

BANK OF CHINA TURKEY ANONİM ŐİRKETİ

**INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND RELATED DISCLOSURES FOR THE NINE MONTHS
PERIOD ENDED 30 SEPTEMBER 2020**

**(Convenience translation of publicly announced unconsolidated financial
statements, related disclosures and auditor's report originally issued in Turkish)**



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(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I. of Section three)

INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Bank Of China Turkey Anonim Şirketi

Introduction

We have reviewed the unconsolidated financial statement of Bank Of China Turkey Anonim Şirketi ("the Bank") at September 30, 2020 and the related unconsolidated profit/loss statement, unconsolidated statement of profit/loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-Period then ended. The Bank Management is responsible for the preparation and fair presentation of unconsolidated interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a reviewed conclusion on these unconsolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not give a true view of the financial position of Bank Of China Turkey Anonim Şirketi at September 30, 2020 and of the results of its operations and its cash flows for the nine-month-Period then ended in all material respects in accordance with the BRSA Accounting and Financial Reporting Legislation.



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Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in section eight, are not consistent with the reviewed unconsolidated financial statements and disclosures in all material respects.

Additional paragraph for English translation:

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by BRSA Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst&Young Global Limited

10 November 2020
İstanbul, Turkey

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
SEE NOTE I. OF SECTION THREE)

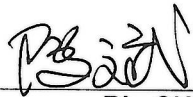
THE UNCONSOLIDATED INTERIM FINANCIAL REPORT OF
BANK OF CHINA TURKEY A.Ş. AS AT AND FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020

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The unconsolidated interim financial report as at and for the nine-month period ended prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following sections;

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- EXPLANATIONS ON LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

The unconsolidated financial statements for the nine-month period ended and related disclosures and footnotes in this report are prepared in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Banking Regulation and Supervision Agency (BRSA) regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank. Unless otherwise stated, the accompanying unconsolidated financial report is presented in thousands of Turkish Lira (TL), and has been subject to limited review and presented as the attached.




Bin CHEN
Chairman of the
Board of Directors



Ruojie LI
Member of the
Board of Directors
and
General Manager



Pengjun DANG
Deputy Chairman of the
Board of Directors and
Chairman of the Audit
Committee



Özgür DALGIÇ
Member of the
Board of Directors and
Member of the Audit
Committee



Dalei DING
Assistant General
Manager



Fang LONG
Head of Financial and
Operational Control
Department



Elif GUMRAH
Financial Reporting and
Budgeting Manager

Contact information of the personnel in charge of the addressing of questions about this financial report:
Name-Surname/Title : **Elif Gümrah** / Financial Reporting and Budgeting Manager
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**Notes to the unconsolidated financial statements
as September 30, 2020***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)***SECTION ONE
GENERAL INFORMATION****I. History of the Bank including its corporation date, initial status and amendments to the initial status**

Bank of China Limited (“the Parent Company”) began its activities in Turkey through Bank of China Limited Turkey Representative Office opened in 2011. Banking Regulation and Supervisory Agency (BRSA) authorized the Bank to establish a deposit bank in Turkey with the decision numbered 6880 dated 2 May 2016. As BRSA’s establishment permission, as per the decision numbered 7612 dated 1 December 2017 and published on the Official Gazette no 30263 dated 7 December 2017, the Bank got the official operational license, with 99.99% of shareholding of the Parent Company; the Bank has been announced in the Trade Registry Gazette dated 17 January 2017, numbered 9243 along with the Articles of Association dated 10 January 2017.

The Bank started its banking activities on May 9, 2018.

II. Capital structure, shareholders controlling the management and supervision of the Bank directly or indirectly, and if exists, changes on these issues and the Group that the Bank belongs to

Besides being one of the biggest public banks in the People’s Republic of China, the Parent Company, Bank of China Limited, who holds 99.99% of the Bank’s shares, is also one of the biggest banks in the world and has a respectable reputation for over a hundred years. Since the establishment of the London Branch in 1929, which was the first overseas branch, Bank of China, who represents the People’s Republic of China best in the international arena, established its representative office in 2011, in Istanbul, Turkey. There has not been any changes in the Bank’s partnership structure in 2020.

III. Information on the Board of Directors, Members of the Audit Committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess

Members of the Bank’s Board of Directors, Audit Committee Members, General Manager and Deputies as of September 30, 2020 are stated below. None of the members of the Board of Directors (including General Manager) has shareholding interest in the Bank.

The Chairman and the Members of the Board of the Directors:

| Name | Title | Assigned Date | Education |
|--------------|---|----------------------|------------------|
| Bin CHEN | Chairman of the Board of Directors | January 10, 2017 | PHD Degree |
| Ruojie LI | Member of the Board of Directors and General Manager | January 10, 2017 | Master Degree |
| Xiaoyu LIU | Member of the Board of Directors | January 10, 2017 | Master Degree |
| Pengjun DANG | Deputy Chairman of the Board of Directors and Chairman of the Audit Committee | January 10, 2017 | Master Degree |
| Özgür DALGIÇ | Member of the Board of Directors | January 10, 2017 | Master Degree |

Members of the Audit Committee:

| Name | Title | Assigned Date | Education |
|--------------|--|----------------------|------------------|
| Pengjun DANG | Chairman of the Audit Committee | May 4, 2017 | Master Degree |
| Özgür DALGIÇ | Member of the Audit Committee Responsible for Internal Systems | May 4, 2017 | Master Degree |

Assistant General Manager:

| Name | Title | Assigned Date | Education |
|-------------|---|----------------------|------------------|
| Dalei DING | Deputy of General Manager and Assistant General Manager Responsible for Financial Management and Control, Information Technologies, Credit Allocation, Human Resources and Administrative Affairs of the Bank | June,3 2019 | Bachelor Degree |

**Notes to the unconsolidated financial statements
as of September 30, 2020***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated.)***IV. Information on the Banks' Qualified Shareholders**

In accordance with the definition of qualified share in the Banking Law numbered 5411 and Article 13 of the Regulation on the Bank's Transactions Subject to Permission and Indirect Shareholding, qualified shareholders are given below;

| Name Surname/Company | Shares | Ownership | Paid-in Capital | Unpaid Capital |
|-----------------------------|---------------|------------------|------------------------|-----------------------|
| Bank of China Limited | 1,051,229 | 99.99% | 1,051,229 | - |

V. Summary Information on the Bank's Functions and Business Lines

As it is stated in Article 3 of the Articles of Association, the objective and purpose of the Bank whose General Directorate is located in Istanbul, is that the main field of activity is corporate banking. As of September 30, 2020, the Bank serves with 43 employees (December 31, 2019: 39 employees).

VI. Differences between the communique on preparation of consolidated financial statements of banks and Turkish accounting standards and short explanation about the entities subject to full consolidation or proportional consolidation and entities which are deducted from equity or entities which are not included in these three methods

None.

VII. Existing or potential, actual or legal obstacles to immediate transfer of capital between Bank and its subsidiaries and repayment of debts

None.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

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

**Unconsolidated balance sheet (statement of financial position)
as of September 30, 2020**

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

| ASSETS | Note (Section Five) | Reviewed Current Period 30.09.2020 | | |
|--|---------------------------|--|----------------|------------------|
| | | TL | FC | Total |
| I. FINANCIAL ASSETS (Net) | | 524,940 | 348,311 | 873,251 |
| 1.1 Cash and cash equivalents | | 524,940 | 348,311 | 873,251 |
| 1.1.1 Cash and balances at central bank | (5.1.1) | 2,791 | 112,821 | 115,612 |
| 1.1.2 Banks | (5.1.4) | 522,722 | 235,703 | 758,425 |
| 1.1.3 Money Market Placements | | - | - | - |
| 1.1.4 Expected Credit Losses(-) | (5.1.4) | 573 | 213 | 786 |
| 1.2 Financial assets at fair value through profit or loss | | - | - | - |
| 1.2.1 Government Debt Securities | | - | - | - |
| 1.2.2 Equity securities | | - | - | - |
| 1.2.3 Other financial assets | | - | - | - |
| 1.3 Financial assets at fair value through other comprehensive income | | - | - | - |
| 1.3.1 Government debt securities | | - | - | - |
| 1.3.2 Equity securities | | - | - | - |
| 1.3.3 Other financial assets | | - | - | - |
| 1.4 Derivative financial assets | (5.1.3) | - | - | - |
| 1.4.1 Derivative financial assets at fair value through profit and loss | | - | - | - |
| 1.4.2 Derivative financial assets at fair value through other comprehensive income | | - | - | - |
| II. LOANS MEASURED AT AMORTISED COST (Net) | | 773,720 | 377,757 | 1,151,477 |
| 2.1 Loans | (5.1.6) | 200,362 | 382,480 | 582,842 |
| 2.2 Lease receivables | | - | - | - |
| 2.3 Factoring receivables | | - | - | - |
| 2.4 Other financial assets measured at amortised cost | (5.1.7) | 574,837 | - | 574,837 |
| 2.4.1 Government debt securities | | 574,837 | - | 574,837 |
| 2.4.2 Other financial assets | | - | - | - |
| 2.5 Expected credit losses (-) | (5.1.6,7) | 1,479 | 4,723 | 6,202 |
| III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | | - | - | - |
| 3.1 Held for sale | | - | - | - |
| 3.2 Discontinued operations | | - | - | - |
| IV. EQUITY INVESTMENTS | | - | - | - |
| 4.1 Investments in associates (net) | | - | - | - |
| 4.1.1 Associates accounted by using equity method | | - | - | - |
| 4.1.2 Unconsolidated associates | | - | - | - |
| 4.2 Subsidiaries (net) | | - | - | - |
| 4.2.1 Unconsolidated financial subsidiaries | | - | - | - |
| 4.2.2 Unconsolidated non-financial subsidiaries | | - | - | - |
| 4.3 Joint Ventures (net) | | - | - | - |
| 4.3.1 Joint ventures valued based on equity method | | - | - | - |
| 4.3.2 Unconsolidated jointly ventures | | - | - | - |
| V. TANGIBLE ASSETS (Net) | (5.1.13) | 21,457 | - | 21,457 |
| VI. INTANGIBLE ASSETS (Net) | (5.1.14) | 2,083 | - | 2,083 |
| 6.1 Goodwill | | - | - | - |
| 6.2 Other | | 2,083 | - | 2,083 |
| VII. INVESTMENT PROPERTY (Net) | | - | - | - |
| VIII. CURRENT TAX ASSET | | - | - | - |
| IX. DEFERRED TAX ASSET | (5.1.16) | 26,375 | - | 26,375 |
| X. OTHER ASSETS | (5.1.18) | 2,488 | 11,168 | 13,656 |
| TOTAL ASSETS | | 1,351,063 | 737,236 | 2,088,299 |

Note: The Prior Period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2019 and 2020 financial statements are prepared on different principles, 2019 financial statements are presented separately.

**Unconsolidated balance sheet (statement of financial position)
as of September 30, 2020**

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

| ASSETS | Note (Section Five) | Audited Prior Period 31.12.2019 | | |
|--|------------------------|---------------------------------------|----------------|------------------|
| | | TL | FC | Total |
| I. FINANCIAL ASSETS (Net) | | 692,109 | 48,895 | 741,004 |
| 1.1 Cash and cash equivalents | | 671,665 | 48,895 | 720,560 |
| 1.1.1 Cash and balances at central bank | (5.1.1) | 2,805 | 40,054 | 42,859 |
| 1.1.2 Banks | (5.1.4) | 668,860 | 8,841 | 677,701 |
| 1.1.3 Money Market Placements | | - | - | - |
| 1.2 Financial assets at fair value through profit or loss | | - | - | - |
| 1.2.1 Government Debt Securities | | - | - | - |
| 1.2.2 Equity securities | | - | - | - |
| 1.2.3 Other financial assets | | - | - | - |
| 1.3 Financial assets at fair value through other comprehensive income | | - | - | - |
| 1.3.1 Government debt securities | | - | - | - |
| 1.3.2 Equity securities | | - | - | - |
| 1.3.3 Other financial assets | | - | - | - |
| 1.4 Derivative financial assets | (5.1.3) | 20,444 | - | 20,444 |
| 1.4.1 Derivative financial assets at fair value through profit and loss | | 20,444 | - | 20,444 |
| 1.4.2 Derivative financial assets at fair value through other comprehensive income | | - | - | - |
| II. LOANS MEASURED AT AMORTISED COST (Net) | | 537,558 | 359,875 | 897,433 |
| 2.1 Loans | (5.1.6) | 208,137 | 359,875 | 568,012 |
| 2.2 Lease receivables | | - | - | - |
| 2.3 Factoring receivables | | - | - | - |
| 2.4 Other financial assets measured at amortised cost | (5.1.7) | 329,421 | - | 329,421 |
| 2.4.1 Government debt securities | | 329,421 | - | 329,421 |
| 2.4.2 Other financial assets | | - | - | - |
| 2.5 Non-performing loans | | - | - | - |
| 2.6 Expected credit losses (-) | | - | - | - |
| III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | | - | - | - |
| 3.1 Held for sale | | - | - | - |
| 3.2 Discontinued operations | | - | - | - |
| IV. EQUITY INVESTMENTS | | - | - | - |
| 4.1 Investments in associates (net) | | - | - | - |
| 4.1.1 Associates accounted by using equity method | | - | - | - |
| 4.1.2 Unconsolidated associates | | - | - | - |
| 4.2 Subsidiaries (net) | | - | - | - |
| 4.2.1 Unconsolidated financial subsidiaries | | - | - | - |
| 4.2.2 Unconsolidated non-financial subsidiaries | | - | - | - |
| 4.3 Joint Ventures (net) | | - | - | - |
| 4.3.1 Joint ventures valued based on equity method | | - | - | - |
| 4.3.2 Unconsolidated jointly ventures | | - | - | - |
| V. TANGIBLE ASSETS (Net) | (5.1.13) | 24,746 | - | 24,746 |
| VI. INTANGIBLE ASSETS (Net) | (5.1.14) | 2,648 | - | 2,648 |
| 6.1 Goodwill | | - | - | - |
| 6.2 Other | | 2,648 | - | 2,648 |
| VII. INVESTMENT PROPERTY (Net) | | - | - | - |
| VIII. CURRENT TAX ASSET | | - | - | - |
| IX. DEFERRED TAX ASSET | (5.1.16) | 5,228 | - | 5,228 |
| X. OTHER ASSETS | (5.1.18) | 1,994 | 3,917 | 5,911 |
| TOTAL ASSETS | | 1,264,283 | 412,687 | 1,676,970 |

Note: The Prior Period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2019 and 2020 financial statements are prepared on different principles, 2019 financial statements are presented separately.

