TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES

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

Güney Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

28 April 2022

This report contains 6 pages of independent auditors' report on consolidated financial statements and 133 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 Audit of the Consolidated Financial Statements

To the Shareholders of Türkiye İş Bankası A.Ş.

Qualified Opinion

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

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

Basis for Qualified Opinion

As explained in Note 29 and 40, the accompanying consolidated financial statements as at December 31, 2021 include a free provision for possible risks amounting to TL 3,930,000 thousands, of which TL 2,730,000 thousands was provided in prior years and TL 1,200,000 thousands provided in the current year by the Group management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

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

Key audit matters

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

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

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<table>
<tr><th>Key Audit Matter</th><th>How the Key Audit Matter is addressed in our audit</th></tr>
<tr><td>IFRS 9 “Financial Instruments” Standard and recognition of impairment on financial assets and related significant disclosures</td><td></td></tr>
<tr><td>As presented in “Note 3.7, Note 4.2, Note 12, Note 42”, the Group recognizes expected credit losses of financial assets in accordance with IFRS 9 “Financial Instruments” Standard. We considered impairment of financial assets as a key audit matter since:
- Amount of on and off balance sheet items that are subject to expected credit loss calculation is material to the financial statements.
- There are complex and comprehensive requirements of IFRS 9.
- The classification of the financial assets is based on the Group’s business model and characteristics of the contractual cash flows in accordance with IFRS 9 and the Group uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.
- The Group, according to its relevant business model category, shall classify fair value of their financial assets at fair value as level 3, when there are financial inputs that are not observable and which includes significant estimation and assumption in the fair value measurement.
- Policies implemented by the Group management include compliance risk to the regulations and other practices.
- Processes of IFRS 9 are advanced and complex.
- Judgements and estimates used in expected credit loss calculation are complex and comprehensive.
- Disclosure requirements of IFRS 9 are comprehensive and complex.</td><td>Our audit procedures included among others include:
- Evaluating the appropriateness of accounting policies as to the requirements of IFRS 9, Group’s past experience, local and global practices.
- Reviewing and testing of processes which are used to calculate expected credit losses by involving our Information technology and Process audit specialists.
- Evaluating the reasonableness and appropriateness of management’s key estimates and judgements in expected credit loss calculations including the responses to COVID-19, through selection of methods, models, assumptions and data sources.
- Reviewing the appropriateness of criteria in order to identify the financial assets having solely payments of principal and interest and checking the compliance to the Group’s Business model.
- Reviewing the Group’s classification and measurement models of the financial instruments (financial instruments determined as Level 3 according to fair value hierarchy) and comparing with IFRS 9 requirements
- Assessing the appropriateness of definition of significant increase in credit risk, default criteria, modification, probability of default, loss given default, exposure at default and forward looking assumptions together with the significant judgements and estimates used in these calculations to regulations and Group’s past performance. Evaluating the alignment of those forward looking parameters to Group’s internal processes where applicable.
- Evaluating the impact of the COVID-19 outbreak on staging of loans and macroeconomic parameters used in expected credit lossess together with forward-looking estimates and significant assumptions.
- Assessing the completeness and the accuracy of the data used for expected credit loss calculation.
- Testing the mathematical accuracy of expected credit loss calculation on sample basis.
- Evaluating the judgments and estimates used for the individually assessed financial assets.
- Evaluating the accuracy and the necessity of post-model adjustments.
- Auditing of IFRS 9 disclosures.</td></tr>
</table>

Pension Fund Obligations	
Employees of the Group are members of "Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı", ("the Fund"), which is established in accordance with the temporary Article 20 of the Social Security Act No. 506 and related regulations. The Fund is a separate legal entity and foundation recognized by an official decree, providing all qualified employees with pension and post-retirement benefits. As disclosed in "Note 3.20", Banks will transfer their pension fund to the Social Security Institution and the authority of the "Council of Ministers" on the determination of the mentioned transfer date is changed as "President" in the Decree Law No. 703 published in the Official Gazette numbered 30473 and dated July 9, 2018. According to the technical balance sheet report as at December 31, 2021 prepared considering the related articles of the Law regarding the transferrable benefit obligations for the non- transferrable social benefits and payments which are included in the articles of association, the Fund has an actuarial and technical deficit which is fully provisioned for. The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, demographic assumptions, inflation rate estimates and the impact of any changes in individual pension plans. The Group Management uses Fund actuaries to assist in assessing these assumptions. Considering the subjectivity of key assumptions and estimate used in the calculations of transferrable liabilities and the effects of the potential changes in the estimates used together with the uncertainty around the transfer date and given the fact that technical interest rate is prescribed under the law, we considered this to be a key audit matter.	It has been addressed whether there have been any significant changes in regulations governing pension liabilities, employee benefits plan during the period, that could lead to adjust the valuation of employee benefits. Support from actuarial auditor of our firm, has been taken to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary. We further focused on the accuracy and adequacy of the Bank's provision provided for the deficit and also disclosures on key assumptions related to pension fund deficit.

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Derivative Financial Instruments	
Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments which are held for trading are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value. Details of related amounts are explained in “Note 46”. Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.	Our audit procedures included among others involve reviewing policies regarding fair value measurement accepted by the Group management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts of another entity who are in the same audit network within our firm and the assessment of used estimations and the judgements and testing the assessment of operating effectiveness of the key controls in the process of fair value determination.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fatma Ebru Yücel, SMMM
Partner

İstanbul, Türkiye
April 28, 2022
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TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

Assets	**Note**	**31 December 2021**	**31 December 2020**
Cash on hand	*7*	14,879,501	9,156,790
Balances with central bank	*8*	168,767,686	62,457,679
Loans and advances to banks	*9*	41,011,671	23,385,918
Financial assets at fair value through profit or loss	*10*	12,515,537	4,802,506
Derivative financial assets	*46*	25,825,117	6,976,484
Loans and advances to customers	*11*	579,934,322	398,470,869
- Measured at amortised cost		*577,784,509*	*396,321,056*
- Measured at fair value through profit or loss		*2,149,813*	*2,149,813*
Trade receivables	*13*	12,046,044	7,617,285
Insurance receivables	*15*	9,755,525	6,597,945
Inventories	*14*	8,265,888	4,437,781
Investment securities	*10*	165,065,885	126,334,600
- Financial assets at fair value through other comprehensive income		*110,065,911*	*77,979,907*
- Financial assets measured at amortised cost		*54,999,974*	*48,354,693*
Current tax assets	*28*	152,861	76,009
Investments in equity-accounted investees	*16*	1,985,263	1,280,688
Property, plant and equipment	*17*	43,214,686	24,807,871
Investment properties	*19*	6,070,732	4,653,743
Intangible assets and goodwill	*18*	17,266,481	2,749,347
Non-current assets held for sale	*20*	910,871	1,302,606
Deferred tax assets	*28*	4,312,073	4,807,716
Other assets	*21*	26,240,985	19,292,156
Total assets		**1,138,221,128**	**709,207,993**

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

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

Liabilities and equity	**Note**	**31 December 2021**	**31 December 2020**
Deposits	*22*	607,250,936	373,586,853
- Deposits from banks	*22*	*6,427,034*	*5,704,272*
- Deposits from customers	*22*	*600,823,902*	*367,882,581*
Obligations under repurchase agreements	*23*	50,085,891	24,558,771
Derivative financial liabilities	*46*	14,150,278	9,177,819
Lease payables		2,137,509	1,161,995
Funds borrowed	*24*	143,646,510	85,780,548
Debt securities issued	*25*	57,083,581	43,574,557
Payables to money market	*26*	3,651,962	1,425,876
Trade payables	*27*	10,109,254	7,629,133
Taxes and dues payable	*28*	1,726,056	962,213
Employee benefits	*30*	10,417,035	6,661,693
Corporate tax liability	*28*	2,378,309	2,228,132
Insurance contract liabilities	*15*	24,785,922	17,094,184
Provisions	*29*	6,585,028	4,199,247
Deferred tax liabilities	*28*	757,656	366,318
Other liabilities	*31*	37,009,137	20,967,829
Subordinated liabilities	*32*	41,474,082	24,414,842
Total liabilities		**1,013,249,146**	**623,790,010**
Share capital	*33*	6,115,938	6,115,938
Share premium	*33*	137,198	123,238
Legal reserves	*33*	6,657,115	6,090,139
Fair value reserves	*33*	378,770	1,300,529
Revaluation reserves	*33*	8,766,400	4,759,879
Hedging reserves	*33*	(96,165)	17,111
Translation reserves	*33*	7,936,520	4,570,973
Other reserves		(1,484,262)	(878,449)
Retained earnings		58,278,805	45,793,473
Total equity attributable to equity holders of the Bank		**86,690,319**	**67,892,831**
Non-controlling interests	*33*	**38,281,663**	**17,525,152**
Total equity		**124,971,982**	**85,417,983**
Total liabilities and equity		**1,138,221,128**	**709,207,993**
Commitment and contingencies	*46*	**308,054,412**	**202,643,115**

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	2021	2020
Interest income on loans		47,922,709	34,415,997
Interest income on securities		19,120,618	12,119,095
Interest income on deposits at banks		721,796	509,896
Interest income on reserve deposit at central banks		850,107	84,960
Interest income on finance leases		886,967	542,756
Interest income on factoring transactions		627,336	336,294
Other interest income		566,736	251,101
Total interest income		**70,696,269**	**48,260,099**
Interest expense on deposits		(17,883,914)	(9,388,395)
Interest expense on borrowings		(2,972,940)	(2,751,931)
Interest expense on interbank borrowings		(5,395,349)	(1,584,226)
Interest expense on debt securities issued		(6,105,291)	(4,801,118)
Interest expense on leasing		(202,636)	(182,992)
Other interest expense		(306,433)	(611,569)
Total interest expense		**(32,866,563)**	**(19,320,231)**
Net interest income		**37,829,706**	**28,939,868**
Fee and commission income	*34*	10,484,915	7,372,675
Fee and commission expense	*34*	(3,799,718)	(2,477,793)
Net fee and commission income	*34*	**6,685,197**	**4,894,882**
Securities trading income, net		1,886,219	1,130,991
Derivative trading expense, net		1,396,124	(10,182,829)
Income from manufacturing operations	*35*	32,007,737	21,310,712
Income from insurance operations	*36*	10,569,455	8,780,072
Income from other operations	*41*	1,284,100	1,089,131
Cost of manufacturing operations	*38*	(20,875,079)	(14,677,852)
Cost of insurance operations	*39*	(11,092,357)	(6,886,432)
Cost of other operations	*41*	(2,029,681)	(1,785,674)
Other operating income	*37*	3,694,212	1,516,109
Other operating expenses	*40*	(25,039,741)	(19,543,883)
Foreign exchange gains/(losses), net		219,603	7,900,790
Impairment losses, net	*42*	(11,621,362)	(10,224,375)
Dividend income		65,415	30,747
Share of income from equity-accounted investees	*16*	270,326	127,922
Profit before income tax		**25,249,874**	**12,420,179**
Income tax expense	*28*	(5,268,586)	(3,372,171)
Profit for the year		**19,981,288**	**9,048,008**
Profit attributable to			
Equity holders of the Bank		13,445,421	6,652,815
Non-controlling interest		6,535,867	2,395,193
Profit for the year		**19,981,288**	**9,048,008**
Basic and diluted earnings per share (Full TL)	*44*	**0.1195**	**0.0591**

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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

	2021	2020
Profit for the year	**19,981,288**	**9,048,008**
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Remeasurements of defined benefit liability	(789,401)	(145,001)
Revaluation of property, plant and equipment	6,922,373	(30,171)
Related tax	(598,846)	18,848
	5,534,126	**(156,324)**
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	(1,419,740)	1,083,913
Foreign currency translation differences	7,388,506	1,880,895
Cash flow hedges- effective portion of changes in fair value	53,207	11,898
Related tax	(37,628)	(215,512)
	5,984,345	**2,761,194**
Other comprehensive income / (expenses), net of tax	**11,518,471**	**2,604,870**
Total comprehensive income for the year	**31,499,759**	**11,652,878**
Attributable to		
Equity holders of the Bank	19,165,098	8,630,401
Non-controlling interest	12,334,661	3,022,477
Total comprehensive income for the year	**31,499,759**	**11,652,878**

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

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

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

	Attributable to equity holders of the Bank											
Current Period	**Share capital**	**Share premium**	**Legal reserves**	**Fair value reserves**	**Revaluation reserves**	**Hedging reserves**	**Translation reserves**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
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 year												
Net profit for the year	--	--	--	--	--	--	--	--	13,445,421	13,445,421	6,535,867	19,981,288
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	--	--	--	(922,414)	--	--	--	--	--	(922,414)	(259,498)	(1,181,912)
Cash flow hedges effective portion of changes in fair value	--	--	--	--	--	(113,276)	--	--	--	(113,276)	(108,973)	(222,249)
Foreign currency translation differences for foreign operations	--	--	--	--	--	--	3,365,501	--	--	3,365,501	4,023,005	7,388,506
Items that are or may not be reclassified subsequently to profit or loss:												
Revaluation surplus on tangible assets	--	--	--	--	3,995,673	--	--	--	--	3,995,673	2,170,334	6,166,007
Net change in actuarial loss related to employee benefits	--	--	--	--	--	--	--	(605,807)	--	(605,807)	(26,074)	(631,881)
Total other comprehensive income/(expense)	--	--	--	(922,414)	3,995,673	(113,276)	3,365,501	(605,807)	--	5,719,677	5,798,794	11,518,471
Total comprehensive income/(expense) for the year	--	--	--	**(922,414)**	**3,995,673**	**(113,276)**	**3,365,501**	**(605,807)**	**13,445,421**	**19,165,098**	**12,334,661**	**31,499,759**
Contributions and distributions												
Dividend distribution	--	--	--	--	--	--	--	--	(661,415)	(661,415)	(524,335)	(1,185,750)
Transfer to legal reserves	--	--	564,153	--	--	--	--	--	(564,153)	--	--	--
Other(*)	--	--	--	--	--	--	--	--	(119,472)	(119,472)	7,779	(111,693)
Total contributions and distributions	--	--	**564,153**	--	--	--	--	--	**(1,345,040)**	**(780,887)**	**(516,556)**	**(1,297,443)**
Changes in ownership interests and other changes												
Changes in non-controlling interests without a change in control	--	(5,040)	2,815	655	10,848	--	46	4	39,203	48,531	(65,442)	(16,911)
Effects of bussiness combinations and other changes	--	19,000	8	--	--	--	--	(10)	345,748	364,746	9,003,848	9,368,594
Total changes in ownership interests and other changes	**--**	**13,960**	**2,823**	**655**	**10,848**	**--**	**46**	**(6)**	**384,951**	**413,277**	**8,938,406**	**9,351,683**
Balance at 31 December 2021	**6,115,938**	**137,198**	**6,657,115**	**378,770**	**8,766,400**	**(96,165)**	**7,936,520**	**(1,484,262)**	**58,278,805**	**86,690,319**	**38,281,663**	**124,971,982**

(*) 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Attributable to equity holders of the Bank											
Prior Period	**Share capital**	**Share premium**	**Legal reserves**	**Fair value reserves**	**Revaluation reserves**	**Hedging reserves**	**Translation reserves**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
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 year												
Net profit for the year	--	--	--	--	--	--	--	--	6,652,815	6,652,815	2,395,193	9,048,008
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	--	--	--	808,712	--	--	--	--	--	808,712	61,463	870,175
Cash flow hedges effective portion of changes in fair value	--	--	--	--	--	5,160	--	--	--	5,160	4,964	10,124
Foreign currency translation differences for foreign operations	--	--	--	--	--	--	1,280,541	--	--	1,280,541	600,354	1,880,895
Items that are or may not be reclassified subsequently to profit or loss:												
Revaluation surplus on tangible assets	--	--	--	--	(28,455)	--	--	--	--	(28,455)	(11,711)	(40,166)
Net change in actuarial loss related to employee benefits	--	--	--	--	--	--	--	(88,372)	--	(88,372)	(27,786)	(116,158)
Total other comprehensive income/(expense)	--	--	--	808,712	(28,455)	5,160	1,280,541	(88,372)	--	1,977,586	627,284	2,604,870
Total comprehensive income/(expense) for the year	**--**	**--**	**--**	**808,712**	**(28,455)**	**5,160**	**1,280,541**	**(88,372)**	**6,652,815**	**8,630,401**	**3,022,477**	**11,652,878**
Contributions and distributions												
Dividend distribution	--	--	--	--	--	--	--	--	--	--	(448,220)	(448,220)
Transfer to legal reserves	--	--	471,273	--	--	--	--	--	(471,273)	--	--	--
Other(*)	--	--	--	--	--	--	--	--	13,942	13,942	7,498	21,440
Total contributions and distributions	**--**	**--**	**471,273**	**--**	**--**	**--**	**--**	**--**	**(457,331)**	**13,942**	**(440,722)**	**(426,780)**
Changes in ownership interests and other changes												
Changes in non-controlling interests without a change in control	--	(27,234)	(12,676)	5,441	(33,425)	8,802	(11,933)	(469)	316,681	245,187	(441,539)	(196,352)
Effects of bussiness combinations and other changes	--	111,861	295	--	--	--	--	--	108,745	220,901	(71,622)	149,279
Total changes in ownership interests and other changes	**--**	**84,627**	**(12,381)**	**5,441**	**(33,425)**	**8,802**	**(11,933)**	**(469)**	**425,426**	**466,088**	**(513,161)**	**(47,073)**
Balance at 31 December 2020	**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**

(*) 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.

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Note	2021	2020
Cash flows from operating activities:			
Profit for the year		19,981,288	9,048,008
Adjustments for:			
Depreciation and amortisation		3,429,105	2,738,007
Net interest income		(37,829,706)	(28,939,868)
Income tax expense		5,268,586	3,372,171
Increase/decrease in fair value of investment properties		(1,518,471)	(358,027)
Impairment losses on financial assets		11,621,362	10,224,375
Increase in provision for employee benefits		3,112,009	1,130,703
Unearned premium reserve		1,517,269	590,903
Provision for outstanding claims		2,268,241	1,314,440
Life mathematical provisions		2,408,338	953,866
Other provision releases/expenses, net		2,280,781	2,177,739
Share of income from equity accounted investees		(270,326)	(127,922)
Increase/decrease in other allowances of impairment losses, net		225,413	154,196
Gain on sale of property, plant and equipment and others		(546,050)	(328,367)
Dividend income		(65,415)	(30,747)
		11,882,424	**1,919,477**
Change in trading assets		(26,921,111)	(3,573,774)
Change in reserve deposits		(47,795,540)	(14,934,942)
Change in loans and advances to banks		126,646,010	11,568,880
Change in loans and advances to customers		(190,938,520)	(48,435,140)
Change in trade receivables		(4,459,453)	(1,779,207)
Change in insurance receivables		(3,255,115)	(1,682,188)
Change in inventories		(3,925,291)	(175,447)
Change in other assets		(3,719,111)	(8,129,496)
Change in deposits from banks		(106,982,937)	(620,878)
Change in deposits from customers		232,747,224	40,988,951
Change in obligations under repurchase agreements		21,268,418	21,024,755
Change in trade payables		2,480,121	1,285,440
Change in other liabilities and provisions		66,093,573	24,899,923
		73,120,692	**22,356,354**
Interest received		62,866,727	43,709,146
Interest paid		(31,727,892)	(18,918,056)
Income taxes paid		(4,791,569)	(4,617,494)
Net cash (used in)/from operating activities		**99,467,958**	**42,529,950**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Cash flows from investing activities:	**Note**	**2021**	**2020**
Dividends received		65,415	30,747
Acquisition of equity accounted investees		(185,771)	(93,496)
Acquisition of subsidiary, net of cash acquired		(5,909,727)	--
Acquisition of property, plant and equipment		(3,304,933)	(2,499,973)
Acquisition of intangible assets		(1,143,155)	(866,849)
Acquisition of investment properties		(183,169)	(17,741)
Proceeds from sale of investment properties		154,801	36,767
Proceeds from the sale of property, plant and equipment		815,064	518,623
Acquisition of investment securities		(61,605,441)	(49,590,022)
Proceeds from sale of investment securities		51,955,343	30,949,915
Net cash (used in) investing activities		**(19,341,573)**	**(21,532,029)**
Cash flows from financing activities:			
Proceeds from issue of debt securities and subordinated liabilities	*25*	20,594,682	27,422,787
Repayments of debt securities and subordinated liabilities	*25*	(31,720,839)	(32,918,518)
Proceeds from funds borrowed		71,832,907	47,111,698
Repayments of funds borrowed		(65,895,732)	(57,436,317)
Repayments of lease payables		(650,087)	(540,793)
Dividends paid		(1,320,074)	(448,220)
Net cash from financing activities		**(7,159,143)**	**(16,809,363)**
Net increase in cash and cash equivalents		**72,967,242**	**4,188,558**
Effects of foreign exchange rate fluctuations on cash and cash equivalents		8,205,356	1,422,214
Cash and cash equivalents at 1 January	*7*	53,539,407	47,928,635
Cash and cash equivalents at 31 December	*7*	**134,712,005**	**53,539,407**

Notes to the consolidated financial statements **Pages**

(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 1,174 (31 December 2020: 1,205) branches, 6,493 ATMs (31 December 2020: 6,560 ATMs), 14 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 year ended 31 December 2021 have been approved on 28 April 2022 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 36 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.

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 entrepreneurships 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.

Moka Ödeme ve Elektronik Para 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. The title of the company which was "Moka Ödeme Kuruluşu A.Ş." has been changed as "Moka Ödeme ve Elektronik Para Kuruluşu A.Ş." in current period.

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., 57 subsidiaries, 2 joint operations, 1 joint venture 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.

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.

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.

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. The Bank sustains its activities with the consolidated companies 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 31 December 2021 consolidated financial statements are explained in in relevant notes.

"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 IASB. It was concluded that as of 31 December 2021, the changes have not significant impact on the Bank's financial statements.

