for hedge accounting	477,434	--	477,434	--	477,434

(*) As of 31 December 2020, equity shares that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 98,928 have been measured at cost.

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The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the period ended 30 June 2021 and for the year ended 31 December 2020 are as follows:

	30 June 2021	31 December 2020
Balance at the beginning of the period	3,139,610	2,771,586
Purchases	922,995	357,960
Redemption or sales	(246,114)	(77,739)
Valuation difference	58,199	82,968
Transfer	--	4,835
Balance at the end of the period	3,874,690	3,139,610

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

Properties that are recorded under “Property plant and equipment” at fair value by the Bank and consolidated companies are classified in 3rd level, whereas investment properties are classified both in the 2nd and 3rd level.

The loans measured at fair value through profit and loss under Level 3 consists of loan granted to the structured entity which is disclosed above. The mentioned loan’s fair value is determined by the various valuation methods. The potential changes in the fundamental estimations and assumptions in the valuation work can affect the carrying fair value of the loan.

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8. Balances with central bank

	30 June 2021	31 December 2020
Unrestricted balances with central bank		
Demand deposits – Turkish Lira	7,059,149	3,079,305
Demand deposits – Foreign currency	30,988,690	19,987,701
	38,047,839	23,067,006
Restricted balances with central bank		
Restricted time deposit – Foreign currency	--	--
Reserve deposits – Foreign currency ^(*)	44,236,142	39,399,298
	44,236,142	39,399,298
Expected credit loss	(11,210)	(8,625)
Total balances with central bank	82,272,771	62,457,679

(*) Reserve deposits in terms of precious metals amounting to TL 13,467,331 is included (31 December 2020: TL 13,700,154).

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (“CBRT”), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realised between 3% - 8% for TL deposits and other liabilities, between 13% - 22% for FC deposits and between 5% - 21% for other FC liabilities. Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, CBRT pays interests to TL reserves.

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9. Securities portfolio

At 30 June 2021 and 31 December 2020, financial assets at fair value through profit or loss comprised the following items:

	30 June 2021	31 December 2020
Treasury bills and government bonds	4,434,249	741,920
Other countries government bonds	111,852	38,799
Debt securities issued by corporations	111,884	137,734
Mutual funds	2,475,744	2,276,461
Equity shares	1,275,971	1,607,592
Total of financial assets at fair value through profit or loss	8,409,700	4,802,506

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as at 30 June 2021 are amounting to TL 60,861 (31 December 2020: TL 61,909).

TL 45,749 of the financial assets at fair value through profit and loss comprise marketable securities of Anadolu Hayat, reserved in the name of life insurance policy holders (31 December 2020: TL 52,982).

TL 1,214,719 of the mutual funds consists of Quasar İstanbul Konut Gayrimenkul and Quasar İstanbul Ticari Gayrimenkul which were founded by İş Portföy Yönetimi A.Ş.

At 30 June 2021 and 31 December 2020, financial assets at fair value through other comprehensive income comprised the following:

	30 June 2021	31 December 2020
Treasury bills and government bonds	77,170,298	71,763,696
Other countries government bonds	1,377,322	1,590,445
Debt securities issued by corporations	4,253,461	3,197,996
Mutual funds	729,061	815,488
Equity shares	702,202	644,963
Allowance for impairment on securities	(32,681)	(32,681)
Total of financial assets at fair value through other comprehensive income	84,199,663	77,979,907

Financial assets at fair value through other comprehensive income which are subject to repurchase agreements are amounting to TL 25,590,487 as at 30 June 2021 (31 December 2020: TL 19,425,159).

TL 3,236,251 of the financial assets at fair value through other comprehensive income comprise marketable securities of Anadolu Hayat, reserved in the name of life insurance policy holders (31 December 2020: TL 2,678,515).

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At 30 June 2021 and 31 December 2020, the equity shares in financial assets at fair value through other comprehensive income are detailed as follows:

	30 June 2021	31 December 2020
VISA Inc.	327,593	262,167
İMKB Takas ve Saklama Bankası A.Ş.	96,741	96,741
Turkish Growth and Innovation Fund	65,312	45,695
European Investment Fund	36,357	31,457
Borsa İstanbul A.Ş.	18,766	18,766
Other	157,433	190,137
Allowance for impairment	(8,112)	(8,112)
Total equity shares in financial assets at fair value through other comprehensive income	694,090	636,851

At 30 June 2021 and 31 December 2020, the details of allowance for impairment in financial assets at fair value through other comprehensive income is as follows:

	30 June 2021	31 December 2020
Debt securities by corporations	24,569	24,569
Terme Metal San. ve Tic. A.Ş.	3,250	3,250
Bakırsan Bakır Sanayi Mamülleri Tic. A.Ş.	2,107	2,107
Other	2,755	2,755
Allowance for impairment on securities	32,681	32,681

At 30 June 2021 and 31 December 2020, financial assets measured at amortised cost comprised the following items:

	30 June 2021	31 December 2020
Treasury bills and government bonds	41,900,401	44,223,865
Other countries government bonds	283,015	227,852
Bonds issued by financial institutions	4,477,409	3,961,776
Expected credit loss (-)	(42,814)	(58,800)
Total of financial assets measured at amortised cost	46,618,011	48,354,693

There are financial assets measured at amortised cost subject to a repurchase agreement amounting to TL 11,974,504 as at 30 June 2021 (31 December 2020: TL 7,024,998).

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The following table summarise securities that were deposited as collaterals with respect to various transactions for 30 June 2021 and 31 December 2020:

	30 June 2021	31 December 2020
Guarantee given for fund borrowed	5,608,005	3,241,984
Guarantee given for Export Finance Int. Loan (“EFIL”)	3,217,267	3,434,274
Central Bank of Turkey	10,042,457	19,692,391
Turkish Treasury	6,168,885	2,731,497
Central banks of other countries	126,421	143,997
Clearing house	891,387	1,019,220
International foreign banks	96,232	2,605,296
Interbank money market	10,012	95,351
Security firm	--	9,830
Securities deposited as collaterals	26,160,666	32,973,840

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10. Loans and advances to customers

	30 June 2021	31 December 2020
Consumer loans	73,103,838	68,464,515
Credit cards	28,750,293	24,847,459
Financial institutions	19,045,653	13,327,469
Corporate loans	310,900,131	281,890,664
Finance lease receivables	8,587,034	7,334,946
Factoring receivables	4,681,887	4,411,610
Total performing loans and advances to customers	445,068,836	400,276,663
Non-performing loans and advances to customers		
Non-performing loans	22,658,221	23,643,274
Non-performing leasing receivables	292,439	353,083
Non-performing factoring receivables	227,090	227,049
Total non-performing loans and advances to customers	23,177,750	24,223,406
Expected credit loss		
Expected credit loss on loans (-)		
Stage 1 & 2 (-)	(13,018,108)	(11,032,433)
Stage 3 (-)	(14,036,852)	(14,433,051)
Expected credit loss on leasing receivables (-)		
Stage 1 & 2 (-)	(287,203)	(162,020)
Stage 3 (-)	(174,665)	(177,364)
Expected credit loss on factoring receivables (-)		
Stage 1 & 2 (-)	(35,140)	(34,081)
Stage 3 (-)	(201,485)	(190,251)
Total expected credit loss (-)	(27,753,453)	(26,029,200)
Loans and advances to customers, net	440,493,133	398,470,869

The movement of non-performing loans for the period ended 30 June 2021 and for the year ended 31 December 2020 are as follows:

Stage 3	1 January- 30 June 2021	1 January- 31 December 2020
Balances at 1 January	23,643,274	20,504,279
Additions	2,265,776	6,652,433
Collections	(1,928,290)	(3,711,684)
Write offs ^(*)	(901,146)	(56,484)
NPL sale ^(**)	(745,486)	--
Effects of movements in exchange rates	324,093	254,730
Balance as at the end of the period	22,658,221	23,643,274

(*) As of 30 June 2021, receivables of TL 867,724 has been written off from records, in accordance with the amendment in the “Regulation on the Principles and Procedures regarding Classification of Loans and the Provisions to be Set Aside”.