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

**Unconsolidated balance sheet (statement of financial position)
as of September 30, 2020**

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

| LIABILITIES | Note (Section Five) | Reviewed Current Period 30.09.2020 | | |
|---|---------------------------|--|----------------|------------------|
| | | TL | FC | Total |
| I. DEPOSITS | (5.II.1) | 66 | 297,133 | 297,199 |
| II. LOAN RECEIVED | (5.II.3) | - | 77,529 | 77,529 |
| III. MONEY MARKET FUNDS | | - | - | - |
| IV. MARKETABLE SECURITIES (Net) | | - | - | - |
| 4.1 Bills | | - | - | - |
| 4.2 Asset backed securities | | - | - | - |
| 4.3 Bonds | | - | - | - |
| V. FUNDS | | - | - | - |
| 5.1 Borrower funds | | - | - | - |
| 5.2 Other | | - | - | - |
| VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | - | - | - |
| VII. DERIVATIVE FINANCIAL LIABILITIES | (5.II.2) | 85,696 | - | 85,696 |
| 7.1 Derivative financial liabilities at fair value through profit or loss | | 85,696 | - | 85,696 |
| 7.2 Derivative financial liabilities at fair value through other comprehensive income | | - | - | - |
| VIII. FACTORING PAYABLES | | - | - | - |
| IX. LEASE LIABILITIES | (5.II.5) | 353 | 26,113 | 26,466 |
| X. PROVISIONS | (5.II.7) | 2,002 | 8,442 | 10,444 |
| 10.1 Provisions for restructuring | | - | - | - |
| 10.2 Reserve for employee benefits | | 1,968 | 2,972 | 4,940 |
| 10.3 Insurance technical reserves (Net) | | - | - | - |
| 10.4 Other provisions | | 34 | 5,470 | 5,504 |
| XI. CURRENT TAX LIABILITIES | (5.II.8) | 18,486 | - | 18,486 |
| XII. DEFERRED TAX LIABILITIES | | - | - | - |
| XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | | - | - | - |
| 13.1 Held for sale | | - | - | - |
| 13.2 Related to discontinued operations | | - | - | - |
| XIV. SUBORDINATED DEBTS | | - | - | - |
| 14.1 Loans | | - | - | - |
| 14.2 Other debt instruments | | - | - | - |
| XV. OTHER LIABILITIES | (5.II.4) | 10,026 | 681 | 10,707 |
| XVI. SHAREHOLDERS' EQUITY | (5.II.11) | 1,561,772 | - | 1,561,772 |
| 16.1 Paid-in capital | | 1,051,230 | - | 1,051,230 |
| 16.2 Capital reserves | | - | - | - |
| 16.2.1 Equity share premium | | - | - | - |
| 16.2.2 Share cancellation profits | | - | - | - |
| 16.2.3 Other capital reserves | | - | - | - |
| 16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss | | (19) | - | (19) |
| 16.4 Other accumulated comprehensive income that will be reclassified in profit or loss | | - | - | - |
| 16.5 Profit reserves | | 395,224 | - | 395,224 |
| 16.5.1 Legal reserves | | 25,789 | - | 25,789 |
| 16.5.2 Statutory reserves | | - | - | - |
| 16.5.3 Extraordinary reserves | | 369,435 | - | 369,435 |
| 16.5.4 Other profit reserves | | - | - | - |
| 16.6 Profit or loss | | 115,337 | - | 115,337 |
| 16.6.1 Prior years' profits or losses | | 27,182 | - | 27,182 |
| 16.6.2 Current Period net profit or loss | | 88,155 | - | 88,155 |
| 16.7 Minority Shares | | - | - | - |
| TOTAL LIABILITIES AND EQUITY | | 1,678,401 | 409,898 | 2,088,299 |

Note: The Prior Period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2019 and 2020 financial statements are prepared on different principles, 2019 financial statements are presented separately.

**Unconsolidated balance sheet (statement of financial position)
as of September 30, 2020**

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

| LIABILITIES | Note (Section Five) | Audited Prior Period 31.12.2019 | | |
|---|------------------------|---------------------------------------|---------------|------------------|
| | | TL | FC | Total |
| I. DEPOSITS | (5.II.1) | 75,677 | 8 | 75,685 |
| II. LOAN RECEIVED | (5.II.3) | - | 59,423 | 59,423 |
| III. MONEY MARKET FUNDS | | - | - | - |
| IV. MARKETABLE SECURITIES (Net) | | - | - | - |
| 4.1 Bills | | - | - | - |
| 4.2 Asset backed securities | | - | - | - |
| 4.3 Bonds | | - | - | - |
| V. FUNDS | | - | - | - |
| 5.1 Borrower funds | | - | - | - |
| 5.2 Other | | - | - | - |
| VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | | - | - | - |
| VII. DERIVATIVE FINANCIAL LIABILITIES | (5.II.2) | - | - | - |
| 7.1 Derivative financial liabilities at fair value through profit or loss | | - | - | - |
| 7.2 Derivative financial liabilities at fair value through other comprehensive income | | - | - | - |
| VIII. FACTORING PAYABLES | | - | - | - |
| IX. LEASE LIABILITIES | (5.II.5) | 330 | 22,082 | 22,412 |
| X. PROVISIONS | (5.II.7) | 40,626 | - | 40,626 |
| 10.1 General loan loss provisions | | 35,589 | - | 35,589 |
| 10.2 Provisions for restructuring | | - | - | - |
| 10.3 Reserve for employee benefits | | 5,037 | - | 5,037 |
| 10.4 Insurance technical reserves (Net) | | - | - | - |
| 10.5 Other provisions | | - | - | - |
| XI. CURRENT TAX LIABILITIES | (5.II.8) | 19,484 | - | 19,484 |
| XII. DEFERRED TAX LIABILITIES | | - | - | - |
| XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net) | | - | - | - |
| 13.1 Held for sale | | - | - | - |
| 13.2 Related to discontinued operations | | - | - | - |
| XIV. SUBORDINATED DEBTS | | - | - | - |
| 14.1 Loans | | - | - | - |
| 14.2 Other debt instruments | | - | - | - |
| XV. OTHER LIABILITIES | (5.II.4) | 10,996 | 1,909 | 12,905 |
| XVI. SHAREHOLDERS' EQUITY | (5.II.11) | 1,446,435 | - | 1,446,435 |
| 16.1 Paid-in capital | | 1,051,230 | - | 1,051,230 |
| 16.2 Capital reserves | | - | - | - |
| 16.2.1 Equity share premium | | - | - | - |
| 16.2.2 Share cancellation profits | | - | - | - |
| 16.2.3 Other capital reserves | | - | - | - |
| 16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss | | (19) | - | (19) |
| 16.4 Other accumulated comprehensive income that will be reclassified in profit or loss | | - | - | - |
| 16.5 Profit reserves | | 200,820 | - | 200,820 |
| 16.5.1 Legal reserves | | 10,041 | - | 10,041 |
| 16.5.2 Statutory reserves | | - | - | - |
| 16.5.3 Extraordinary reserves | | 190,779 | - | 190,779 |
| 16.5.4 Other profit reserves | | - | - | - |
| 16.6 Profit or loss | | 194,404 | - | 194,404 |
| 16.6.1 Prior years' profits or losses | | - | - | - |
| 16.6.2 Current Period net profit or loss | | 194,404 | - | 194,404 |
| 16.7 Minority Shares | | - | - | - |
| TOTAL LIABILITIES AND EQUITY | | 1,593,548 | 83,422 | 1,676,970 |

Note: The Prior Period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2019 and 2020 financial statements are prepared on different principles, 2019 financial statements are presented separately.

BANK OF CHINA TURKEY A.Ş.
**Unconsolidated statement of off-balance sheet commitments
as of September 30, 2020**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

| | Note (Section Five) | Reviewed Current Period 30.09.2020 | | | Audited Prior Period 31.12.2019 | | |
|---|---------------------------|--|------------------|------------------|---------------------------------------|------------------|------------------|
| | | TL | FC | Total | TL | FC | Total |
| A. OFF-BALANCE SHEET COMMITMENTS (I+II+III) | (5.III.1) | 446,934 | 1,450,001 | 1,896,935 | 514,047 | 1,295,976 | 1,810,023 |
| I. GUARANTEES AND WARRANTIES | | 245,594 | 1,147,218 | 1,392,812 | 245,594 | 999,883 | 1,245,477 |
| 1.1 Letters of Guarantee | | 245,594 | 22,153 | 267,747 | 245,594 | 26,289 | 271,883 |
| 1.1.1 Guarantees Subject to State Tender Law | | - | - | - | - | - | - |
| 1.1.2 Guarantees Given for Foreign Trade Operations | | - | - | - | - | - | - |
| 1.1.3 Other Letters of Guarantee | | 245,594 | 22,153 | 267,747 | 245,594 | 26,289 | 271,883 |
| 1.2 Bank Acceptances | | - | - | - | - | - | - |
| 1.2.1 Import Letter of Acceptance | | - | - | - | - | - | - |
| 1.2.2 Other Bank Acceptances | | - | - | - | - | - | - |
| 1.3 Letters of Credit | | - | - | - | - | - | - |
| 1.3.1 Documentary Letters of Credit | | - | - | - | - | - | - |
| 1.3.2 Other Letters of Credit | | - | - | - | - | - | - |
| 1.4 Prefinancing Given as Guarantee | | - | - | - | - | - | - |
| 1.5 Endorsements | | - | - | - | - | - | - |
| 1.5.1 Endorsements to the Central Bank of Turkey | | - | - | - | - | - | - |
| 1.5.2 Other Endorsements | | - | - | - | - | - | - |
| 1.6 Purchase Guarantees for Securities Issued | | - | - | - | - | - | - |
| 1.7 Factoring Guarantees | | - | - | - | - | - | - |
| 1.8 Other Guarantees | | - | 1,125,065 | 1,125,065 | - | 973,594 | 973,594 |
| 1.9 Other Collaterals | | - | - | - | - | - | - |
| II. COMMITMENTS | | - | - | - | - | - | - |
| 2.1 Irrevocable Commitments | | - | - | - | - | - | - |
| 2.1.1 Asset Purchase Commitments | | - | - | - | - | - | - |
| 2.1.2 Deposit Purchase and Sales Commitments | | - | - | - | - | - | - |
| 2.1.3 Share Capital Commitments to Associates and Subsidiaries | | - | - | - | - | - | - |
| 2.1.4 Loan Granting Commitments | | - | - | - | - | - | - |
| 2.1.5 Securities Issue Brokerage Commitments | | - | - | - | - | - | - |
| 2.1.6 Commitments for Reserve Requirements | | - | - | - | - | - | - |
| 2.1.7 Commitments for Cheque Payments | | - | - | - | - | - | - |
| 2.1.8 Tax and Fund Liabilities from Export Commitments | | - | - | - | - | - | - |
| 2.1.9 Commitments for Credit Card Limits | | - | - | - | - | - | - |
| 2.1.10 Commitments for Credit Cards and Banking Services Promotions | | - | - | - | - | - | - |
| 2.1.11 Receivables from Short Sale Commitments of Marketable Securities | | - | - | - | - | - | - |
| 2.1.12 Payables for Short Sale Commitments of Marketable Securities | | - | - | - | - | - | - |
| 2.1.13 Other Irrevocable Commitments | | - | - | - | - | - | - |
| 2.2 Revocable Commitments | | - | - | - | - | - | - |
| 2.2.1 Revocable Loan Granting Commitments | | - | - | - | - | - | - |
| 2.2.2 Other Revocable Commitments | | - | - | - | - | - | - |
| III. DERIVATIVE FINANCIAL INSTRUMENTS | (5.III.2) | 201,340 | 302,783 | 504,123 | 268,453 | 296,093 | 564,546 |
| 3.1 Hedging Derivative Financial Instruments | | - | - | - | - | - | - |
| 3.1.1 Fair Value Hedges | | - | - | - | - | - | - |
| 3.1.2 Cash Flow Hedges | | - | - | - | - | - | - |
| 3.1.3 Foreign Net Investment Hedges | | - | - | - | - | - | - |
| 3.2 Trading Derivative Financial Instruments | | 201,340 | 302,783 | 504,123 | 268,453 | 296,093 | 564,546 |
| 3.2.1 Forward Foreign Currency Buy/Sell Transactions | | - | - | - | - | - | - |
| 3.2.1.1 Forward Foreign Currency Transactions-Buy | | - | - | - | - | - | - |
| 3.2.1.2 Forward Foreign Currency Transactions-Sell | | - | - | - | - | - | - |
| 3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates | | 201,340 | 302,783 | 504,123 | 268,453 | 296,093 | 564,546 |
| 3.2.2.1 Foreign Currency Swap-Buy | | 201,340 | - | 201,340 | 268,453 | - | 268,453 |
| 3.2.2.2 Foreign Currency Swap-Sell | | - | 302,783 | 302,783 | - | 296,093 | 296,093 |
| 3.2.2.3 Interest Rate Swap-Buy | | - | - | - | - | - | - |
| 3.2.2.4 Interest Rate Swap-Sell | | - | - | - | - | - | - |
| 3.2.3 Foreign Currency, Interest Rate and Securities Options | | - | - | - | - | - | - |
| 3.2.3.1 Foreign Currency Options-Buy | | - | - | - | - | - | - |
| 3.2.3.2 Foreign Currency Options-Sell | | - | - | - | - | - | - |
| 3.2.3.3 Interest Rate Options-Buy | | - | - | - | - | - | - |
| 3.2.3.4 Interest Rate Options-Sell | | - | - | - | - | - | - |
| 3.2.3.5 Securities Options-Buy | | - | - | - | - | - | - |
| 3.2.3.6 Securities Options-Sell | | - | - | - | - | - | - |
| 3.2.4 Foreign Currency Futures | | - | - | - | - | - | - |
| 3.2.4.1 Foreign Currency Futures-Buy | | - | - | - | - | - | - |
| 3.2.4.2 Foreign Currency Futures-Sell | | - | - | - | - | - | - |
| 3.2.5 Interest Rate Futures | | - | - | - | - | - | - |
| 3.2.5.1 Interest Rate Futures-Buy | | - | - | - | - | - | - |
| 3.2.5.2 Interest Rate Futures-Sell | | - | - | - | - | - | - |
| 3.2.6 Other | | - | - | - | - | - | - |
| B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI) | | - | 170,548 | 170,548 | - | 130,680 | 130,680 |
| IV. ITEMS HELD IN CUSTODY | | - | - | - | - | - | - |
| 4.1 Customer Fund and Portfolio Balances | | - | - | - | - | - | - |
| 4.2 Investment Securities Held in Custody | | - | - | - | - | - | - |
| 4.3 Cheques Received for Collection | | - | - | - | - | - | - |
| 4.4 Commercial Notes Received for Collection | | - | - | - | - | - | - |
| 4.5 Other Assets Received for Collection | | - | - | - | - | - | - |
| 4.6 Assets Received for Public Offering | | - | - | - | - | - | - |
| 4.7 Other Items Under Custody | | - | - | - | - | - | - |
| 4.8 Custodians | | - | - | - | - | - | - |
| V. PLEDGES RECEIVED | | - | 170,548 | 170,548 | - | 130,680 | 130,680 |
| 5.1 Marketable Securities | | - | - | - | - | - | - |
| 5.2 Guarantee Notes | | - | - | - | - | - | - |
| 5.3 Commodity | | - | - | - | - | - | - |
| 5.4 Warranty | | - | - | - | - | - | - |
| 5.5 Immovables | | - | 170,548 | 170,548 | - | 130,680 | 130,680 |
| 5.6 Other Pledged Items | | - | - | - | - | - | - |
| 5.7 Pledged Items-Depository | | - | - | - | - | - | - |
| VI. ACCEPTED BILL, GUARANTEES AND WARRANTS | | - | - | - | - | - | - |
| TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B) | | 446,934 | 1,620,549 | 2,067,483 | 514,047 | 1,426,656 | 1,940,703 |