According to the decision of Public Oversight Accounting and Auditing Standards Authority in Turkey released on 20 January 2022, it has been stated that there is no need to make any adjustments within the scope of Turkish Accounting Standards ("TAS") 29 Financial Reporting in Hyperinflationary Economies" in the financial statements of 2021, of enterprises that apply IFRS. In this context, while preparing the financial statements dated 31 December 2021, no inflation adjustment was made according to IAS 29.

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.

2.3 Functional and presentation currency

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

Although the currency of the country in which the majority of the Group entities are domiciled is TL, some of the Group entities' functional and reporting currencies are different than TL. The table below summarises the functional currencies other than TL of the Group entities:

Functional currency of Group entities
Bosnian Herzegovina Convertible Mark (KM)
Bulgarian Lev (BGL)
British Pouns (GBP)
Chinese Yuan (CNY)
Currency of European Union (EURO)
Egyptian Pounds (EGP)
Georgian Lari (GEL)
Hungarian Forint (HUF)
Indian Rupee (INR)
Romanian New Leu (RON)
Russian Ruble (RUB)
Ukrainian Hryvnia (UAH)
Chinese Yuan (CNY)
United States Dollars (USD)

2.4 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is disclosed below. These disclosures supplement the commentary on financial risk management.

Significant estimations and assumptions regarding Pension Funds of the Group are disclosed in Note 30.

3. Significant accounting policies

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 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.

Interests in joint operations

A joint operation arises when the parties of an arrangement of which have joint control, have rights on the assets and obligations for the liabilities which are related to the arrangement. A joint venture participant is considered according to its assets, liabilities, revenues and costs. Assets, liabilities, equity items, income and expense accounts and cash flow movements of joint operations are included in the financial statements by proportional consolidation method and intra-group transactions with these joint operations are eliminated from the consolidated financial statements proportionally.

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.

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

Group entities

Subsidiaries		Effective Ownership Rate %	
	Country of Incorporation	31 December 2021	31 December 2020
Manufacturing (Glass industry)			
CJSC Brewery Pivdenna	Ukraine	50.97	50.97
Camiş Ambalaj San. A.Ş.	Turkey	50.97	50.97
Çayırova Cam San. A.Ş. (1)	Turkey	--	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. (2)	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 (Shangai) Trading Co. Ltd.	China	50.97	50.97
Richard Fritz Prototype+Spare Parts GmbH	Germany	50.97	50.97
Sisecam Automotive Germany GmbH (3)	Germany	50.97	50.97
Sisecam Automotive Hungary Kft (4)	Hungary	50.97	50.97
Sisecam Automotive Romania SA (5)	Romania	50.97	50.97
Sisecam Automotive Rus JSC (6)	Russia	50.97	50.97
Sisecam Automotive Rus Trading LLC (7)	Russia	50.97	50.97
Sisecam Automotive Slovakia S.R.O. (8)	Slovakia	50.97	50.97
Şişecam Automotive Bulgaria EAD	Bulgaria	50.97	50.97
Şişecam Flat Glass Holding B.V. (2)	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 Glasspackaging Hungary Kft. (9)	Hungary	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
Manufacturing (Other)			
Cam Elyaf San. A.Ş. (10)	Turkey	--	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
Ciner Resources General Partners LLC (11)	USA	30.58	--
Ciner Resources LP (11)	USA	37.72	--
Ciner Wyoming LLC (11)	USA	25.99	--
Cromital S.p.A.	Italy	50.97	50.97
Madencilik San. ve Tic. A.Ş. (12)	Turkey	--	50.97
Oxyvit Kimya Sanayii ve Tic. A.Ş.	Turkey	50.97	50.97
Şişecam Bulgaria EOOD	Bulgaria	50.97	50.97
Şişecam Chem Investment B.V. (2)	Netherlands	--	50.97
Şişecam Chemicals Resources LLC (11)	USA	30.58	--
Şişecam Chemicals USA Inc.	USA	50.97	50.97
Şişecam Chemicals Wyoming LLC (11)	USA	30.58	--
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

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

Subsidiaries		**Effective Ownership Rate %**	
	Country of Incorporation	**31 December 2021**	**31 December 2020**
Manufacturing (Other)			
Ortopro	Turkey	34.88	35.10
Toksöz Spor	Turkey	32.51	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	29.98	30.17
Nevotek	Turkey	34.21	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
SC Glass Trading B.V.	Netherlands	50.97	50.97
Şişecam Çevre Sistemleri A.Ş	Turkey	45.87	45.87
Şişecam Dış Ticaret A.Ş.	Turkey	50.97	50.97
Topkapı Danışmanlık (13)	Turkey	80.00	--
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	50.52	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	43.64	43.51
Factoring			
İş Faktoring	Turkey	45.14	44.94
Other financial			
Efes Varlık	Turkey	66.86	66.75
İş Girişim	Turkey	35.87	36.10
İş GYO	Turkey	61.09	59.54
İş Menkul	Turkey	68.07	67.97
İş Portföy	Turkey	67.54	67.43
İş Yatırım Ortaklığı A.Ş.	Turkey	25.00	24.94
Maxis Girişim	Turkey	68.07	67.97
Maxis Investments Ltd.	U.K.	68.07	67.97
Moka (14)	Turkey	100.00	--
TSKB GYO	Turkey	44.88	44.75
Yatırım Finansman	Turkey	48.96	48.53
Yatırım Varlık Kiralama A.Ş.	Turkey	48.96	48.53

(1) Çayırova Cam Sanayii A.Ş. has merged within Türkiye Şişe ve Cam Fabrikaları A.Ş. on 30 September 2021.
(2) Paşabahçe 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.
(3) The title of Richard Fritz Holding GmbH was changed to Sisecam Automotive Germany GmbH in current year.
(4) The title of Richard Fritz Kft was changed to Sisecam Automotive Hungary Kft in current year.
(5) The title of Glasscorp S.A. was changed to Sisecam Automotive Romania SA in current year.
(6) The title of Automotive Glass Alliance Rus AO was changed to Sisecam Automotive Rus JSC in current year.
(7) The title of Automotive Glass Alliance Rus Trading OOO was changed to Sisecam Automotive Rus Trading LLC in current year.
(8) The title of Richard Fritz Spol S.R.O. was changed to Sisecam Automotive Slovakia S.R.O. in current year.
(9) The company was established in July 2021.
(10) Cam Elyaf Sanayii A.Ş. has merged within Şişecam Elyaf Sanayii A.Ş. on 6 August 2021.
(11) The companies were acquired in December 2021.
(12) Madencilik Sanayii ve Tic. A.Ş. has merged within Camiş Madencilik A.Ş. on 16 August 2021.
(13) 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.
(14) Moka has included in consolidation due to the acquisition of the company in January 2021.

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

Joint Operations(*)		Ownership Rate %	
	Country of Incorporation	31 December 2021	31 December 2020
Manufacturing (Other)			
Atlantic Soda LLC (1)	USA	30.58	--
Pacific Soda LLC (2)	USA	30.58	--

(1) The company was acquired in December 2021.
(2) Pacific Soda LLC has been classified from "joint venture" to "joint operation" due to the purchase of additional 10% shares by Şişecam Group, in current year.
(*) Joint operations are included in consolidated financial statements with the proportional consolidation method.

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	31 December 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 (1)	USA	--	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

(1) Pacific Soda LLC has been classified from "joint venture" to "joint operation" due to the purchase of additional 10% shares by Şişecam Group, in current year.

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.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to TL at exchange rates approximating to the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

Foreign exchange gains and losses arising from a monetary item receivable from or payables to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve.

As at 31 December 2021 and 31 December 2020 foreign currency assets and liabilities of the Group are mainly in US Dollar ("USD"), EURO and GBP. The TL/USD, TL/EURO and TL/GBP exchange rates as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021		**31 December 2020**	
	Period end	**Average**	**Period end**	**Average**
USD	13.0850	8.7795	7.3850	6.9441
EURO	14.8390	10.3476	9.0298	7.9488
GBP	17.6524	12.0507	10.0903	8.9239

3.3 Interest income and expense

Interest income and expense is calculated by using the effective interest rate method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) to gross carrying amount of financial asset in conformity with "IFRS 9 Financial Instruments" except for the financial asset that is not a purchased or originated credit-impaired financial asset but subsequently has become credit-impaired.

Under the scope of IFRS 9 application, the Group does not reverse the interest accruals and rediscounts of non-performing loans and other recievables and monitors the said amounts in interest income and calculates expected credit loss provisions on these amounts according to the related methodology.

All related realised and unrealised fair value gains and losses are included in net trading income. Interest earned or paid whilst holding financial assets or liabilities at fair value through profit or loss is reported as interest income or expense.

3.4 Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Wages and commissions that are not an integral part of the effective interest rate of the financial instruments measured at amortised cost are accounted for in accordance with "IFRS 15 Revenue from Customer Contracts".

Other fees and commission income, including account maintenance fees, investment management fees, sales commission, placement fees and syndication fees, commissions for insurance business (see also accounting policy Note 3.23) are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

3.5 Dividends

Dividend income is recognised when the right to receive the income is established.

3.6 Manufacturing and other operations revenue

Revenues are recognised on an accrual basis at the fair values incurred or to be incurred when the goods are delivered, the risks and rewards of ownership of the goods are transferred, when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the entity. Net sales represent the fair value of goods shipped less sales discounts and returns. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised in the period on an accrual basis as financial income.

Sales of the goods

Income obtained from the sales of the goods is accounted after the below conditions are executed:

- The Group's transferring all the important risks and gains related to the property to the buyer,
- The Group not having any control on the continued administrative participation associated with property and on the sold properties,
- Measuring the amount of income reliably,
- Possibility of a flow of the economic benefits related to the act to the Group, and
- Measuring the costs resulting from the act reliably.

Services provided

Contract revenue and costs related to the projects are recognised when the amount of revenue can be reliably measured and the increase in the revenue due to change in the scope of the contract related with the project is highly probable. Contract revenue is measured at the fair value of the consideration received or receivable. Projects are fixed price contracts and revenue is recognised in accordance with the percentage of completion method. The portion of the total contract revenue corresponding to the completion rate is recognised as contract revenue in the relevant period.

Rent income from investment properties

Rent income generated during the period from investment properties are recognised on an accrual basis. Revenue can only be realised if the amount is reliably measured and the inflow of the economic benefits related with the transaction to the Group is probable.

3.7 Financial assets and financial liabilities

Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Group commits to purchase or sell the asset. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

The Group derecognises financial liabilities when its contractual obligations are discharged, cancelled or expired.

Derivative financial instruments and hedge accounting

Derivative financial instruments including foreign exchange contracts, forward rate agreements, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased), credit default swaps and other derivative financial instruments are initially recognised on the statement of financial position at fair value and subsequently are re-measured at their fair value. Derivatives are presented in assets when favourable to the Group and in liabilities when unfavourable to the Group. Financial assets or liabilities at fair value through profit or loss are initially recognised and subsequently re-measured at fair value. All related realised and unrealised fair value gains and losses are included in net trading income. Interest earned or paid whilst holding financial assets or liabilities at fair value through profit or loss is reported as interest income or expense.

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

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative are recognised in other comprehensive income and accumulated in hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the income. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in other comprehensive income is recognised immediately in income.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Hedge effectiveness testing

To qualify for hedge accounting, the Group requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective test), and demonstrate actual effectiveness (retrospective test) on an ongoing basis.

The documentation of each hedging relationship sets out how the hedge effectiveness is assessed. The method the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

Hedge ineffectiveness is recognised in the statement of profit or loss.

As of 31 December 2021, the Group measured that, hedge transactions are highly effective in according to prospective and retrospective tests.

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Bank and its affiliates account for embedded derivatives separately from the host contract when the host contract is not itself carried at fair value through profit or loss, and the characteristics of the embedded derivatives are not clearly and closely related to the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Amortised cost measurement

Amortised cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Fair value of financial instruments

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Identification and measurement of impairment

In accordance with "IFRS 9 Financial Instruments", in the current period, the Group recognises allowance for expected credit losses on financial assets at fair value through other comprehensive income, financial assets measured at amortised cost, impaired credit commitments and financial guarantee contracts.

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 31 December 2021 financial statements.

Under IFRS 9, the expected credit loss is calculated according to the "three-stage" impairment model based on the change in credit quality of financial assets after the initial recognition, which is detailed in the following headings:

Stage 1:

An important determinant for calculating the allowance for expected credit losses in accordance with IFRS 9 is to assess whether there is a significant increase in credit risk of the financial asset. Financial assets that have not experienced a significant increase in credit risk since the initial recognition are monitored in the first stage. Impairment allowance for these financial assets is equal to the 12-month expected credit losses.

Stage 2:

Financial assets that experienced a significant increase in the credit risk since initial recognition are transferred to Stage 2. The expected credit loss of these financial assets is measured at an amount equal to the instrument's lifetime expected credit loss. In order to classify a financial asset in Stage 2, the following qualitative and quantitative criteria are considered:

Qualitative assessment:

- Administrative judgement
- Restructuring of the loan

Quantitative assessment:

- Overdue more than 30 days
- Whether the due date is realised as a consequence of Covid-19 or not
- Significant detoriation in probability of default

In usual circumstances, the Group acknowledges the approach that past due more than 30 days as a quantitative indicator that requires an exposure to be transferred to Stage 2. However, when taking the staging decision in the current period, 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.

In the event of a significant deterioration in the probability of default, the credit risk is considered to have increased significantly and the financial asset is classified as stage 2. The absolute and relative thresholds used to measure the increase in the probability of default are differentiated based on portfolio and product group. In this manner, for the commercial portfolio, definition of increase in the probability of default is the comparison between the probability of default on loan's opening date, obtained from the integrated rating/score based on internal rating and probability of default of the same loan on reporting date, obtained from the integrated rating/score based on internal rating. For the retail portfolio, it is accepted that the credit risk is increased in cases where the behavioral score falls below the thresholds determined based on the product. The Group provides provisions for customers in this group with a delay of more than 30 days, in accordance with its own risk policies and models, which also evaluate the borrower's conditions.

Stage 3:

Financial assets with sufficient and fair information for impairment at the reporting date are classified in the third stage. An allowance for impairment that is equal to the life-time expected credit loss is applied for the mentioned assets. The following basic criteria are considered for the classification of a financial asset in the third stage.

- Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its consolidated financial subsidiaries is based on a more than 90 days past due definition.

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

In usual circumstances, the Group acknowledges the approach that past due more than 90 days as a quantitative indicator that requires an exposure to be transferred to Stage 3. However, when taking the staging decision in the current period, 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.

While estimating the expected credit loss, statistical models, methods and tools are used in accordance with the relevant legislation and accounting standards. Expected credit loss is measured using reasonable and supportable information by taking into account current and forecasts of future economic information, including macroeconomic factors. Three scenarios, base case scenario, optimistic scenario and the worst scenario, are used in forecasting studies made by macroeconomic models. The macroeconomic variables used in these estimates are Industrial Production Index, Employment Rate and Credit Default Swap (CDS). The validity of the risk parameter estimates used in the calculation of expected credit losses is reviewed and evaluated at least annually within the framework of model validation processes. Macroeconomic forecasts and risk delinquency data used in risk parameter models are re-evaluated every quarter to reflect the changes in economic conjuncture and are updated if needed. In this context, the models of the probability of default in the relevant period and the macroeconomic models relating the probability of default to macroeconomic variables and the forward-looking forecasts were updated. In December 2021, macroeconomic forecasts which are approved by the Board of Directors began to be used. Except for demand or revolving loans, the maximum period for which expected credit losses are to be measured is the contractual life of the financial asset. For demand or revolving loans, Maturity is determined based on behavioral lifetime analyses which take into account future risk mitigation processes such as cancellation or revision of the credit limit.

While calculating the expected credit loss, aside from assessment of whether there is a significant increase in credit risk or not, basic parameters expressed as probability of default, loss given default and exposure at default are used.

Probability of Default: Represents the probability of default of the credit over a specified time period. In this context, the Bank has developed models to calculate 12-month and life-time default probabilities by using internal rating based credit rating models. As for the Group Companies, historical probability of default data has been observed.

Loss Given Default (LGD): Defined as ratio of the loss arising from the default of the borrower to the total balance at the time of default. The LGD estimates are determined in terms of credit risk groups which are created according to depth provided by Group's data resources and system facilities. The model used for the estimation of the LGD was established based on the historical data of the Group's collection by considering direct cost items during the collection process as well. Cash flows are discounted at effective interest rates by the model.

Exposure at Default: For cash loans, the cash balance at the date of report, for non-cash loans the balance calculated using the credit conversion ratio is represented by Exposure at Default.

Credit Conversion Factor: Calculated for non-cash loans (undrawn limit for revolving loans, commitments, non-cash loans etc.) The historical limit usage data of the Bank for revolving loans are analyzed and the limit amount that can be used until the moment of default is estimated. For non-cash loans, the cash conversion ratio of the loan amount is estimated by analyzing the product type and the past compensation amount of Group Companies.

Credit risks, which require qualitative assessments due to their characteristics and differ by grouping in this manner, are considered as individual within the internal policies. Calculations are made by the method of discounted cash flows with the effective interest rate expected from the relevant financial instrument. Discounted cash flows are estimated for three different scenarios in which parameters are differentiated, and individual expected credit loss is calculated by taking into consideration the cash deficit amounts weighted according to probabilities.

Developments recorded in the Bank, the world and the Turkish economy, and besides that, as mentioned above, the Bank allocated expected credit losses by reflecting additional provisions through individual assessments performed for the customers that operates in sectors where the impact might be high in accordance with the Bank's risk policies.

Provisions set for and reversal of excess provisions regarding expected credit losses are reflected in the income statement.

3.8 Financial Assets

As of 1 January 2018, within the scope of "IFRS 9 Financial Instruments", the Group classifies and accounts for its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" or "Financial Assets at Measured at Amortised Cost" by considering their business model and contractual cash flow characteristics. Financial assets are recognised or derecognised according to "Recognition and Derecognition in Statement of Financial Position" requirements of IFRS 9. The Group recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument. Financial assets are measured at their fair values on initial recognition in the financial statements.

The Group has three different business models for classification of financial assets;

- Business model aimed at holding financial assets in order to collect contractual cash flows: Financial assets held under the mentioned business model are managed to collect contractual cash flows over the life of these assets. The Group manages its assets held under this portfolio in order to collect certain contractual cash flows.

- Business model aimed at collecting contracted cash flows of financial assets and selling these assets: In this business model, the Group intends both to collect contractual cash flows of financial assets and to sell these assets.

- Other business models: A business model in which financial assets are not held within the scope of a business model aimed at collection of contractual cash flows and within the scope of a business model aimed at collecting contractual cash flows of financial assets and selling these assets, and are measured by reflecting changes in fair value in profit or loss.

The Group is able to reclassify all affected financial assets in case it changes the business model that is used for the management of financial asset.

In the event of the termination of the rights related to the cash flows from a financial asset, the transfer of all risks and rewards of the financial asset to a significant extent or has no longer control of the financial assets, the Group derecognises the financial asset.

Financial Assets at Fair Value Through Profit or Loss

Financial assets other than financial assets that are measured at amortised cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for the purpose of generating profit from short-term fluctuations in price or similar factors in the market or being part of a portfolio for profitability in the short term, regardless of the acquisition reason or financial assets that are not held in a business model that aims at collecting and/or selling contractual cash flows of financial assets.

Financial assets at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. Gains or losses arising from the valuation are related to profit and loss accounts.

In some cases, restructuring, alteration or counterparty changes of contractual cash flows of loans may lead to derecognition of related loans in accordance with IFRS 9. When the change in the financial asset results from derecognising the existing financial asset from the financial statements and the revised financial asset is recognised in the financial statements, the revised financial asset is considered as a new financial asset in accordance with IFRS 9. When the Group determines that there are significant changes between the first conditions in the new conditions of the revised financial asset, the Group evaluates the new financial asset according to the current business models. When it is determined that the contractual conditions do not only result in cash flows that include principal and interest payments at certain dates, the financial asset is recognised at fair value and is subject to valuation. The differences arising from the valuation are reflected in the nominal accounts.

The Group recognises loans at fair value through profit or loss, if the contractual terms of the loan, do not result in cash flow including the principal payments and interest payments generated from principal amounts at certain dates.These loans are valued at their fair values after their recognition and the losses or gains arising from the valuation are included in the profit and loss accounts.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income are financial assets that are held under a business model that aims both to collect contractual cash flows and to sell financial assets, whose contractual terms lead to cash flows that are solely payments of principal and interest on the principle amount outstanding at specific dates.

Financial assets at fair value through other comprehensive income are initially recognised at their fair values including their transaction costs on the financial statements.

The initial recognition and subsequent valuation of such financial assets, including the transaction costs, are carried out on a fair value basis. For borrowing instruments, the difference between the value calculated by using the effective interest method and cost is recognised in profit or loss.

Dividend income arising from investments in equity intruments that are classified as at fair value through other comprehensive income is also recognised in profit or loss accounts.

Gains and losses, except impairment gain or loss and foreign exchange gain or loss, arising from changes in the fair value of financial assets at fair value through other comprehensive income are reflected to other comprehensive income until the financial asset is derecognised or reclassified. When the value of the financial asset is collected or when financial asset is disposed of, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

During the initial recognition in financial statements, it is permitted to make an irrevocable election regarding the changes in fair value of an investment in an equity instrument within the framework of IFRS 9, that is not held for trading purposes or is not a contingent consideration which is included in financial statements of an acquiring entity regarding a business combination performed under "IFRS 3 Business Combinations" requirements, to be presented in other comprehensive income. In this case dividends collected from mentioned investment will be recognised in profit or loss.

Financial Assets at Measured at Amortised Cost

Financial assets measured at amortised cost are those financial assets that are held within the framework of a business model aimed at collecting contractual cash flows over the life of the asset and which result in cash flows that include principal and interest on the principal amount outstanding at specific dates. Financial assets measured at amortised cost with the initial recognition at fair value including transaction costs are subject to valuation with their amortised cost value by using the effective interest rate method, net of any provision for impairment. Interest income from financial assets measured at amortised cost are recognised in statement of income as an "interest income".