(**) In current period, non-performing loans amounting to TL 745,486 are transferred to Emir Varlık Yönetim A.Ş., İstanbul Varlık Yönetim A.Ş., Gelecek Varlık Yönetim A.Ş., Hedef Varlık Yönetim A.Ş. and Arsan Varlık Yönetim A.Ş. by collecting TL 71,850 of sales amount in cash.

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The movement in the expected credit loss on loans for the period ended 30 June 2021 and for the year ended 31 December 2020 are as follows:

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2021	3,030,793	8,001,640	14,433,051
Provision for the period	1,936,602	2,925,226	1,530,727
Recoveries and reversals	(1,258,634)	(1,215,410)	(1,050,123)
Write offs	--	--	(1,640,259)
Transfer to stage 1	137,696	(132,021)	(5,675)
Transfer to stage 2	(561,917)	566,815	(4,898)
Transfer to stage 3	(9,514)	(680,019)	689,533
Effects of movements in exchange rates	105,068	171,783	84,496
Balance as at 30 June 2021	3,380,094	9,638,014	14,036,852
	Stage 1	Stage 2	Stage 3
Balances at 1 January 2020	1,656,150	4,050,642	10,920,768
Provision for the year	3,170,883	6,328,111	3,962,329
Recoveries and reversals	(1,886,854)	(1,574,016)	(1,538,770)
Write offs	--	--	(47,564)
Transfer to stage 1	80,568	(72,449)	(8,119)
Transfer to stage 2	(137,970)	142,687	(4,717)
Transfer to stage 3	(4,447)	(1,035,025)	1,039,472
Effects of movements in exchange rates	152,463	161,690	109,652
Balance as at 31 December 2020	3,030,793	8,001,640	14,433,051

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As at 30 June 2021 and 31 December 2020, details of finance lease receivables are as follows:

30 June 2021	Short term	Long term	Total
Finance lease receivables	4,224,099	5,644,532	9,868,631
Unearned interest income (-)	(665,883)	(615,714)	(1,281,597)
Expected credit loss – Stage 1	(2,092)	(20,216)	(22,308)
Expected credit loss – Stage 2	(25,519)	(239,376)	(264,895)
Total performing finance lease receivables	3,530,605	4,769,226	8,299,831
Non-performing leasing receivables	274,251	18,188	292,439
Expected credit loss – Stage 3	(168,597)	(6,068)	(174,665)
Finance lease receivables, net	3,636,259	4,781,346	8,417,605

31 December 2020	Short term	Long term	Total
Finance lease receivables	3,474,628	4,992,551	8,467,179
Unearned interest income (-)	(560,298)	(571,935)	(1,132,233)
Expected credit loss – Stage 1	(1,605)	(20,293)	(21,898)
Expected credit loss – Stage 2	(17,795)	(122,327)	(140,122)
Total performing finance lease receivables	2,894,930	4,277,996	7,172,926
Non-performing leasing receivables	320,278	32,805	353,083
Expected credit loss – Stage 3	(161,561)	(15,803)	(177,364)
Finance lease receivables, net	3,053,647	4,294,998	7,348,645

The movement of non-performing leasing receivables for the period ended 30 June 2021 and for the year ended 31 December 2020 are as follows:

Stage 3	1 January- 30 June 2021	1 January- 31 December 2020
Balances at 1 January	353,083	370,909
Additions	14,281	82,096
Collections	(74,925)	(58,271)
Write offs	--	(41,651)
Debt sale	--	--
Effects of movements in exchange rates	--	--
Balance as at the end of the period	292,439	353,083

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The movement in the expected credit losses on finance lease receivables for the period ended 30 June 2021 and for the year ended 31 December 2020 are as follows:

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2021	21,898	140,122	177,364
Provision for the period	1,244	124,774	19,492
Recoveries and reversals	(835)	--	(22,191)
Write offs	--	--	--
Transfer to stage 1	34,275	(5,635)	(28,640)
Transfer to stage 2	(10,054)	19,800	(9,746)
Transfer to stage 3	(24,220)	(14,166)	38,386
Effects of movements in exchange rates	--	--	--
Balance as at 30 June 2021	22,308	264,895	174,665
	Stage 1	Stage 2	Stage 3
Balances at 1 January 2020	20,926	48,476	190,553
Provision for the year	4,286	91,646	44,181
Recoveries and reversals	(3,314)	--	(15,719)
Write offs	--	--	(41,651)
Transfer to stage 1	5,394	(5,361)	(33)
Transfer to stage 2	(1,183)	6,802	(5,619)
Transfer to stage 3	(4,211)	(1,441)	5,652
Effects of movements in exchange rates	--	--	--
Balance as at 31 December 2020	21,898	140,122	177,364

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As at 30 June 2021 and 31 December 2020, finance lease receivables according to their maturities are as follows:

30 June 2021	2021^(*)	2022	2023	2024	2025	2026+	Total
Finance lease receivables (Gross)	2,166,940	3,613,967	2,223,112	1,119,034	428,996	147,153	9,699,202
Unearned interest income (-)	(373,652)	(507,117)	(270,682)	(86,177)	(22,941)	(21,028)	(1,281,597)
Finance lease receivables (Net)	1,793,288	3,106,850	1,952,430	1,032,857	406,055	126,125	8,417,605

(*) Includes non-performing lease receivables.

31 December 2020	2021^(*)	2022	2023	2024	2025	2026+	Total
Finance lease receivables (Gross)	3,461,198	2,350,694	1,449,187	737,954	375,866	105,979	8,480,878
Unearned interest income (-)	(560,298)	(311,845)	(162,339)	(53,825)	(29,226)	(14,700)	(1,132,233)
Finance lease receivables (Net)	2,900,900	2,038,849	1,286,848	684,129	346,640	91,279	7,348,645

(*) Includes non-performing lease receivables.

As at 30 June 2021 and 31 December 2020, details of factoring receivables are as follows:

	30 June 2021	31 December 2020
Factoring receivables	4,739,445	4,458,679
Unearned interest income	(57,558)	(47,069)
Expected credit loss on Stage 1 factoring receivables (-)	(32,440)	(31,688)
Expected credit loss on Stage 2 factoring receivables (-)	(2,700)	(2,393)
Total performing factoring receivables	4,646,747	4,377,529
Non-performing factoring receivables	227,090	227,049
Expected credit loss on Stage 3 factoring receivables (-)	(201,485)	(190,251)
Factoring receivables, net	4,672,352	4,414,327

Except for its non-performing receivables for which allowance is provided, the Group has factoring receivables of TL 169 that are overdue less than 90 days (31 December 2020: TL 54). As at the reporting date, the Group does not have restructured factoring receivables (31 December 2020: None).

The movement of non-performing factoring receivables for the period ended 30 June 2021 and for the year ended 31 December 2020 are as follows:

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Stage 3	30 June 2021	31 December 2020
Balances at 1 January	227,049	227,541
Additions	2,249	11,911
Collections	(2,208)	(12,086)
Write offs	--	(317)
Debt sale	--	--
Effects of movements in exchange rates	--	--
Balance as at the end of the period	227,090	227,049

The movement in the expected credit loss on factoring receivables for the period ended 30 June 2021 and for the year ended 31 December 2020 are as follows:

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2021	31,688	2,393	190,251
Provision for the period	9,474	441	10,718
Recoveries and reversals	(7,104)	(243)	(993)
Write offs	--	--	--
Transfer to stage 1	2	(2)	--
Transfer to stage 2	(1,620)	1,620	--
Transfer to stage 3	--	(1,509)	1,509
Effects of movements in exchange rates	--	--	--
Balance as at 30 June 2021	32,440	2,700	201,485
	Stage 1	Stage 2	Stage 3
Balances at 1 January 2020	23,486	4,674	180,388
Provision for the year	30,646	6,429	18,611
Recoveries and reversals	(20,464)	(2,761)	(16,360)
Write offs	--	--	(317)
Transfer to stage 1	3	(3)	--
Transfer to stage 2	(1,983)	1,983	--
Transfer to stage 3	--	(7,929)	7,929
Effects of movements in exchange rates	--	--	--
Balance as at 31 December 2020	31,688	2,393	190,251

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11. Expected Credit Loss

With the aim of mitigating the impact of COVID-19, various international bodies and local regulators have made pronouncements aimed at following flexibility in the implementation of the accounting prudential frameworks. Therefore, the group amended its assessments and updated the indicators regarding the measurement of impairment in terms of possible effects of the pandemic as at 30 June 2021 financial statements.