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

BANK OF CHINA TURKEY A.Ş.
Unconsolidated statement of profit/loss for the Period ended September 30, 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

| INCOME AND EXPENSE ITEMS | Note (section five) | Reviewed | |
|---|---------------------|-----------------------|-----------------------|
| | | Current Period | Current Period |
| | | 01.01.2020-30.09.2020 | 01.07.2020-30.09.2020 |
| I. INTEREST INCOME | (5.IV.1) | 109,846 | 33,940 |
| 1.1 Interest from Loans | | 26,789 | 8,141 |
| 1.2 Interest from Reserve Deposits | | 181 | 10 |
| 1.3 Interest from Banks | | 44,832 | 12,191 |
| 1.4 Interest from Money Market Transactions | | - | - |
| 1.5 Interest from Marketable Securities Portfolio | | 38,044 | 13,598 |
| 1.5.1 Financial Assets at Fair Value Through Profit or Loss | | - | - |
| 1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income | | - | - |
| 1.5.3 Financial Assets Measured at Amortized Cost | | 38,044 | 13,598 |
| 1.6 Interest from Financial Leases | | - | - |
| 1.7 Other Interest Income | | - | - |
| II. INTEREST EXPENSE | (5.IV.2) | 8,553 | 2,139 |
| 2.1 Interest on Deposits | | 6,583 | 1,559 |
| 2.2 Interest on Funds Borrowed | | 1,041 | 224 |
| 2.3 Interest Expense on Money Market Transactions | | - | - |
| 2.4 Interest on Securities Issued | | - | - |
| 2.5 Lease Interest Expenses | | 802 | 275 |
| 2.6 Other Interest Expenses | | 127 | 81 |
| III. NET INTEREST INCOME (I - II) | | 101,293 | 31,801 |
| IV. NET FEES AND COMMISSIONS INCOME / LOSSES | | 26,470 | 9,946 |
| 4.1 Fees and Commissions Received | | 26,555 | 9,976 |
| 4.1.1 Non-cash Loans | | 24,447 | 9,330 |
| 4.1.2 Other | | 2,108 | 646 |
| 4.2 Fees and Commissions Paid | | 85 | 30 |
| 4.2.1 Non-cash Loans | | - | - |
| 4.2.2 Other | | 85 | 30 |
| V. DIVIDEND INCOME | (5.IV.3) | - | - |
| VI. TRADING INCOME/LOSS (Net) | (5.IV.4) | 22,930 | 8,190 |
| 6.1 Profit / Loss on Securities Trading | | - | - |
| 6.2 Profit / Loss on Derivative Financial Transactions | | (72,846) | (43,330) |
| 6.3 Foreign Exchange Gains / Losses | | 95,776 | 51,520 |
| VII. OTHER OPERATING INCOME | (5.IV.5) | 356 | 7 |
| VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII) | | 151,049 | 49,944 |
| IX. EXPECTED CREDIT LOSSES (-) | (5.IV.6) | 1,713 | 287 |
| X. OTHER PROVISIONS (-) | | - | - |
| XI. PERSONEL EXPENSES (-) | | 17,859 | 6,035 |
| XII. OTHER OPERATING EXPENSES | (5.IV.7) | 18,406 | 6,475 |
| XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII) | | 113,071 | 37,147 |
| XIV. INCOME RESULTED FROM MERGERS | | - | - |
| XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING | | - | - |
| XVI. GAIN / LOSS ON NET MONETARY POSITION | | - | - |
| XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XVI) | (5.IV.8) | 113,071 | 37,147 |
| XVIII. TAX PROVISION FOR CONTINUING OPERATIONS (±) | (5.IV.9) | (24,916) | (8,285) |
| 18.1 Current Tax Provision | | (43,691) | (17,389) |
| 18.2 Expense Effect of Deferred Tax | | (4,925) | (1,206) |
| 18.3 Income Effect of Deferred Tax | | 23,700 | 10,310 |
| XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII) | (5.IV.10) | 88,155 | 28,862 |
| XX. PROFIT FROM DISCONTINUED OPERATIONS | | - | - |
| 20.1 Income From Assets Held for Sale | | - | - |
| 20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures | | - | - |
| 20.3 Other Income From Discontinued Operations | | - | - |
| XXI. LOSS FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 21.1 Expenses on Assets Held for Sale | | - | - |
| 21.2 Losses from Sales of Associates, Subsidiaries and Joint Ventures | | - | - |
| 21.3 Other Expenses From Discontinued Operations | | - | - |
| XXII. P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX) | | - | - |
| XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | | - | - |
| 23.1 Current Tax Provision | | - | - |
| 23.2 Expense Effect of Deferred Tax | | - | - |
| 23.3 Income Effect of Deferred Tax | | - | - |
| XXIV. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII) | | - | - |
| NET PROFIT / LOSS (XVIII+XXIII) | (5.IV.11) | 88,155 | 28,862 |
| Profit/Loss per share | | 0.08386 | 0.02746 |

Note: The Prior Period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2019 and 2020 financial statements are prepared on different principles, 2019 financial statements are presented separately.

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

BANK OF CHINA TURKEY A.Ş.
Unconsolidated statement of profit/loss for the Period ended September 30, 2020
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

| INCOME AND EXPENSE ITEMS | Note (section five) | Reviewed | |
|--|------------------------|---------------------------|---------------------------|
| | | Prior Period | Prior Period |
| | | 01.01.2019- 30.09.2019 | 01.07.2019- 30.09.2019 |
| I. INTEREST INCOME | (5.IV.1) | 186,919 | 62,306 |
| 1.1 Interest from Loans | | 32,007 | 14,442 |
| 1.2 Interest from Reserve Deposits | | 2 | - |
| 1.3 Interest from Banks | | 148,420 | 41,703 |
| 1.4 Interest from Money Market Transactions | | - | - |
| 1.5 Interest from Marketable Securities Portfolio | | 6,490 | 6,161 |
| 1.5.1 Financial Assets at Fair Value Through Profit or Loss | | - | - |
| 1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income | | - | - |
| 1.5.3 Financial Assets Measured at Amortized Cost | | 6,490 | 6,161 |
| 1.6 Interest from Financial Leases | | - | - |
| 1.7 Other Interest Income | | - | - |
| II. INTEREST EXPENSE | (5.IV.2) | 13,414 | 7,139 |
| 2.1 Interest on Deposits | | 12,619 | 6,868 |
| 2.2 Interest on Funds Borrowed | | 23 | 23 |
| 2.3 Interest Expense on Money Market Transactions | | - | - |
| 2.4 Interest on Securities Issued | | - | - |
| 2.5 Lease Interest Expenses | | 772 | 248 |
| 2.6 Other Interest Expenses | | - | - |
| III. NET INTEREST INCOME (I - II) | | 173,505 | 55,167 |
| IV. NET FEES AND COMMISSIONS INCOME / LOSSES | | 9,879 | 2,733 |
| 4.1 Fees and Commissions Received | | 9,928 | 2,760 |
| 4.1.1 Non-cash Loans | | 8,905 | 2,554 |
| 4.1.2 Other | | 1,023 | 206 |
| 4.2 Fees and Commissions Paid | | 49 | 27 |
| 4.2.1 Non-cash Loans | | - | - |
| 4.2.2 Other | | 49 | 27 |
| V. DIVIDEND INCOME | (5.IV.3) | - | - |
| VI. TRADING INCOME/LOSS (Net) | (5.IV.4) | 60,061 | 33,359 |
| 6.1 Profit / Loss on Securities Trading | | - | - |
| 6.2 Profit / Loss on Derivative Financial Transactions | | 52,737 | 53,261 |
| 6.3 Foreign Exchange Gains / Losses | | 7,324 | (19,902) |
| VII. OTHER OPERATING INCOME | (5.IV.5) | 45 | 5 |
| VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII) | | 243,490 | 91,264 |
| IX. LOAN PROVISIONS (-) | (5.IV.6) | 13,406 | 2,101 |
| X. PERSONEL EXPENSES (-) | | 13,329 | 4,375 |
| XI. OTHER OPERATING EXPENSES (-) | (5.IV.7) | 17,251 | 5,811 |
| XII. NET OPERATING PROFIT / LOSS (VIII-IX-X-XI) | | 199,504 | 78,977 |
| XIII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER | | - | - |
| XIV. INVESTMENTS PROFIT / LOSS FROM ACCOUNTED FOR UNDER EQUITY METHOD | | - | - |
| XV. GAIN / LOSS ON NET MONETARY POSITION | | - | - |
| XVI. P/L BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV) | (5.IV.8) | 199,504 | 78,977 |
| XVII. TAX PROVISION FOR CONTINUING OPERATIONS (±) | (5.IV.9) | (46,891) | (17,752) |
| 17.1 Current Tax Provision | | (45,173) | (10,080) |
| 17.2 Expense Effect of Deferred Tax | | (4,928) | (4,906) |
| 17.3 Income Effect of Deferred Tax | | 3,210 | (2,766) |
| XVIII. NET PROFIT / LOSS FROM CONTINUING OPERATIONS (XVI±XVII) | (5.IV.10) | 152,613 | 61,225 |
| XIX. PROFIT FROM DISCONTINUED OPERATIONS | | - | - |
| 19.1 Income From Assets Held for Sale | | - | - |
| 19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures | | - | - |
| 19.3 Other Income From Discontinued Operations | | - | - |
| XX. LOSS FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 20.1 Expenses on Assets Held for Sale | | - | - |
| 20.2 Losses from Sales of Associates, Subsidiaries and Joint Ventures | | - | - |
| 20.3 Other Expenses From Discontinued Operations | | - | - |
| XXI. P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX) | | - | - |
| XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | | - | - |
| 22.1 Current Tax Provision | | - | - |
| 22.2 Expense Effect of Deferred Tax | | - | - |
| 22.3 Income Effect of Deferred Tax | | - | - |
| XXIII. NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII) | | - | - |
| NET PROFIT / LOSS (XVIII+XXIII) | (5.IV.11) | 152,613 | 61,225 |
| Profit/Loss per share | | 0,1452 | 0,0582 |

Note: The Prior Period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2019 and 2020 financial statements are prepared on different principles, 2019 financial statements are presented separately.

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

BANK OF CHINA TURKEY A.Ş.**Unconsolidated statement of profit/loss and other comprehensive income
for the Period ended September 30, 2020***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)*

| | Reviewed Current Period | Reviewed Prior Period |
|---|----------------------------|--------------------------|
| | 01.01.2020-30.09.2020 | 01.01.2019-30.09.2019 |
| I. CURRENT PERIOD INCOME/LOSS | 88,155 | 152,613 |
| II. OTHER COMPREHENSIVE INCOME | - | - |
| 2.1. Other comprehensive income that will not be reclassified to profit or loss | - | - |
| 2.1.1 Gains (Losses) on Revaluation of Property and Equipment | - | - |
| 2.1.2 Gains (Losses) on Revaluation of Intangible Assets | - | - |
| 2.1.3 Gains (Losses) on Remeasurements of Defined Benefit Plans | - | - |
| 2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss | - | - |
| 2.1.5 Taxes Relating to Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss | - | - |
| 2.2. Other Comprehensive Income That Will Be Reclassified to Profit or Loss | - | - |
| 2.2.1 Exchange Differences on Translation | - | - |
| 2.2.2 Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value Through Other Comprehensive Income | - | - |
| 2.2.3 Income (Loss) Related with Cash Flow Hedges | - | - |
| 2.2.4 Income (Loss) Related with Hedges of Net Investment Foreign Operations | - | - |
| 2.2.5 Other Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss | - | - |
| 2.2.6 Tax Relating to Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss | - | - |
| III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II) | 88,155 | 152,613 |

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

BANK OF CHINA TURKEY A.Ş.