The The Group evaluates its loans within the framework of current business models and can be classified as Financial Assets measured at Amortised Cost.

3.9 Repurchase transactions

The Group enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as receivables from reverse repurchase agreements in the accompanying consolidated financial statements. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised on the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of. The proceeds from the sale of the investments are reported as obligations under repurchase agreements.

Income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in "interest income" or "interest expense".

3.10 Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables, net of unearned financial income, are measured at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

Group has preferred to apply "simplified approach" defined in IFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is recognised in profit or loss.

3.11 Inventories

Inventories are valued at the lower of cost or net realisable value. In manufacturing industries, cost elements included in inventories are materials, labor and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. The cost of inventories is determined on the weighted average basis for each purchase. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories consist of raw material, semi finished goods, finished goods, commercial goods and other stocks.

On the other hand, inventories of Group's real estate firms comprise of construction costs of housing units (completed and in-progress) and the costs of land used for these housing projects. Cost elements included in inventories are purchase costs, conversion costs and other costs necessary to prepare the asset for its intended use.

3.12 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment except for land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. Beginning from the third quarter of 2015, the Group has changed its accounting policy for subsequent measurement of real estate land and building properties from cost method to revaluation method. The positive difference between the net book values of real estate property and the renewed expertise values which are determined by the licenced valuation companies in 2021 are recorded under shareholders' equity.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and are recognised net within the other operating income or other operating expense in profit or loss.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognised in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 2 – 50 years
- Fixtures and fittings 2 – 50 years
- Machinery and equipment 1 – 64 years
- Leasehold improvements 5 – 15 years
- Motor vehicles 3 – 15 years
- Right of use assets 1 – 30 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

3.13 Investment property

Properties held for long term rental yields or value increase or both, rather than in the production of supply of goods and services or administrative purposes or for the sale in the ordinary course of business are classified as "Investment property". Beginning from the third quarter of 2015, accounting policy has changed to fair value method in accordance with "IAS 40 Investment Property". In subsequent periods, profit or loss due to the revaluation of fair value of investment property are accounted for under current period's profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of an item) is recognised in profit or loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.14 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of non-controlling interests

Acquisition of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Intangible assets acquired

Intangible assets acquired separately are carried at cost, less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis. The related costs are amortised at between 1 and 15 years based on their economic lives.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software is amortised on a straight line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods is one to five years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits, are recognised as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible assets is the fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets acquired separately.

Development costs

Costs incurred on development projects relating to the design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development expenditures previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis in five years.

3.15 Non-current assets held for sale

Certain non-current assets primarily related to the collateral collected on non-performing loans are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

3.16 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment or more often if there are indications of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.17 Leases

The Group as the lessee

<u>*Operating leases*</u>

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

<u>*Finance leases*</u>

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

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

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

The Group as the lessor

<u>*Operating leases*</u>

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

<u>*Finance leases*</u>

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

3.18 Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities are classified as either equity instruments or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, deposits, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

Borrowings, deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as an obligation under repurchase agreement, and the underlying asset continues to be recognised in the Group's financial statements.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.19 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3.20 Employee benefits

Pension and other post-retirement obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his / her dependants will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Pension fund transferable to Social Security Institution

Employees of the Bank are members of Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı, employees of Milli Reasürans are members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı, employees of TSKB are members of "Türkiye Sınai Kalkınma Bankası Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and employees of Anadolu Sigorta are members of "Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı" (collectively "the Funds"), which are established in accordance with the temporary Article 20 of the Social Security Act No. 506 and are separate legal entities and foundations recognised by an official decree, providing all qualified employees with pension and post-retirement benefits.

As explained in Note 30, the Bank expects to transfer the obligation of the Funds to Social Security Institution. This transfer will be a settlement of the Funds' obligation. Final legislation establishing the terms for such transfer was enacted on 8 May 2008 with "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees". Although the settlement will not be recognised until the transfer is made, the Group believes that it is more appropriate to measure the obligation at year ends as the value of the payment that would need to be made to Social Security Institution to settle the obligation at the date of the statement of financial position in accordance with the new legislation. The pension disclosures set out in Note 30, therefore reflect the actuarial assumptions and mortality tables specified in the new legislation, including a discount rate of 9.8%. The pension benefits transferable to Social Security Institution are calculated annually by an independent actuary, who is registered with the Undersecretariat of the Treasury.

Retirement pay liability

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay (subject to a maximum of pay ceiling announced by the Government) per year of employment. Reserve for retirement pay is computed and reflected in the consolidated financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 30) in the calculation of the retirement pay provision.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.21 Trade and other payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.22 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.23 Insurance and reinsurance businesses

Through its insurance and reinsurance subsidiaries, the Group enters into contracts that contain insurance risk. An insurance contract is a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk covers all risks except for financial risks. 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.

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

Insurance and investment contracts issued/signed by the insurance and reinsurance subsidiaries are accounted for as follows:

Earned premiums: For short-term insurance contracts, premiums are recognised as revenue, net of premiums ceded to reinsurance firms, proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at reporting date is recognised as the reserve for unearned premiums that are calculated on a daily pro-rata basis. Premiums are shown before deduction of commissions given or received and deferred acquisitions costs, and are gross of any taxes and duties levied on premiums.

For long-term insurance contracts, premiums are recognised as revenue when the premiums are due from the policyholders. Earned premiums, net of amounts ceded for reinsurance are recorded under income from insurance operations in the accompanying consolidated statement of income.

Premium received for an investment contract is not recognised as revenue. Premiums for such contracts are recognised directly as liabilities.

Reserve for unearned premiums: The reserve for unearned premiums represents the proportions of the premiums written in a period that relate to the period of risk subsequent to the reporting date, without deductions of commission or any other expense. Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Group provides actuarial provisions. The reserve for unearned premiums is also calculated for the annual premiums of the annually renewed long-term insurance contracts. The reserve for unearned premiums is presented under insurance contract liabilities in the accompanying consolidated statement of financial position.

Long term insurance contracts: Long term insurance contracts are the provisions recorded against the liabilities of the Group to the beneficiaries of long-term life, health and individual accident policies based on actuarial assumptions.

Long term insurance contracts are calculated as the difference between the net present values of premiums written in return of the risk covered by the Group and the liabilities to policyholders for long-term insurance contracts based on the basis of actuarial mortality assumptions as approved by the Republic of Turkey Prime Ministry Undersecretariat of Treasury, which are applicable for all Turkish insurance companies.

Long term insurance contracts are presented under insurance contract liabilities in the accompanying consolidated financial statements.

Investment contracts without Discretionary Participation Feature (DPF): In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Group results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Group has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

As at the reporting period, the Group does not have any insurance or investment contracts that contain a DPF (investment contracts with DPF).

Deferred acquisition cost and deferred commission income: Commissions and other acquisition costs given to the intermediaries that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalised as deferred acquisition cost. Deferred acquisition costs are amortised on a straight-line basis over the life of the contracts. Deferred acquisition costs are presented under other assets in the accompanying consolidated financial statements.

Commission income obtained against premiums ceded to reinsurance firms are also deferred and amortised on a straight-line basis over the life of the contracts. Deferred commission income is presented under other liabilities in the accompanying consolidated financial statements.

Liability adequacy test: At each reporting date, a liability adequacy test is performed, to ensure the adequacy of unearned premiums net of related deferred acquisition costs. In performing the test, current best estimates of future contractual cash flows, claims handling and policy administration expenses are taken into consideration. Any deficiency is immediately charged to the consolidated statement of income. If the result of the test is that a loss is required to be recognised, the first step is to reduce any intangible item arising from business combinations related to insurance. If there is still a loss remaining, then the deferred acquisition cost is reduced to the extent that expense loadings are considered not recoverable. Finally, if there is a still remaining amount of loss, this should be booked as an addition to the reserve for premium deficiency.

Reserve for outstanding claims: The reserve for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. A provision for claims IBNR is also established as described below. In the accompanying consolidated financial statements, reserve for outstanding claims is presented gross of amounts recoverable from reinsurers. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

In addition to that, the Group also reassesses its notified claims provision at each reporting date on each claim file basis. General insurance claims provisions are not discounted for the time value of money. The reserve for outstanding claims is not discounted for the time value of money. The reserve for outstanding claims is presented under insurance contract liabilities in the accompanying consolidated statement of financial position.

3.24 Income generated from pension business

Revenue arising from asset management and other related services offered by the insurance affiliate of the Bank are recognised in the accounting period in which the service is rendered. Fees consist primarily of investment management fees arising from services rendered in conjunction with the issue and management of investment contracts where the company actively manages the consideration received from its customers to fund a return that is based on the investment profile that the customer selected on origination of the instrument. These services comprise the activity of trading financial assets in order to reproduce the contractual services. In all cases, these services comprise an indeterminate number of acts over the life of the individual contracts.

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. Incurred but not reported ("IBNR") claims are also provided. Claims incurred before the accounting periods but reported subsequent to those dates are considered as IBNR claims.

3.25 Government grants

Grants from the government are recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the required conditions.

Government grants related to costs are accounted as income on a consistent basis over the related periods with the matching costs.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of income on a straight-line basis over the expected lives of the related assets.

3.26 Items held in trust

Assets, other than cash deposits, held by the Group in fiduciary or agency capacities for their customers and government entities are not included in the accompanying consolidated statement of financial position, since such items are not the assets of the Group.

3.27 Earnings per share

Earnings per share from continuing operations disclosed in the accompanying consolidated statement of income is determined by dividing the net profit for the year attributable to the equity holders of the Bank by the weighted average number of shares outstanding during the year. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such Bonus Shares issued are regarded as issued shares.

3.28 Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the reporting dates (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3.29 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.30 The new standards, amendments and interpretations

The consolidated 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:

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

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

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

The amendments 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. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted.

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. 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 propert 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.

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

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

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.

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.

TL 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.

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.

Management of credit risk

For credit risk management purposes the Risk Management Division is involved in

- the determination of credit risk policies in coordination with the Bank's other units,
- the determination and monitoring of the distribution of concentration limits with respect to sector, and risk groups,
- the formation and validation of rating and scoring systems,
- submitting to the Board of Directors and the senior management not only credit risk management reports about the credit portfolio's distribution (borrower, sector, geographical region), credit quality (impaired loans, credit risk ratings) and credit concentration, but also scenario analysis reports, stress tests and other analyses, and
- studies regarding the formation of advanced credit risk measurement approaches.

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

Exposure to credit risk

2021	**Loans and advances to customers**	**Trade receivables**	**Other assets expose to credit risk(*)**
Risk exposure			
Non performing financial assets	**8,546,488**	--	--
Gross amount	24,445,092	226,264	614,369
Expected credit loss for Stage 3	(15,898,604)	(226,264)	(614,369)
Performing financial assets	**571,387,834**	**12,046,044**	**933,645,340**
Gross amount	588,313,059	12,046,044	934,459,600
Expected credit loss for Stage 1 and 2	(16,925,225)	--	(814,260)
Carrying amount	**579,934,322**	**12,046,044**	**933,645,340**

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

2020	**Loans and advances to customers**	**Trade receivables**	**Other assets expose 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.

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.

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

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

Restructured Loans under Stage 2	2021		2020	
	Loans with revised contract terms	Refinanced	Loans with revised contract terms	Refinanced
Corporate and commercial loans	10,637,086	11,741,124	8,065,886	9,812,765
Export loans	8,145	310,623	140,706	353,138
Consumer loans	2,823	1,460,001	4,049	1,497,092
Credit cards	815,722	--	397,342	--
Other receivables	6,732,283	6,346,922	5,955,755	4,719,267
Total restructured loans under Stage 2	**18,196,059**	**19,858,670**	**14,563,738**	**16,382,262**

The aging analysis of the loans and advances past due but not impaired is as follows:

	2021	2020
31- 60 days	672,975	209,828
61-90 days	1,057,064	1,911,840
	1,730,039	**2,121,668**

Impaired loans and receivables

Impaired loans and receivables are loans and receivables for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Past due but not impaired loans

Loans and receivables where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider.

Allowances for impairment

The amount of the allowance for impairment of losses is based upon IFRS 9 principles as described in Note 3.7.

Applying this methodology requires management to make estimates regarding the amount and timing of the cash flows, which are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed.

In assessing the need for expected credit loss allowances, management considers factors such as time value of money, past events, current conditions and future economic conditions as of the reporting date. In order to estimate the required allowance, assumptions are made both to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances and provisions depends on the model assumptions and parameters used in determining loss allowances. In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on IFRS 9. While this necessarily involves judgment, management believes that the allowances and provisions are reasonable and supportable.

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

The amount of the allowance for impairment of loans and advances to customers, finance lease receivables and factoring receivables are described in Note 3.7.

Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when it is concluded that the loans/securities are uncollectible after all the necessary legal procedures has been completed, and the final loss has been determined. This conclusion is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Sectoral distribution of the performing loans and advances to customers

	2021	**2020**
Manufacturing	201,861,941	133,125,341
Consumer loans	85,655,799	68,464,515
Mortgage loans	*24,347,883*	*21,327,205*
Auto loans	*1,229,054*	*1,238,382*
Overdraft checking accounts	*2,846,624*	*1,815,858*
Other consumer loans	*57,232,238*	*44,083,070*
Wholesale and retail trade	56,621,268	42,329,221
Construction	39,442,384	25,704,807
Transportation and telecommunication	54,215,891	33,319,928
Credit cards	36,781,319	24,847,459
Financial institutions	22,252,563	13,327,469
Hotel, food and beverage services	18,144,025	13,965,204
Health and social services	12,862,785	8,429,005
Agriculture and stockbreeding	6,266,136	4,463,832
Others	54,208,948	32,299,882
Total performing loans and advances to customers	**588,313,059**	**400,276,663**

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

Sectoral distribution of the non-cash loans (Note 46)

	2021	2020
Manufacturing	106,387,308	61,216,676
Wholesale and retail trade	33,773,927	25,500,197
Construction	28,582,204	15,622,222
Financial institutions	12,040,291	7,901,836
Transportation and telecommunication	10,545,807	6,438,233
Real estate and rental services	2,563,752	2,825,817
Self-employed services	741,977	486,094
Health and social services	578,254	632,427
Hotel, food and beverage services	2,326,278	1,354,993
Agriculture and stockbreeding	795,434	521,564
Others	1,280,561	386,348
Total	**199,615,793**	**122,886,407**

Factoring receivables based on types of factoring transactions

	2021	2020
Domestic irrevocable	3,753,186	2,474,180
Domestic revocable	2,243,849	1,377,729
Foreign revocable	376,023	294,106
Foreign irrevocable	271,258	268,312
Factoring receivables	**6,644,316**	**4,414,327**

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 31 December 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:

	31 December 2021	31 December 2020
Secured closely monitored loans:	54,014,629	39,711,790
Secured by mortgages(*)	*13,353,086*	*11,911,506*
Pledges on wages and vehicles	*2,689,864*	*1,689,219*
Cheques & Notes	*13,667*	*586*
Secured by cash collateral	*595,236*	*418,463*
Other (surety, commercial enterprise under pledge etc.)	*37,362,776*	*25,692,016*
Unsecured closely monitored loans	14,665,615	7,737,079
Total closely monitored loans and advances to customers	**68,680,244**	**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.

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

As at 31 December 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:

	31 December 2021	31 December 2020
Secured non-performing loans	15,391,297	15,721,180
Secured by cash collateral	*1,523*	*1,141*
Secured by mortgages(*)	*6,516,872*	*6,992,211*
Vehicle pledge	*274,128*	*291,010*
Other (surety, commercial enterprise under pledge etc.)	*8,598,774*	*8,436,818*
Unsecured non-performing loans	9,053,795	8,502,226
Total non-performing loans and advances to customers	**24,445,092**	**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.

Guarantees received from the customers for trade receivables are as follows:

	2021	2020
Notes and bills	2,469,373	1,237,688
Direct debit system	446,031	294,998
Letters of guarantee	867,623	557,003
Confirmed Letter of Credit	40,241	--
Mortgages	53,991	40,565
Cash	64,245	48,327
Total	**3,941,504**	**2,178,581**

As of 31 December 2021, TL 741,731 (31 December 2020: TL 637,182) of trade receivable amount was past due but not impaired. This relate to a various number of independent customers with no recent history of default. The aging analysis of trade receivable amounts is as follows:

	2021	2020
Up to 1 month	503,878	371,452
1-3 months	112,882	151,852
3-12 months	46,879	47,305
1-5 years	78,092	66,573
	741,731	**637,182**

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:

	2021 (%)	**2020 (%)**
Strong	45.06	48.71
Standard	49.68	43.51
Below standard	5.26	7.78

4.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

Liquidity risk may arise as a result of funding long-term assets with short-term liabilities. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms.

The Bank's main source of funding is deposits. While the average maturity of deposits is shorter than the average maturity of assets as a result of the market conditions, the Bank's wide network of branches and stable core deposit base are its most important safeguards of funding. The Bank also borrows medium and long-term funds from institutions abroad.

In order to meet the liquidity requirements that may arise due to market fluctuations, the Group analyses TL and FC cash flows projections to preserve liquid assets. The term structure of TL and FC deposits, their costs and movements in the total amounts are monitored on a daily basis, also accounting for developments in former periods and expectations for the future. Based on cash flow projections, prices are differentiated for different maturities and thereby measures are taken to meet liquidity requirements; moreover liquidity that may be required for extraordinary circumstances is estimated and alternative liquidity sources are determined for possible utilisation.

Evaluated within the framework of the Bank's asset-liability management risk policy, the limits determined related to the liquidity risk management are monitored by the Risk Committee and to avoid extraordinary situations where a quick action should be taken due to the unfavourable market conditions, emergency measures and funding plans related to liquidity risk are put into effect.

In addition to the internal limits used by the Bank as per the Communiqué on "Measurement of the Liquidity Coverage Ratio of Banks", the foreign currency-only and total liquidity coverage ratios should not be less than 80% and 100%, respectively.

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

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

31 December 2021	Demand	Less than one month	1-3 months	3-12 months	1-5 Years	Over 5 years	Carrying amount
Cash on hand	14,879,501	--	--	--	--	--	14,879,501
Balances with central bank(*)	81,054,767	87,735,671	--	--	--	--	168,790,438
Loans and advances to banks(*)	29,489,009	8,820,905	2,042,258	734,512	--	--	41,086,684
Financial assets at fair value through profit or loss(**)	5,777,416	9,486,341	10,251,577	5,698,716	5,835,502	33,754	37,083,306
Loans and advances to customers(***)	22,090,915	57,408,776	56,857,295	168,263,610	224,835,919	58,856,544	588,313,059
Trade receivables	714,646	5,022,835	4,846,395	1,378,519	83,649	--	12,046,044
Insurance receivables	325,612	437,858	1,450,554	3,890,036	3,074,297	577,168	9,755,525
Financial assets at fair value through other comprehensive income	1,324,653	1,198,675	6,206,617	7,535,637	56,875,189	36,925,140	110,065,911
Financial assets measured at amortised cost(*)	--	1,485,851	2,665,634	7,188,217	30,943,304	12,768,211	55,051,217
Other assets(*)	16,896,511	4,598,459	423,988	2,360,660	2,080,470	--	26,360,088
Total assets	**172,553,030**	**176,195,371**	**84,744,318**	**197,049,907**	**323,728,330**	**109,160,817**	**1,063,431,773**
Deposits	290,869,300	251,430,613	34,768,439	24,725,654	4,494,079	962,851	607,250,936
Obligations under repurchase agreements	--	43,424,438	2,312,783	4,322,725	25,945	--	50,085,891
Lease payables	--	45,536	96,640	468,359	888,507	638,467	2,137,509
Funds borrowed	198	6,270,580	10,288,467	54,209,286	49,588,358	23,289,621	143,646,510
Debt securities issued	--	2,104,244	5,342,133	9,114,528	30,558,212	9,964,464	57,083,581
Payables to money market	--	3,423,169	228,793	--	--	--	3,651,962
Trade payables	1,586,886	5,530,974	1,585,057	1,346,862	40,431	19,044	10,109,254
Taxes and dues payable	--	660,617	1,065,439	--	--	--	1,726,056
Insurance contract liabilities	1,722,118	636,822	1,956,368	8,109,702	7,442,696	4,918,216	24,785,922
Subordinated liabilities	--	--	4,008,280	13,224,680	5,254,152	18,986,970	41,474,082
Other liabilities	13,401,200	7,768,922	6,763,534	6,226,694	1,950,551	898,236	37,009,137
Total liabilities	**307,579,702**	**321,295,915**	**68,415,933**	**121,748,490**	**100,242,931**	**59,677,869**	**978,960,840**
Net	**(135,026,672)**	**(145,100,544)**	**16,328,385**	**75,301,417**	**223,485,399**	**49,482,948**	**84,470,933**

(*) 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.

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

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.