In usual circumstances, the Group acknowledges the approach that past due more than 30 days and 90 days as a quantitative indicator that requires an exposure to be transferred to Stage 2 and Stage 3. However, when taking the staging decision since 30 June 2020, the Group has not directly applied the existing methodology but also has applied qualitative indicators such as whether the due date is realised as a consequence of COVID-19 or not.

Also, the Group has updated the macroeconomic data used in the scenarios as of 30 June 2021 regarding the effects of COVID-19 on expected credit losses, and besides that, allocated expected credit losses by reflecting additional provisions in accordance with its risk policies through individual assessments performed for the customers which operates in sectors where the impact might be high.

At 30 June 2021 and 31 December 2020, the details of expected credit loss which on-balance sheet financial assets and non-cash loans in scope of expected credit loss requirements is as follows:

30 June 2021	Carrying amount			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Cash and cash equivalents ^(*)	93,216,657	--	--	11,210	--	--
Financial assets ^(**)	172,479,761	--	--	106,667	--	--
Loans	386,429,028	56,489,995	23,177,750	3,434,842	9,905,609	14,413,002
Trade receivables	8,136,270	--	193,327	--	--	193,327
Other assets	18,954,207	--	--	100,767	--	--
Non-cash loans	240,106,631	4,795,134	1,237,027	295,476	194,109	902,135

(*) Consists of cash and cash equivalents and balances with central bank.

(**) Consists of loans and advances to banks and securities.

31 December 2020	Carrying amount			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Cash and cash equivalents ^(*)	71,623,094	--	--	8,625	--	--
Financial assets ^(**)	154,656,568	--	--	133,544	--	--
Loans	350,677,981	47,448,869	24,223,406	3,084,379	8,144,155	14,800,666
Trade receivables	7,617,285	--	163,335	--	--	163,335
Other assets	19,368,681	--	--	76,525	--	--
Non-cash loans	199,442,268	4,897,442	918,835	221,564	224,836	695,834

(*) Consists of cash and cash equivalents and balances with central bank.

(**) Consists of loans and advances to banks and securities.

The loan amount, that has been granted to a structured entity, with a share pledge collateral and classified under loans measured at fair value through profit or loss within the scope of IFRS 9 is not included in the table above.

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As of 30 June 2021 and 31 December 2020, the breakdown of individually and collectively assessed expected credit losses for loans, factoring and financial lease receivables and non-cash loans is as follows:

30 June 2021	Stage 1		Stage 2		Stage 3	
	Individual	Collective	Individual	Collective	Individual	Collective
Cash loans	276,608	3,158,234	6,796,489	3,109,120	4,399,639	10,013,363
Non-cash loans	3,378	292,098	127,926	66,183	522,591	379,544
Total	279,986	3,450,332	6,924,415	3,175,303	4,922,230	10,392,907

31 December 2020	Stage 1		Stage 2		Stage 3	
	Individual	Collective	Individual	Collective	Individual	Collective
Cash loans	507,104	2,577,275	6,095,704	2,048,451	4,827,887	9,972,779
Non-cash loans	3,521	218,043	184,075	40,761	315,029	380,805
Total	510,625	2,795,318	6,279,779	2,089,212	5,142,916	10,353,584

12. Property, plant and equipment

During the six-month period ended 30 June 2021 the Group acquired assets with a cost of TL 1,402,989 (31 December 2020: TL 2,810,851). Property, plant and equipment with a carrying amount of TL 180,901 were disposed of during six-month period ended 30 June 2021 (31 December 2020: TL 549,595).

13. Funds borrowed

As at 30 June 2021 and 31 December 2020, funds borrowed comprised the following:

	30 June 2021			31 December 2020		
	Short term	Long term	Total	Short term	Long term	Total
Funds borrowed from domestic banks and institutions	6,474,274	5,960,211	12,434,485	4,969,157	5,562,408	10,531,565
Funds borrowed from foreign banks and institutions	8,132,792	79,600,429	87,733,221	4,442,652	70,806,331	75,248,983
Funds borrowed	14,607,066	85,560,640	100,167,706	9,411,809	76,368,739	85,780,548

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Borrowings from foreign banks and institutions include syndicated loans, securitisation transactions and other borrowings. Details of syndicated loans and securitisation transactions as at 30 June 2021 are as follows:

Remaining principal	Maturity
EURO 16 Million (1)	August 2024
EURO 24 Million (1)	August 2024
EURO 23 Million (2)	November 2025
USD 150 Million (3)	November 2028
USD 9 Million (4)	February 2022
USD 15 Million (4)	February 2030
USD 118 Million (5)	August 2025
USD 9 Million (6)	November 2021
USD 40 Million (6)	November 2028
USD 12 Million (6)	November 2021
USD 8 Million (6)	November 2021
USD 33 Million (7)	November 2026
USD 65 Million (7)	November 2029
USD 39 Million (8)	November 2024
USD 38 Million (8)	November 2022
USD 30 Million (8)	November 2022
USD 13 Million (8)	November 2022
USD 25 Million (8)	November 2022
EURO 38 Million (8)	November 2022
EURO 25 Million (8)	November 2022
USD 105 Million (8)	February 2027
USD 20 Million (8)	February 2027
USD 238 Million (9)	November 2021
EURO 448 Million (9)	November 2021
USD 300 Million (10)	June 2022
EURO 545 Million (10)	June 2022
EURO 35 Million (11)	July 2021
USD 103 Million (11)	July 2021
EURO 15 Million (12)	November 2021
USD 5 Million (12)	November 2021

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Details of syndicated loans and securitisation transactions as at 31 December 2020 are as follows:

Remaining principal	Maturity
EURO 19 Million (1)	August 2024
EURO 28 Million (1)	August 2024
EURO 25 Million (2)	November 2025
USD 160 Million (3)	November 2028
USD 15 Million (4)	February 2022
USD 15 Million (4)	February 2030
USD 131 Million (5)	August 2025
USD 18 Million (6)	November 2021
USD 43 Million (6)	November 2028
USD 23 Million (6)	November 2021
USD 15 Million (6)	November 2021
USD 36 Million (7)	November 2026
USD 100 Million (7)	November 2029
USD 44 Million (8)	November 2024
USD 50 Million (8)	November 2022
USD 40 Million (8)	November 2022
USD 17 Million (8)	November 2022
USD 33 Million (8)	November 2022
EURO 50 Million (8)	November 2022
EURO 33 Million (8)	November 2022
USD 105 Million (8)	February 2027
USD 20 Million (8)	February 2027
USD 238 Million (9)	November 2021
EURO 448 Million (9)	November 2021
EURO 35 Million (11)	July 2021
USD 103 Million (11)	July 2021
EURO 15 Million (12)	November 2021
USD 5 Million (12)	November 2021
USD 208 Million (13)	June 2021
EURO 539 Million (13)	June 2021

(1) In June 2012, the Bank utilised the DPR program for the additional issuance of USD 225 million and EURO 125 million by TIB Diversified Payment Rights Finance Company (EURO 50 million Series 2012-A Notes, EURO 75 million Series 2012-B Notes, USD 175 million Series 2012-C Notes, USD 50 million Series 2012-D Notes). Series 2012-C Notes and Series 2012-D Notes have been fully repaid in August 2017.