**Statement of changes in shareholders' equity
for the Period ended September 30, 2020**

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

| Current Period (30.09.2020) | Section 5 Note V | Paid-in Capital | Share Premium | Share Certificate Cancellation Profits | Other Capital Reserves | Other Accumulated Comprehensive Income or Expense That Will Not Be Reclassified in Profit and Loss | | | Other Accumulated Comprehensive Income That Will Be Reclassified in Profit and Loss | | | Profit Reserves | Prior Period Net Income / (Loss) | Current Period Net Income / (Loss) | Total Equity |
|---|---------------------|--------------------|------------------|--|------------------------------|---|-------------|----------|--|----------|----------|--------------------|--|---|------------------|
| | | | | | | 1 | 2 | 3 | 4 | 5 | 6 | | | | |
| I. Balances at beginning of the Period (*) | | 1,051,230 | - | - | - | - | (19) | - | - | - | - | 200,820 | 194,404 | - | 1,446,435 |
| II. Correction made as per TAS 8 (*) | | - | - | - | - | - | - | - | - | - | - | - | 27,182 | - | 27,182 |
| 2.1 Effect of corrections | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Effect of changes in accounting policies | | - | - | - | - | - | - | - | - | - | - | - | 27,182 | - | 27,182 |
| III. Adjusted balances at beginning of the Period (I+II) | | 1,051,230 | - | - | - | - | (19) | - | - | - | - | 200,820 | 221,586 | - | 1,473,617 |
| IV. Total Comprehensive Income | | - | - | - | - | - | - | - | - | - | - | - | - | 88,155 | 88,155 |
| V. Capital Increase in Cash | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase through Internal Reserves | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Capital reserves from inflation adjustments to paid-in capital | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Debt | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increase/Decrease by Other Changes | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. Profit distribution | | - | - | - | - | - | - | - | - | - | - | 194,404 | (194,404) | - | - |
| 11.1 Dividends | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 Transfers to reserves | | - | - | - | - | - | - | - | - | - | - | 194,404 | (194,404) | - | - |
| 11.3 Others | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of the Period (III+IV+.....+X+XI) | | 1,051,230 | - | - | - | - | (19) | - | - | - | - | 395,224 | 27,182 | 88,155 | 1,561,772 |

| Prior Period (30.09.2019) | Section 5 Note V | Paid-in Capital | Share Premium | Share Certificate Cancellation Profits | Other Capital Reserves | Other Accumulated Comprehensive Income or Expense That Will Not Be Reclassified in Profit and Loss | | | Other Accumulated Comprehensive Income That Will Be Reclassified in Profit and Loss | | | Profit Reserves | Prior Period Net Income / (Loss) | Current Period Net Income / (Loss) | Total Equity |
|---|---------------------|--------------------|------------------|--|------------------------------|---|------------|----------|--|----------|----------|--------------------|--|---|------------------|
| | | | | | | 1 | 2 | 3 | 4 | 5 | 6 | | | | |
| I. Balances at beginning of the Period (*) | | 1,051,230 | - | - | - | - | (4) | - | - | - | - | 86,086 | - | 114,734 | 1,252,046 |
| II. Correction made as per TAS 8 (*) | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 Effect of corrections | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Effect of changes in accounting policies | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. Adjusted balances at beginning of the Period (I+II) | | 1,051,230 | - | - | - | - | (4) | - | - | - | - | 86,086 | - | 114,734 | 1,252,046 |
| IV. Total Comprehensive Income | | - | - | - | - | - | - | - | - | - | - | - | - | 152,613 | 152,613 |
| V. Capital Increase in Cash | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase through Internal Reserves | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Capital reserves from inflation adjustments to paid-in capital | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible Bonds | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Debt | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increase/Decrease by Other Changes | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. Profit distribution | | - | - | - | - | - | - | - | - | - | - | 114,734 | - | (114,734) | - |
| 11.1 Dividends | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 Transfers to reserves | | - | - | - | - | - | - | - | - | - | - | 114,734 | - | (114,734) | - |
| 11.3 Others | | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances at the end of the Period (III+IV+.....+X+XI) | | 1,051,230 | - | - | - | - | (4) | - | - | - | - | 200,820 | - | 152,613 | 1,404,659 |

1. Tangible and Intangible Asset Revaluation Reserve

2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans

3. Other (Other comprehensive income of Associates and Joint Ventures Accounted for Using Equity Method That Will Not Be Reclassified to Profit or Loss and Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss)

4. Exchange Differences on Translation

5. Accumulated Gains (Losses) due to revolution and/or reclassification of financial assets measured at fair value through other comprehensive income

6. Other (Accumulated gains or losses on Cash flow hedge, other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss and other accumulated amounts of other comprehensive income that will be reclassified to profit or loss)

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

Statement of cash flows
for the Period January 1 - September 30, 2020

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

| STATEMENT OF CASH FLOWS | Note | Reviewed | Reviewed |
|---|------|---|---------------------------------------|
| | | Current Period 01.01.2020-30.09.2020 | Prior Period 01.01.2019-30.09.2019 |
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating profit before changes in operating assets and liabilities | | 84,175 | 151,013 |
| 1.1.1 Interest received (+) | | 137,212 | 213,658 |
| 1.1.2 Interest paid (-) | | 6,373 | 12,024 |
| 1.1.3 Dividend received (+) | | - | - |
| 1.1.4 Fees and commissions received (+) | | 25,432 | 9,705 |
| 1.1.5 Other income (+) | | - | 45 |
| 1.1.6 Collections from previously written off loans and other receivables (+) | | - | - |
| 1.1.7 Payments to personnel and service suppliers (-) | | 28,813 | 16,104 |
| 1.1.8 Taxes paid (-) | | 43,283 | 44,267 |
| 1.1.9 Other (+/-) | | - | - |
| 1.2 Changes in Operating Assets and Liabilities | | 266,806 | 23,935 |
| 1.2.1 Net increase (decrease) in financial assets at fair value through profit or loss (+/-) | | - | - |
| 1.2.2 Net increase (decrease) in due from banks (+/-) | | - | 33,557 |
| 1.2.3 Net increase (decrease) in loans | | 36,921 | (256,437) |
| 1.2.4 Net increase (decrease) in other assets (+/-) | | - | - |
| 1.2.5 Net increase (decrease) in bank deposits (+/-) | | - | (119) |
| 1.2.6 Net increase (decrease) in other deposits (+/-) | | 221,722 | 202,390 |
| 1.2.7 Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-) | | - | - |
| 1.2.8 Net increase (decrease) in funds borrowed (+/-) | | 18,106 | 56,437 |
| 1.2.9 Net increase (decrease) in matured payables (+/-) | | - | - |
| 1.2.10 Net increase (decrease) in other liabilities (+/-) | | (9,943) | (11,893) |
| I. Net cash provided from banking operations | | 350,981 | 174,948 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | - | - |
| II. Net cash provided from investing activities (+/-) | | (246,426) | (238,444) |
| 2.1 Cash paid for acquisition of investments, associates and subsidiaries | | - | - |
| 2.2 Cash obtained for acquisition of investments, associates and subsidiaries | | - | - |
| 2.3 Purchases of property and equipment (-) | | 1,010 | 1,734 |
| 2.4 Disposals of property and equipment (+) | | - | - |
| 2.5 Cash paid for purchase of financial assets available- for sale (-) | | - | - |
| 2.6 Cash obtained from sale of financial assets available- for sale (+) | | - | - |
| 2.7 Cash paid for purchase of investment securities (-) | | 496,985 | 236,710 |
| 2.8 Cash obtained from sale of investment securities (+) | | 251,569 | - |
| 2.9 Other (+) | | - | - |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | - | - |
| III. Net cash provided from financing activities (+/-) | | - | - |
| 3.1 Cash obtained from funds borrowed and securities issued (+) | | - | - |
| 3.2 Cash used for repayment of funds borrowed and securities issued (-) | | - | - |
| 3.3 Issued equity instruments (+) | | - | - |
| 3.4 Dividends paid (-) | | - | - |
| 3.5 Payments for financial leases (-) | | - | - |
| 3.6 Other (+/-) | | - | - |
| IV. Effect of change in foreign exchange rate on cash and cash equivalents | | 52,048 | 2,720 |
| V. Net increase in cash and cash equivalents (I+II+III+IV) | | 156,603 | (60,776) |
| VI. Cash and cash equivalents at beginning of Period | | 716,744 | 963,359 |
| VII. Cash and cash equivalents at end of Period | | 873,347 | 902,583 |

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

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

**SECTION THREE
ACCOUNTING POLICIES**

I. BASIS OF PRESENTATION

a. Preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures on the Accounting Practice and Documentation of Banks

The Bank prepared the accompanying financial statements in accordance with the Banking Law No.5411 "Regulation on Principles Related to Banks' Accounting Applications and Maintaining the Documents", dated November 1, 2006 which is published in the Official Gazette No: 26333, which refers to "Turkish Accounting Standards" ("TAS"), put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"), and "Turkish Financial Reporting Standards" ("TFRS") issued by the "Turkish Accounting Standards Board" ("TASB") and additional explanations and notes related to them and other decrees, notes and explanations related to accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the Banking Regulation and Supervision Agency ("BRSA").

The format and detail of the publicly announced selected financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and amendments to this Communiqué. The Bank maintains its books of account in Turkish Lira in accordance with the Banking Law, Turkish commercial Code and Turkish Tax Legislation.

The financial statements have been prepared in Turkish Lira (TL), based on the historical cost basis except for the financial assets, liabilities and derivatives which are expressed with their fair values.

On May 2, 2016, the Bank obtained permission from BRSA to establish as a deposit bank. The Bank obtained its permission to operate on 7 December 2017 and started its banking activities on 9 May 2018.

Additional paragraph for convenience translation into English of financial statements originally issued in Turkish

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

b. Accounting policies and valuation principles applied in preparation of financial statements

The accounting policies and valuation principles used in the preparation of the financial statements are selected and applied in accordance with the requirements set out in regulations, communiqués, statements and guidance published by the BRSA and if there is no special regulation by the BRSA, in accordance with the principles within TAS / TFRS. The accounting policies and valuation principles applied in the preparation of the accompanying financial statements are explained in Notes II and XXII below.

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

I. BASIS OF PRESENTATION (continued)

c. Changes in accounting policy

The Bank's request for exception for the transition calculations for the "IFRS 9 Financial Instruments" standard, which entered into force on January 1, 2018, it was met positive by the BRSA number 32521522-101.02.02 [68] -E.4652 and dated April 3, 2018. Accordingly, the Bank sets aside general and special provisions within the scope of Articles 10, 11, 13 and 15 of the "Regulation on the Classification of Loans and Provisions and Principles to be Reserved for them", in the accompanying unconsolidated financial statements, dated 22 June 2016. In accordance with the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette No: 29750 and entered into force on 1 January 2018, the standard "IFRS 9 Financial Instruments" (IFRS 9) published by the POA on January 1, 2020 It has started to be applied for the first time since. Pursuant to the transition provisions of IFRS 9, Prior Period financial statements and footnotes have not been rearranged. Therefore, the first application effects of the standard are reflected to the previous profits and the accompanying financial statements are presented separately, not comparative. IFRS 9 started to be implemented as of January 1, 2020 and its effects on the opening balance are explained in Note XXIII of Section Three.

II. EXPLANATIONS ON THE USAGE STRATEGY OF FINANCIAL INSTRUMENTS AND ON FOREIGN CURRENCY TRANSACTIONS

The Bank operates in the fields of Corporate Banking and Treasury banking in Turkey. The Bank provides cash, non-cash loans, project financing and corporate finance services to its corporate customers under the umbrella of corporate banking.

The Bank's most important funding source is its capital. Most of the Bank's assets consist of placements to banks. While capital is evaluated in high quality financial assets, an asset-liability management strategy is followed to keep interest, liquidity and exchange rate risks within certain limits. Foreign currency, interest and liquidity risks carried in the balance sheet and off-balance sheet assets and liabilities are managed within the framework of various risk limits and legal limits adopted by the Bank. The position of the Bank as a result of its foreign currency operations is kept at a minimum level and the foreign exchange rate risk is monitored within the framework of the Banking Law.

Explanation on foreign currency transactions:

Foreign exchange gains and losses arising from the foreign currency transactions are converted into Turkish Lira by using the exchange rates at the date of the transaction and recognized in accounting records. At the end of the Periods, foreign currency assets and liabilities are converted into Turkish Lira by using the spot foreign currency exchange rates of the Bank at the end of the Period and the related currency conversion differences are recognized as foreign exchange gains and losses.

III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank's derivative instruments are classified as "Derivative Financial Assets Measured at Fair Value through Profit and Loss" or "Derivative Financial Assets Measured at Fair Value through Other Comprehensive Income" in accordance with "IFRS 9".

In accordance with IFRS 9, forward foreign exchange contracts, swaps, options and futures transactions are classified as "Derivative Financial Assets Measured at Fair Value through Profit and Loss". Derivative transactions are recorded at their fair value at the date of the contract. In addition, liabilities and receivables arising from derivative transactions are recorded in off-balance sheet accounts at contractual amounts.

As of September 30, the Bank has derivative financial liability is TL 85,696 which is classified as "Derivative Financial Liabilities Measured at Fair Value through Profit and Loss" (December 31, 2019: TL 20,444 asset).

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

IV. INFORMATION ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized as they are accrued using internal rate of return method.

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

According to the nature of fees and commissions; commission income / expenses collected for any future transaction are recognized on an accrual basis and other fee and commission income / expenses are recognized in accordance with TFRS 15 in the Period in which they are incurred.

VI. EXPLANATIONS ON FINANCIAL ASSETS

Within the framework of the business plan, the Bank 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 amortized cost". Such financial assets are recognized or deducted according to the "Financial Statement Acquisition and Disclosure of Financial Statements" in the third part of TFRS 9 standard on classification and measurement of financial instruments published in the Official Gazette dated 19 January 2017 and numbered 29953. Financial assets are measured at fair value on initial recognition in the financial statements. In the first measurement of financial assets other than "Financial assets at fair value through profit or loss", transaction costs are added to fair value or deducted from fair value.

The Bank recognizes a financial asset only when it is a party to the contractual provisions of the financial instrument. The first time that a financial asset is included in the financial statements, the characteristics of the business model and the contractual cash flows of the financial asset are taken into account by the Bank Management. When the business model determined by the bank management is changed, all financial assets affected by this change are reclassified and the reclassification is applied in the future. In such cases, no adjustments are made to the earnings, losses or interests previously recognized in the financial statements.

The Bank has no financial assets at fair value through other comprehensive income as of September 30, 2020.

Loans and Receivables:

Loans are financial assets that have fixed or determinable payments and are not quoted on an active market. Such loans are initially recognized at cost with fair value reflecting transaction costs and are measured at amortized cost using the "effective interest rate (internal rate of return) method".

Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

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

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

VII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2020, the Bank started to recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2019, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

The Bank sets aside the expected loss provision for its financial assets measured at amortized cost and at fair value through other comprehensive income.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or for those which do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. The probability of default is taken into account as 100% in the calculation of impairment provision and Bank accounts lifetime expected credit losses.

Use of current conditions, past events and macroeconomic forecasts:

After making a segment separation according to the counterparty of the receivable, the Bank takes into account the different macroeconomic scenarios created for the corporate portfolio, using past events, current conditions and economic prospects for the future. The Bank uses three macroeconomic scenarios as base, positive and negative for future projections. The macroeconomic model is applied to reflect the future outlook of the parameters used in the expected credit loss calculation.

Expected credit loss provision calculation:

The Bank uses the "Probability of Default x Loss in Default x Default" amount that takes into account the time value of money in the expected credit loss calculation. For the first stage receivables, 12-month expected credit loss calculation is applied, considering future information. For the second stage receivables, calculations are made for the expected life of the loan. Expected lifetime expected credit loss is calculated by discounting and collecting possible credit losses in every 12-month Period until maturity. The default probability is taken as 100% for non-performing loans and the expected loan losses are calculated in accordance with the expected life approach. Although methodological calculation methods have been determined, there are currently no loans classified in the second and third stages in the Bank's portfolio. The entire loan portfolio is at the first stage.