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

Residual contractual maturities of the financial liabilities

2021	**Carrying amount**	**Gross nominal (inflow) / outflow**	**Demand**	**Less than one month**	**1-3 months**	**3 months to 1 year**	**1-5 years**	**More than 5 years**
Non-derivative liabilities								
Deposits	607,250,936	608,746,440	290,869,300	251,928,344	35,240,536	24,978,096	4,584,375	1,145,789
Obligations under repurchase agreements	50,085,891	50,186,956	--	43,483,068	2,317,271	4,360,070	26,547	--
Lease payables	2,137,509	2,782,036	--	45,279	155,051	480,041	1,240,492	861,173
Funds borrowed	143,646,510	150,038,546	198	5,194,187	11,677,356	56,078,894	52,533,309	24,554,602
Debt securities issued	57,083,581	69,289,315	--	1,968,195	9,815,920	10,947,095	45,744,873	813,232
Payables to money market	3,651,962	3,662,146	--	3,429,206	232,940	--	--	--
Trade payables	10,109,254	10,150,746	1,166,722	2,604,853	4,968,292	1,365,061	26,773	19,045
Subordinated liabilities	41,474,082	55,124,469	--	380,283	4,199,257	15,465,656	12,358,966	22,720,307
Total	**915,439,725**	**949,980,654**	**292,036,220**	**309,033,415**	**68,606,623**	**113,674,913**	**116,515,335**	**50,114,148**
Derivatives								
Inflow	(25,825,117)	(404,789,990)	--	(154,345,598)	(65,384,408)	(46,027,617)	(73,286,991)	(65,745,376)
Outflow	14,150,278	396,160,335	--	153,042,054	62,331,804	45,485,320	70,050,203	65,250,954
Total	**(11,674,839)**	**(8,629,655)**	**--**	**(1,303,544)**	**(3,052,604)**	**(542,297)**	**(3,236,788)**	**(494,422)**

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

Residual contractual maturities of the financial liabilities

2020	Carrying amount	Gross nominal (inflow) / outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities								
Deposits	373,586,853	374,698,153	157,114,781	156,643,039	39,902,893	16,801,854	3,500,350	735,236
Obligations under repurchase agreements	24,558,771	24,622,443	--	24,182,415	11,687	428,341	--	--
Lease payables	1,161,995	1,703,247	--	27,294	83,898	281,856	825,318	484,881
Funds borrowed	85,780,548	91,350,374	71,644	3,069,202	5,683,192	30,904,234	37,107,193	14,514,909
Debt securities issued	43,574,557	50,826,877	--	2,059,749	3,642,660	15,260,690	23,619,792	6,243,986
Payables to money market	1,425,876	1,429,005	--	1,429,005	--	--	--	--
Trade payables	7,629,133	7,641,277	256,320	4,397,188	2,372,305	612,675	2,789	--
Subordinated liabilities	24,414,842	34,785,359	--	214,627	179,620	1,519,142	17,795,079	15,076,891
Total	**562,132,575**	**587,056,735**	**157,442,745**	**192,022,519**	**51,876,255**	**65,808,792**	**82,850,521**	**37,055,903**
Derivatives								
Inflow	(6,976,484)	(248,741,915)	(1,253,008)	(73,124,894)	(49,032,534)	(29,454,589)	(43,001,414)	(52,875,476)
Outflow	9,177,819	252,828,037	1,255,897	75,671,193	52,101,808	29,622,614	42,418,200	51,758,325
Total	**2,201,335**	**4,086,122**	**2,889**	**2,546,299**	**3,069,274**	**168,025**	**(583,214)**	**(1,117,151)**

The above table shows the undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments may vary significantly from this analysis.

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

Residual maturities of non-cash loans

	Demand	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
2021							
Letters of credit	39,975,559	1,442,386	1,343,837	4,648,587	1,266,738	196,642	48,873,749
Letters of guarantee(*)	75,667,646	1,355,867	6,702,245	32,852,294	11,984,768	4,104,143	132,666,963
Acceptance	583,828	1,010,984	2,233,851	9,932,465	44,745	--	13,805,873
Other	884,083	14,840	--	115,302	1,085,273	2,169,710	4,269,208
Total	**117,111,116**	**3,824,077**	**10,279,933**	**47,548,648**	**14,381,524**	**6,470,495**	**199,615,793**
2020							
Letters of credit	14,423,731	1,183,876	1,206,403	5,581,173	198,728	--	22,593,911
Letters of guarantee(*)	52,890,702	1,282,444	4,150,104	16,223,311	10,231,470	3,293,179	88,071,210
Acceptance	66,504	367,542	832,602	4,083,376	3,700,319	--	9,050,343
Other	600,170	--	--	94,327	823,298	1,653,148	3,170,943
Total	**67,981,107**	**2,833,862**	**6,189,109**	**25,982,187**	**14,953,815**	**4,946,327**	**122,886,407**

(*) Undiscounted maturities of letter of guarantees represent the contractual maturities whereas such balances have demand nature due to their callable status until maturity.

4.4 Market risk

Market risk is defined as the risk that may reduce the market value of the trading portfolio due to the changes in the risk factors named interest rate, exchange rates, equities and the price of commodities and options. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury Division, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Exposure to market risk – trading portfolios

The market risk carried by the Group is measured by two separate methods known respectively as the Standard Method, the Value at Risk (VAR) Method and Expected Shortfall in accordance with the local regulations adopted from internationally accepted practices. In this context, currency risk emerges as the most important component of the market risk. The consolidated market risk measurements are carried out on a monthly basis, using the Standard Method. The results are accounted in the legal reporting and evaluated with the top management.

The VAR Method and Expected Shortfall are other alternatives in measuring and monitoring market risk carried by the Bank. This model is used to measure the market risk on a daily basis in terms of interest rate risk, currency risk and equity share risk and is a part of the Bank's daily internal reporting. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR model, which is used to estimate the maximum possible loss for the following day.

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

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:

31 December 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	--	--	--	--	--	14,879,501	14,879,501
Balances with central bank(*)	14,634,682	--	--	--	--	154,155,756	168,790,438
Loans and advances to banks(*)	10,978,022	2,042,258	734,512	--	--	27,331,892	41,086,684
Loans and advances to customers(**)	114,528,025	59,472,430	166,056,027	201,197,731	46,993,061	65,785	588,313,059
Trade receivables	5,022,835	4,846,395	1,378,519	83,649	--	714,646	12,046,044
Insurance receivables	437,858	1,450,554	3,890,036	3,074,297	577,168	325,612	9,755,525
Financial assets at fair value through other comprehensive income	21,648,338	19,425,001	17,779,889	26,013,946	23,874,084	1,324,653	110,065,911
Financial assets measured at amortised cost(*)	8,822,776	14,278,212	19,807,992	9,568,673	2,573,564	--	55,051,217
Other assets(*)	3,316,445	321,737	2,296,257	985,517	--	19,440,132	26,360,088
Total assets	**179,388,981**	**101,836,587**	**211,943,232**	**240,923,813**	**74,017,877**	**218,237,977**	**1,026,348,467**
Deposits	251,430,954	34,769,552	24,729,669	4,488,610	962,851	290,869,300	607,250,936
Obligations under repurchase agreements	43,424,438	2,312,783	4,322,725	25,945	--	--	50,085,891
Lease payables	9,656	24,620	301,822	406,054	1,395,357	--	2,137,509
Funds borrowed	12,470,432	56,649,181	59,851,845	11,763,078	2,911,776	198	143,646,510
Debt securities issued	2,104,244	6,500,834	7,972,076	30,552,933	9,953,494	--	57,083,581
Payables to money market	3,423,169	228,793	--	--	--	--	3,651,962
Trade payables	5,530,301	1,585,730	1,304,479	82,814	19,044	1,586,886	10,109,254
Taxes and dues payable	660,617	--	--	--	--	1,065,439	1,726,056
Insurance contract liabilities	--	--	--	--	--	24,785,922	24,785,922
Subordinated liabilities	--	5,147,007	14,382,398	5,254,152	16,690,525	--	41,474,082
Other liabilities	6,608,941	4,909,309	5,893,025	1,653,624	1,974,313	15,969,925	37,009,137
Total liabilities	**325,662,752**	**112,127,809**	**118,758,039**	**54,227,210**	**33,907,360**	**334,277,670**	**978,960,840**
Net	**(146,273,771)**	**(10,291,222)**	**93,185,193**	**186,696,603**	**40,110,517**	**(116,039,693)**	**47,387,627**

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

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

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.

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

Interest rate risk

The following table indicates the average effective interest rates applied to monetary financial instruments by major currencies for the year ended 31 December 2021 and 31 December 2020:

2021	**USD %**	**EURO %**	**TL %**
Balances with Central Bank	--	--	8.50
Loans and advances to banks	0.22	0.35	18.39
Loans and advances to customers			
Loans	*5.30*	*4.29*	*18.30*
Finance lease receivables	*6.48*	*4.69*	*20.55*
Factoring receivables	*4.15*	*3.25*	*26.64*
Investment securities			
Financial assets at fair value through profit or loss	*2.70*	*1.92*	*15.78*
Financial assets at fair value through other comprehensive income	*5.21*	*3.86*	*21.47*
Financial assets measured at amortised cost	*5.03*	*3.11*	*19.21*
Deposits			
Deposits from banks	1.09	0.35	15.50
Deposits from customers	0.14	0.06	11.57
Obligations under repurchase agreements	1.45	0.65	14.19
Debt securities issued	6.43	--	18.37
Funds borrowed	2.01	1.57	16.69

2020	**USD %**	**EURO %**	**TL %**
Balances with Central Bank	--	--	12.00
Loans and advances to banks	0.28	1.37	16.80
Loans and advances to customers			
Loans	*5.73*	*4.45*	*14.36*
Finance lease receivables	*7.11*	*4.88*	*16.94*
Factoring receivables	*6.13*	*4.07*	*20.70*
Investment securities			
Financial assets at fair value through profit or loss	*4.05*	*2.09*	*15.09*
Financial assets at fair value through other comprehensive income	*5.07*	*2.29*	*14.11*
Financial assets measured at amortised cost	*5.05*	*1.94*	*12.85*
Deposeits			
Deposits from banks	1.22	0.26	16.50
Deposits from customers	0.17	0.09	10.65
Obligations under repurchase agreements	1.72	0.61	16.98
Debt securities issued	5.87	--	14.04
Funds borrowed	2.18	1.62	13.98

Interest rate sensitivity

During the measurement of the Group's interest rate sensitivity, the profit/loss on the asset and liability items that are evaluated with market value are determined by adding to/deducting from the difference between the expectancy value of the portfolio after one year in case there is no change in interest rates and the value of the portfolio one year later, which is measured after the interest shock, the interest income to be additionally earned/to be deprived of during the one year period due to the renewal or repricing of the related portfolio at the interest rates formed after the interest shock.

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

On the other hand, in the profit/loss calculation of assets and liabilities that are not evaluated by the current market prices, it is assumed that assets and liabilities with fixed interest rates will be renewed at maturity date and the assets and liabilities having variable interest rates will be renewed at the end of repricing period with the market interest rates generated after the interest shock.

As of 31 December 2021 and 31 December 2020, the analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2021		**2020**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Profit or loss	847,417	(938,445)	486,844	(993,623)
Equity	(2,738,373)	3,000,916	(1,679,108)	1,859,051

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

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.

2021(*)	USD	EURO	Other currencies	Total
Cash on hand	6,651,423	4,326,467	1,226,155	12,204,045
Balances with central bank(**)	58,682,851	75,719,086	19,720,842	154,122,779
Loans and advances to banks	13,819,661	7,062,986	9,524,275	30,406,922
Financial assets at fair value through profit or loss	5,481,993	2,654,049	5,560,441	13,696,483
Derivative assets held for hedge accounting	1,392,381	--	--	1,392,381
Loans and advances to customers	154,673,261	140,258,632	4,191,217	299,123,110
Trade receivables	3,187,901	955,786	120,954	4,264,641
Insurance receivables	1,468,705	481,558	547,222	2,497,485
Financial assets at fair value through other comprehensive income	41,916,588	4,579,103	7,026	46,502,717
Financial assets measured at amortised cost	7,848,559	1,030,718	1,003,198	9,882,475
Other assets	6,091,669	2,206,371	575,852	8,873,892
Total foreign currency denominated monetary assets	**301,214,992**	**239,274,756**	**42,477,182**	**582,966,930**
Deposits(***)	211,026,664	136,231,495	74,418,159	421,676,318
Obligations under repurchase agreements	9,499,108	400,370	--	9,899,478
Funds borrowed	78,527,310	49,860,517	38,073	128,425,900
Derivative liabilities held for hedge accounting	71,753	--	--	71,753
Debt securities issued	48,160,248	--	144,911	48,305,159
Trade payables	2,296,598	718,926	35,270	3,050,794
Insurance contract liabilities	4,736,876	1,292,193	543,445	6,572,514
Subordinated liabilities	39,171,082	--	--	39,171,082
Other liabilities	7,120,613	4,055,491	466,731	11,642,835
Total foreign currency denominated monetary liabilities	**400,610,252**	**192,558,992**	**75,646,589**	**668,815,833**
Net statement of financial position	**(99,395,260)**	**46,715,764**	**(33,169,407)**	**(85,848,903)**
Net off balance sheet position	**117,591,930**	**(46,869,948)**	**34,162,909**	**104,884,891**
Net long/(short) position	**18,196,670**	**(154,184)**	**993,502**	**19,035,988**

(*) 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 20,081,293 are included.
(***) Precious metal deposit accounts amounting to TL 54,040,023 are included.

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

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.

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

Exposure to currency risk

10 percent devaluation of the TL against the following currencies as at and for the years ended 31 December 2021 and 31 December 2020 would affect consolidated profit or loss and equity (without tax effects) by the amounts shown below.

	2021		2020	
	Profit or loss	**Equity(*)**	**Profit or loss**	**Equity(*)**
US Dollar	1,602,260	1,383,022	1,243,912	1,254,493
Euro	(79,868)	(82,215)	91,344	94,224
Other currencies	378,524	378,495	235,374	235,383
Total, net	**1,900,916**	**1,679,302**	**1,570,630**	**1,584,100**

(*) Includes profit/loss effect.

10 percent revaluation of the TL against the following currencies as at and for the year ended 31 December 2021 and 31 December 2020 would affect consolidated profit or loss and equity (without tax effects) by the amounts shown below.

	2021		2020	
	Profit or loss	**Equity(*)**	**Profit or loss**	**Equity(*)**
US Dollar	(1,602,260)	(1,383,022)	(1,243,912)	(1,254,493)
Euro	79,868	82,215	(91,344)	(94,224)
Other currencies	(378,524)	(378,495)	(235,374)	(235,383)
Total, net	**(1,900,916)**	**(1,679,302)**	**(1,570,630)**	**(1,584,100)**

(*) Includes profit/loss effect.

This analysis assumes that all other variables, in particular interest rates, remain constant.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of the changes in the levels of equity indices and the value of individual stocks.

The Group is exposed to the equity share risk arising from its investments in companies, which are traded on the stock exchange. Equity shares portfolio in trading portfolio is immaterial and therefore the Group's sensitivity to the share price risks is limited.

Unless the equity share investments that are classified as Financial Assets at Fair Value Through Other Comprehensive Income are disposed of or impaired, the net profit/loss will not be affected.

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

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).

Fair value information of assets and liabilities is presented below.

2021	**Carrying amount**	**Fair value**
Financial assets		
Loans and advances to customers	588,313,059	569,945,483
- *Measured at fair value through profit or loss*	*2,149,813*	*2,149,813*
- *Measured at amortised cost*	*586,163,246*	*567,795,670*
Investment securities - Financial assets measured at amortised cost	54,999,974	54,469,788
Financial liabilities		
Deposits from banks	6,427,034	6,185,928
Deposits from customers	600,823,902	600,376,505
Funds borrowed	143,646,510	138,154,691
Debt securities issued	57,083,581	53,195,025
Subordinated liabilities	41,474,082	39,090,578

2020	**Carrying amount**	**Fair value**
Financial assets		
Loans and advances to customers	400,276,663	379,743,319
- *Measured at fair value through profit or loss*	*2,149,813*	*2,149,813*
- *Measured at amortised cost*	*398,126,850*	*377,593,506*
Investment securities - Financial assets measured at amortised cost	48,354,693	48,505,914
Financial liabilities		
Deposits from banks	5,704,272	5,586,995
Deposits from customers	367,882,581	367,010,191
Funds borrowed	85,780,548	84,035,290
Debt securities issued	43,574,557	43,332,991
Subordinated liabilities	24,414,842	24,974,560

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.

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 1,133,758 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).

Although the process continues as of the reporting date, further information regarding the sale is explained in Note 48 "Events after the reporting period".

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.

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

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.

		Fair value			
2021	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Investment securities - Financial assets at fair value through profit or loss	12,515,537	3,962,994	8,552,543	--	12,515,537
Derivative financial instruments	24,567,769	--	24,567,769	--	24,567,769
Derivatives used for hedging purposes	1,257,348	--	1,257,348	--	1,257,348
Investment securities - Financial assets at fair value through other comprehensive income (*)	110,065,911	65,965,506	42,221,162	1,827,806	110,014,474
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	14,078,526	--	14,078,526	--	14,078,526
Derivative liabilities held for hedge accounting	71,752	--	71,752	--	71,752

(*) As of 31 December 2021, equity shares that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 51,437 have been measured at cost.

		Fair value			
2020	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Investment securities - Financial assets at fair value through profit or loss	4,802,506	2,148,952	2,650,367	3,187	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.

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

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 year ended 31 December 2021 and 31 December 2020 are as follows:

	2021	**2020**
Balance at the beginning of the year	3,042,233	2,771,586
Purchases	1,023,018	265,874
Redemption or sales	(300,848)	(74,558)
Valuation difference	313,826	74,496
Transfer	(100,610)	4,835
Balance at the end of the year	**3,977,619**	**3,042,233**

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 clasiffied 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.

4.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering as a whole processes, products and divisions. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this framework, an appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

Qualitative and quantitative methods are used in the measurement and evaluation of operational risk. In this process, information is obtained from "Risk Control Self-Assessment Analysis", "Loss Event Data Analysis", "Key Risk Indicators", Top-Down Risk Assessment methods and at minimum, methods prescribed by legal regulations are applied in determining the capital requirement level for the operating risk.

All the operational risks that are exposed during the operations, the risk levels of the operations and/or new products/services, together with the losses of the Bank arising from operational risks are regularly monitored by the Risk Management Division of the Bank, and if deemed necessary, the risk levels are updated and periodically reported to the Risk Committee, Operational Risk Committee and the Board of Directors.

The operational risk capital requirement is calculated according to "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" article number 24, using the Basic Indicator Approach once a year in parallel with domestic regulations. The amount, calculated as TL 4,117,528 as of 31 December 2021 (31 December 2020: TL 3,287,607) represents the operational risk that Bank and its financial subsidiaries may be exposed to and the amount of minimum capital requirement to eliminate this risk. Value of operational risk amounted to TL 51,469,094 (31 December 2020: TL 41,095,093) and is calculated as 12.5 times the operational risk capital requirement.

4.7 Capital management – regulatory capital

BRSA, the regulatory body of the banking industry sets and monitors capital requirements for the Bank. In implementing current capital requirements, BRSA requires the banks to maintain a prescribed ratio of a minimum of 8% of total capital to total risk-weighted assets, a minimum 6% of Tier 1 capital to total risk-weighted assets and a minimum 4.5% of common equity Tier 1 capital to total risk-weighted assets. BRSA regulation requires the calculation of the capital adequacy ratio based both the bank-only financial statements and on the consolidated financial statements of the Bank and its financial subsidiaries.

The Group's regulatory capital consists of the sum of the following elements:

- Tier 1 capital, which includes share capital, share premium, legal reserves, retained earnings, other comprehensive income, translation reserve and non-controlling interests after deductions for goodwill and certain cost items.
- Tier 2 capital, which includes qualifying subordinated liabilities and certain provisions for loan losses that are presently unidentified on an individual basis.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. As at 31 December 2021 and 31 December 2020 capital requirements for operational risk is calculated using the Basic Indicator Approach and capital requirements for market risk is calculated using Standard Method.

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

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

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

Total capital amount and capital adequacy ratio have been calculated in accordance with the "Regulation on Equity of Banks", "Regulation on Measurement and Assessment of Capital Adequacy of Banks" and "Board Decisions" in Turkey. The Bank's and its financial subsidiaries' regulatory capital position on a consolidated basis as at 31 December 2021 and 31 December 2020 is as follows:

	2021	**2020**
Common equity Tier 1 capital	92,214,698	67,794,754
Tier 1 capital	93,801,462	69,037,761
Tier 2 capital	31,933,847	21,541,041
Deductions from capital	(1,274)	(1,102)
Total regulatory capital	**125,734,035**	**90,577,700**
Value at credit risk	598,718,615	474,476,924
Value at market risk	22,674,325	17,495,725
Operational risk	51,469,094	41,095,093
Capital ratios		
Total regulatory capital expressed as a percentage of value at credit risk, value at market risk and operational risk	18.69	16.99
Total Tier 1 capital expressed as a percentage of value at credit risk, value at market risk and operational risk	13.94	12.95
Total common equity Tier I capital expressed as a percentage of value at credit risk, value at market risk and operational risk	13.71	12.72

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.

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

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.

Sensitivity to insurance and reinsurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models.

Insurance risk concentrations

The Group's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarised as below:

	2021		
Branches(*)	**Gross total claims liability**	**Reinsurance share of total claims liability**	**Net total claims liability**
Life insurance	5,257,727	(5,373)	5,252,354
Motor vehicles liability (MTPL)	4,203,911	(1,074,790)	3,129,121
General liability	2,198,092	(729,186)	1,468,906
Fire and natural disasters	1,232,941	(514,799)	718,142
Motor vehicles	402,526	(1,302)	401,224
General losses	441,037	(237,335)	203,702
Health	215,119	(14,933)	200,186
Water vehicles	316,722	(190,943)	125,779
Marine	157,207	(79,903)	77,304
Accident	54,894	(11,060)	43,834
Air crafts	174,795	(137,583)	37,212
Air crafts liability	94,879	(61,970)	32,909
Financial losses	48,961	(32,323)	16,638
Credit	23,911	(8,979)	14,932
Breach of trust	38,101	(26,205)	11,896
Legal protection	953	--	953
Total	**14,861,776**	**(3,126,684)**	**11,735,092**

(*) Total claims liability includes outstanding claims reserve, life mathematical provisions and incurred but not reported claims.

.