(2) In December 2013, the Bank utilised the DPR program for the additional issuance of EURO 185 million and USD 50 million by TIB Diversified Payment Rights Finance Company (USD 50 million Series 2013-A Notes, EURO 60 million Series 2013-B Notes, EURO 75 million Series 2013-C Notes, EURO 50 million Series 2013-D Notes). Series 2013-A Notes, Series 2013-B Notes and Series 2013-C Notes have been fully repaid in November 2018.

(3) In December 2014, the Bank utilised the DPR program for the additional issuance of USD 250 million by TIB Diversified Payment Rights Finance Company (USD 220 million Series 2014-B Notes and USD 30 million Series 2014-C Notes). Series 2014-C Notes have been fully repaid in November 2019.

(4) In March 2015, the Bank utilised the DPR program for the additional issuance of USD 555 million by TIB Diversified Payment Rights Finance Company (USD 60 million Series 2015-A Notes, USD 15 million Series 2015-B Notes, USD 55 million Series 2015-C Notes, USD 200 million Series 2015-D Notes, USD 75 million Series 2015-E Notes, USD 150 million Series 2015-F Notes). Series 2015-C Notes, Series 2015-D Notes, Series 2015-E Notes and Series 2015-F Notes have been fully repaid in February 2020.

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(5) In October 2015, the Bank utilised the DPR program for the additional issuance of USD 221 million Series 2015-G Notes by TIB Diversified Payment Rights Finance Company.

(6) In October 2016, the Bank utilised the DPR program for the additional issuance of USD 240 million by TIB Diversified Payment Rights Finance Company (USD 60 million Series 2016-A Notes, USD 55 million Series 2016-B Notes, USD 75 million Series 2016-C Notes, USD 50 million Series 2016-D Notes).

(7) In December 2016, the Bank utilised the DPR program for the additional issuance of USD 159 million by TIB Diversified Payment Rights Finance Company (USD 48 million Series 2016-E Notes, USD 111 million Series 2016-F Notes).

(8) In December 2017, the Bank utilised the DPR program for the additional issuance of EURO 125 million and USD 390 million by TIB Diversified Payment Rights Finance Company (USD 55 million Series 2017-A Notes, USD 75 million Series 2017-B Notes, USD 60 million Series 2017-C Notes, USD 25 million Series 2017-D Notes, USD 50 million Series 2017-E Notes, EURO 75 million Series 2017-F Notes, EURO 50 million Series 2017-G Notes, USD 105 million Series 2017-H Notes, USD 20 million Series 2017-I Notes).

(9) In November 2020, the Bank signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 238 million and EURO 448 million.

(10) In May 2021, the Bank signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 300 million and EURO 545 million.

(11) In July 2020, TSKB has signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 103 million and EURO 35 million.

(12) In November 2020, TSKB has signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 5 million and EURO 15 million.

(13) In May 2020, the Bank signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 208 million and EURO 539 million. The loan has been fully repaid in June 2021.

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14. Taxation

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. In accordance with the Provisional Article 13 added to the Corporate Tax Law Numbered 5520 with the Law Numbered 7316, the 20% rate foreseen in the calculation of the corporate tax for the corporate earnings of 2021 taxation period is determined as 25% (starting from the declarations to be submitted as of 1 July 2021 and to be valid for the corporate earnings for the taxation period starting from 1 January 2021), and as 23% for the corporate earnings for the 2022 taxation period. In this context, the Corporate Tax rate as of 30 June 2021 is 25%. (31 December 2020: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied for 30 June 2021 is 25% (31 December 2020: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

There is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-30 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and 75% of the capital gains arising from the sale of equity investments, owned for at least two years, are exempted from corporate tax on the condition that such gains are reflected in the equity from the date of the sale.

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

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from 24 April 2003. This rate was changed to 15% in accordance with Article 15 of the Law No. 5520 commencing 23 July 2006.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions No.2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette No.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, is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Transfer pricing

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

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

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Tax applications for foreign branches and foreign operations

The principal tax rates (%) of the tax authorities in each country used to calculate deferred taxes as of 30 June 2021 is as follows:

Country	Tax rate
Bahrain	0.0
Bosnia Herzegovina	10.0
Bulgaria	10.0
China (*)	15.0-25.0
Egypt	22.5
Georgia	15.0
Germany (**)	15.0-31.4
India	34.9
Italy (**)	27.9
Kosovo	10.0
Netherlands (***)	16.5-25.0
Northern Cyprus	10.0
Romania	16.0
Russia (****)	2.0-20.0
Spain	25.0
The Republic of Iraq	15.0
Ukraine	18.0
United Kingdom	19.0
United States of America	31.4

(*) 15% of tax rate for the profit up to CNY 300,000 and 25% of tax rate for the exceeding portion are applied in China.

(**) Progressive tax rate is applied for foreign operations of Şişecam Group. According to the tax regulations in Germany, corporate gains of İsbank AG is subject to 15% corporate tax. In addition to this, a solidarity tax of 5.5% is calculated over this corporate tax.

(***) 16.5% of tax rate for the profit up to EURO 200,000 and 25% of tax rate for the exceeding portion are applied in Netherlands.

(****) The general tax rate in Russia is 20%, of which 18% is allocated to the “Regional Budget” and 2% to the “General Budget”. Since subsidiaries of Şişecam in Russia's Tatarstan region have been located in Special Economic Zone, they pay 2% tax for the profits from their main operations and pay 20% tax for the profits from the non-core operating income.

15. Provisions

Developments about tax audit

As announced by material event disclosures dated 31 December 2012 and 19 December 2013, an inspection was conducted by Tax Audit Committee Inspectors regarding payments (contributions) made by the Bank to “Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı” (İşbank Supplementary Pension Fund), which is founded according to Turkish Commercial Law and Civil Law, for fulfilling Bank’s obligations within the framework of the Foundation Share and relevant legislations.

As a result of this investigation, tax audit reports were prepared for 2007, 2008, 2009, 2010 and 2011 claiming that the aforementioned contributions should be taxed in terms of wage base. According to these reports, the total amount of tax and penalties notified to Bank was TL 74,353 for 2007 and 2008; and as of reporting date TL 151,899 for 2009, 2010 and 2011. Bank applied to tax courts to cancel these tax notifications; some of the court decisions were in favour of the Bank and some others were against the Bank.

In this context, for the finalised decisions of Regional Administrative Courts related to 2007 and 2008 against the Bank, the Bank applied to the Constitutional Court. According to decisions made by the

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Constitutional Court up to the reporting date, there is no predictable legal basis for taxing the Bank's contributions to the İşbank Supplementary Pension Fund by considering them as wage and it was accepted that property right of the Bank has been violated according to the 35th article of Constitution. The Court decided that the amount of tax, penalties and default interest which was paid by the Bank should be paid back to the Bank as for compensation with its legal interest.

Besides the Bank, inspections were conducted by Tax Audit Committee Inspectors for the period 2007-2011 regarding the contributions of TSKB, Milli Reasürans and Anadolu Sigorta to their supplementary pension funds which are founded according to Turkish Commercial Law and Civil Law. As a result of the issued reports, aforementioned companies were notified a total of TL 33 million (full amount) tax penalty notices. The companies assessed their practice regarding the contributions and concluded that their practice is in conformity with the legislation and the tax penalty notices lack legal basis. They filed lawsuits at various tax courts against the tax penalties. A number of cases concluded in favour of these companies, another part of lawsuits concluded against them.

According to the decisions of the Constitutional Court mentioned above, it is expected that the cases related to the periods 2007, 2008, 2009, 2010 and 2011 will conclude in favour of the Group. In this context, the provisions amounting to TL 217,265 which had been allocated for the mentioned periods, have been reversed in 2015. Within the scope of the legal process, lawsuits amounted TL 61,060 regarding 20 periods in 2012 and 2013 resulted against the Group and related legal procedures are in progress. In addition, at a case file, which was one of the lawsuits regarding the repayment of income tax stoppage and stamp tax that has been paid by reservation statement beginning from December 2013, where court decision was rendered in favour of the Bank, has been reversed by the majority of the votes of the Assembly after it was submitted to the General Assembly of Tax Courts. Regarding the mentioned issue, the legal process is ongoing.