VIII. DISCLOSURES ABOUT NETTING and DERECOGNITION of FINANCIAL INSTRUMENTS

Explanations on netting of financial instruments:

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

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

IX. INFORMATION ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

Funds provided by the Bank for securities sold under agreements for repurchase agreements ("Repo") are followed in the legal records in the "Funds Provided under Repurchase Agreements" and "Funds Provided under Repurchase Agreements-FC" Accounts.

Securities subject to repo (repurchase agreements) are classified as "Financial assets at fair value through profit or loss" or "Financial assets at fair value through other comprehensive income" according to their purposes to be held in the Bank's portfolio. Revenues from securities subject to repo are accounted for in interest income and expenses paid under repurchase agreements are accounted in interest expense accounts.

Funds lent against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. Interest income accruals are calculated according to the "effective interest (internal rate of return) method" for the portion of the difference between repurchase agreements and purchase and resale prices. Difference between the purchase and resale prices determined by reverse repurchase agreements, the interest income accrual is calculated according to the "Effective interest rate method".

As of September 30, 2020, the Bank has no repo, reverse repo and foreclosed marketable securities (December 31, 2019: None).

X. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND THE RELATED LIABILITIES

Assets held for sale, consist of tangible assets due to non-performing loans are accounted for in accordance with "TFRS 5 related to Held for Sale Fixed Assets and Discontinued Operations Turkey Financial Reporting Standards" in the financial statements.

A discontinued operation is part of a bank's business classified as disposed or held-for-sale. It refers to a separate main business line or the geographical area of its activities. It is a part of the sale of a separate main line of business or geographical area of operations alone in a coordinated plan, or is a subsidiary acquired solely for resale.

As of September 30, 2020, the Bank has no assets held for sale and discontinued operations (December 31, 2019: None).

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the difference between the cost of goods sold and the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree's entity / operation, and represents the payment made by the acquirer to the entity for future benefit recognition. Not included in the financial statements of the business acquired in business combinations; however, assets that are separable from goodwill, intangible assets (such as credit card brand value and customer portfolio) and / or contingent liabilities are recognized in the financial statements at fair value.

Goodwill calculated in accordance with TFRS 3 - Business Combinations Standard is not subject to amortization but instead is tested for impairment in accordance with TAS 36 - Impairment of Assets, more frequently, annually or in cases where the conditional changes in circumstances indicate it may be impaired.

Intangible assets are amortized using the straight-line method over their estimated useful lives. The determination of the useful life of the asset is made by assessing the expected duration of use of the asset, the technical, technological or other type of obsolescence and the maintenance costs required obtaining the expected economic benefit from the asset.

As of September 30, 2020, there is no goodwill in the accompanying financial statements (December 31, 2019: None).

**Notes to unconsolidated financial statements
as at 30 September 2020***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)***XII. EXPLANATIONS ON TANGIBLE ASSETS**

In accordance with the "Accounting Standard for Tangible Fixed Assets" ("TAS 16"), the cost of the tangible assets is determined by adding the initial amounts of the tangible assets and other direct expenses required to make the asset available. Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

For assets that are less than an active accounting Period, depreciation is provided for the amount of the depreciation for the full year, as measured by the proportion of the asset over the life of the asset.

If the carrying amount of an item of property, plant and equipment is greater than its market value, an impairment loss is recognized for the excess amount and the amount is recognized in the financial statements. Gains or losses arising from the disposal of tangible fixed assets are transferred to profit and loss accounts of the related Period.

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

Depreciation rates and estimated useful lives used for the tangible assets are as follows:

| Tangible Assets | Estimated Useful Life (Year) | Amortization Rate (%) |
|------------------------|---|----------------------------------|
| Operating Leases | 8-9 | 11.11-12.5 |
| Furniture | 5 | 20 |
| Office equipment | 4-10 | 10-25 |
| Safe | 50 | 2 |
| Vehicles | 5 | 20 |

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

The Bank is a lessee in the offices used for the marketing of operational area services and operations, and there are no financial leasing transactions.

Explanations on TAS 16 Leases Standard:

TAS 16 Leases Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements. The Bank has started to apply the related standard on 1 January 2019.

Measurement, Presentation and Reflection of Financial Leasing into Financial Statement

The amount of the lease obligation is shown in the balance sheet as gross in proportion to the total of all cash payments under the contract and netted off with the interest expense arising from the contract. The usage right arising from the leasing transactions is capitalized at the date of the rental at the beginning of the lease by measuring the present value of the lease payments that have not been paid at that date. In this measurement, if the interest can be easily determined, the implied interest rate in the lease is used. If this ratio cannot be easily determined, the Bank's alternative borrowing interest rate announced by the Treasury Unit is used.

On 5 June 2020, POA made amendments to TFRS 16 "Leases" standard by publishing "Concessions Regarding COVID-19" on Lease Payments - "TFRS 16 Leases". With this amendment, tenants were exempted from not being able to evaluate whether the concessions, which were recognized due to COVID-19 in the lease payments, had been made in the lease. The amendment did not have a significant impact on the financial position or performance of the Bank.

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT ASSETS/LIABILITIES

Provisions and contingent liabilities except for the financial instruments within the scope of the TFRS 9 or the provisions recognized in accordance with other standards such as TAS 12 and TAS 19 are accounted in accordance with the "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" (TAS 37).

Provision is made in the financial statements if there is an existing obligation resulting from past events, it is probable that the obligation will be met and the obligation can be reliably measured. Provisions are calculated based on the Bank Management's best estimates of the expenditure required to settle the obligation at the balance sheet date and are discounted to the present value where the effect is material.

For liabilities that arise as a result of past events, provision is made if the probability of occurrence is high and the amount can be reliably estimated at the time when those liabilities are incurred.

Contingent assets usually consist of unplanned or other unexpected events that give rise to the possibility of entry into the business of economic benefits. The presentation of contingent assets in the financial statements is not included in the financial statements, as it may result in the recognition of an income that can never be obtained. Contingent assets are disclosed in the footnotes of financial statements if it is probable that the economic benefits will flow to the enterprise. Contingent assets are assessed on an ongoing basis to ensure that their development is accurately reflected in the financial statements. If it becomes almost certain that the economic benefit will enter the Bank, the related asset and related income are reflected in the financial statements of the Period in which the change occurs.

XV. EXPLANATION ON LIABILITIES RELATED TO EMPLOYEE RIGHTS

In accordance with the existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities including retirement and notice payments to each employee whose employment is terminated due to resignation or for reasons other than misconduct. In accordance with the revised TAS 19 employee benefits standard ("TAS 19"), such payments are recognized as defined benefit plans.

The retirement pay liability recognized in the balance sheet is calculated according to the present value of the amount of the liability expected to arise in the future due to retirement of all employees and reflected to the financial statements. Amendments to TAS 19 change the accounting for defined benefit plans and termination benefits. Changes require that all actuarial losses and gains be accounted for as other comprehensive income immediately in order to reflect the full value of the net retirement asset or liability in the balance sheet. Changes to TAS 19 should be applied retrospectively.

a. Defined benefit plans:

According to the laws and collective agreements existing in Turkey, retirement pay is paid in case of retirement or dismissal. The Bank recognizes the provision for the rights of its employees by estimating the present value of its future probable obligation in the event of retirement or dismissal.

There are no foundations, pension funds or similar associations of which the employees are members.

b. Defined contribution plans:

The Bank, on behalf of its employees, must pay contributions to the Social Security Institution (SSI) in the amount determined by law. Apart from the contribution paid by the Bank, there is no other obligation to pay to its employees or the SSI. These premiums are reflected to the personnel expenses in the Period when they are accrued.

c. Short-term benefits to employees:

The liabilities arising from the vacation pay defined as "short-term benefits to employees" within the scope of TAS 19 are accrued and are not discounted at the Periods when they are earned.

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XVI. EXPLANATIONS ON TAXATION

a. Corporate tax:

As per the provisional article 91 of Law numbered 7061, which is added to Corporate Tax Law numbered 5520 corporate tax rate regarding 2018, 2019 and 2020 fiscal Periods (accounting Periods starting within the related Period for companies which are assigned special accounting Period) has been changed as 22%.

Since the applicable tax rate has been changed to 22% for the 2 years beginning from 31 December 2019, 22% tax rate is used in the deferred tax calculation of December 31, 2019 for the temporary differences expected to be realized/closed within 2 years (for the years 2020 and 2021). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Corporate tax declarations are prepared between 1st and 25th days of 4th month of the related fiscal year and are paid till the end of the following month in one installment.

The corporations and income tax provisions calculated over the Period profits are recorded in the "Current Tax Liability" account in the liabilities and in the "Current Tax Provision" account in the income statement as expense.

According to the Turkish Corporate Tax Law, financial losses in the declaration can be deducted from the corporate tax base of the Period not exceeding 5 years. Declarations and related accounting entries can be examined within five years by tax office.

If there is no dividend distribution planned, no further tax charges are made. Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, 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 non-resident 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 non-resident 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.

Current tax effect in regard to transactions directly accounted for in equity is also reflected to equity.

b. Deferred tax:

In accordance with Turkish Accounting Standard on Income Taxes (TAS 12), the Bank accounts for deferred taxes based on the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The Bank's deferred tax assets and liabilities are offsetted in unconsolidated balance sheet. As of September 30, 2020, the Bank has TL 26,375 deferred tax asset (December 31, 2019: TL 5,228 deferred tax asset).

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it is highly probable that these will in the future create taxable profit. Deferred tax asset is not provided over general reserve for possible risk and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax effect in regard to transactions directly accounted for in equity is also reflected to equity and netted with related accounts.

In addition, deferred tax income is not subject to profit distribution and capital increase, if the income remains as a result of offsetting of the deferred tax asset and liabilities in accordance with the circular of the BRSA.

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XVI. EXPLANATIONS ON TAXATION (continued)

c. Transfer pricing:

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by way of Transfer Pricing” published on November 18, 2007 explains the application related issues in detail.

According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes. Disguised profit distribution amount will be recognized as share in net profit and stoppage tax will be calculated depending on whether the profit distributing institution is a real or corporate entity, full-fledged or foreign based taxpayer is subject to or exempt from tax.

As discussed under subject Communiqué’s 7.1 Annual Documentation section, taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation Period attach these forms to their corporate tax returns and submit to the tax offices.

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank’s fund resources consist of borrowing from foreign financial institutions. Instrument regarding borrowing are valued with their fair values and other financial liabilities are carried at “amortised cost” using the effective interest method. As of 30 September 2020, the Bank has obtained funds from foreign institutions amounting to TL 77,529 through borrowings. (December 31, 2019: TL 59,423).

XVIII. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

None (December 31, 2019: None).

XIX. EXPLANATIONS ON BANK ACCEPTANCES AND BILLS OF GUARANTEE

Bank acceptances and bills of guarantee are presented within off-balance sheet liabilities as being possible liabilities and commitments. As of the balance sheet date, there are no bank acceptances and bills of guarantee recognized as liability against an asset (December 31, 2019: None).

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of the balance sheet date, the Bank does not have any government incentives (December 31, 2019: None).

XXI. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION

Retained earnings as per the statutory financial statements and General Assembly decision other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital.

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XXII. EXPLANATIONS ON EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit for the year to the weighted average number of shares outstanding during the Period concerned. Earnings per share disclosed in the income statement are calculated by dividing net profit for the year to the weighted average capital outstanding during the Period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect to bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier Period. Where the number of outstanding shares increase due to distribution of bonus shares after the balance sheet date but before the release of the financial statements, earnings per share computations are performed based on the revised average number of shares.

XXIII. EXPLANATIONS ON RELATED PARTIES

Parties defined in Article 49 of the Banking Law No.5411, Bank's senior management and Board Members are deemed as related parties. Transactions regarding related parties are presented in Section Five.

XXIV. EXPLANATIONS ON CASH and CASH EQUIVALENTS

For the purposes of the preparation of statement of cash flows, "Cash" includes cash, effectives, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity Periods of less than three months.

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XXV. EXPLANATIONS ON SEGMENT REPORTING

The main segment of banking operations is Corporate Banking. As of September 30, 2020, the financial information per banking segments is presented below:

| Current Period 30.09.2020 | Corporate Banking | Fund Management | Unallocated | Total |
|----------------------------------|------------------------------|----------------------------|--------------------|----------------|
| Operating income | 53,259 | 105,987 | 356 | 159,602 |
| Operating expense | (8,296) | (1,168) | (37,067) | (46,531) |
| Pretax income / (loss) | 44,963 | 104,819 | (36,711) | 113,071 |
| Tax provision (-) | - | - | (24,916) | (24,916) |
| Net Profit / (Loss) | 44,963 | 104,819 | (61,627) | 88,155 |
| Segment assets | 576,674 | 1,448,055 | 63,570 | 2,088,299 |
| Segment liabilities | 302,703 | 163,225 | 60,599 | 526,527 |
| Equity | - | 1,561,772 | - | 1,561,772 |
| Prior Period 30.09.2019 | Corporate Banking | Fund Management | Unallocated | Total |
| Operating income | 34,964 | 208,481 | 45 | 243,490 |
| Operating expense | (3,370) | (10,036) | (30,580) | (43,986) |
| Pretax income / (loss) | 31,594 | 198,445 | (30,535) | 199,504 |
| Tax provision (-) | - | - | (46,891) | (46,891) |
| Net Profit / (Loss) | 31,594 | 198,445 | (77,426) | 152,613 |
| Segment assets | 532,892 | 1,176,586 | 32,512 | 1,741,990 |
| Segment liabilities | 272,260 | 20,347 | 44,724 | 337,331 |
| Equity | - | 1,404,659 | - | 1,404,659 |

XXVI. RECLASSIFICATIONS

In order to be consistent with the presentation of current Period financial statements, there can be certain reclassifications in case needed. Previous Period financial statements are not reclassified in accordance with TFRS 9 requirements as explained above in note I. Therefore, the Bank does not have any reclassifications in the Prior Period's financial statements.