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

	2020		
Branches(*)	**Gross total claims liability**	**Reinsurance share of total claims liability**	**Net total claims liability**
Life insurance	3,189,806	(4,167)	3,185,639
Motor vehicles liability (MTPL)	3,434,131	(972,614)	2,461,517
General liability	1,732,232	(575,607)	1,156,625
Fire and natural disasters	689,953	(293,066)	396,887
Motor vehicles	281,856	(976)	280,880
Health	196,338	(14,340)	181,998
General losses	256,136	(99,764)	156,372
Water vehicles	135,902	(78,887)	57,015
Marine	98,631	(53,131)	45,500
Accident	53,301	(13,592)	39,709
Air crafts liability	54,964	(33,035)	21,929
Financial losses	67,885	(49,069)	18,816
Air crafts	96,929	(81,077)	15,852
Credit	21,463	(8,478)	12,985
Breach of trust	25,372	(15,156)	10,216
Legal protection	839	--	839
Total	**10,335,738**	**(2,292,959)**	**8,042,779**

(*) Total claims liability includes outstanding claims reserve, life mathematical provisions and incurred but not reported claims.

Re-insurance risk concentrations

The Group's gross and net re-insurance risk concentrations (after reinsurance) in terms of insurance branches are summarised as below:

	2021		
Branches(*)	**Gross total claims liability**	**Reinsurance share of total claims liability**	**Net total claims liability**
Fire and natural disasters	1,016,635	(73,524)	943,111
General losses	661,766	(11,794)	649,972
General responsibility	284,697	(3,444)	281,253
Motor vehicles liability (MTPL)	167,439	(211)	167,228
Water vehicles	110,129	(10,807)	99,322
Transportation	46,790	(5,231)	41,559
Accident	28,343	(402)	27,941
Financial losses	16,502	(165)	16,337
Motor vehicles	14,597	(5)	14,592
Life insurance	13,989	(1,147)	12,842
Breach of trust	11,439	(51)	11,388
Credit	1,148	--	1,148
Health	1,081	--	1,081
Air crafts	881	--	881
Water vehicles liability	135	(7)	128
Legal protection	26	--	26
Total	**2,375,597**	**(106,788)**	**2,268,809**

(*) Total claims liability includes outstanding claims reserve, life mathematical provisions and incurred but not reported claims.

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

	2020		
Branches(*)	**Gross total claims liability**	**Reinsurance share of total claims liability**	**Net total claims liability**
Fire and natural disasters	741,284	(60,074)	681,210
General losses	429,393	(4,724)	424,669
General responsibility	223,444	(2,093)	221,351
Motor vehicles liability (MTPL)	125,473	(66)	125,407
Water vehicles	73,027	(6,196)	66,831
Transportation	34,236	(2,175)	32,061
Financial losses	31,937	(3)	31,934
Accident	18,037	(591)	17,446
Motor vehicles	9,818	(93)	9,725
Life insurance	10,416	(2,819)	7,597
Breach of trust	7,543	(39)	7,504
Health	3,981	--	3,981
Air crafts	1,013	--	1,013
Credit	643	--	643
Water vehicles liability	94	--	94
Legal protection	1	--	1
Total	**1,710,340**	**(78,873)**	**1,631,467**

(*) Total claims liability includes outstanding claims reserve, life mathematical provisions and incurred but not reported claims.

6. Business combinations

Şişecam Goup has purchased three companies to incorporate the American natural soda operations belonging to Ciner Group. With these acquisitions, the Group aims to expand its operations in the USA, primarily to become the leader in natural soda production and to expand its other glass business operations in this geography.

Details of the relevant purchases are shown below.

	Pacific Soda LLC	**Atlantic Soda LLC**	**Şişecam Chemicals Resources**	**Total**
Purchase Price	306,567	1,692,783	3,998,700	5,998,050
Cash and Cash Equivalents	21,138	--	67,185	88,323
Net Cash Flow	**285,429**	**1,692,783**	**3,931,515**	**5,909,727**

Pacific Soda LLC

Pacific Soda LLC was a joint venture of Şişecam Group which is located in the USA. The company was included in consolidated financial statements with equity method with 50% share, since 2019. In current year, 10% of Pacific Soda LLC's shares were purchased by Sisecam Chemicals USA Inc. on 21 December 2021 for a cash consideration of USD 23 million. Imperial Natural Resources Trona Mining Inc. is the other shareholder of Pacific Soda with 40% stake. Pacific Soda LLC has been evaluated as a joint operation according to the articles of association signed with the Company and included in consolidated financial statements as of 31 December 2021 with proportional consolidation method.

The fair values of the identifiable assets and liabilities of the business combination as of 31 December 2021 closest to the acquisition date are as follows. No significant transactions incurred between the acquisition date and the reporting date that would affect the financial statements.

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

	31 December 2021
Total Assets	963,973
Total Liabilities	431,260
Total Equity	532,713
Goodwill	930,918

Atlantic Soda LLC

As part of the acquisition of 60% of Ciner Group's soda operations in the USA, 60% of "Atlantic Soda LLC" was purchased from Imperial Natural Resources Trona Mining Inc., for USD 127 million. Atlantic Soda LLC has been evaluated as a joint operation according to the articles of association signed with the Company and included in consolidated financial statements as of 31 December 2021 with proportional consolidation method. The fair values of the identifiable assets and liabilities of the business combination as of 31 December 2021 closest to the acquisition date are as follows.

	31 December 2021
Total Assets	282,333
Total Liabilities	271,591
Total Equity	10,742
Goodwill	1,682,041

Şişecam Chemicals Resources

As part of the acquisition of 60% of Ciner Group's soda operations in the USA, 60% of "Ciner Resources Corporation" was purchased from Ciner Enterprise Incorporation, on 21 December 2021 for USD 300 million, and the company's title was changed as Sisecam Chemicals Resources on the same day. The fair values of the identifiable assets and liabilities of the business combination as of 31 December 2021 closest to the acquisition date are as follows. No significant transactions incurred between the acquisition date and the reporting date that would affect the financial statements.

	31 December 2021
Total Assets	16,581,538
Total Liabilities	4,045,158
Total Equity	5,407,063
Minority	7,129,317
Goodwill	742,212

In the period of 1 January-31 December 2020, there was no business combination within the scope of IFRS3 "Business Combinations" standard.

7. Cash and cash equivalents

At 31 December 2021 and 31 December 2020, cash on hand comprised the following:

	2021	**2020**
Cash on hand	14,863,266	9,137,193
- Turkish lira	*2,628,125*	*2,486,917*
- Foreign currency	*12,235,141*	*6,650,276*
Other liquid assets	16,235	19,597
Total cash on hand	**14,879,501**	**9,156,790**

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

There is no blockage or restriction on the cash and cash equivalents presented above as at 31 December 2021 and 31 December 2020.

	2021	**2020**
Cash on hand	14,879,501	9,156,790
Loans and advances to banks (with original maturity of less than 3 months)	35,522,375	19,135,692
Unrestricted balances with the central banks	81,359,305	23,067,006
Money market placements	2,950,824	2,179,919
Cash and cash equivalents in the statement of cash flows	**134,712,005**	**53,539,407**

8. Balances with central bank

	2021	**2020**
Unrestricted balances with central bank		
Demand deposits – Turkish Lira	14,667,660	3,079,305
Demand deposits – Foreign currency	66,691,645	19,987,701
	81,359,305	**23,067,006**
Restricted balances with central bank		
Restricted time deposit – Foreign currency	--	--
Reserve deposits – Foreign currency(*)	87,431,133	39,399,298
	87,431,133	**39,399,298**
Expected credit loss	(22,752)	(8,625)
Total balances with central bank	**168,767,686**	**62,457,679**

(*) Reserve deposits in terms of precious metals amounting to TL 20,081,293 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 19% - 26% 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.

According to the Communique on Required Reserves published in the Official Gazette dated 1 July 2021 and numbered 31528, the possibility of establishing Turkish lira required reserves in foreign currency was terminated as of 1 October 2021.

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

9. Loans and advances to banks

	2021	2020
Domestic banks		
Demand deposits – Turkish Lira	417,415	138,529
Demand deposits – Foreign currency	1,298,771	939,174
Time deposits – Turkish Lira	2,458,984	2,354,274
Time deposits – Foreign currency	3,420,774	2,380,796
	7,595,944	**5,812,773**
Foreign banks		
Demand deposits – Turkish Lira	108,241	98,090
Demand deposits – Foreign currency	28,502,525	11,472,340
Time deposits – Turkish Lira	60,172	145,466
Time deposits – Foreign currency	1,826,738	3,730,466
	30,497,676	**15,446,362**
Money market placements (*)	2,993,064	2,201,527
Expected credit loss	(75,013)	(74,744)
Total loans and advances to banks	**41,011,671**	**23,385,918**

(*) Money market placements include interest income accrual amounting to TL 179 (31 December 2020: TL 100).

For cash flow purposes, the bank balances having original maturity of less than 3 months and not restricted were classified as cash and cash equivalents. These balances amounting to TL 35,522,375 as at 31 December 2021 (31 December 2020: TL 19,135,692).

As at 31 December 2021, the balances with banks include TL 1,650,719 restricted account regarding the covenants of the borrowings and insurance activities (31 December 2020: TL 1,502,735).

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

10. Securities portfolio

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

	2021	**2020**
Treasury bills and government bonds	6,537,181	741,920
Other countries government bonds	--	38,799
Debt securities issued by corporations	200,941	137,734
Mutual funds	2,950,955	2,276,461
Equity shares	2,826,460	1,607,592
Total of financial assets at fair value through profit or loss	**12,515,537**	**4,802,506**

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as at 31 December 2021 are amounting to TL 164,956 (31 December 2020: TL 61,909).

TL 1,302,654 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 31 December 2021 and 31 December 2020, financial assets at fair value through other comprehensive income comprised the following:

	2021	**2020**
Treasury bills and government bonds	101,066,059	71,763,696
Other countries government bonds	1,546,761	1,590,445
Debt securities issued by corporations	6,153,007	3,197,996
Mutual funds	348,389	815,488
Equity shares	984,376	644,963
Allowance for impairment on securities	(32,681)	(32,681)
Total of financial assets at fair value through other comprehensive income	**110,065,911**	**77,979,907**

Financial assets at fair value through other comprehensive income which are subject to repurchase agreements are amounting to TL 34,943,986 as at 31 December 2021 (31 December 2020: TL 19,425,159).

TL 4,656,982 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).

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

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

	2021	2020
VISA Inc.	460,224	262,167
İMKB Takas ve Saklama Bankası A.Ş.	96,740	96,741
Turkish Growth and Innovation Fund	137,333	45,695
European Investment Fund	59,398	31,457
Borsa İstanbul A.Ş.	18,766	18,766
Other	211,915	190,137
Allowance for impairment	(8,112)	(8,112)
Total equity shares in financial assets at fair value through other comprehensive income	**976,264**	**636,851**

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

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

	2021	2020
Treasury bills and government bonds	47,975,957	44,223,865
Other countries government bonds	736,951	227,852
Bonds issued by financial institutions	6,338,309	3,961,776
Expected credit loss (-)	(51,243)	(58,800)
Total of financial assets measured at amortised cost	**54,999,974**	**48,354,693**

There are financial assets measured at amortised cost subject to a repurchase agreement amounting to TL 17,843,004 as at 31 December 2021 (31 December 2020: TL 7,024,998).

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

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

	2021	2020
Guarantee given for fund borrowed	7,693,257	3,241,984
Guarantee given for Export Finance Int. Loan ("EFIL")	3,823,086	3,434,274
Central Bank of Turkey	23,678,261	19,692,391
Turkish Treasury	8,891,650	2,731,497
Central banks of other countries	30,065	143,997
Clearing house	1,733,678	1,019,220
International foreign banks	2,113,746	2,605,296
Interbank money market	10,263	95,351
Security firm	--	9,830
Securities deposited as collaterals	**47,974,006**	**32,973,840**

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

11. Loans and advances to customers

	2021	2020
Consumer loans	85,655,799	68,464,515
Credit cards	36,781,319	24,847,459
Financial institutions	22,252,563	13,327,469
Corporate loans	425,257,482	281,890,664
Finance lease receivables	11,702,106	7,334,946
Factoring receivables	6,663,790	4,411,610
Total performing loans and advances to customers	**588,313,059**	**400,276,663**
Non-performing loans and advances to customers		
Non-performing loans	23,623,595	23,643,274
Non-performing leasing receivables	598,138	353,083
Non-performing factoring receivables	223,359	227,049
Total non-performing loans and advances to customers	**24,445,092**	**24,223,406**
Expected credit loss		
Expected credit loss on loans (-)		
Stage 1 & 2 (-)	(16,584,956)	(11,032,433)
Stage 3 (-)	(15,359,400)	(14,433,051)
Expected credit loss on leasing receivables (-)		
Stage 1 & 2 (-)	(292,690)	(162,020)
Stage 3 (-)	(343,950)	(177,364)
Expected credit loss on factoring receivables (-)		
Stage 1 & 2 (-)	(47,579)	(34,081)
Stage 3 (-)	(195,254)	(190,251)
Total expected credit loss (-)	**(32,823,829)**	**(26,029,200)**
Loans and advances to customers, net	**579,934,322**	**398,470,869**

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

Stage 3	**2021**	**2020**
Balances at 1 January	**23,643,274**	**20,504,279**
Additions	5,387,926	6,652,433
Collections	(4,824,349)	(3,711,684)
Write offs(*)	(924,801)	(56,484)
NPL sale(**)	(1,096,899)	--
Effects of movements in exchange rates	1,438,444	254,730
Balance as at 31 December	**23,623,595**	**23,643,274**

(*) As of 31 December 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. for TL 71,850. The part of the receivables constitute non-performing loans amounting to TL 315,413 are transferred to İstanbul Varlık Yönetim A.Ş. and Gelecek Varlık Yönetim A.Ş. by for TL 53,300.

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

The movement in the expected credit loss on loans for the year ended 31 December 2021 and 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 year	3,653,969	7,152,584	3,519,216
Recoveries and reversals	(2,839,946)	(2,350,986)	(2,230,755)
Write offs	--	--	(2,013,558)
Transfer to stage 1	501,054	(493,962)	(7,092)
Transfer to stage 2	(638,832)	645,378	(6,546)
Transfer to stage 3	(23,614)	(1,212,801)	1,236,415
Effects of movements in exchange rates	374,488	785,191	428,669
Balance as at 31 December 2021	**4,057,912**	**12,527,044**	**15,359,400**

	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**

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

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

31 December 2021	**Short term**	**Long term**	**Total**
Finance lease receivables	5,533,190	7,949,698	13,482,888
Unearned interest income (-)	(865,744)	(915,038)	(1,780,782)
Expected credit loss – Stage 1	(6,655)	(81,192)	(87,847)
Expected credit loss – Stage 2	(89,324)	(115,519)	(204,843)
Total performing finance lease receivables	**4,571,467**	**6,837,949**	**11,409,416**
Non-performing leasing receivables	504,941	93,197	598,138
Expected credit loss – Stage 3	(294,166)	(49,784)	(343,950)
Finance lease receivables, net	**4,782,242**	**6,881,362**	**11,663,604**

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 year ended 31 December 2021 and 31 December 2020 are as follows:

Stage 3	**2021**	**2020**
Balances at 1 January	**353,083**	**370,909**
Additions	327,328	82,096
Collections	(82,273)	(58,271)
Write offs	--	(41,651)
Debt sale	--	--
Effects of movements in exchange rates	--	--
Balance as at 31 December	**598,138**	**353,083**

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

The movement in the expected credit losses on finance lease receivables for the year ended 31 December 2021 and 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 year	65,949	110,436	166,586
Recoveries and reversals	--	(45,715)	--
Write offs	--	--	--
Transfer to stage 1	5,755	(4,520)	(1,235)
Transfer to stage 2	(3,097)	123,087	(119,990)
Transfer to stage 3	(2,658)	(118,567)	121,225
Effects of movements in exchange rates	--	--	--
Balance as at 31 December 2021	**87,847**	**204,843**	**343,950**

	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**

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

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

2021	2022(*)	2023	2024	2025	2026	2027+	Total
Finance lease receivables (Gross)	5,462,298	3,891,281	2,334,211	1,089,441	524,609	142,546	13,444,386
Unearned interest income (-)	(865,744)	(531,896)	(222,311)	(81,499)	(53,766)	(25,566)	(1,780,782)
Finance lease receivables (Net)	**4,596,554**	**3,359,385**	**2,111,900**	**1,007,942**	**470,843**	**116,980**	**11,663,604**

(*) Includes non-performing lease receivables.

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 31 December 2021 and 31 December 2020, details of factoring receivables are as follows:

	2021	2020
Factoring receivables	6,746,040	4,458,679
Unearned interest income	(82,250)	(47,069)
Expected credit loss on Stage 1 factoring receivables (-)	(44,126)	(31,688)
Expected credit loss on Stage 2 factoring receivables (-)	(3,453)	(2,393)
Total performing factoring receivables	**6,616,211**	**4,377,529**
Non-performing factoring receivables	223,359	227,049
Expected credit loss on Stage 3 factoring receivables (-)	(195,254)	(190,251)
Factoring receivables, net	**6,644,316**	**4,414,327**

Except for its non-performing receivables for which allowance is provided, the Group has factoring receivables of TL 167 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).

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

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

Stage 3	2021	2020
Balances at 1 January	**227,049**	**227,541**
Additions	5,219	11,911
Collections	(8,720)	(12,086)
Write offs	(189)	(317)
Debt sale	--	--
Effects of movements in exchange rates	--	--
Balance as at 31 December	**223,359**	**227,049**

The movement in the expected credit loss on factoring receivables for the year ended 31 December 2021 and 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 year	33,315	1,600	10,717
Recoveries and reversals	(15,055)	(2,749)	(9,142)
Write offs	--	--	(185)
Transfer to stage 1	30	(30)	--
Transfer to stage 2	(5,852)	5,852	--
Transfer to stage 3	--	(3,613)	3,613
Effects of movements in exchange rates	--	--	--
Balance as at 31 December 2021	**44,126**	**3,453**	**195,254**

	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**

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

12. Expected Credit Loss

At 31 December 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:

2021	Carrying amount			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Cash and cash equivalents(*)	183,669,939	--	--	22,752	--	--
Financial assets(**)	218,719,349	--	--	126,256	--	--
Loans	517,483,002	68,680,244	24,445,092	4,189,885	12,735,340	15,898,604
Trade receivables	12,046,044	--	226,264	--	--	226,264
Other assets	26,360,088	--	--	119,103	--	--
Non-cash loans	304,842,812	4,795,647	1,610,469	351,643	194,506	1,215,814

(*) Consists of cash and cash equivalents and balances with central bank.
(**) Consists of loans and advances to banks and securities.

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.

As of 31 December 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:

2021	Stage 1		Stage 2		Stage 3	
	Individual	Collective	Individual	Collective	Individual	Collective
Cash loans	319,385	3,870,500	8,812,098	3,923,242	3,222,111	12,676,493
Non-cash loans	4,532	347,111	93,971	100,535	4,432	1,211,382
Total	**323,917**	**4,217,611**	**8,906,069**	**4,023,777**	**3,226,543**	**13,887,875**

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

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**

13. Trade receivables

As at 31 December 2021 and 31 December 2020, trade receivables comprised the following:

	2021	**2020**
Trade receivables in manufacturing companies	9,016,589	4,308,255
Customer receivables of brokerage firms	1,681,555	2,490,259
Other trade receivables	1,347,900	818,771
Stage 3 receivables	226,264	163,335
Total trade receivables	**12,272,308**	**7,780,620**
Expected credit losses (-)	(226,264)	(163,335)
Trade receivables, net	**12,046,044**	**7,617,285**

The movement in the expected credit losses in respect of trade receivables for the year ended 31 December is as follows:

	2021	**2020**
Balance as at 1 January	**163,335**	**141,121**
Impairment loss recognised	70,890	42,245
Collection during the year	(40,196)	(32,445)
Acquisition of subsidiary	3,222	--
Effects of exchange rates in movements	29,013	12,414
Balance as at 31 December	**226,264**	**163,335**

Terms for the Group's manufacturing companies' domestic sales based on the main product lines are as follows:

A portion of domestic sales of basic glasses is made on cash. The average term for basic glasses sales is 90 days (31 December 2020: 90 days). A portion of export sales is made on cash and rest of export sales' term is 45 days. 2.5% overdue interest rate is applied for the payments made after the due date (31 December 2020: 2%).The average sales term for auto glass and processed glass items is 45 days (31 December 2020: 45 days).

The average sales term for automatic glass items is 75 days (31 December 2020: 75 days) and a monthly overdue interest rate of 1.75% is applied for the payments made after the due date. (31 December 2020: 1.25%).

Glass packaging products has been sold in cash until 17 February 2021, the new term system has been started from this date. For customers not paying in cash, a monthly interest of 1.75% (31 December 2020: 1.5%) for payment terms up to 121 days, and a monthly interest rate of 2.50% is applied for payments exceeding 121 days (31 December 2020: 2.25%). Besides that, if a discount is requested, it is possible to purchase with a monthly term discount of 1.75%. The average sales term for domestic sales of glass packaging products is 60 days (31 December 2020: 64 days). The average sales term for foreign sales of glass packaging products is 85 days (31 December 2020: 84 days).

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

Inter-group sales terms of soda products are 60 days (31 December 2020: 60 days). The applied average term of domestic external sales related to soda products is 59 days (31 December 2020: 62 days). Monthly 1.50% overdue interest for TL is applied for the payments made after due dates (31 December 2020: 1.67%). Monthly 0.25 % overdue interest rate for USD is applied for the payments made after due dates (31 December 2020: 0.42%).

The average sales term for domestic sales of chromium products in is 1 day (31 December 2020: 1 day). The average sales term for foreign sales is 64 days (31 December 2020: 66 days). A monthly overdue interest rate of 1.50% for TL (31 December 2020: 1.67%). and 0.25% for USD (31 December 2020: 0.42%) is applied for the payments made after the due date.

The Group has recognised provision for doubtful receivables. Allowance for doubtful receivables is determined by referring to past default experience. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted to the reporting date.