Group companies are liaising with the Bank, and considering developments on the issue the Group has recognised a provision expense of TL 71,016 as at 30 June 2021 (30 June 2020: TL 48,334).

Other provisions

In 1993, Dışbank A.Ş. shares which were owned by the Bank were sold to Lapis Holding A.Ş. In 2008, by arguing that USD 52,6 million of the upfront payment which was paid within the context of the sale agreement by the buyer had been provided from the funds of the insolvent TYT Bank A.Ş., payment of USD 52,6 million together with its interest to the Savings Deposit Insurance Fund (SDIF) was claimed.

The administrative actions initiated by the SDIF in 2008 were revoked by Council of State Administrative Law Chambers 13th upon the application of the Bank. The decisions which were in favour of the Bank were reversed by Plenary Session of the Law Chamber upon the appeal of the SDIF. Council of State Administrative Law Chambers 13th decided to reject the applications of the Bank in January 2016 due to their obligation to obey the decisions of reversal.

After the aforementioned juridical decisions, despite the legal process still in progress, the collection procedures were carried out within the context of Law No. 6183 and TL 298,466 including the default interest was collected from the Bank by the SDIF in 2016. As a result, a provision has been set for the whole amount in previous years.

As a part of the legal process, individual application to the Constitutional Court of Republic of Turkey has been made by the Bank was not concluded positively. On the other hand the legal process is continued within the framework of the ongoing lawsuits and other available legal options.

In current period, provision amounting to TL 456,000 has been recognised by taking into consideration the possible technical deficit within the framework of the actuarial valuation of Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı as of 31 December 2020.

Group management allocated free provision within conservatism principle, for possible changes that may arise in the economy and market conditions, amounting to TL 2,730,000 in prior years.

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Expected credit loss from non-cash loans

Movement in expected credit losses from non-cash loans as of 30 June 2021 and 31 December 2020 are as follows:

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2021	221,564	224,836	695,834
Provision for the period	119,774	69,230	238,646
Recoveries and reversals	(65,767)	(42,026)	(92,205)
Write offs	--	--	--
Transfer to stage 1	12,888	(6,544)	(6,344)
Transfer to stage 2	(2,260)	5,099	(2,839)
Transfer to stage 3	(14)	(59,655)	59,669
Effects of movements in exchange rates	9,291	3,169	9,374
Balance as at 30 June 2021	295,476	194,109	902,135
	Stage 1	Stage 2	Stage 3
Balances at 1 January 2020	168,284	91,200	538,085
Provision for the year	102,153	163,183	315,831
Recoveries and reversals	(72,476)	(36,375)	(159,219)
Write offs	--	--	--
Transfer to stage 1	14,672	(4,111)	(10,561)
Transfer to stage 2	(2,649)	7,937	(5,288)
Transfer to stage 3	(14)	(1,775)	1,789
Effects of movements in exchange rates	11,594	4,777	15,197
Balance as at 31 December 2020	221,564	224,836	695,834

16. Capital and reserves

The Bank’s share capital is divided into Group A, Group B and Group C shares.

With nominal values of full 0.01 TL (full amount) Group A shares have the privileges:

- to obtain 20 times share at the distribution of bonus shares issued from conversion of extraordinary reserves and revaluation funds generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- to exercise 20 times of pre-emption rights (Article 19 of the Articles of Incorporation)
- for 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 0.01 TL (full amount), have the same rights with the Group (C) shares having a nominal value of 0.04 TL (full amount) each. Furthermore, Group (A) and (B) shares, each with a nominal value of 0.01 TL (full amount), are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

The Bank has accepted the registered capital system set out in accordance with the Law No. 6362 of the Capital Markets Board. The maximum level of registered capital of the Bank is TL 10,000,000.

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Authorised and nominal paid in capital can be analysed as follows:

Group	Par Value Full TL	30 June 2021		31 December 2020	
		Authorised	Paid-in	Authorised	Paid-in
A	0.0100	1	1	1	1
B	0.0100	29	29	29	29
C	0.0400	4,499,970	4,499,970	4,499,970	4,499,970
Nominal paid in capital		4,500,000	4,500,000	4,500,000	4,500,000

The shareholders’ structure of the Bank is presented below:

	30 June 2021		31 December 2020	
	Paid-up capital	(%)	Paid-up capital	(%)
Supplementary Pension Fund of İşbank Members	2,267,807	37.08	2,267,807	37.08
Republican People's Party (“CHP”)	1,718,092	28.09	1,718,092	28.09
Publicly traded	2,130,039	34.83	2,130,039	34.83
	6,115,938	100.00	6,115,938	100.00

Share premium

Excess amount of selling price and nominal value for each share was recorded as share premium in equity.

Legal reserves

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

As at 30 June 2021, the Group has legal reserves amounting to TL 6,553,504 (31 December 2020: TL 6,090,139).

Fair value reserves

The fair value reserves include the cumulative net change in the fair value of financial assets at fair value through other comprehensive income, excluding impairment losses, until the investment is derecognised.

Hedging reserves

The hedging reserves comprise the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Translation reserves

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

Revaluation reserves

The revaluation reserves relate to the revaluation of real estate properties which are held for Group’s own use.

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Other reserves

Other reserves comprise actuarial gains and losses related to employee benefits.

Dividends

Regarding the profit for the year 2020, at the Ordinary General Assembly of the Bank held on 31 March 2021, it was decided to distribute a dividend of TL 815,416 to Group A, Group B and Group C shareholders, founder shareholders and personnel, to allocate TL 544,363 to legal and special reserves and TL 5,457,400 to be set as extraordinary reserves from retained earnings. According to Turkish legislation, unconsolidated current year profit is used for profit distribution.

17. Net fee and commission income

An analysis of the Group’s net fee and commission income for the period ended 30 June is as follows:

	1 January – 30 June 2021	1 January – 30 June 2020
Fee and commission income		
Credit card fees and commission	1,885,287	1,071,590
Non-cash loan commission	618,067	545,608
Money transfer charges	352,447	250,187
Commission income from insurance/reinsurance transactions	268,349	226,293
Commission income from payment/collection and other banking transactions	159,047	321,369
Commission income from agency and brokerage	910,201	686,927
Mutual funds portfolio management commission	67,016	52,868
Customer investigation charges	213,847	122,752
Other	51,557	55,392
Total fee and commission income	4,525,818	3,332,986
Fee and commission expense		
Deferred acquisition costs	(688,076)	(561,326)
Commissions given for credit cards	(656,001)	(353,289)
Brokerage and other commission	(224,594)	(193,813)
Stock exchange operations commission	(25,706)	(19,394)
Total fee and commission expense	(1,594,377)	(1,127,822)
Net fee and commission income	2,931,441	2,205,164

18. Other operating income

An analysis of the Group’s other operating income for the period ended 30 June is as follows:

	1 January – 30 June 2021	1 January – 30 June 2020
Gain on sale of assets	276,620	105,867
Reversal of excess provisions	131,055	120,951
Other	633,689	384,021
Total other operating income	1,041,364	610,839

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19. Other operating expenses

An analysis of the Group’s other operating expenses for the period ended 30 June is as follows:

	1 January – 30 June 2021	1 January – 30 June 2020
General administrative expenses	6,911,942	5,913,737
Marketing, selling and distribution expenses	2,307,343	1,624,073
Provision expenses, net ^(*)	805,443	1,246,319
Deposit insurance premium expense	477,053	360,332
Research and development expenses	86,089	44,924
Total of other operating expenses	10,587,870	9,189,385

An analysis of the Group’s general administrative expenses for the period ended 30 June is as follows:

General administrative expenses	1 January – 30 June 2021	1 January – 30 June 2020
Salaries and employee benefits	3,886,305	3,639,596
Depreciation and amortisation expenses	624,465	536,463
Administration expenses	584,061	560,511
Leasing expenses related to exceptions to IFRS 16	63,929	64,407
Taxation expense other than income	237,271	281,498
Maintenance expense	142,134	120,759
Communication expense	139,411	128,986
Judiciary expenses	92,019	76,075
Outsourcing services	263,236	152,229
Other	879,111	353,213
Total general administrative expenses	6,911,942	5,913,737

^(*) Previous period balance includes free provision expense amounting to TL 600,000.