XXVII. EXPLANATIONS ON OTHER MATTERS

On 11 March 2020, it was classified as an epidemic affecting country globally by the World Health Organization. The COVID-19 epidemic and the measures taken against it have impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues, and remain uncertain about the future. The effects of these effects on the Bank's equity management and capital adequacy, asset quality, credit risk, operational risk, currency risk, interest rate risk, liquidity risk, stock position risk arising from banking accounts, leverage ratio and other risks and indicators are followed up regularly. The effects of the situation are not fully known. The Bank takes the necessary precautions to keep the negative effects under control and to live at the minimum level.

In order to reduce the negative effects of the epidemic, BRSA decisions 8948, 8949 and 8950 have been published. The BRSA has extended the delays stipulated for the classification of loans as a summary in these decisions, and are classified as live receivables due to restructuring and the principal and / or interest payments are delayed more than 30 days within one year of monitoring or are restructured once more during this monitoring Period eliminated the obligation to classify loans in the third group.

In addition to these measures, the announcement dated 23 March 2020 decided to implement the following measures by 31 December 2020:

- According to the Regulation on Measurement and Assessment of Capital Adequacy of Banks in the calculation of the amount subject to credit risk; the presence of non-monetary and monetary assets, the history of excluding the items in foreign currencies are measured at cost Turkey Accounting Standards pursuant revalued amounts and related provisions are calculated at 31 December in preparing the 2019 financial statements buying foreign exchange will be mainly dry used.

**Notes to unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

XXVII. EXPLANATIONS ON OTHER MATTERS (continued)

- If the net valuation differences of the securities owned by banks in the portfolio of "Marketable Securities at Fair Value Through Other Comprehensive Income" are negative, these differences will be calculated in accordance with the Regulation on Banks' Equity and used for capital adequacy ratio. It may be taken. However, the implementation of the existing provisions of the Regulation for "Marketable Securities at Fair Value Through Other Comprehensive Income" obtained after 23 March 2020 continues.
- As of March 23, 2020, the depreciation provisions of the securities owned by banks may not be taken into account in the calculation of foreign currency net general position within the scope of the Regulation on Calculation and Implementation of Foreign Currency Net General Position / Equity Standard Ratio by Banks. However, the existing provisions of this Regulation continue to be applied for portfolios acquired after 23 March 2020.

The Bank has not applied the above-mentioned flexibility in the 30 September 2020 and 31 December 2019 financial statements.

XXVIII. EXPLANATIONS ON TFRS9 FINANCIAL INSTRUMENTS STANDARD

BRSA granted the authorization to the Bank numbered 32521522-101.02.02[86]-E.4652 and dated 3 April 2018, as of December 31, 2018, not to apply the provisions regarding the impairment of TFRS 9; as of 1 January 2018, the Bank calculated and accounted allowances for impairment of financial assets in accordance with the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside " published in the Official Gazette No. 29750 dated 22 December 2016 and effective as of 1 January 2018, "General and specific provisions to be allocated to banks that do not apply TFRS 9". As of 1 January 2020 the Bank has applied TFRS 9 Financial Instruments (TFRS 9) published by POA according to "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750 for the first time in attached unconsolidated financial statements.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

Classification and measurement of financial assets:

The classification and measurement of financial assets according to TFRS 9 is determined by the business model in which the financial asset is managed and whether it is based on contractual cash flows that only include interest payments on principal and principal balance.

Assessment for the business model:

The business model of the Bank represents how the Bank manages its financial assets for generating cash flows. The business model specifies whether cash flows arise from the collection of contractual cash flows or the sale of financial assets, or both. This assessment is based on scenarios the Bank expects to reasonably occur.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular Period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making such assessment, the Bank considers contingent events that would change the amount and timing of cash flows, conditions that limit the Bank's claim to cash flows, prepayments and extension terms and features that modify consideration for the time value of money. Such assessments are also briefly defined as contractual cash flow characteristics test.

**Notes to unconsolidated financial statements
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XXVIII. EXPLANATIONS ON TFRS9 FINANCIAL INSTRUMENTS STANDARD (continued)

The Bank fulfills the on-balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

The information regarding the impacts of TFRS 9 standard is detailed below:

| ASSETS | 31 December 2019 | TFRS-9 Reclassifi- cation impact | TFRS-9 Remeasur- ement impact | 1 January 2020 |
|---|-----------------------------|---|--|---------------------------|
| FINANCIAL ASSETS (Net) | 1,070,425 | - | (753) | 1,069,672 |
| Cash and cash equivalents | 720,560 | - | - | 720,560 |
| Cash and balances at Central Bank | 42,859 | - | - | 42,859 |
| Banks | 677,701 | - | - | 677,701 |
| Receivables from Money Markets | - | - | - | - |
| Financial assets measured at fair value to profit or loss | - | - | - | - |
| Financial assets measured at fair value to other comprehensive income | - | - | - | - |
| Financial assets measured at amortised cost | 329,421 | - | - | 329,421 |
| Derivative financial assets | 20,444 | - | - | 20,444 |
| Non-performing financial assets | - | - | - | - |
| Allowance for expected credit losses (-) | - | - | (753) | (753) |
| LOANS (Net) | 568,012 | - | (4,593) | 563,419 |
| Loans | 568,012 | - | - | 568,012 |
| Loans measured at amortised cost | 568,012 | - | - | 568,012 |
| Non-performing loans | - | - | - | - |
| Allowance for expected credit losses (-) | - | - | (4,593) | (4,593) |
| 12-Month expected credit losses (Stage 1) | - | - | (4,593) | (4,593) |
| Significant increase in credit risk (Stage 2) | - | - | - | - |
| Credit-Impaired (Stage 3) | - | - | - | - |
| TANGIBLE ASSETS (Net) | 24,746 | - | - | 24,746 |
| INTANGIBLE ASSETS AND GOODWILL (Net) | 2,648 | - | - | 2,648 |
| TAX ASSET | 5,228 | - | 2,370 | 7,598 |
| OTHER ASSETS | 5,911 | - | - | 5,911 |
| TOTAL ASSETS | 1,676,970 | - | (2,976) | 1,673,994 |
| LIABILITIES AND EQUITY | 31 December 2019 | TFRS-9 Reclassific- ation impact | TFRS-9 Remeasur- ement impact | 1 January 2020 |
| DEPOSITS | 75,685 | - | - | 75,685 |
| FUNDS BORROWED | 59,423 | - | - | 59,423 |
| MONEY MARKETS | - | - | - | - |
| SECURITIES ISSUED (Net) | - | - | - | - |
| FUNDS | - | - | - | - |
| FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS | - | - | - | - |
| DERIVATIVE FINANCIAL LIABILITIES | - | - | - | - |
| FACTORING LIABILITIES | 22,412 | - | - | 22,412 |
| PROVISIONS | 40,626 | (35,589) | 5,431 | 10,468 |
| General provision | 35,589 | (35,589) | - | - |
| Reserve for Employee Benefits | 5,037 | - | - | 5,037 |
| Other provision | - | - | 5,431 | 5,431 |
| CURRENT TAX LIABILITY | 19,484 | - | - | 19,484 |
| DEFERRED TAX LIABILITY | - | - | - | - |
| OTHER LIABILITIES | 12,905 | - | - | 12,905 |
| SHAREHOLDER'S EQUITY | 1,446,435 | - | 27,182 | 1,473,617 |
| Paid in capital | 1,051,230 | - | - | 1,051,230 |
| Capital reserves | - | - | - | - |
| Other capital reserves | - | - | - | - |
| Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss | (19) | - | - | (19) |
| Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss | - | - | - | - |
| Profit Reserves | 200,820 | - | - | 200,820 |
| Legal Reserves | 10,041 | - | - | 10,041 |
| Status Reserves | - | - | - | - |
| Extraordinary Reserves | 190,779 | - | - | 190,779 |
| Other Profit Reserves | - | - | - | - |
| Profit or (Loss) | 194,404 | - | 27,182 | 221,586 |
| Prior Periods' Profit or (Loss) | - | - | 27,182 | 27,182 |
| Current Period Profit or (Loss) | 194,404 | - | - | 194,404 |
| TOTAL LIABILITIES AND EQUITY | 1,676,970 | (35,589) | 32,613 | 1,673,994 |

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XXVIII. EXPLANATIONS ON TFRS9 FINANCIAL INSTRUMENTS STANDARD (continued)

Reconciliation of the opening balances of the provision to TFRS 9

The following table summarizes the reconciliation of the general loan loss provision of the Bank as of 31 December 2019 and the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2020.

| | Book value before TFRS 9 | | Book value after TFRS 9 |
|-----------------------------|-----------------------------|-----------------|----------------------------|
| | 31 December 2019 | Remeasurements | 1 January 2020 |
| Loans Provision | 18,745 | (14,152) | 4,593 |
| Stage 1 (*) | 18,745 | (14,152) | 4,593 |
| Stage 2 | - | - | - |
| Stage 3 | - | - | - |
| Financial Assets(**) | - | 753 | 753 |
| Non-Cash Loans | 16,844 | (11,413) | 5,431 |
| Stage 1 and 2 | 16,844 | (11,413) | 5,431 |
| Stage 3 | - | - | - |
| Total | 35,589 | (24,812) | 10,777 |

* Represents general provisions for stage 1 loans before TFRS 9.

** Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Receivables from Banks and Money Market and other assets.

Effects on equity with TFRS 9 transition:

According to paragraph 15 of Clause 2 of Article 7 of TFRS 9 Financial Instruments Standard published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous Period information in accordance with TFRS 9 and if the previous Period information is not restated, the difference between the book value of 1 January 2020 the date of application should be reflected in the opening balance of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are explained below.

TL 24,812 positive difference (income natured) between the provision for impairment of the previous Period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2020 is classified as "Prior years' profits or losses" line under shareholders' equity.

As of January 1, 2020, the Bank has started to calculate deferred tax asset for general provisions (allowance for expected credit losses for Stage 1 and Stage 2 loans) in accordance with "Communique on Uniform Chart of Accounts" published at 20 September 2017. Within this scope, deferred tax asset amounting to TL 2,370 has been accounted in the opening balance sheet of current Period and the related amount is presented in "Prior years' profits or losses" line under shareholders' equity.

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XXIX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD

"IFRS 9 Financial Instruments" standard became effective instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of IFRS 9 are given below:

a. Loans and receivables:

Loans and receivables are financial assets which are created by providing money, services or goods to a debtor. Loans and receivables originated by the Bank are carried initially at cost and subsequently recognized at the amortised cost value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognized in the expense accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 26333 dated 1 November 2006. Apart from specific provisions, the Bank has general loan loss provision within the scope of the stated regulations. Deferred tax asset is not allocated over the amount of general provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3.

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SECTION FOUR

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT

I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY

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

Based on the press release made by the BRSA on 23 March, 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provision amounts, spot purchase exchange rate can be used in preparation of financial statements as of 31 December, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" which acquired before 23 March, 2020 may not be included in capital calculation. The Bank do not consider these options in its calculations as of September 30, 2020.

As of September 30, 2020, the Bank's total capital has been calculated as TL 1,544,259 (December 31, 2019: TL 1,460,116) and the capital adequacy ratio is 55.98% (December 31, 2019: 63.32%). This ratio is well above the minimum ratio required by the legislation.

Information on Equity Accounts:

| | Current Period 30.09.2020 | Amounts as per the regulation before 1/1/2014 (*) | Prior Period 31.12.2019 | Amounts as per the regulation before 1/1/2014 (*) |
|---|------------------------------|---|----------------------------|---|
| COMMON EQUITY TIER I CAPITAL | | | | |
| Paid-in capital to be entitled for compensation after all creditors | 1,531,767 | - | 1,436,830 | - |
| Share Premium | 1,051,230 | - | 1,051,230 | - |
| Reserves | - | - | - | - |
| Reserves | 395,205 | - | 200,820 | - |
| Gains recognized in equity as per TAS | - | - | - | - |
| Profit | 115,337 | - | 194,404 | - |
| Current Period profit | 88,155 | - | 194,404 | - |
| Prior Period profit | 27,182 | - | - | - |
| Bonus shares from associates, subsidiaries and joint-ventures not accounted in current Period's profit | - | - | - | - |
| Common Equity Tier I Capital Before Deductions | 1,561,772 | - | 1,446,454 | - |
| Deductions from Common Equity Tier I Capital | - | - | - | - |
| Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital | - | - | - | - |
| Current and Prior Periods' losses not covered by reserves, and losses accounted under equity according to TAS | 19 | - | 19 | - |
| Improvement costs for operating leasing (-) | 1,527 | - | 1,730 | - |
| Goodwill and other intangible assets and related deferred taxes (-) | - | - | - | - |
| Other intangibles other than mortgage-servicing rights (net of related tax liability) | 1,915 | - | 2,420 | - |
| Excess amount arising from deferred tax assets from temporary differences | 26,544 | - | 5,455 | - |
| Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting | - | - | - | - |
| Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach | - | - | - | - |
| Securitization gains | - | - | - | - |
| Unrealized gains and losses arising from the differences in the credit value of the Bank's liabilities at fair value. | - | - | - | - |
| Net amount of defined benefit plans | - | - | - | - |
| Direct and indirect investments of the Bank on its own Tier I Capital (-) | - | - | - | - |
| Shares obtained against Article 56, Paragraph 4 of the Banking Law (-) | - | - | - | - |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-) | - | - | - | - |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I Capital (-) | - | - | - | - |
| Mortgage servicing rights exceeding the 10% threshold of Tier I Capital (-) | - | - | - | - |
| Net deferred tax assets arising from temporary differences exceeding the 10% threshold of Tier I Capital (-) | - | - | - | - |
| Amount exceeding the 15% threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - | - | - |
| The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital not deducted from Tier I Capital (-) | - | - | - | - |
| Excess amount arising from mortgage servicing rights | - | - | - | - |
| Excess amount arising from deferred tax assets from temporary differences (-) | - | - | - | - |
| Other items to be defined by the BRSA | - | - | - | - |
| Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals | - | - | - | - |
| Total Deductions from Common Equity Tier I Capital | 30,005 | - | 9,624 | - |
| Total Common Equity Tier I Capital | 1,531,767 | - | 1,436,830 | - |

(*) In this section, the accounts that are liable to the temporary articles of "Regulation on Equities of Banks" which will be considered at the end of the transition Period are shown.