The Group has no significant concentration risk since the Group has been working with the spread over a large number of counterparties and customers. Accordingly, the management believes that no further credit provision is required in excess of the allowance for doubtful receivables.

14. Inventories

As at 31 December 2021 and 31 December 2020, inventories comprised the following:

	2021	**2020**
Finished goods	3,700,265	2,125,466
Trading properties	139,873	77,096
Raw materials	3,105,135	1,488,407
Trading goods	610,253	262,793
Work in progress	596,198	360,708
Others	456,601	310,473
Total inventories	**8,608,325**	**4,624,943**
Allowance for impairment (-)	(342,437)	(187,162)
Inventories, net	**8,265,888**	**4,437,781**

The movement in the allowance for impairment in respect of inventories for the year ended 31 December is as follows:

	2021	**2020**
Balance as at 1 January	**187,162**	**128,242**
Impairment loss recognised	178,412	106,644
Provision released	(81,228)	(53,671)
Effects of exchange rates in movements	58,091	5,947
Balance as at 31 December	**342,437**	**187,162**

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

15. Insurance receivables and insurance contract liabilities

Insurance receivables

At 31 December 2021 and 31 December 2020, insurance receivables comprised the following:

	2021	2020
Receivables from reinsurance and insurance companies	6,095,822	4,235,681
Receivables from agencies, brokers and intermediaries	2,268,873	1,435,848
Doubtful receivables from insurance operations	614,369	488,349
Cash deposited to insurance and reinsurance companies	641,657	397,189
Receivables from policyholders	132,740	74,565
Salvage and subrogation receivables	133,136	88,399
Capital advances given to pension mutual funds	52,876	42,606
Premium receivables from insurance activities	430,421	323,657
Total insurance receivables	**10,369,894**	**7,086,294**
Allowance for non-performing insurance receivables (-)	(614,369)	(488,349)
Insurance receivables, net	**9,755,525**	**6,597,945**

The details of guarantees for the Group's insurance receivables are presented below:

	2021	2020
Letters of guarantees	168,701	140,446
Mortgage notes	104,265	97,220
Other guarantees	132,804	92,307
	405,770	**329,973**

The movement in the allowance for impairment in respect of insurance receivables for the year ended 31 December is as follows:

	2021	2020
Balance at 1 January	**488,349**	**389,525**
Impairment loss recognised	98,261	92,466
Collections during the year	(726)	(45)
Effects of exchange rates in movements	28,485	6,403
Balance as at 31 December	**614,369**	**488,349**

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

Insurance contract liabilities

Insurance contract liabilities at 31 December 2021 and 31 December 2020 are detailed in the tables below:

2021	**Gross**	**Ceded**	**Net**
Provision for outstanding claims	11,979,646	(3,228,097)	8,751,549
Reserve for unearned premiums	6,948,858	(1,846,050)	5,102,808
Life mathematical provisions	5,257,726	(5,373)	5,252,353
Reserve for unexpired risks	599,184	(182,124)	417,060
Provision for bonus and discounts	508	(448)	60
Total insurance contract liabilities	**24,785,922**	**(5,262,092)**	**19,523,830**

2020	**Gross**	**Ceded**	**Net**
Provision for outstanding claims	8,856,257	(2,367,663)	6,488,594
Reserve for unearned premiums	4,867,563	(1,282,024)	3,585,539
Life mathematical provisions	3,189,820	(4,167)	3,185,653
Reserve for unexpired risks	176,067	(69,460)	106,607
Provision for bonus and discounts	4,477	(366)	4,111
Total insurance contract liabilities	**17,094,184**	**(3,723,680)**	**13,370,504**

The movement of the reserve for unearned premiums for the year ended 31 December is as follows:

2021	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the year	4,867,563	(1,282,024)	3,585,539
Premiums written during the year	15,187,687	(3,864,157)	11,323,530
Premiums earned during the year	(13,106,392)	3,300,131	(9,806,261)
Reserve for unearned premiums at the end of the year	**6,948,858**	**(1,846,050)**	**5,102,808**

2020	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the year	4,026,071	(1,031,435)	2,994,636
Premiums written during the year	11,520,062	(2,844,204)	8,675,858
Premiums earned during the year	(10,678,570)	2,593,615	(8,084,955)
Reserve for unearned premiums at the end of the year	**4,867,563**	**(1,282,024)**	**3,585,539**

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

The movement of the provision for outstanding claims for the year ended 31 December is as follows:

2021	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the year	8,856,257	(2,367,663)	6,488,594
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the year	10,389,831	(1,895,529)	8,494,302
Claims paid during the year	(7,266,442)	1,035,095	(6,231,347)
Provision for outstanding claims at the end of the year	**11,979,646**	**(3,228,097)**	**8,751,549**

2020	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the year	6,833,356	(1,659,203)	5,174,153
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the year	7,507,624	(1,584,443)	5,923,181
Claims paid during the year	(5,484,723)	875,983	(4,608,740)
Provision for outstanding claims at the end of the year	**8,856,257**	**(2,367,663)**	**6,488,594**

16. Equity accounted investees

Carrying amount of equity accounted investees is summarised below:

	2021	**2020**
Solvay Şişecam	991,330	568,945
Saint Gobain Glass Egypt S.A.E.	558,454	251,351
Arap Türk	280,196	242,174
Pacific Soda LLC.(*)	--	117,419
Rudnik Krecnjaka Vijenac D.O.O.	103,141	63,448
KKB	30,885	24,131
Other	21,257	13,220
Equity accounted investees	**1,985,263**	**1,280,688**

(*) Due to Şişecam Group purchased additional %10 shares of the company, it has been classified from "joint venture" to "joint operation" in current year.

The Group's share of income in its equity accounted investees for the year ended 31 December 2021 is TL 270,326 (31 December 2020: TL 127,922 income).

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

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group is as follows:

2021	**Ownership (%)**	**Total assets**	**Total liabilities**	**Profit / (loss) for the year**
Arap Türk	20.58	10,205,582	8,843,813	163,288
Solvay Şişecam	25.00	5,048,958	1,019,382	596,016
Saint Gobain Glass Egypt SAE	30.00	2,107,671	246,158	329,797
Tatil Budur	40.00	662,513	715,242	26,747
Kredi Kayıt Bürosu	9.09	625,710	255,923	75,307
Rudnik Krecnjaka Vijenac D.O.O.	50.00	222,134	15,852	1,329
Radore	25.50	48,301	47,327	6,016
Other		43,675	28,468	6,442

2020	**Ownership (%)**	**Total assets**	**Total liabilities**	**Profit / (loss) for the year**
Arap Türk	20.58	5,861,336	4,684,354	100,781
Solvay Şişecam	25.00	2,832,398	499,301	379,563
Saint Gobain Glass Egypt SAE	30.00	949,023	111,187	40,445
Tatil Budur	40.00	424,838	491,791	20,714
Kredi Kayıt Bürosu	9.09	493,445	200,489	76,416
Pacific Soda LLC.	50.00	701,442	466,605	(17,955)
Rudnik Krecnjaka Vijenac D.O.O.	50.00	133,081	6,184	4,375
Radore	25.50	33,725	38,748	(4,110)
Other		30,420	20,656	2,256

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

17. Property, plant and equipment

Property, plant and equipment are carried at cost except for land and buildings which have been revalued in the current year. Appraisal reports on these properties have been prepared by the authorised real estate appraisal companies. Summary of movements in property, plant and equipment are as follows:

	Right of Use Assets	Land & Buildings	Land improvements	Vehicles	Construction in progress	Other fixed assets	Total
Prior period							
Cost	2,295,683	13,222,500	876,912	235,776	1,541,255	24,145,865	42,317,991
Accumulated depreciation	(1,222,577)	(556,144)	(463,083)	(161,842)	--	(15,106,474)	(17,510,120)
Net carrying amounts at 31 December 2020	**1,073,106**	**12,666,356**	**413,829**	**73,934**	**1,541,255**	**9,039,391**	**24,807,871**
Current period							
Net carrying amounts at 1 January 2021	1,073,106	12,666,356	413,829	73,934	1,541,255	9,039,391	24,807,871
Change during the period (Net) (*)	981,629	7,651,376	280,666	9,983	911,956	5,120,563	14,956,173
Depreciation charge for the year	(489,447)	(312,598)	(45,720)	(23,802)	--	(1,923,236)	(2,794,803)
Currency translation differences (**)	96,015	2,731,798	133,475	13,175	292,323	2,978,659	6,245,445
Cost at period end	3,367,949	22,856,018	1,429,679	317,790	2,745,534	36,618,399	67,335,369
Accumulated depreciation at period end	(1,706,646)	(119,086)	(647,429)	(244,500)	--	(21,403,022)	(24,120,683)
Net carrying amounts at 31 December 2021	**1,661,303**	**22,736,932**	**782,250**	**73,290**	**2,745,534**	**15,215,377**	**43,214,686**

(*) The balance includes the following: Acquition effect of subsidiaries, additions, disposals, reclassifications, transfers and revaluations.
(**) The balance includes the foreign exchange differences in cost and accumulated depreciation items.

18. Intangible assets and goodwill

The movement of rights, softwares and other intangibles, excluding goodwill, are as follows:

	Total
Prior period end:	
Cost	5,452,681
Accumulated amortisation	(3,146,385)
Net carrying amounts at 31 December 2020	**2,306,296**
Current period end:	
Net carrying amount at 1 January 2021	2,306,296
Change during the period (Net) (*)	11,411,493
Amortisation charge for the year	(634,302)
Currency translation differences (**)	121,835
Cost at period end	17,249,849
Accumulated amortisation at period end	(4,044,527)
Net carrying amounts at 31 December 2021	**13,205,322**

(*) The balance includes the following: Acquition effect of subsidiaries, additions, disposals, reclassifications, transfers.
(**) The balance includes the foreign exchange differences in cost and accumulated amortisation items.

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

Goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the investment is usually determined based on independent valuation report. For the valuation, estimates of discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investments are taken into account.

An analysis of goodwill as at 31 December 2021 and 31 December 2020 is as follows:

	2021	2020
Balance as at 1 January	**443,051**	**376,037**
Currency translation differences	270,717	67,014
Goodwill arising from acquisition of subsidiaries	3,383,365	--
Impairment	(35,974)	--
Balance as at 31 December	**4,061,159**	**443,051**

19. Investment properties

	2021	2020
Balance at 1 January	**4,653,743**	**4,314,742**
Change during the period (Net)	(101,483)	(18,544)
Change in fair value	1,518,472	357,545
Balance at 31 December	**6,070,732**	**4,653,743**

Appraisal reports on these properties have been prepared by the authorised real estate appraisal companies. There are no pledges on these properties.

20. Non-current assets held for sale

	2021	2020
Balance at 1 January	**1,302,606**	**1,218,276**
Transfers	(199,145)	59,161
Additions	17,488	262,543
Disposals (-)	(216,949)	(247,839)
Depreciation expense	(762)	(7)
Translation difference	7,642	12,025
Allowance for impairment (-)	(9)	(1,553)
Balance as at 31 December	**910,871**	**1,302,606**

Investment in a structured entity whose details are given in Note 4 is classified within the scope of "IFRS 5 Assets Held for Sale and Discontinued Operations". As stated in the same footnote, the Bank's and Türkiye Sınai Kalkınma Bankası A.Ş.'s shares' nominal values in company share increased from TL 6 to TL 461,833 and TL 1 to TL 64,403 respectively. This amount is classified under line of transfers in previous period. On the other hand, an international investment bank is authorised as a sales advisor in the current period for the sale of the relevant company or the shares owned by the company and in this context, necessary works related to the sale and negotiations with potential investors will be initiated. Although the process continues as of the reporting date, further information regarding the sale is explained in Note 48 "Events after the reporting period".

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

The other assets classified as "non current assets held for sale" primarily comprise real estates acquired by the Group against its impaired receivables. The related real estates subject to sale are announced on the Group's website. Announcements are made by using newspaper ads and similar media. Impairment losses provided on real estates held for sale were determined based on the appraisals of independent appraisal firms.

21. Other assets

At 31 December 2021 and 31 December 2020, other assets comprised the following:

	2021	2020
Credit card receivables	1,382,839	1,148,317
Deposits and guarantees given	3,809,315	2,268,880
Receivables from clearing house	8,754,762	8,810,261
Prepaid expenses	3,494,280	1,675,690
Deferred acquisition costs for insurance contracts	1,003,067	691,527
Precious metal (Gold)	360,451	361,109
Advances given	846,932	631,425
VAT deductible and carried forward	435,723	108,053
Receivables from banking services	113,466	103,027
Advances given for tangible and intangible assets	521,434	288,423
Other	5,637,819	3,281,969
Expected credit loss (-)	(119,103)	(76,525)
Total	**26,240,985**	**19,292,156**

Commissions and other acquisition costs given to the intermediaries that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalised as deferred acquisition cost. For the year ended 31 December 2021 and 31 December 2020, movement of deferred acquisition cost is as follows:

	2021	2020
Deferred acquisition cost at the beginning of the year	691,527	585,231
Commissions accrued during the year	2,481,607	1,870,408
Commissions expensed during the year	(2,170,067)	(1,764,112)
Deferred acquisition cost at the end of the year	**1,003,067**	**691,527**

22. Deposits

At 31 December 2021 and 31 December 2020, deposits from banks comprised the following:

	2021	2020
Payable on demand	1,302,757	1,123,809
Term deposits	5,124,277	4,580,463
Deposits from banks	**6,427,034**	**5,704,272**

As at 31 December 2021, deposits from banks include TL accounts amounting to TL 1,627,762 (31 December 2020: TL 2,385,475) and foreign currency accounts amounting to TL 4,799,272 (31 December 2020: TL 3,318,797) in total.

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

At 31 December 2021 and 31 December 2020, deposits from customers comprised the following:

	2021			2020		
	Demand	**Time**	**Total**	**Demand**	**Time**	**Total**
Foreign currency deposits	194,555,690	188,698,976	383,254,666	88,276,289	112,158,135	200,434,424
Saving deposits	29,130,181	82,444,651	111,574,832	21,210,745	69,132,724	90,343,469
Commercial deposits	18,059,300	28,107,083	46,166,383	12,867,849	22,750,674	35,618,523
Public institutions and other deposits	47,821,373	12,006,648	59,828,021	33,636,089	7,850,076	41,486,165
Deposits from customers	**289,566,544**	**311,257,358**	**600,823,902**	**155,990,972**	**211,891,609**	**367,882,581**

23. Obligations under repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates. The securities sold under repurchase agreements and corresponding obligations are as follows:

	2021	**2020**
Obligations under repurchase agreements	50,085,891	24,558,771
	50,085,891	**24,558,771**

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As at 31 December 2021, the maturities of the obligations varied from three days to five years (31 December 2020: four days to one year). The underlying securities for obligations under repurchase agreements are given in Note 10.

24. Funds borrowed

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

	31 December 2021			31 December 2020		
	Short term	**Long term**	**Total**	**Short term**	**Long term**	**Total**
Funds borrowed from domestic banks and institutions	8,683,127	9,456,171	18,139,298	4,969,157	5,562,408	10,531,565
Funds borrowed from foreign banks and institutions	12,629,069	112,878,143	125,507,212	4,442,652	70,806,331	75,248,983
Funds borrowed	**21,312,196**	**122,334,314**	**143,646,510**	**9,411,809**	**76,368,739**	**85,780,548**

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

Borrowings from foreign banks and institutions include syndicated loans, securitisation transactions and other borrowings. Details of syndicated loans and securitisation transactions as at 31 December 2021 are as follows:

Remaining principal	Maturity
EURO 14 Million (1)	August 2024
EURO 21 Million (1)	August 2024
EURO 20 Million (2)	November 2025
USD 140 Million (3)	November 2028
USD 3 Million (4)	February 2022
USD 15 Million (4)	February 2030
USD 104 Million (5)	August 2025
USD 38 Million (6)	November 2028
USD 30 Million (7)	November 2026
USD 62 Million (7)	November 2029
USD 33 Million (8)	November 2024
USD 25 Million (8)	November 2022
USD 20 Million (8)	November 2022
USD 8 Million (8)	November 2022
USD 17 Million (8)	November 2022
EURO 25 Million (8)	November 2022
EURO 17 Million (8)	November 2022
USD 105 Million (8)	February 2027
USD 20 Million (8)	February 2027
USD 300 Million (10)	June 2022
EURO 545 Million (10)	June 2022
USD 55 Million (14)	July 2022
EURO 116 Million (14)	July 2022
USD 328 Million (15)	November 2022
EURO 434 Million (15)	November 2022

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

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.

(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). Series 2016-A Notes, Series 2016-C Notes and Series 2016-D Notes have been fully repaid in November 2021.

(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. The loan has been fully repaid in November 2021.

(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. The loan has been fully repaid in July 2021.

(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. The loan has been fully repaid in November 2021.

(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.

(14) In July 2021, TSKB has signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 55 million and EURO 116 million.

(15) In November 2021, the Bank signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 328 million and EURO 434 million.

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

25. Debt securities issued

Currency	Maturity	Interest rate (%)	2021	2020
TL	January 2022 - March 2024	3.50-21.00	8,784,977	7,134,908
USD	April 2022 - December 2029	5.05-8.10	48,153,693	36,352,973
Other currencies	September 2022	5.43	144,911	86,676
Debt securities issued			**57,083,581**	**43,574,557**

As of 31 December 2021, debt securities with fixed interest rate is amounting to TL 55,425,624 and variable interest rates is amounting to TL 1,657,957 (31 December 2020: TL 42,400,768 fixed interest rate, TL 1,173,789 variable interest rate).

The Group do not have any defaults of principal, interest or other breaches with respect to its debt securities during the years ended 31 December 2021 and 31 December 2020.

The movement of debt securities issued and subordinated liabilities between 1 January 2021 – 31 December 2021 is as follows;

	Beginning Balance	Proceeds	Repayment	Effects of exchange rates in movements	Accruals (Net)	Ending Balance
Debt securities issued and subordinated liabilities	67,989,399	20,594,682	(31,720,839)	41,069,514	624,907	98,557,663

The movement of debt securities issued and subordinated liabilities between 1 January 2020 – 31 December 2020 is as follows;

	Beginning Balance	Proceeds	Repayment	Effects of exchange rates in movements	Accruals (Net)	Ending Balance
Debt securities issued and subordinated liabilities	59,631,971	27,422,787	(32,918,518)	13,273,235	579,924	67,989,399

26. Payables to money market

	2021	2020
Interbank money market transactions	--	85,026
Istanbul Stock Exchange money market transactions	3,651,962	1,340,850
Payables to money market	**3,651,962**	**1,425,876**

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

As at 31 December 2021 and 31 December 2020, interest rates and maturities of Istanbul Stock Exchange money market transactions are as follows:

2021				
Description	**Currency type**	**Interest rate (%)**	**Maturity**	**Amount**
Principal	TL	16.50-20.00	3 January – 17 February 2022	3,630,551
Interest accruals	TL			21,411
Istanbul Stock Exchange money market transactions				**3,651,962**

2020				
Description	**Currency type**	**Interest rate (%)**	**Maturity**	**Amount**
Principal	TL	16.00-18.25	4 January – 29 January 2021	1,336,843
Interest accruals	TL			4,007
Istanbul Stock Exchange money market transactions				**1,340,850**

27. Trade payables

At 31 December 2021 and 31 December 2020, trade payables comprised the following:

	2021	**2020**
Customer payables of brokerage firms	2,341,297	3,481,127
Trade payables in manufacturing companies	4,842,589	2,310,218
Other trade payables	2,925,368	1,837,788
Trade payables	**10,109,254**	**7,629,133**

28. 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 31 December 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 31 December 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.

In accordance with Article 298/A of the Tax Procedure Law, necessary conditions for inflation adjustment in the calculation of corporate tax as of the end of the 2021 calendar year have been met. However, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023 with the regulation of "Law on the Amendment of the Tax Procedure Law and the Corporate Tax Law" numbered 7352, published in the Official Gazette dated 29 January 2022 and numbered 31734. Accordingly, financial statements prepared in accordance with Tax Procedure Law for 2021 and 2022 and temporaray tax periods of 2023 will not be subject to inflation adjustment. On the other hand, financial statements as of 31 December 2023 will be subject to inflation adjustment regardless the conditions are met or not.

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.

Withholding tax

In addition to corporate taxes, companies should also calculate withholding tax on dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The withholding tax rate was reduced to 10% (31 December 2020: 15%) with the Presidential Decision No. 4936, which was published in the Official Gazette dated 22 December 2021.

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.

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

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 31 December 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
Hungary	9.0
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
Slovakia	21.0
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 Sişecam Group. According to the tax regulations in Germany, corporate gains of Isbank 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.

Deferred taxes

Taxes on income for the period also comprise deferred taxes. Deferred income tax is provided, using the balance sheet method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability and asset are recognised when it is probable that the future economic benefits resulting from the reversal of temporary differences will flow to or from the Bank. Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Currently enacted or substantively enacted tax rates are used to determine deferred taxes on income. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

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. Within this context deferred tax is calculated over 20%, 23%, 25% rates considering the periods when deferred tax assets and liabilities would be realised (31 December 2022: %22).

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

Individual consolidated subsidiaries offset deferred tax asset and deferred tax liability if the deferred tax asset and deferred tax liability relate to income taxes levied by the same taxation authority. Subsidiaries that have deferred tax assets position are not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

At 31 December 2021 and 31 December 2020, tax items in the statement of financial position are as follows:

	2021	2020
Corporate tax provision	4,186,976	5,149,777
Corporate tax paid in advance	(1,961,528)	(2,997,654)
Corporate tax liability and prepaid tax(*)	**2,225,448**	**2,152,123**
Other taxes and dues payable	**1,726,056**	**962,213**
Deferred tax assets	(4,312,073)	(4,807,716)
Deferred tax liabilities	757,656	366,318
Deferred tax assets, net	**(3,554,417)**	**(4,441,398)**

(*) Corporate tax provision amount of some subsidiaries for the year ended 31 December 2021 is less than the prepaid tax payments made within the period. Therefore, TL 152,861 is not offset and is recorded as current tax assets after deducting the corporate tax provision of those subsidiaries as at 31 December 2021 (31 December 2020: TL 76,009). Net tax amount is presented in the above table.