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20. Operating segments

The Group is organised in two main business segments as described below, which are the Group’s strategic business units: Banking and non-banking. The strategic business units offer different products and services, and are managed separately based on the Group’s management and internal reporting structure. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a semi-annually basis.

Banking segment includes corporate, commercial, retail and private banking, as well as treasury. Non-banking operations are followed according to insurance, ‘investment and finance’ and ‘manufacturing, trading and service’ segments.

The following summary describes the operations in each of the Group’s reportable segments:

Banking business

The Group provides services to the large corporations, SMEs and other trading companies (excluding real trading persons) within the course of its corporate and commercial operations through various financial media. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are being provided for the aforementioned customer segments.

Services are being provided to individuals, real trading persons and non-trading corporations and institutions within the context of “Retail Banking”. This customer segment’s requirements are met by banking services such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. As for the private banking category, any kind of financial and cash management services are provided for individuals in the high-income group.

Within the context of treasury transactions, medium and long term funding is being fulfilled by tools such as security trading, money market transactions, spot and installment based TL and foreign currency trading, and derivative transactions such as forward, swap, futures and options, as well as syndication and securitisation.

All other banking segments include combined information about operating segments that do not meet the quantitative thresholds.

Non-banking business

Insurance segment includes the Group’s insurance and reinsurance activities.

Investment and finance operations include the Group’s leasing, factoring, brokerage, corporate finance, investment advisory, payment services, private portfolio management and real estate investment activities.

Core business of the manufacturing, trading and service segment is mainly glass production. In addition, complementary industrial and commercial operations related to glass production are included into manufacturing and trading segment as well as food production operations.

Information regarding the results of each reportable segment is included below. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Measurement of segment assets and liabilities and operating segment results is based on the accounting policies set out in the accounting policy notes.

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	Banking business				Non-banking business			Reconciliation	Total
	Corporate / Commercial	Retail / Private	Treasury / Investment	All other banking segments	Insurance	Investment and finance	Manufacturing, trading and service		
At 30 June 2021									
Total assets	351,686,918	84,244,409	188,891,471	114,518,667	28,979,611	30,473,145	74,585,339	(76,714,395)	796,665,165
Total liabilities and equity	203,881,643	249,320,102	155,307,709	130,832,011	28,979,611	30,473,145	74,585,339	(76,714,395)	796,665,165
At 31 December 2020									
Total assets	319,032,602	78,552,996	169,989,092	93,513,148	25,124,134	28,825,854	65,152,637	(70,982,470)	709,207,993
Total liabilities and equity	180,216,239	221,704,133	138,746,235	120,421,231	25,124,134	28,825,854	65,152,637	(70,982,470)	709,207,993

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1 January – 30 June 2021	Banking business				Non-banking business			Combined	Adjustments	Total
	Corporate / Commercial	Retail/ Private	Treasury / Investment	All other banking segments	Insurance	Investment and finance	Manufacturing trading and service			
Income statement										
Interest income	15,667,812	5,597,014	7,258,465	87,819	750,221	1,021,139	1,134,523	31,516,993	(904,637)	30,612,356
Interest expense	(3,418,480)	(4,910,483)	(5,461,905)	(667,350)	(13,092)	(661,156)	(874,015)	(16,006,481)	970,029	(15,036,452)
Net interest income	12,249,332	686,531	1,796,560	(579,531)	737,129	359,983	260,508	15,510,512	65,392	15,575,904
Net fee and commission income	2,797,733	1,224,391	16,125	(674,052)	(790,377)	433,559	(14,263)	2,993,116	(61,675)	2,931,441
Securities trading income, net	--	--	118,155	--	75,419	326,685	1,131	521,390	16,403	537,793
Derivative trading income / (expense), net	--	--	(1,280,679)	--	(124,864)	176,579	393,098	(835,866)	47,883	(787,983)
Income from manufacturing operations	--	--	--	--	--	--	18,197,962	18,197,962	(5,439,643)	12,758,319
Income from insurance operations	--	--	--	--	4,630,822	--	--	4,630,822	(54,776)	4,576,046
Cost of manufacturing operations	--	--	--	--	--	--	(13,395,183)	(13,395,183)	5,171,051	(8,224,132)
Cost of insurance operations	--	--	--	--	(4,266,134)	--	--	(4,266,134)	443	(4,265,691)
Other operating income	--	--	--	351,481	92,727	637,203	1,547,113	2,628,524	(1,051,693)	1,576,831
Other operating expense	(1,171,328)	(2,690,462)	--	(3,485,387)	(690,236)	(828,962)	(3,818,580)	(12,684,955)	1,175,328	(11,509,627)
Foreign exchange gains / (losses), net	--	--	--	(3,683,605)	983,610	6,097	115,255	(2,578,643)	26,117	(2,552,526)
Impairment losses on loans and advances, net	--	--	--	(3,923,339)	(15,552)	(109,536)	--	(4,048,427)	(18,911)	(4,067,338)
Dividend income	--	--	--	27,332	177,145	89,923	558,108	852,508	(796,502)	56,006
Share of losses of equity accounted investees	--	--	--	2,543,420	--	(549)	--	2,542,871	(2,416,252)	126,619
Profit / (loss) before taxation	13,875,737	(779,540)	650,161	(9,423,681)	809,689	1,090,982	3,845,149	10,068,497	(3,336,835)	6,731,662
Income tax expense	--	--	218,680	--	(175,709)	(235,452)	(512,777)	(705,258)	(89,353)	(794,611)
Net profit / (loss)	13,875,737	(779,540)	868,841	(9,423,681)	633,980	855,530	3,332,372	9,363,239	(3,426,188)	5,937,051

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1 January – 30 June 2020	Banking business				Non-banking business			Combined	Adjustments	Total
	Corporate / Commercial	Retail/ Private	Treasury / Investment	All other banking segments	Insurance	Investment and finance	Manufacturing trading and service			
Income statement										
Interest income	12,635,585	3,952,833	5,230,753	16,986	414,874	543,707	681,506	23,476,244	(666,344)	22,809,900
Interest expense	(2,199,979)	(2,567,780)	(3,621,864)	(721,889)	(12,095)	(430,242)	(632,515)	(10,186,364)	750,887	(9,435,477)
Net interest income	10,435,606	1,385,053	1,608,889	(704,903)	402,779	113,465	48,991	13,289,880	84,543	13,374,423
Net fee and commission income	2,113,044	1,037,385	(1,695)	(509,092)	(702,563)	311,399	(5,310)	2,243,168	(38,004)	2,205,164
Securities trading income, net	--	--	164,225	--	86,640	247,940	6,789	505,594	(8,431)	497,163
Derivative trading income / (expense), net	--	--	(3,020,993)	--	19,659	118,496	79,004	(2,803,834)	113,332	(2,690,502)
Income from manufacturing operations	--	--	--	--	--	--	12,671,512	12,671,512	(3,851,150)	8,820,362
Income from insurance operations	--	--	--	--	4,171,781	--	--	4,171,781	(69,104)	4,102,677
Cost of manufacturing operations	--	--	--	--	--	--	(9,750,013)	(9,750,013)	3,501,716	(6,248,297)
Cost of insurance operations	--	--	--	--	(3,184,189)	--	--	(3,184,189)	399	(3,183,790)
Other operating income	--	--	--	215,329	81,547	393,790	1,076,064	1,766,730	(730,431)	1,036,299
Other operating expense	(898,493)	(2,053,560)	--	(3,923,007)	(571,865)	(557,101)	(2,974,374)	(10,978,400)	998,903	(9,979,497)
Foreign exchange gains / (losses), net	--	--	--	1,522,405	403,581	(11,761)	51,503	1,965,728	5,662	1,971,390
Impairment losses on loans and advances, net	--	--	--	(4,673,684)	(1,324)	(117,469)	--	(4,792,477)	(1,635)	(4,794,112)
Dividend income	--	--	--	32,253	142,173	49,978	1,453,048	1,677,452	(1,654,961)	22,491
Share of losses of equity accounted investees	--	--	--	1,119,007	--	(799)	--	1,118,208	(1,080,755)	37,453
Profit / (loss) before taxation	11,650,157	368,878	(1,249,574)	(6,921,692)	848,219	547,938	2,657,214	7,901,140	(2,729,916)	5,171,224
Income tax expense	--	--	(677,513)	--	(172,893)	(134,896)	(337,469)	(1,322,771)	(597)	(1,323,368)
Net profit / (loss)	11,650,157	368,878	(1,927,087)	(6,921,692)	675,326	413,042	2,319,745	6,578,369	(2,730,513)	3,847,856

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Geographic information

Financial position	Turkey	Europe	Russia, Ukraine & Georgia	Other	Reconciliation	Consolidated
At 30 June 2021						
Assets	819,771,614	42,600,483	8,918,960	2,088,503	(76,714,395)	796,665,165
Liabilities	704,636,547	24,213,498	4,835,730	937,883	(28,314,986)	706,308,672
Total equity	115,135,067	18,386,985	4,083,230	1,150,620	(48,399,409)	90,356,493
Total liabilities and equity	819,771,614	42,600,483	8,918,960	2,088,503	(76,714,395)	796,665,165

Financial position	Turkey	Europe	Russia, Ukraine & Georgia	Other	Reconciliation	Consolidated
At 31 December 2020						
Assets	735,997,976	36,095,297	6,587,301	1,509,889	(70,982,470)	709,207,993
Liabilities	626,429,125	20,931,879	3,309,286	649,869	(27,530,149)	623,790,010
Total equity	109,568,851	15,163,418	3,278,015	860,020	(43,452,321)	85,417,983
Total liabilities and equity	735,997,976	36,095,297	6,587,301	1,509,889	(70,982,470)	709,207,993

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21. Earnings per share

Basic earnings per share (“EPS”) are calculated by dividing the net income for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

There is no dilution of shares as at 30 June 2021 and 2020.

The following reflects the comprehensive income and share data used in the basic earnings per share computations:

	30 June 2021	30 June 2020
Profit available to shareholders	3,826,499	2,877,296
Weighted average number of shares during the year (thousand)	112,502	112,502
Basic earnings per share (full TL per share)	0.0340	0.0256

22. Related parties

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans, customer accounts, funds borrowed and non-cash transactions. These are all commercial transactions and realised on an arms-length basis. The volumes of related party transactions, outstanding balances at the period end and relating expense and income for the periods are as follows:

Direct and indirect shareholders	30 June 2021	31 December 2020	30 June 2020
Trade receivables	2,030	1,971	1,980
Deposits	252,784	157,226	35,620
Trade payables	119	--	402
Interest expense	12,904	4,833	1,564
Fee and commission income	12	39	27
Other operating income	20	45	81
Other operating expense	3,846	4,227	1,995
Others	30 June 2021	31 December 2020	30 June 2020
Loans and advances			
-Measured at amortised cost	78,166	83,623	71,424
-Measured at fair value through profit or loss ^(*)	2,149,813	2,149,813	2,149,813
Non-cash loans	4,169	3,990	15,596
Deposits	22,902	67,409	21,573
Trade receivables	12,194	17,007	6,286
Trade payables	105,392	112,638	70,040
Interest income	11,515	9,742	3,436
Interest expense	232	1,196	938
Fee and commission income	43	112	140
Other operating income	31,368	44,953	8,963
Other operating expense	262,555	478,331	175,003

(*) The balance consist of loans that has been granted to a structured entity owned by the Group considered as related party.

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Compensation of key management personnel of the Group

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 161,274 (30 June 2020: TL 120,768) comprising salaries and other short-term benefits.

23. Commitment and contingencies

	30 June 2021	31 Decemeber 2020
Letters of guarantee	101,031,339	88,071,210
Commitments for credit card expenditure limits	42,408,457	37,915,127
Letters of credit	36,872,864	22,593,911
Loan granting commitments	28,810,679	25,697,553
Commitments for check payments	3,141,225	2,641,068
Acceptance loans	12,013,140	9,050,343
Endorsements and other guarantees	3,177,336	3,170,943
Other commitments	15,434,565	13,502,960
Commitment and contingencies	242,889,605	202,643,115

Derivative financial instruments held for trading

The Group has forward, swap, option and future transactions as of the reporting date. The Group’s derivative transactions predominantly consist of currency swaps, forward foreign currency trading, credit default swaps, currency options and option contracts on securities. The Group has no derivative products that are detached from the host contract. Derivative financial instruments are carried at their fair value at the contract date and re-measured by their prevailing fair value in the following reporting periods. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognised as “held for trading purposes” and the profit and loss resulting from such instruments are associated with the income statement.

	30 June 2021		31 December 2020	
	Buy	Sell	Buy	Sell
Currency swaps	105,661,286	120,970,943	102,486,712	123,471,751
Interest rate swaps	78,463,558	78,463,558	74,433,826	74,433,826
Forward foreign exchange contracts	23,064,871	23,109,746	28,765,589	28,723,820
Currency options	8,970,738	8,979,335	4,093,097	4,053,149
Interest rate options	2,934,081	2,934,081	3,920,016	3,920,016
Marketable security and index options	6,190	121,505	121,010	153,765
Other	19,805,775	4,893,554	22,071,883	5,978,870
Derivative financial instruments held for trading	238,906,499	239,472,722	235,892,133	240,735,197

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	30 June 2021		31 December 2020	
	Asset	Liability	Asset	Liability
Interest rate swaps	2,430,115	(2,652,659)	2,797,121	(3,238,145)
Currency swaps	4,112,599	(1,893,662)	2,771,556	(4,495,595)
Currency options	181,479	(198,356)	47,431	(37,714)
Forward foreign exchange contracts	464,065	(512,619)	696,270	(477,931)
Interest rate options	26,540	--	44,492	--
Other	38,231	(229,130)	90,560	(451,000)
Fair value of derivatives	7,253,029	(5,486,426)	6,447,430	(8,700,385)

Derivative assets and liabilities designed as cash flow hedges

The Group has signed the following contracts in the period of 1 January – 30 June 2021 in order to hedge from cash flow risk:

In order to avoid the cash flow risk occurred from the change in silver prices, Şişecam Group has signed various silver purchase-sale swap agreements with J.P. Morgan Securities Plc., on 11 January 2021 in the amount of 380,106.74 troy ounces, with a final maturity between 31 December 2021 and 5 January 2022 and ounce price will be fixed prices within the range of USD 24.44 to 28.18 with the cash settlement method.

In order to avoid the cash flow risk occurred from the change in tin prices, Şişecam Group signed various tin purchase-sale swap agreements with J.P. Morgan Securities Plc. on 12 January 2021 in the amount of 56 tons with a final maturity between 31 December 2021 and 4 January 2022 and ounce price will be fixed prices within the range of USD 20,780 to 24,800 with the cash settlement method.

In order to avoid the cash flow risk occurred from the change in palladium prices, Şişecam Group has signed various palladium sale swap agreements with ING Bank N.V. between 26 January and 3 June 2021 in the amount of 734.84 troy ounces with a final maturity of between 31 December 2021 and 5 January 2022 and ounce price will be fixed prices within the range of USD 2,260.25 to 2,846 with the cash settlement method.