Deferred tax assets and liabilities are attributable to the following:

	2021	2020
Provision for the pension funds	(1,239,611)	(861,134)
Investment incentives	(1,068,487)	(1,117,253)
Reserve for employee severance indemnity	(485,589)	(470,807)
Carried forward tax losses	(857,876)	(288,000)
Valuation difference on financial assets and liabilities	2,115,210	(550,356)
Property, plant and equipment	2,217,698	1,312,527
Other (*)	(4,235,762)	(2,466,375)
Deferred tax assets, net	**(3,554,417)**	**(4,441,398)**

(*) Includes deferred tax effect of insurance technical provisions, provisions for credit card bonuses, expected credit losses for Stage 1 and Stage 2 loans and other provisions.

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

Movement of net deferred tax assets can be presented as follows:

	2021	2020
Deferred tax assets, net at 1 January	**(4,441,398)**	**(2,788,950)**
Deferred income tax recognised in other comprehensive income	312,392	197,519
Deferred tax recognised in the income statement	1,088,850	(1,854,118)
Deferred tax recognised in retained earnings	--	13,786
Effects of exchange rates in movement	(513,897)	(9,635)
Effects of acquisition of subsidiaries	(364)	--
Deferred tax assets, net at the end of the year	**(3,554,417)**	**(4,441,398)**

An analysis of the Group's income tax expense for the year ended 31 December is as follows:

	2021	2020
Current tax expense		
Current period	(4,179,736)	(5,226,289)
Deferred tax expense		
Origination and reversal of temporary differences	(1,088,850)	1,854,118
Total income tax expense	**(5,268,586)**	**(3,372,171)**

Reconciliation of effective tax rate

The reported taxation charge for the year ended 31 December is different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2021		2020	
	Amount	**%**	**Amount**	**%**
Profit before income tax	**25.249.874**		**12,420,179**	
Income tax using the Bank's domestic tax rate	6,312,468	25.00	2,732,440	22.00
Effect of tax rates in foreign jurisdictions	(144,931)	(0.57)	(32,483)	(0.26)
Share of profit/(loss) of equity accounted investees	(67,582)	(0.27)	(27,894)	(0.22)
Investment incentives	(5,171)	(0.02)	(8,736)	(0.07)
Dividend and other tax exempt income	(1,645,633)	(6.52)	(870,242)	(7.01)
Non-deductible expenses	939,256	3.72	872,087	7.02
Other (*)	(119,821)	(0.47)	706,999	5.69
	5,268,586	**20.87**	**3,372,171**	**27.15**

(*) The effect of current year unutilised tax losses and consolidation adjustments are also included.

Expiration schedule of carry forward tax losses

As at 31 December 2021, the Group has deductable tax losses amounting TL 5,131,062 (31 December 2020: TL 2,467,296). The Group has recognised deferred tax assets on tax losses amounting TL 3,598,455 because it is probable that future taxable profit will be available in accordance with the Group's projections (31 December 2020: TL 1,739,366). Expiration schedule of carry forward tax losses which are considered in deferred tax calculation is as follows:

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

	2021	2020
Up to 1 year	108,188	63,631
Up to 2 years	48,482	68,430
Up to 3 years	167,743	78,328
Up to 4 years	248,268	117,359
5 years and above	3,025,774	1,411,618
Carry forward tax losses	**3,598,455**	**1,739,366**

The Group has not recognised deferred tax assets on tax losses amounting TL 1,532,607 because it is not probable that future taxable profit will be available against which the Group companies can utilise the benefits thereafter (31 December 2020: TL 727,930).

29. Provisions

At 31 December 2021 and 31 December 2020, provisions comprised primarily provision for general banking risks, provision for non-cash loans, credit card bonus provision and other provisions. The movement of the provisions during the year ended 31 December is as follows:

	Provision for general banking risks(*)	Credit card bonus provision	Other provisions	Total
Balance as at 1 January 2021	**2,730,000**	**72,709**	**254,304**	**3,057,013**
Provision set during the year	1,200,000	49,943	627,747	1,877,690
Payments and reversals	--	(13,779)	(97,859)	(111,638)
Balance as at 31 December 2021	**3,930,000**	**108,873**	**784,192**	**4,823,065**

(*) Provision for general banking risks amounting to TL 3,930,000 is provided by the Group management considering the potential circumstances which may arise from any changes in the economy or market conditions.

	Provision for general banking risks(*)	Credit card bonus provision	Other provisions	Total
Balance as at 1 January 2020	**980,000**	**89,062**	**123,309**	**1,192,371**
Provision set during the year	1,750,000	2,458	535,743	2,288,201
Payments and reversals	--	(18,811)	(404,748)	(423,559)
Balance as at 31 December 2020	**2,730,000**	**72,709**	**254,304**	**3,057,013**

(*) Provision for general banking risks amounting to TL 2,730,000 is provided by the Group management considering the potential circumstances which may arise from any changes in the economy or market conditions.

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

Expected credit loss from non-cash loans

Movement in expected credit losses from non-cash loans as of 31 December 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 year	175,977	87,851	543,021
Recoveries and reversals	(107,112)	(75,058)	(109,950)
Write offs	--	--	--
Transfer to stage 1	22,209	(10,247)	(11,962)
Transfer to stage 2	(3,229)	6,356	(3,127)
Transfer to stage 3	(642)	(53,993)	54,635
Effects of movements in exchange rates	42,876	14,761	47,363
Balance as at 31 December 2021	**351,643**	**194,506**	**1,215,814**

	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**

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) of 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 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.

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

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 162,960 as at 31 December 2021 (31 December 2020: TL 128,837).

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 still ongoing within the framework of the ongoing lawsuits and other available legal options.

Group management allocated free provision within conservatism principle, for possible changes that may arise in the economy and market conditions, amounting to TL 3,930,000 of which TL 2,730,000 provided in prior years and TL 1,200,000 was provided in the current period.

30. Employee benefits

	2021	2020
Provision for defined benefit plans	6,198,054	4,305,672
Reserve for employee severance indemnity and vacation pay liability	4,218,981	2,356,021
Total employee benefits	**10,417,035**	**6,661,693**

Provision for defined benefit plans

Employees of the Bank are members of "Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı", employees of Milli Reasürans are members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı", employees of TSKB are member of "Türkiye Sınai Kalkınma Bankası Memur ve Müstahdemleri Yardım ve Emekli Vakfı" and employees of Anadolu Sigorta are members of "Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı Vakfı" (collectively "the Funds"), which are established in accordance with the temporary Article 20 of the Social Security Act No. 506 and separate legal entities and foundations recognised by an official decree, providing all qualified employees with pension and post-retirement benefits.

As per the provisional Article No. 23 of the Banking Law No. 5411, pension funds which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on 1 November 2005. Methods and principles related to the transfer have been determined as per the Cabinet decision No. 2006/11345 published on 30 November 2006. However, the said article of the Banking Law has been vetoed by the President on 2 November 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered E.2005/39, K.2007/33 and the decision has been cancelled from the date of publication.

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated 8 May 2008 and came into force.

The new law decrees that the contributors of the Bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this law within 3 years after the release date of the related article, without any need for further operation. Three-year transfer period can be prolonged for maximum 2 years by the Cabinet decision.

However related transfer period has been prolonged for 2 years by the Cabinet decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, limit for prolonging the transfer period is raised to 4 years. The transfer period has been prolonged for one more year by the Cabinet decision dated 8 April 2013, which was published on the Official Gazette dated 3 May 2013 and numbered 28636, and one more year by the Cabinet decision dated 24 February 2014, which was published on the Official Gazette dated 30 April 2014 and numbered 28987. The Cabinet has been lastly authorised to determine the transfer date in accordance with the amendment of the 20th provisional article of Law No. 5510 which is implemented by the Law No. 6645 "Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws" published in the Official Gazette dated 23 April 2015 and numbered 29335. This authority was transferred to the President with the delegated legislation No.703 which was published in the repetitive Official Gazette No. 30473 dated 9 July 2018.

On the other hand, the application made on 19 June 2008 by the Republican People's Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the aforementioned court on 30 March 2011.

The above mentioned law also states that;

- Through a commission constituted by the attendance of one representative separately from the Social Security Institution, Ministry of Finance, Turkish Treasury, State Planning Organisation, Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund, one from each pension fund, and one representative from the organisation employing pension fund contributors, related to the transferred persons, the present value of the liabilities of the pension fund as of the transfer date will be calculated by considering their income and expenses in terms of the lines of insurance within the context of the related Law, and technical interest rate of 9.8% will be used in the actuarial calculation of the present value.

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

- Following the transfer of pension fund contributors, the ones who receive salaries and/or income from these funds and their rightful beneficiaries to the Social Security Institution, uncovered social rights and payments of these persons' that were included in the fund indenture they were subject to before the transfer, will be continued to be covered by the pension funds and the employers of pension fund contributors.

In line with the new law, the Bank had an actuarial valuation as of 31 December 2021. A provision equal to the actuarial and technical deficit measured according to aforementioned report is reflected in the year-end financial statements. Besides the Bank, Anadolu Sigorta, Milli Reasürans and TSKB also had actuarial audits as of 31 December 2021 for their pension funds. A provision for the actuarial and technical deficit amount according to actuarial valuation for Milli Reasürans is also present in the consolidated financial statements. According to actuarial reports of Anadolu Anonim Sigorta and TSKB, an actuarial or technical deficit amount necessiating a provision is not identified.

As stated above, actuarial audits have been made by registered actuaries to determine the amount to be paid to the Social Security Institution by the Group in accordance with the new law as of 31 December 2021. The CSO 1980 mortality table, technical deficit interest rate of 9.8% and premium rate of 34.5% are taken into account for the calculation of the technical deficit. Those assumptions are specified in the law and are the same in comparative period.

At 31 December 2021 and 31 December 2020, technical deficit from pension funds comprised the following:

2021	**The Bank**	**Milli Reasürans**	**Total**
Net present value of total liabilities other than health	(15,810,869)	(238,855)	(16,049,724)
Net present value of insurance premiums	5,858,707	64,386	5,923,093
Net present value of total liabilities other than health	**(9,952,162)**	**(174,469)**	**(10,126,631)**
Net present value of health liabilities	(1,873,541)	(28,428)	(1,901,969)
Net present value of health premiums	4,247,562	35,160	4,282,722
Net present value of health liabilities	**2,374,021**	**6,732**	**2,380,753**
Pension fund assets	**1,483,086**	**64,738**	**1,547,824**
Amount of actuarial and technical deficit	**(6,095,055)**	**(102,999)**	**(6,198,054)**

2020	**The Bank**	**Milli Reasürans**	**Total**
Net present value of total liabilities other than health	(12,863,517)	(176,278)	(13,039,795)
Net present value of insurance premiums	5,185,068	42,295	5,227,363
Net present value of total liabilities other than health	**(7,678,449)**	**(133,983)**	**(7,812,432)**
Net present value of health liabilities	(1,564,560)	(20,229)	(1,584,789)
Net present value of health premiums	3,759,175	23,199	3,782,374
Net present value of health liabilities	**2,194,615**	**2,970**	**2,197,585**
Pension fund assets	**1,247,723**	**61,452**	**1,309,175**
Amount of actuarial and technical deficit	**(4,236,111)**	**(69,561)**	**(4,305,672)**

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

Plan assets as at 31 December 2021 and 31 December 2020 comprised the following items:

2021	**The Bank**	**Milli Reasürans**	**Total**
Cash and cash equivalents	984,609	46,206	1,030,815
Securities portfolio	439,018	16,823	455,841
Other	59,459	1,709	61,168
Total plan assets	**1,483,086**	**64,738**	**1,547,824**

2020	**The Bank**	**Milli Reasürans**	**Total**
Cash and cash equivalents	752,948	47,150	800,098
Securities portfolio	439,787	12,431	452,218
Other	54,988	1,870	56,858
Total plan assets	**1,247,723**	**61,451**	**1,309,174**

After the transfer of benefit plans, the currently paid health benefits will be determined within the framework of the Social Security Institution legislation and other regulations.

Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik Yardımlaşma Sandığı Vakfı, which has been founded by the Bank employees in accordance with the provisions of the Commercial Code and Civil Code, is a supplementary pension fund established to provide additional social aid and retirement benefits to its beneficiaries. The same is valid for the supplementary pension funds of TSKB, Milli Reasürans and Anadolu Sigorta, which are among the other financial institutions of the Group.

Reserve for employee severance indemnity

Under the Turkish Labour Law, the Bank and its Turkish subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

Such payments are calculated on the basis of 30 days' pay (subject to pay ceiling announced by the Government) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay liability is computed and reflected in the consolidated financial statements on a current basis. The pay ceiling announced by the Government as of 31 December 2021 is TL 8,284.51 (full amount) (TL 7,117.17 as at 31 December 2020).

The following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2021, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2021 has been calculated assuming an annual inflation rate between 10.95% – 15.07% and a discount rate between 14.83% – 19.10% resulting in a real discount rate 3.50% (31 December 2020: annual inflation rate between 8.00% – 8.90% and a discount rate between 12.40% – 13.57% resulting in a real discount rate between 4.07% – 4.29%). Retirement date for an employee is accepted as the earliest possible retirement date for that employee.

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

The amount of the reserve for employee severance indemnity during the year ended 31 December is as follows:

	2021	2020
Balance at 1 January	**2,179,436**	**1,766,293**
Change in scope of consolidation	579,878	54
Service cost	301,427	190,815
Interest cost	276,139	214,056
Effects of change in foreign exchange rate	24,688	8,266
Actuarial difference	789,401	146,068
Payments made during the year	(185,295)	(152,477)
Profit or loss due to payment/reduced benefits or dismissal	11,097	6,358
Prior year service cost	--	3
Balance as at 31 December	**3,976,771**	**2,179,436**
Vacation pay liability	242,210	176,585
Total	**4,218,981**	**2,356,021**

31. Other liabilities

	2021	2020
Credit card payables to affiliated merchants	15,823,724	10,235,187
Miscellaneous payables	1,828,506	1,965,131
Unclaimed wages and payables	1,888,431	308,204
Derivative liabililities	1,754,903	427,223
Payables to personnel	1,476,213	527,505
Deposits and advances taken for imports	648,581	233,280
Payables to clearing accounts	4,700,115	3,148,656
Expense accruals	355,381	180,111
Payment orders	1,500,574	947,721
Unearned revenue	1,051,248	535,604
Blocked money	505,756	371,580
Payables to funds	854,758	226,058
Cash guarantees	524,802	502,179
Other	4,096,145	1,359,390
Other liabilities	**37,009,137**	**20,967,829**

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

32. Subordinated liabilities

	Interest Rate	Years of maturity	2021	2020
USD 1,000 million coupon fixed interest rate	6.00%	October 2022	13,224,680	7,461,808
USD 750 million coupon fixed interest rate	7.75%	January 2030	10,146,775	5,726,705
USD 500 million coupon fixed interest rate	7.00%	June 2028	6,543,750	3,687,548
USD 400 million coupon fixed interest rate	7.85%	December 2023	5,254,152	2,964,709
TL 1,100 million variable interest rate	21.93%	July 2027	1,138,727	1,129,870
TL 800 million variable interest rate	16.70%	June 2029	805,776	805,579
TL 350 million variable interest rate	25.99%	September 2029	351,942	351,061
USD 300 million coupon fixed interest rate	7.63%	March 2027	4,008,280	2,287,562
Subordinated liabilities			**41,474,082**	**24,414,842**

On 24 October 2012, the Bank issued 10-year-term bond with a nominal value of USD 1,000 million, as a subordinated liability. The bond is issued for the individual and legal persons who are resident abroad, with maturity of 24 October 2022 and 6.00% interest rate.

On 22 January 2020, the Bank issued 10-year-term bond with a nominal value of USD 750 million, as a subordinated liability. The bond is issued for the individual and legal persons who are resident abroad, with maturity of 22 January 2030 and 7.75% interest rate.

On 29 June 2017, the Bank, issued 11-year-term bond with a nominal value of USD 500 million, as a subordinated liability. The bond is issued for individual and legal persons who are resident abroad, with maturity of 29 June 2028 and 7.00% interest rate.

On 10 December 2013, the Bank issued 10-year-term bond with a nominal value of USD 400 million, as a subordinated liability. The bond is issued for the individual and legal persons who are resident abroad, with maturity of 10 December 2023 and 7.85% interest rate.

On 8 August 2017, the Bank, issued 10-year-term bond with a nominal value of TL 1,100 million (full amount), as a subordinated liability. The bond is issued for qualified domestic investors, with maturity of 27 July 2027 and 21.93% interest rate.

On 19 June 2019, the Bank issued 10-year-term bond with a nominal value of TL 800 million (full amount), as a subordinated liability. The bond is issued for the qualified domestic investors, with maturity of 19 June 2029 and 16.70% interest rate.

On 26 September 2019, the Bank issued 10-year-term bond with a nominal value of TL 350 million (full amount), as a subordinated liability. The bond is issued for the qualified domestic investors, with maturity of 26 September 2029 and 25.99% interest rate.

On 28 March 2017, TSKB, a subsidiary of the Group, issued 10-year-term bond with a nominal value of USD 300 million, as a subordinated liability. The bond is issued for the individual and legal persons who are resident abroad, with maturity of 29 March 2027 and 7.63% interest rate.

The above liabilities will, in the event of the winding-up of the issuer, be subordinated to the claims of depositors and all other creditors of the issuer.

The Group has not had any defaults of principal, interest or other breaches with respect to its subordinated liabilities.

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

33. 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.

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

		31 December 2021		31 December 2020	
Group	**Par Value Full TL**	**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:

	31 December 2021		31 December 2020	
	Paid-up capital	**(%)**	**Paid-up capital**	**(%)**
Supplementary Pension Fund of İşbank Members	2,278,952	37.26	2,267,807	37.08
Republican People's Party ("CHP")	1,718,092	28.09	1,718,092	28.09
Publicly traded	2,118,894	34.65	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.

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

As at 31 December 2021, the Group has legal reserves amounting to TL 6,657,115 (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.

Other reserves

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

Non-controlling interests

Majority of non-controlling interest balance comes from Şişecam Group, TSKB and İş GYO. Financial information regarding these subsidiaries are presented below.

2021	Total Assets	Total Equity	Current Year Profit	Previous Year Profit
Şişecam Group	88,672,511	49,363,708	9,224,376	2,824,571
TSKB	85,932,291	7,121,141	1,097,309	709,473
İş GYO	6,676,321	5,475,663	1,329,920	266,502

2020	Total Assets	Total Equity	Current Year Profit	Previous Year Profit
Şişecam Group	44,228,036	22,491,233	2,824,571	2,700,319
TSKB	52,430,294	6,230,143	709,473	736,141
İş GYO	5,225,405	4,130,954	266,502	297,390

Dividends

Regarding the profit for the year 2021, at the Ordinary General Assembly of the Bank held on 25 March 2022, it was decided to distribute dividend starting from 29 March 2022.

The amounts shown below has been added to the net profit amount of 2021 (TL 13,467,895).

• Prior years'profit arising from the application of "IFRS 9 - Financial Instruments", also from the equity method specified in "IAS 27 - Separate Financial Statements" and also from the sales of some real estates measured on the basis of "IAS 16 - Property, Plant and Equipment" in the amount of TL 5,414,586

• The provision provided for employee dividend distribution within the scope of "IAS- 19 Employee Benefits" in the amount of TL 360,000

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

Net distributable profit is calculated in the amount of TL 19,098,876, after TL 143,605 has been set as "Special Reserves".

Total amount of TL 19,098,876 has been distributed to;

- Group A, Group B and Group C shareholders in the amount of TL 1,346,780 in cash,
- founder shareholders in the amount of TL 10 in cash,
- personnel in the amount of TL 359,481 in cash

and set as

- legal and extraordinary reserves in the amount of TL 17,392,605.

According to Turkish legislation, unconsolidated current year profit is used for profit distribution.