In order to avoid the cash flow risk occurred from the change in coal prices, Şişecam Group signed swap agreements with Bank of America, N.A. between 3 June 2021 and 10 June 2021. In this context, by fixing the price of USD 92.70 USD and USD 99.45 with the cash settlement method, various coal purchase contracts were signed in the amount of 90 thousand tons which the exchange will be between 1 July 2021 and 1 December 2021.

In order to avoid the cash flow risk occurred from the change in coal prices Şişecam Group signed swap agreements with J.P. Morgan Securities Plc between 4 June 2021 and 8 June 2021. In this context, by fixing the price of USD 96.20 USD and USD 100.60 with the cash settlement method, various coal purchase contracts were signed in the amount of 90 thousand tons which the exchange will be between 7 July 2021 and 7 January 2022.

	30 June 2021		31 December 2020	
	Asset	Liability	Asset	Liability
Swaps	43,991	(167,150)	266,355	(323,385)
Options	285,865	--	--	--
Total derivative assets /(liabilities) held for hedge accounting	329,856	(167,150)	266,355	(323,385)

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Derivative assets and liabilities designed as fair value hedges

Fixed rate Eurobonds issued by TSKB and a portion of fixed rate borrowings of TSKB are subject to fair value hedge accounting. TSKB entered into interest rate swap agreements in order to hedge the change in fair value of its fixed rate financial liabilities.

IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with IAS 39 as a policy choice. Accordingly, the Group continues to apply hedge accounting in accordance with IAS 39 in this context.

The fair values of derivatives designed as fair value hedges are as follows.

	30 June 2021		31 December 2020	
	Asset	Liability	Asset	Liability
Interest rate swaps	242,432	(18,069)	262,699	--
Currency swaps	--	(98,641)	--	(154,049)
Total derivative assets/(liabilities) held for hedge accounting	242,432	(116,710)	262,699	(154,049)

Fiduciary activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying consolidated financial statements. 30 mutual funds which are founded by the Anadolu Hayat Emeklilik A.Ş. are managed by İş Portföy Yönetimi A.Ş.

Litigations

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

Other commitments

According to the agreements made among Şişecam Group, Türkiye Petrolleri Anonim Ortaklığı A.Ş., Shell Enerji A.Ş., Mersin Organize Sanayi Bölgesi, Aygaz Doğal Gaz Toptan Satış A.Ş., Boru Hatları ve Petrol Taşıma A.Ş. (BOTAŞ), Eskişehir Organize Sanayii Bölge Müdürlüğü., Palgaz Doğalgaz A.Ş., Enerya Denizli Gaz Dağıtım A.Ş., Akfel Petrol and Doğalgaz Mühendislik A.Ş., the Group has a purchase commitment of 588,221 thousand sm³ of natural gas between 1 January 2021 and 31 December 2021 (1 January - 31 December 2020: 1,101,028 thousand sm³).

Government grants

In line with the Law on the Support of R & D Activities No. 5746 on the basis of new technology and research and development activities in search of information, 100% of the expenditures made in the R&D centers within the scope of the enterprises are considered as R & D discounts in determining the corporate income until 31 December 2023. On the basis of the provisions of the law no 5746, the amount of R&D reduction that cannot be deducted in the relevant accounting period due to insufficient earnings is transferred to the next accounting period. Amounts transferred shall be taken into consideration by increasing the revaluation rate determined every year according to Tax Procedure Law No: 213 without any time limit in the following years.

In addition, according to the Law No. 5746, withholding tax incentive and insurance premium support is provided for personnel working in the R&D center. According to this law, among the design and support personnel working in R&D and design centers; 95% for those who have at least a master's degree in one of the basic sciences, 90% for those who have a bachelor's degree in one of the basic sciences, others 80% are excluded from income tax. Among design and support personnel working in R&D and design centers;

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half of the employer's share of the insurance premium calculated on the wages they have obtained in return for these works shall be met from the appropriation to be made to the Ministry of Finance for each employee. R&D incentives mentioned in our group are also utilised.

Exporting activities and other foreign currency generating operations, within the scope of the standards determined by the Ministry of Finance and Undersecretariat of Foreign Trade, are exempt from stamp tax and fees. Government grants are paid to support participating in international fairs in accordance with the decision No: 2004/11 of the Money Credit and Coordination Committee issued at 16 December 2004.

24. Events after the reporting period

Explanations regarding issuance of bills and bonds and other borrowings

Between 30 June 2021 and the reporting date, Bank carried out several issues of bills and bonds that are denominated in TL and USD. Within the scope of Bank’s Board of Directors decision, dated 8 October 2020 regarding issuance of securities, the Bank has issued bills with a nominal value of TL 2,940,267 and within the scope of Bank’s Board of Directors decision, dated 17 December 2020 regarding issuance of securities, the Bank has issued bonds with a nominal value of GBP 38 million to abroad.

On 8 July 2021, TSKB obtained a syndicated loan of approximately 192 million USD, which amounts 55 million USD and 116 million EURO. The interest rate of the 367 day loan, which is tied to the sustainability criteria, was 175 basis points per annum and the renewal rate is 130%.

Other disclosures

After the reporting period, Cam Elyaf Sanayii A.Ş. has merged within Şişecam Elyaf Sanayii A.Ş. on 6 August 2021, Madencilik Sanayii ve Tic. A.Ş. has merged within Camiş Madencilik A.Ş. on 16 August 2021 and Çayırova Cam Sanayii A.Ş. has merged within Türkiye Şişe ve Cam Fabrikaları A.Ş. on 30 September 2021.

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25. Ratings

As at and for the period ended 30 June 2021, the Bank’s, TSKB’s and İş Finansal Kiralama A.Ş.’s ratings assigned by international rating agencies are as follows;

Türkiye İş Bankası A.Ş.

MOODY’S – 10 December 2020	Rating	Outlook^(*)
Long-term Foreign Currency Deposit	B3	Negative
Long-term Local Currency Deposit	B3	Negative
Long-term Foreign Currency Senior Debt	B3	Negative
Short-term Foreign Currency Deposit	Not-Prime	--
Short-term Local Currency Deposit	Not-Prime	--

FITCH RATINGS – 04 May 2021	Rating	Outlook^(*)
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	B+	Stable
Short-term Foreign Currency Issuer Default Rating	B	--
Short-term Local Currency Issuer Default Rating	B	--
National Long-term Rating	A+ (tur)	Stable
Viability Rating	b+	--
Support Rating	5	--

STANDARD & POOR'S – 16 February 2021	Rating	Outlook^(*)
Long-term Counterparty Credit Rating	B+	Stable
Short-term Counterparty Credit Rating	B	--
Long-term National Scale Rating	trA+	--
Short-term National Scale Rating	trA-1	--

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TSKB

MOODY’S – 18 June 2021	Rating	Outlook (*)
Baseline Credit Assessment Rating	caa1	--
Long-term Foreign Currency Issuer Rating	B3	Negative
Short-term Foreign Currency Issuer Rating	Not-Prime	--
Long-term Local Currency Issuer Rating	B3	Negative
Short-term Local Currency Issuer Rating	Not-Prime	--
Long-term Foreign Currency Senior Debt	B3	Negative
Senior Unsecured MTN Program Rating	(P)B3	--

FITCH RATINGS – 18 May 2021	Rating	Outlook (*)
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	BB-	Stable
Short-term Foreign Currency Issuer Default Rating	B	--
Short-term Local Currency Issuer Default Rating	B	--
National Long-term Rating	AA(tur)	Stable
Support Rating	4	--
Support Rating Floor	B	--
Subordinated Debt Rating	B-	--
Viability Rating	b+	--

İş Finansal Kiralama A.Ş.

FITCH RATINGS – 10 May 2021	Rating	Outlook (*)
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	B+	Stable
Short-term Foreign Currency Issuer Default Rating	B	--
Short-term Local Currency Issuer Default Rating	B	--
National Long-term Rating	A+ (tur)	Stable
Support Rating	4	--

(*) “Stable” indicates that the current rating will not be changed in the short term; “positive” indicates that the current rating is very likely to be upgraded and “negative” indicates that the current rating is very likely to be downgraded.