34. Net fee and commission income

An analysis of the Group's net fee and commission income for the year ended 31 December is as follows:

	2021	**2020**
Fee and commission income		
Credit card fees and commission	4,595,679	2,589,155
Non-cash loan commission	1,322,718	1,146,981
Money transfer charges	837,556	554,988
Commission income from insurance/reinsurance transactions	583,207	462,422
Commission income from payment/collection and other banking transactions	326,481	448,978
Commission income from agency and brokerage	1,814,038	1,680,262
Mutual funds portfolio management commission	170,381	119,671
Customer investigation charges	718,699	266,935
Other	116,156	103,283
Total fee and commission income	**10,484,915**	**7,372,675**
Fee and commission expense		
Deferred acquisition costs	(1,508,144)	(1,203,840)
Commissions given for credit cards	(1,769,578)	(827,880)
Brokerage and other commission	(478,733)	(394,554)
Stock exchange operations commission	(43,263)	(51,519)
Total fee and commission expense	**(3,799,718)**	**(2,477,793)**
Net fee and commission income	**6,685,197**	**4,894,882**

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

35. Income from manufacturing operations

An analysis of the Group's income from manufacturing operations for the year ended 31 December is as follows:

	2021	2020
Foreign sales	19,244,741	12,939,115
Domestic sales	14,483,062	9,840,703
Other income from manufacturing operations	26,541	17,375
Sales discounts	(1,356,920)	(947,327)
Sales returns	(92,292)	(89,415)
Other discounts	(297,395)	(449,739)
Total income from manufacturing operations	**32,007,737**	**21,310,712**

36. Income from insurance operations

	2021	2020
Premiums earned	9,806,262	8,084,955
- Premiums earned, gross	*13,106,392*	*10,678,570*
- Premiums earned, ceded	*(3,300,130)*	*(2,593,615)*
Pension business technical income	491,871	360,756
Other technical income	271,322	334,361
Income from insurance operations	**10,569,455**	**8,780,072**

37. Other operating income

An analysis of the Group's other operating income for the year ended 31 December is as follows:

	2021	2020
Gain on sale of assets	546,050	328,367
Fair value changes of investment properties	1,518,472	357,545
Reversal of excess provisions	258,567	188,285
Other	1,371,123	641,912
Total other operating income	**3,694,212**	**1,516,109**

38. Cost of manufacturing operations

An analysis of the Group's cost of manufacturing operations for the year ended 31 December is as follows:

	2021	2020
Direct materials	9,796,777	6,035,112
Production overheads	6,197,695	3,503,019
Cost of merchandises sold	2,815,559	2,282,057
Depreciation and amortisation expenses	1,662,795	1,353,206
Direct labour	1,476,496	1,062,567
Cost of construction	10,955	47,335
Cost of services given	639,007	394,100
Change in work-in-progress inventories	(167,083)	(791)
Change in finished goods inventories	(1,557,122)	1,247
Total manufacturing operations cost	**20,875,079**	**14,677,852**

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

39. Cost of insurance operations

	2021	2020
Claims paid	6,231,347	4,608,740
-Claims paid, gross	*7,266,442*	*5,484,723*
-Claims paid, ceded	*(1,035,095)*	*(875,983)*
Change in provisions for outstanding claims	2,268,241	1,314,440
Change in other technical provisions	184,431	9,386
Change in life mathematical provisions	2,408,338	953,866
-Change in life mathematical provisions, gross	*2,409,545*	*954,230*
-Change in life mathematical provisions, ceded	*(1,207)*	*(364)*
Cost of insurance operations	**11,092,357**	**6,886,432**

40. Other operating expenses

An analysis of the Group's other operating expenses for the year ended 31 December is as follows:

	2021	2020
General administrative expenses	15,696,037	12,258,778
Marketing, selling and distribution expenses	5,714,802	3,807,195
Provision expenses, net(*)	2,439,843	2,608,603
Deposit insurance premium expense	1,016,208	773,260
Research and development expenses	172,851	96,047
Total of other operating expenses	**25,039,741**	**19,543,883**

(*) Includes free provision expense amounting to TL 1,200,000 (31 December 2020: TL 1,750,000).

An analysis of the Group's general administrative expenses for the year ended 31 December is as follows:

General administrative expenses	2021	2020
Salaries and employee benefits	8,328,652	6,776,423
Depreciation and amortisation expenses	1,378,466	1,108,018
Administration expenses	1,904,232	1,218,642
Leasing expenses related to exceptions to IFRS 16	136,658	121,174
Taxation expense other than income	537,359	469,208
Maintenance expense	350,007	283,317
Communication expense	324,736	278,909
Judiciary expenses	174,835	181,028
Outsourcing services	348,846	497,944
Other	2,212,246	1,324,115
Total general administrative expenses	**15,696,037**	**12,258,778**

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

41. Income and cost from other operations

An analysis of the Group's income and cost from other operations for the year ended 31 December is as follows:

	2021	2020
Income from other operations		
Income from sales of property equipment of real estate firms	238,455	381,134
Income from medical services	204,342	142,697
Rent income from investment property of real estate firms	73,619	63,090
Income from software and technology services	155,217	69,131
Other services rendered	612,467	433,079
Total income from other operations	**1,284,100**	**1,089,131**
Cost of other operations		
Cost from medical services	(349,995)	(276,078)
Cost from sales of property equipment of real estate firms	(151,228)	(344,250)
Depreciation and amortisation expenses	(21,050)	(20,638)
Cost of rent from investment property of real estate firms	(11,531)	(10,247)
Cost from software and technology services	(705,585)	(524,998)
Other services rendered	(790,292)	(609,463)
Total cost of investment and other operations	**(2,029,681)**	**(1,785,674)**

42. Impairment losses on financial assets, net

An analysis of the Group's provision for impairment on loans for the year ended 31 December is as follows:

	2021	2020
Impairment losses on loans (net of collections/recoveries)	(10,324,654)	(9,527,343)
Impairment losses on factoring receivables (net of collections/recoveries)	(13,076)	(13,737)
Impairment losses on finance lease receivables (net of collections/recoveries)	(277,345)	(138,171)
Impairment losses on non-cash loans (net of collections/recoveries)	(609,913)	(368,225)
Impairment losses on financial assets (net of collections/recoveries)	(396,374)	(176,899)
Impairment losses on loans and advances	**(11,621,362)**	**(10,224,375)**

43. 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.

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

	Banking business				Non-banking business				
	Corporate / Commercial	Retail / Private	Treasury / Investment	All other banking segments	Insurance	Investment and finance	Manufacturing, trading and service	Reconciliation	Total
31 December 2021									
Total assets	474,386,891	99,696,826	256,642,688	207,863,029	35,426,176	44,668,923	130,101,034	(110,564,439)	1,138,221,128
Total liabilities and equity	312,022,431	338,253,903	218,813,484	169,499,616	35,426,176	44,668,923	130,101,034	(110,564,439)	1,138,221,128
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

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

	Banking business				Non-banking business					
1 January – 31 December 2021 **Income statement**	**Corporate / Commercial**	**Retail/ Private**	**Treasury / Investment**	**All other banking segments**	**Insurance**	**Investment and finance**	**Manufacturing trading and service**	**Combined**	**Adjustments**	**Total**
Interest income	35,704,499	12,353,944	17,912,191	199,393	1,693,209	2,228,257	2,328,221	72,419,714	(1,723,445)	70,696,269
Interest expense	(6,820,556)	(10,642,224)	(13,062,808)	(1,261,505)	(29,945)	(1,494,688)	(1,375,092)	(34,686,818)	1,820,255	(32,866,563)
Net interest income	**28,883,943**	**1,711,720**	**4,849,383**	**(1,062,112)**	**1,663,264**	**733,569**	**953,129**	**37,732,896**	**96,810**	**37,829,706**
Net fee and commission income	6,776,545	2,709,306	22,975	(1,742,813)	(1,817,032)	873,502	(304)	6,822,179	(136,982)	6,685,197
Securities trading income, net	--	--	363,569	--	442,577	1,087,596	3,243	1,896,985	(10,766)	1,886,219
Derivative trading income / (expense), net	--	--	852,928	--	(1,208,797)	(88,337)	1,571,163	1,126,957	269,167	1,396,124
Income from manufacturing operations	--	--	--	--	--	--	46,164,661	46,164,661	(14,156,924)	32,007,737
Income from insurance operations	--	--	--	--	10,700,222	--	--	10,700,222	(130,767)	10,569,455
Cost of manufacturing operations	--	--	--	--	--	--	(33,656,102)	(33,656,102)	12,781,023	(20,875,079)
Cost of insurance operations	--	--	--	--	(11,096,816)	--	--	(11,096,816)	4,459	(11,092,357)
Other operating income	--	--	--	800,581	288,914	2,151,294	3,633,770	6,874,559	(1,896,247)	4,978,312
Other operating expense	(2,611,209)	(6,078,683)	(12,635)	(9,098,471)	(1,517,903)	(1,700,646)	(9,460,310)	(30,479,857)	3,410,435	(27,069,422)
Foreign exchange gains / (losses), net	--	--	--	(5,907,826)	4,505,887	257,190	1,376,547	231,798	(12,195)	219,603
Impairment losses on loans and advances, net	--	--	--	(11,357,005)	(10,877)	(306,297)	--	(11,674,179)	52,817	(11,621,362)
Dividend income	--	--	--	29,790	178,243	95,786	1,048,191	1,352,010	(1,286,595)	65,415
Share of losses of equity accounted investees	--	--	--	8,003,345		15,454	--	8,018,799	(7,748,473)	270,326
Profit / (loss) before taxation	**33,049,279**	**(1,657,657)**	**6,076,220**	**(20,334,511)**	**2,127,682**	**3,119,111**	**11,633,988**	**34,014,112**	**(8,764,238)**	**25,249,874**
Income tax expense	**--**	**--**	**(2,387,883)**	**--**	**(506,277)**	**(494,983)**	**(1,866,115)**	**(5,255,258)**	**(13,328)**	**(5,268,586)**
Net profit / (loss)	**33,049,279**	**(1,657,657)**	**3,688,337**	**(20,334,511)**	**1,621,405**	**2,624,128**	**9,767,873**	**28,758,854**	**(8,777,566)**	**19,981,288**

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

	Banking business				Non-banking business					
1 January – 31 December 2020 **Income statement**	**Corporate / Commercial**	**Retail/ Private**	**Treasury / Investment**	**All other banking segments**	**Insurance**	**Investment and finance**	**Manufacturing trading and service**	**Combined**	**Adjustments**	**Total**
Interest income	25,921,341	8,592,126	11,459,677	311,983	951,279	1,228,683	1,345,414	49,810,503	(1,550,404)	48,260,099
Interest expense	(4,335,404)	(5,402,127)	(7,606,741)	(1,330,695)	(24,102)	(851,680)	(1,480,754)	(21,031,503)	1,711,272	(19,320,231)
Net interest income	**21,585,937**	**3,189,999**	**3,852,936**	**(1,018,712)**	**927,177**	**377,003**	**(135,340)**	**28,779,000**	**160,868**	**28,939,868**
Net fee and commission income	4,585,102	2,281,064	15,961	(1,149,516)	(1,467,064)	748,874	(14,064)	5,000,357	(105,475)	4,894,882
Securities trading income, net	--	--	348,158	--	217,066	671,391	5,813	1,242,428	(111,437)	1,130,991
Derivative trading income / (expense), net	--	--	(10,553,574)	--	10,941	248,863	(43,908)	(10,337,678)	154,849	(10,182,829)
Income from manufacturing operations	--	--	--	--	--	--	30,056,955	30,056,955	(8,746,243)	21,310,712
Income from insurance operations	--	--	--	--	8,833,496	--	--	8,833,496	(53,424)	8,780,072
Cost of manufacturing operations	--	--	--	--	--	--	(22,716,174)	(22,716,174)	8,038,322	(14,677,852)
Cost of insurance operations	--	--	--	--	(6,887,214)	--	--	(6,887,214)	782	(6,886,432)
Other operating income	--	--	--	496,525	182,107	1,266,747	2,763,192	4,708,571	(2,103,331)	2,605,240
Other operating expense	(2,122,354)	(4,914,808)	(10,249)	(7,054,807)	(1,154,989)	(1,524,681)	(7,092,247)	(23,874,135)	2,544,578	(21,329,557)
Foreign exchange gains / (losses), net	--	--	--	6,904,561	711,518	(34,689)	143,542	7,724,932	175,858	7,900,790
Impairment losses on loans and advances, net	--	--	--	(10,055,964)	(6,903)	(182,610)	--	(10,245,477)	21,102	(10,224,375)
Dividend income	--	--	--	28,920	142,468	56,466	1,857,223	2,085,077	(2,054,330)	30,747
Share of losses of equity accounted investees	--	--	--	3,406,471	--	2,319	--	3,408,790	(3,280,868)	127,922
Profit / (loss) before taxation	**24,048,685**	**556,255**	**(6,346,768)**	**(8,442,522)**	**1,508,603**	**1,629,683**	**4,824,992**	**17,778,928**	**(5,358,749)**	**12,420,179**
Income tax expense	--	--	(2,265,318)	--	(309,775)	(344,042)	(453,065)	(3,372,200)	29	(3,372,171)
Net profit / (loss)	**24,048,685**	**556,255**	**(8,612,086)**	**(8,442,522)**	**1,198,828**	**1,285,641**	**4,371,927**	**14,406,728**	**(5,358,720)**	**9,048,008**

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

Geographic information

Financial position	Turkey	Europe	USA	Russia, Ukraine & Georgia	Other	Reconciliation	Consolidated
31 December 2021							
Assets	**1,145,901,969**	**61,952,104**	**24,765,005**	**13,469,955**	**2,696,534**	**(110,564,439)**	**1,138,221,128**
Liabilities	1,002,734,059	34,892,911	5,828,012	6,717,689	1,334,476	(38,258,001)	1,013,249,146
Total equity	143,167,910	27,059,193	18,936,993	6,752,266	1,362,058	(72,306,438)	124,971,982
Total liabilities and equity	**1,145,901,969**	**61,952,104**	**24,765,005**	**13,469,955**	**2,696,534**	**(110,564,439)**	**1,138,221,128**

Financial position	Turkey	Europe	Russia, Ukraine & Georgia	Other	Reconciliation	Consolidated
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**

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

44. 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 31 December 2021 and 31 December 2020.

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

	2021	2020
Profit available to shareholders	13,445,421	6,652,815
Weighted average number of shares during the year (thousand)	112,502	112,502
Basic earnings per share (full TL per share)	**0.1195**	**0.0591**

45. 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 years are as follows:

Direct and indirect shareholders	**2021**	**2020**
Trade receivables and other receivables	76,777	1,971
Deposits	302,826	157,226
Trade payables	1,810	--
Interest expense	25,060	4,833
Fee and commission income	28	39
Other operating income	50	45
Other operating expense	5,959	4,227

Others	**2021**	**2020**
Loans and advances		
-Measured at amortised cost	1,302,396	83,623
-Measured at fair value through profit or loss(*)	2,149,813	2,149,813
Non-cash loans	29,318	3,990
Deposits	111,709	67,409
Trade receivables	13,626	17,007
Trade payables	146,972	112,638
Interest income	63,415	9,742
Interest expense	2,203	1,196
Fee and commission income	529	112
Other operating income	20,557	44,953
Other operating expense	575,267	478,331

(*) 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 267,240 (31 December 2020: TL 211,895) comprising salaries and other short-term benefits.

46. Commitment and contingencies

	2021	2020
Letters of guarantee	132,666,963	88,071,210
Commitments for credit card expenditure limits	46,524,830	37,915,127
Letters of credit	48,873,749	22,593,911
Loan granting commitments	35,877,822	25,697,553
Commitments for check payments	3,291,900	2,641,068
Acceptance loans	13,805,873	9,050,343
Endorsements and other guarantees	4,269,208	3,170,943
Other commitments	22,744,067	13,502,960
Commitment and contingencies	**308,054,412**	**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.

		2021		2020
	Buy	Sell	Buy	Sell
Currency swaps	186,689,874	198,522,881	102,486,712	123,471,751
Interest rate swaps	115,873,994	115,873,994	74,433,826	74,433,826
Forward foreign exchange contracts	51,057,595	51,127,096	28,765,589	28,723,820
Currency options	10,867,714	10,580,848	4,093,097	4,053,149
Interest rate options	4,205,556	4,205,556	3,920,016	3,920,016
Marketable security and index options	36,407	322,393	121,010	153,765
Other	26,525,910	7,782,737	22,071,883	5,978,870
Derivative financial instruments held for trading	**395,257,050**	**388,415,505**	**235,892,133**	**240,735,197**

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

	2021		2020	
	Asset	Liability	Asset	Liability
Interest rate swaps	2,691,913	(2,797,587)	2,797,121	(3,238,145)
Currency swaps	17,982,407	(8,012,623)	2,771,556	(4,495,595)
Currency options	689,166	(593,671)	47,431	(37,714)
Forward foreign exchange contracts	2,150,703	(2,548,401)	696,270	(477,931)
Interest rate options	23,110	--	44,492	--
Other	1,030,470	(126,244)	90,560	(451,000)
Fair value of derivatives	**24,567,769**	**(14,078,526)**	**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 – 31 December 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., between 11 January 2021 and 2 December 2021, in the amount of 120,920.48 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 21.51 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. between 12 January 2021 and 28 July 2021, in the amount of 31 tons with a final maturity between 31 December 2021 and 5 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 9 December 2021 in the amount of 573.72 troy ounces with a final maturity of between 31 December 2021 and 4 January 2022 and ounce price will be fixed prices within the range of USD 1,861 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 17 November 2021. In this context, by fixing the price of USD 92.70 and USD 132.00 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 6 January 2023.

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 390 thousand tons which the exchange will be between 7 October 2021 and 7 January 2022.

In order to avoid the cash flow risk occurred from the change in gas prices, Şişecam Group signed various gas purchase swap agreements between 17 November 2021 and 17 January 2022, with Citibank N.A. on 15 June 2021. Total amount of 12,700 thousand sm3 gas will befixed at a price of TL 31,301 thousand with a currency variabled formula structure of petroleum-based fuel.

With the acquisition of the US operations, interest rate swap agreements and natural gas purchase swap agreements in order to reduce interest rate risk exposure were transferred to Şişecam Group. As of 31 December 2021, the amount of interest rate swap contracts are USD 37.5 million and the maturity is

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2024. The maturity of the natural gas purchase swap contracts in the nominal amount of USD 24.1 million are also 2024.

		2021		2020
	Asset	**Liability**	**Asset**	**Liability**
Short term swap agreements	252,317	(29,472)	4,941	(53,762)
Long term swap and option agreements	647,328	(22,166)	261,414	(269,623)
Total derivative assets /(liabilities) held for hedge accounting	**899,645**	**(51,638)**	**266,355**	**(323,385)**

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.

		2021		2020
	Asset	**Liability**	**Asset**	**Liability**
Interest rate swaps	309,346	(20,114)	262,699	--
Currency swaps	48,357	--	--	(154,049)
Total derivative assets/(liabilities) held for hedge accounting	**357,703**	**(20,114)**	**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. 32 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., Şişecam Group has a purchase commitment of 1,259,172 thousand sm3 of natural gas between 1 January 2022 and 31 December 2022 (1 January - 31 December 2021: 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; 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.

Pursuant to Article 5/B of the Corporate Tax Law, inventions resulting from research, development and innovation activities and software activities carried out by corporate taxpayers in Turkey;

- Earnings and revenues obtained as a result of leasing,
- Gains obtained as a result of its transfer or sale,
- Earnings obtained if they are mass-produced and marketed in Turkey,
- The income derived from the sale of the products produced as a result of use in the production process in Turkey, attributed to the invention with patent or utility model certificate, if the conditions specified in the article 50% are fulfilled,

is exempt from corporate tax. The mentioned incentive is utilised by the Group.

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.

Russian Government provides financial incentives for increasing exportation by decreasing %3 interest rate. Exporting expenses has been subjected to incentives. The subsidiaries' of Şişecam Group operates in Russia has been utilised from aforementioned incentives.

47. Ratings

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 – 31 March 2022	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)	Negative
Viability Rating	b+	--

STANDARD & POOR'S – 16 February 2022	Rating	Outlook(*)
Long-term Counterparty Credit Rating	B	Negative
Short-term Counterparty Credit Rating	B	--
Long-term National Scale Rating	trA-	--
Short-term National Scale Rating	trA-2	--

TSKB

MOODY'S – 11 September 2020	**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 – 23 February 2022	**Rating**	**Outlook (*)**
Long-term Foreign Currency Issuer Default Rating	B	Negative
Long-term Local Currency Issuer Default Rating	B+	Negative
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	b-	--
Subordinated Debt Rating	B-	Negative
Viability Rating	b+	Negative

İş Finansal Kiralama A.Ş.

FITCH RATINGS – 25 February 2022	**Rating**	**Outlook (*)**
Long-term Foreign Currency Issuer Default Rating	B	Negative
Long-term Local Currency Issuer Default Rating	B+	Negative
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	B	--

(*) "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.

48. Events after the reporting period

Explanations regarding issuance of bills and bonds and other borrowings

Within the scope of the decision of the Board of Directors regarding the issue of debt instrument on 6 September 2021, the Bank issued a financial bond with a nominal value of TL 4,770,126 after 31 December 2021.

TSKB decided to call the subordinated notes (Tier II) issued on 28 March 2017, in the amount of USD 300 million with 10 years maturity and having a call option at the end of 5 years. Accordingly, the application to the Banking Regulation and Supervision Agency to call subordinated notes has been approved. All Notes have been redeemed on 29 March 2022.

Other disclosures

As per the decision of the Board of Directors regarding capital increase on 6 February 2022, the Bank applied to the Capital Markets Board on 23 March 2022 for the increase of paid in capital from TL 4,500,000 to TL 10,000,000 and for funding of such increase from extraordinary reserves and distribution of the newly issued shares to our shareholders as bonus shares.

A share purchase agreement was signed on 10 March 2022 with Turkish Wealth Fund for the sale of Türk Telekomünikasyon A.Ş.'s ("TTKOM") 192,500,000,000 Group A registered shares which represent 55% of TTKOM's share capital and which are held by LYY Telekomünikasyon A.Ş ("LYY"). In this context, the sale and transfer, to Turkish Wealth Fund of 192,500,000,000 Group A registered shares which represent 55% of TTKOM's share capital and which are held by LYY, for a purchase price of USD 1,650,000,000 completed on 31 March 2022. In addition, pursuant to the agreement, LYY will be paid an amount corresponding to 55% of the shares, which were transferred by LYY, out of the dividend amount that was resolved, by the TTKOM General Assembly, to be distributed based on the independently audited 2021 consolidated financial statements.

As per the amendments published in the Official Gazette No. 31810, dated 15 April 2022, on Law No. 7394 "Law on Evaluation of Immovable Property Owned by the Treasury and Amendment to the Value Added Tax Law" and Law No. 5520 "Corporate Tax Law", the corporate tax rate will be applied as 25% for the corporate earnings for the taxation period of 2022.

The tension beween Russia and Ukraine since January 2022 has turned into a crisis and an armed conflict as of the date of the report. The Group closely monitors the developments since the start of the conflict. Since the Group's exposure regarding these countries is at a quite minimal level, no significant impact is expected in terms of banking activities. On the other hand, all of the factories of Şişecam Group located in Russia continue to operate, and there are no significant raw material restrictions affecting the operations of the subsidiaries or restrictions on production activities. There was no significant turnover loss due to the fact that the customer portfolio mainly consists of the Russian market. As Merefa Glass Ltd. and CJSC Brewery Pivdenna, subsidiaries of Şişecam Group which are located in Ukraine have been inactive for a long time, it is considered that Russia-Ukraine crisis has not had a significant impact on manufacturing operations.