**Notes to unconsolidated financial statements
as at 30 September 2020**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)
I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY (continued)

| | Current Period 30.09.2020 | Amounts as per the regulation before 1/1/2014 (*) | Prior Period 31.12.2019 | Amounts as per the regulation before 1/1/2014 (*) |
|--|---------------------------------|---|----------------------------|---|
| ADDITIONAL TIER I CAPITAL | | | | |
| Preferred stock not included in Tier I capital and the related share premiums | - | - | - | - |
| Debt instruments and the related issuance premiums defined by the BRSA | - | - | - | - |
| Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4) | - | - | - | - |
| Shares of third parties in Additional Tier 1 Capital | - | - | - | - |
| Shares of third parties in Additional Tier 1 Capital (Temporary Article 3) | - | - | - | - |
| Additional Core Capital before Deductions | - | - | - | - |
| Deductions from Additional Core Capital | - | - | - | - |
| Direct and indirect investments of the Bank on its own Additional Tier I Capital (-) | - | - | - | - |
| Investments in equity instruments issued by Banks or financial institutions invested in Bank's Additional Tier I Capital and having conditions stated in the Article 7 of the Regulation | - | - | - | - |
| The total of net long position of the direct or indirect investments in Additional Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital (-) | - | - | - | - |
| The total of net long position of the direct or indirect investments in Additional Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital (-) | - | - | - | - |
| Other items to be defined by the BRSA (-) | - | - | - | - |
| Items to be Deducted from Tier I Capital during the Transition Period | - | - | - | - |
| Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier I capital for the purposes of the first subparagraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-) | - | - | - | - |
| Net deferred tax asset/liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-) | - | - | - | - |
| Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-) | - | - | - | - |
| Total Deductions from Additional Tier I Capital | - | - | - | - |
| Total Additional Tier I Capital | - | - | - | - |
| Total Tier I Capital (Tier I Capital=Common Equity Additional Tier I Capital) | 1,531,767 | - | 1,436,830 | - |
| TIER II CAPITAL | | | | |
| Debt instruments and share issue premiums deemed suitable by the BRSA | - | - | - | - |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4) | - | - | - | - |
| Provisions (Article 8 of the Regulation on the Equity of Banks) | 12,492 | - | 23,286 | - |
| Tier II Capital before Deductions | 12,492 | - | 23,286 | - |
| Deductions from Tier II Capital | - | - | - | - |
| Direct and indirect investments of the Bank on its own Tier II Capital (-) | - | - | - | - |
| Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation | - | - | - | - |
| Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-) | - | - | - | - |
| Total of net long position of the direct or indirect investments in Additional Tier I Capital and Tier II Capital of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I Capital (-) | - | - | - | - |
| Net long-term position of investments in capital assets of banks and financial institutions that have 10% or more of their shareholding interests and have not been consolidated | - | - | - | - |
| Other items to be defined by the BRSA (-) | - | - | - | - |
| Total Deductions from Tier II Capital | - | - | - | - |
| Total Tier II Capital | 12,492 | - | 23,286 | - |
| Total Equity (Total Tier I and Tier II Capital) | 1,544,259 | - | 1,460,116 | - |

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY (continued)

| | Current Period 30.09.2020 | Amounts as per the regulation before 1/1/2014 (*) | Prior Period 31.12.2019 | Amounts as per the regulation before 1/1/2014 (*) |
|---|---------------------------------|---|----------------------------|---|
| Total Tier I Capital and Tier II Capital (Total Equity) | 1,544,259 | - | 1,460,116 | - |
| Loans granted against the Articles 50 and 51 of the Banking Law (-) | - | - | - | - |
| Net book values of movables and immovable exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-) | - | - | - | - |
| Other items to be defined by the BRSA (-) | - | - | - | - |
| Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period | - | - | - | - |
| The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - | - | - | - |
| The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-) | - | - | - | - |
| The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital, of the net deferred tax assets arising from temporary differences and of the mortgage servicing rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-) | - | - | - | - |
| EQUITY | 1,544,259 | - | 1,460,116 | - |
| Total Capital (Total of Tier I Capital and Tier II Capital) | 1,544,259 | - | 1,460,116 | - |
| Total Risk Weighted Assets | 2,758,761 | - | 2,305,921 | - |
| CAPITAL ADEQUACY RATIOS | | | | |
| Core Capital Adequacy Ratio (%) | 55.52 | - | 62.31 | - |
| Tier I Capital Adequacy Ratio (%) | 55.52 | - | 62.31 | - |
| Capital Adequacy Ratio (%) | 55.98 | - | 63.32 | - |
| BUFFERS | | | | |
| Bank-specific total Core Capital Ratio | 0.22 | - | 0.24 | - |
| Capital Conservation Buffer Ratio (%) | 2.50 | - | 2.50 | - |
| Bank-specific Counter-Cyclical Capital Buffer Ratio (%) (*) | - | - | - | - |
| The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets | 51.02 | - | 58.61 | - |
| Amounts lower than Excesses as per Deduction Rules | - | - | - | - |
| Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital | - | - | - | - |
| Remaining total of net long positions of the investments in Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% or less of the Tier I Capital | - | - | - | - |
| Remaining mortgage servicing rights | - | - | - | - |
| Net deferred tax assets arising from temporary differences | - | - | - | - |
| Limits for Provisions Used in Tier II Capital Calculation | - | - | - | - |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation) | 12,492 | - | 35,589 | - |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used | 27,962 | - | 23,286 | - |
| Total loan provision that exceeds total expected loss calculated according to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach | - | - | - | - |
| Total loan provision that exceeds total expected loss calculated according to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, limited by 0.6% risk weighted assets | - | - | - | - |
| Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022) | - | - | - | - |
| Upper limit for Additional Tier I Capital items subject to Temporary Article 4 | - | - | - | - |
| Amount of Additional Tier I Capital items subject to Temporary Article 4 that exceeds upper limit | - | - | - | - |
| Upper limit for Additional Tier II Capital items subject to Temporary Article 4 | - | - | - | - |
| Amount of Additional Tier II Capital items subject to Temporary Article 4 that exceeds upper limit | - | - | - | - |

(*) To be filled by systemically important banks which are not obliged to prepare consolidated financial statements under Paragraph 4 of Article 4 of the Regulation on Systemic Banks, will be reported as zero by other banks.

**Notes to unconsolidated financial statements
as at 30 September 2020***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)***I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY (continued)****Explanations on reconciliation of shareholder's equity items to balance sheet:**

The difference between "Equity" in equity table and "Shareholder's Equity" in the unconsolidated balance sheet mainly arises from TFRS 9 transition effect of Stage 1 provisions. In the calculation of Total Capital, TFRS 9 Stage 1 expected credit losses up to 1.25% of credit risk is taken into consideration as Tier II Capital.

On the other hand, in the calculation of the "Equity", improvement costs for operating leases followed under tangible assets in the balance sheet, and related deferred tax liabilities, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

| | Current Period 30.09.2020 | Prior Period 31.12.2019 |
|---|--------------------------------------|------------------------------------|
| Paid in Capital | 1,051,230 | 1,051,230 |
| Capital Reserves | 395,205 | 200,820 |
| Profit | 115,337 | 194,404 |
| Total Equity before Deductions | 1,561,772 | 1,446,454 |
| Deduction made within the scope of the Regulation | 30,005 | 9,624 |
| Common Equity Tier 1 Capital | 1,531,767 | 1,436,830 |
| Tier 1 Capital | 1,531,767 | 1,436,830 |
| General Provisions (Up to 1.25%) | 12,492 | 23,286 |
| Total Equity | 1,544,259 | 1,460,116 |

II. EXPLANATIONS ON CREDIT RISK

It is not prepared in accordance with Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes Announced to Public by Banks.

III. EXPLANATIONS ON CURRENCY RISK

The difference between the Bank's foreign currency denominated on-balance sheet and off-balance sheet assets and the foreign currency denominated on-balance sheet and off-balance sheet liabilities are defined as "FC Net General Position" and form the basis for exchange rate risk. An important dimension of the exchange rate risk is the risk (cross-currency risk) caused by the exchange of values of the foreign currencies against each other in the FX net general position.

Measurable and manageable risks are taken within legal limits. The Bank applies stress tests against the fluctuations in foreign currency within the year.

The Bank uses the "standard method" which is also used in legal reporting to measure the foreign exchange risk.

There is no significant foreign currency position in relation to the balance sheet size of the Bank and if any exchange rate risk occurs, it is taken counter position and exchange risk is not transferred.

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

III. EXPLANATIONS ON CURRENCY RISK (continued)

The Bank's current foreign exchange buying rates announced on September 30, 2020 and December 31, 2019 as well as the last five days financial statement valuation rates are as follows:

(All rates presented as full TL).

| 30.09.2020 | USD | EUR | GBP | CNY |
|-------------------------------------|------------|------------|------------|------------|
| Rates: | 7.7522 | 9.0835 | 9.9276 | 1.1320 |
| 1. Day Foreign Exchange Buying Rate | 7.5546 | 8.8050 | 9.6166 | 1.1011 |
| 2. Day Foreign Exchange Buying Rate | 7.5546 | 8.8050 | 9.6166 | 1.1011 |
| 3. Day Foreign Exchange Buying Rate | 7.7507 | 9.0268 | 9.9373 | 1.1305 |
| 4. Day Foreign Exchange Buying Rate | 7.8080 | 9.1281 | 10.0309 | 1.1387 |
| 5. Day Foreign Exchange Buying Rate | 7.7522 | 9.0835 | 9.9276 | 1.1320 |
| Arithmetic mean of last 30 days | 7.5160 | 8.8653 | 9.7295 | 1.0972 |
| 31.12.2019 | USD | EUR | GBP | CNY |
| Rates: | 5.9402 | 6.6621 | 7.8013 | 0.8483 |
| 1. Day Foreign Exchange Buying Rate | 5.9302 | 6.5759 | 7.6854 | 0.8424 |
| 2. Day Foreign Exchange Buying Rate | 5.9370 | 6.6117 | 7.7375 | 0.8437 |
| 3. Day Foreign Exchange Buying Rate | 5.9370 | 6.6117 | 7.7375 | 0.8437 |
| 4. Day Foreign Exchange Buying Rate | 5.9370 | 6.6117 | 7.7375 | 0.8437 |
| 5. Day Foreign Exchange Buying Rate | 5.9402 | 6.6506 | 7.7765 | 0.8455 |
| Arithmetic mean of last 30 days | 5.8357 | 6.4814 | 7.6341 | 0.8273 |

Sensitivity analysis on currency risk:

If the foreign currency position of USD and EUR carried by the Bank as of September 30, 2020 is 10% (December 31, 2019: 10%) increase / decrease of TL against foreign currencies and all other variables are constant, the changes that will be caused in the net profit of the Bank, regardless of the tax effect of the foreign currency risk that the Bank will be exposed to, are stated below:

| Current Period 30.09.2020 | Change in Foreign Currency | Impact on Profit / Loss (*) | Impact on Equity |
|----------------------------------|---------------------------------------|--|-------------------------|
| EUR | 10% Increase | 2,752 | 2,752 |
| | 10% Decrease | (2,752) | (2,752) |
| USD | 10% Increase | (296) | (296) |
| | 10% Decrease | 296 | 296 |
| Prior Period 31.12.2019 | Change in foreign currency | Impact on Profit / Loss (*) | Impact on Equity |
| EUR | 10% Increase | 2,172 | 2,172 |
| | 10% Decrease | (2,172) | (2,172) |
| USD | 10% Increase | 1,146 | 1,146 |
| | 10% Decrease | (1,146) | (1,146) |

(*) Pre-tax figures.

**Notes to unconsolidated financial statements
as at 30 September 2020**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)
III. EXPLANATIONS ON CURRENCY RISK (continued)
Explanations on currency risk: Foreign Currency

| | EUR | USD | Other FC | Total |
|---|------------------|----------------|------------|------------------|
| Current Period 30.09.2020 | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the CBRT | 101,735 | 11,086 | - | 112,821 |
| Due From Banks(*) | 209,954 | 25,392 | 143 | 235,489 |
| Financial Assets at Fair Value through Profit/Loss | - | - | - | - |
| Money Market Placements | - | - | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI) | - | - | - | - |
| Loans and Receivables(**) | 301,297 | 76,463 | - | 377,760 |
| Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.) | - | - | - | - |
| Financial Assets Measured at Amortized Cost | - | - | - | - |
| Derivative Financial Assets Hedging Purposes | - | - | - | - |
| Tangible Assets | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Other Assets | 3,409 | 7,757 | - | 11,166 |
| Total Assets | 616,395 | 120,698 | 143 | 737,236 |
| Liabilities | | | | |
| Bank Deposits | 81,752 | - | - | 81,752 |
| Foreign Currency Deposits | 200,528 | 14,727 | 126 | 215,381 |
| Money Market Borrowings | - | - | - | - |
| Funds Provided from Other Financial Institutions | - | 77,529 | - | 77,529 |
| Securities Issued | - | - | - | - |
| Sundry Creditors | - | - | - | - |
| Derivative Fin. Liabilities for Hedging Purposes | - | - | - | - |
| Other Liabilities | 3,830 | 31,406 | - | 35,236 |
| Total Liabilities | 286,110 | 123,662 | 126 | 409,868 |
| Net Balance Sheet Position | 330,285 | (2,964) | 17 | 327,338 |
| Net Off-Balance Sheet Position | | | | |
| | (302,783) | - | - | (302,783) |
| Financial Derivative Assets | - | - | - | - |
| Financial Derivative Liabilities | 302,783 | - | - | 302,783 |
| Non-Cash Loans (***) | 739,909 | 407,309 | - | 1,147,218 |
| Prior Period 31.12.2019 | | | | |
| Total Assets | 317,937 | 94,750 | - | 412,687 |
| Total Liabilities | 127 | 83,295 | - | 83,422 |
| Net Balance Sheet Position | 317,810 | 11,455 | - | 329,265 |
| Net Off-Balance Sheet Position | (296,093) | - | - | (296,093) |
| Financial Derivative Assets | - | - | - | - |
| Financial Derivative Liabilities | 296,093 | - | - | 296,093 |
| Non-Cash Loans (*) | 700,856 | 299,027 | - | 999,883 |

(*) Banks include balance of expected loss provisions amounting to TL 213.

(**) Loans and receivables include balance of expected loss provisions amounting to TL 4,719.

(***) There is no effect on the net balance sheet position.

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

IV. EXPLANATIONS ON INTEREST RATE RISK

Sensitivity analysis of the Bank's interest rate sensitive assets and liabilities and interest rate fluctuations are analyzed. The impact of interest rate volatility to the Bank will be analyzed by presenting the results to the Risk Committee and senior management regularly, sensitivity and scenario analysis in the coming Periods. In this analysis, it is planned to calculate possible losses in fair value changes on interest rate sensitive products by interest rate shocks.

In the calculation of the Bank's exposure to interest rate risk, standard method is used.

Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)

| Current Period 30.09.2020 | Up to 1 month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non- interest Bearing | Total |
|--|--------------------------|-------------------|--------------------|----------------------|-----------------------------|--------------------------------------|--------------------|
| Assets | | | | | | | |
| Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | 102,780 | - | - | - | - | 12,832 | 115,612 |
| Banks | 707,525 | - | - | - | - | 50,900 | 758,425 |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - | - | - | - |
| Interbank Money Market Placements | - | - | - | - | - | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - | - | - | - | - | - |
| Loans | - | 77,535 | 505,307 | - | - | - | 582,842 |
| Financial Assets Measured at Amortized Cost | 106,185 | 18,720 | 449,932 | - | - | - | 574,837 |
| Other Assets | - | - | - | - | - | 56,583 | 56,583 |
| Total Assets | 916,490 | 96,255 | 955,239 | - | - | 120,315 | 2,088,299 |
| Liabilities | | | | | | | |
| Bank Deposits | 81,752 | - | - | - | - | - | 81,752 |
| Other Deposits | 213,199 | - | - | - | - | 2,248 | 215,447 |
| Interbank Money Market Received | - | - | - | - | - | - | - |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds Borrowed from Other Financial Institutions | - | 77,529 | - | - | - | - | 77,529 |
| Other Liabilities (*) | - | - | - | - | - | 1,713,571 | 1,713,571 |
| Total Liabilities | 294,951 | 77,529 | - | - | - | 1,715,819 | 2,088,299 |
| Balance sheet long position | 621,539 | 18,726 | 955,239 | - | - | - | 1,595,504 |
| Balance sheet short position | - | - | - | - | - | (1,595,504) | (1,595,504) |
| Off-Balance sheet long position | - | - | 67,113 | 134,227 | - | - | 201,340 |
| Off-Balance sheet short position | - | - | (100,928) | (201,855) | - | - | (302,783) |
| Total Position | 621,539 | 18,726 | 921,424 | (67,628) | - | (1,595,504) | (101,443) |

(*) Including TL 1,561,772 shareholders' equity.

**Notes to unconsolidated financial statements
as at 30 September 2020**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)
IV. EXPLANATIONS ON INTEREST RATE RISK (continued)

| Prior Period 31.12.2019 | Up to 1 month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non-interest Bearing | Total |
|---|------------------|---------------|----------------|----------------|-----------------|-------------------------|------------------|
| Assets | | | | | | | |
| Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | 5,025 | - | - | - | - | 37,834 | 42,859 |
| Banks | 668,667 | - | - | - | - | 9,034 | 677,701 |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - | - | - | - |
| Interbank Money Market Placements | - | - | - | - | - | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - | - | - | - | - | - |
| Loans | 41,394 | 8,177 | 37,012 | 481,429 | - | - | 568,012 |
| Financial Assets Measured at Amortized Cost | 51,129 | 5,103 | 273,189 | - | - | - | 329,421 |
| Other assets | - | - | - | - | - | 58,977 | 58,977 |
| Total Assets | 766,215 | 13,280 | 310,201 | 481,429 | - | 105,845 | 1,676,970 |
| Liabilities | | | | | | | |
| Bank Deposits | - | - | - | - | - | - | - |
| Other Deposits | 65,620 | - | - | - | - | 10,065 | 75,685 |
| Interbank Money Market Received | - | - | - | - | - | - | - |
| Marketable Securities Issued | - | - | - | - | - | - | - |
| Funds Borrowed from Other Financial Institutions | - | - | 23 | 59,400 | - | - | 59,423 |
| Other Liabilities (*) | - | - | - | - | - | 1,541,862 | 1,541,862 |
| Total Liabilities | 65,620 | - | 23 | 59,400 | - | 1,551,927 | 1,676,970 |
| Balance sheet long position | 700,595 | 13,240 | 310,178 | 422,069 | - | - | 1,446,082 |
| Balance sheet short position | - | - | - | - | - | (1,446,082) | (1,446,082) |
| Off-Balance sheet long position | - | 33,557 | 33,557 | 201,339 | - | - | 268,453 |
| Off-Balance sheet short position | - | (37,012) | (37,012) | (222,069) | - | - | (296,093) |
| Total Position | 700,595 | 9,785 | 306,723 | 401,339 | - | (1,446,082) | (27,640) |

(*) Including TL 1,446,435 shareholders' equity.

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

IV. EXPLANATIONS ON INTEREST RATE RISK (continued)

Average interest rates applied to financial instruments (%)

| Current Period 30.09.2020 | EUR | USD | Other FC | TL |
|--|------------|------------|-----------------|-----------|
| Assets | | | | |
| Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | 6.83 |
| Banks and Receivables from Other Financial Institutions | 0.07 | 0.20 | - | 8.92 |
| Financial Assets at Fair Value Through Profit/ Loss | - | - | - | - |
| Interbank Money Market Placements | - | - | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - | - | - |
| Loans | 3.00 | 3.48 | - | 11.61 |
| Financial Assets Measured at Amortized | - | - | - | 11.96 |
| Liabilities | | | | |
| Bank Deposits | (0.30) | - | - | - |
| Other Deposits | 1.38 | 0.14 | - | 8.96 |
| Interbank Money Market Received | - | - | - | - |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Borrowed from Other Financial Institutions | (0.27) | 1.39 | - | - |
| Prior Period 31.12.2019 | | | | |
| | EUR | USD | Other FC | TL |
| Assets | | | | |
| Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | 1.99 | - | 11.36 |
| Banks and Receivables from Other Financial Institutions | 0.10 | - | - | 21.25 |
| Financial Assets at Fair Value Through Profit/ Loss | - | - | - | - |
| Interbank Money Market Placements | - | - | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - | - | - |
| Loans | 3.00 | 4.86 | - | 15.37 |
| Financial Assets Measured at Amortized | - | - | - | 16.75 |
| Liabilities | | | | |
| Bank Deposits | - | - | - | 19.10 |
| Other Deposits | 0.10 | - | - | 21.08 |
| Interbank Money Market Received | - | - | - | - |
| Sundry Creditors | - | - | - | - |
| Marketable Securities Issued | - | - | - | - |
| Funds Borrowed from Other Financial Institutions | - | 2.88 | - | - |

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as at 30 September 2020**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)
V. EXPLANATIONS ON POSITION RISK OF EQUITY SECURITIES
1. Balance sheet values, fair value and market value comparison of equity investments

None (December 31, 2019: None).

2. Information on realized gains or losses on revaluation surplus, unrealized gains or losses and their included amounts in Tier 1 and 2 capital

None (December 31, 2019: None).

VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

The main objective of the liquidity management of the Bank is to keep the liquidity risk in the bank's payment obligations uninterrupted and also without risking the brand name or value during crisis Periods. The Bank is obliged to comply with the internally determined liquidity limitations and is obliged to comply first with the minimum liquidity limitations determined by the legal legislation. According to the bank's policy, the liquidity limits should never exceed.

The Bank determines the liquidity risk appetite and strategy written under the Liquidity Risk Policy. In this context, the Bank controls maturity mismatch between assets and liabilities to be protected from liquidity risk and maintains liquid values in order to ensure the liquidity needs that can arise as a result of market fluctuations.

Presentation of assets and liabilities according to their remaining maturities:

| Current Period 30.09.2020 | | | | | | | | |
|--|---------------|----------------|----------------|-----------------|-----------------|------------------|--------------------|------------------|
| Assets | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Unallocated | Total |
| Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | 12,832 | 102,780 | - | - | - | - | - | 115,612 |
| Banks | 50,900 | 707,525 | - | - | - | - | - | 758,425 |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - | - | - | - | - |
| Interbank Money Market Placements | - | - | - | - | - | - | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - | - | - | - | - | - | - |
| Loans | - | - | 13 | 314,527 | 268,302 | - | - | 582,842 |
| Financial Assets Measured at Amortized Cost | - | 106,185 | 18,720 | 449,932 | - | - | - | 574,837 |
| Other Assets (*) | - | - | - | - | - | - | 56,583 | 56,583 |
| Total assets | 63,732 | 916,490 | 18,733 | 764,459 | 268,302 | - | 56,583 | 2,088,299 |
| Liabilities | | | | | | | | |
| Bank Deposits | - | 81,752 | - | - | - | - | - | 81,752 |
| Other Deposits | 2,248 | 213,199 | - | - | - | - | - | 215,447 |
| Funds Borrowed from Other Financial Institutions | - | - | 7 | 11,076 | 66,446 | - | - | 77,529 |
| Interbank Money Market | - | - | - | - | - | - | - | - |
| Marketable Securities Issued | - | - | - | - | - | - | - | - |
| Other Liabilities (**) | - | - | - | - | - | - | 1,713,571 | 1,713,571 |
| Total Liabilities | 2,248 | 294,951 | 7 | 11,076 | 66,446 | - | 1,713,571 | 2,088,299 |
| Net Liquidity Gap | 61,484 | 621,539 | 18,726 | 753,383 | 201,856 | - | (1,656,988) | - |
| Net Off-Balance Sheet Position | - | - | - | (33,814) | (67,629) | - | - | (101,443) |
| Financial Derivative Assets | - | - | - | 67,114 | 134,226 | - | - | 201,340 |
| Financial Derivative Liabilities | - | - | - | 100,928 | 201,855 | - | - | 302,783 |
| Non-Cash Loans | 13,625 | - | 181,670 | 281,032 | 245,594 | 670,891 | - | 1,392,812 |

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short term such as tangible assets and prepaid expenses are included in this column.

(**) Shareholders' equity, provisions and unallocated part of sundry creditors are classified in other liabilities in unallocated column.

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VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)

| Prior Period 31.12.2019 | | | | | | | | |
|--|---------------|----------------|---------------|----------------|-----------------|------------------|--------------------|------------------|
| Assets | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Unallocated | Total |
| Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | 37,834 | 5,025 | - | - | - | - | - | 42,859 |
| Banks | 9,033 | 668,668 | - | - | - | - | - | 677,701 |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - | - | - | - | - |
| Interbank Money Market Placements | - | - | - | - | - | - | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - | - | - | - | - | - | - |
| Loans | - | 41,355 | 8,177 | 37,012 | 464,498 | 16,971 | - | 568,013 |
| Financial Assets Measured at Amortized Cost | - | 51,129 | 5,103 | 273,189 | - | - | - | 329,421 |
| Other Assets (*) | - | - | - | 26,279 | - | 32,512 | 185 | 58,976 |
| Total assets | 46,867 | 766,177 | 13,280 | 336,480 | 464,498 | 49,483 | 185 | 1,676,970 |
| Liabilities | | | | | | | | |
| Bank Deposits | - | - | - | - | - | - | - | - |
| Other Deposits | 10,065 | 65,620 | - | - | - | - | - | 75,685 |
| Funds Borrowed from Other Financial Institutions | - | - | - | 23 | 42,429 | 16,971 | - | 59,423 |
| Interbank Money Market | - | - | - | - | - | - | - | - |
| Marketable Securities Issued | - | - | - | - | - | - | - | - |
| Other Liabilities (**) | - | 1,746 | 465 | 2,155 | 12,935 | 6,857 | 1,517,704 | 1,541,862 |
| Total Liabilities | 10,065 | 67,366 | 465 | 2,178 | 55,364 | 23,828 | 1,517,704 | 1,676,970 |
| Net Liquidity Gap | 36,802 | 698,811 | 12,815 | 334,302 | 409,134 | 25,655 | (1,517,519) | - |
| Net Off-Balance Sheet Position | | | | | | | | |
| Net Off-Balance Sheet Position | - | (3,455) | - | (3,455) | (20,730) | - | - | (27,640) |
| Financial Derivative Assets | - | 33,557 | - | 33,557 | 201,339 | - | - | 268,453 |
| Financial Derivative Liabilities | - | 37,012 | - | 37,012 | 222,069 | - | - | 296,093 |
| Non-Cash Loans | 16,322 | - | 535 | 535,867 | 252,128 | 440,625 | - | 1,245,477 |

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short term such as tangible assets and prepaid expenses are included in this column.

(**) Shareholders' equity, provisions and unallocated part of sundry creditors classified in other liabilities in unallocated column.

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VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)
Liquidity coverage ratio:

The liquidity coverage ratio is calculated by dividing the high-quality liquid assets to the Bank's net cash outflows in the 30 days period. Important balance sheet items that determine the ratio are required reserves held by the CBRT, corporate deposits and receivables from banks. These items have higher impact on the liquidity coverage ratio than the other items due to high share of liquid assets and net cash outflows, higher rate of consideration and variability.

| Current Period 30.09.2020 | | Total Unweighted Value (Average)(*) | | Total Weighted Value (Average)(*) | |
|-----------------------------------|--|--|----------------|--|----------------|
| High-Quality Liquid Assets | | TL+FC | FC | TL+FC | FC |
| 1 | Total high-quality liquid assets (HQLA) | | | 609,043 | 66,378 |
| Cash Outflows | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | - | - | - | - |
| 3 | Stable deposits | - | - | - | - |
| 4 | Less stable deposits | - | - | - | - |
| 5 | Unsecured wholesale funding, of which: | 277,110 | 251,130 | 113,997 | 99,506 |
| 6 | Operational deposits | - | - | - | - |
| 7 | Non-operational deposits | 269,960 | 246,088 | 107,984 | 98,435 |
| 8 | Unsecured funding | 7,150 | 5,043 | 7,150 | 5,043 |
| 9 | Secured wholesale funding | - | - | - | - |
| 10 | Other cash outflows of which: | - | - | - | - |
| 11 | Outflows related to derivative exposures and other collateral requirements | 8,684 | 8,684 | 8,684 | 8,684 |
| 12 | Outflows related to restructured financial instruments | - | - | - | - |
| 13 | Payment commitments and other off-balance sheet commitments granted for debts to financial markets | - | - | - | - |
| 14 | Other revocable off-balance sheet commitments and contractual obligations | - | - | - | - |
| 15 | Other irrevocable or conditionally revocable off-balance sheet obligations | - | - | - | - |
| 16 | Total Cash Outflows | | | 123,818 | 112,161 |
| Cash Inflows | | | | | |
| 17 | Secured receivables | - | - | - | - |
| 18 | Unsecured receivables | 738,798 | 225,949 | 738,798 | 225,949 |
| 19 | Other cash inflows | 2,796 | 381 | 2,796 | 381 |
| 20 | Total Cash Inflows | 741,594 | 226,330 | 741,594 | 226,330 |
| | | | | Values applied upper limit | |
| 21 | Total HQLA | | | 609,043 | 66,378 |
| 22 | Total Net Cash Outflows | | | 33,786 | 30,122 |
| 23 | Liquidity Coverage Ratio (%) | | | 2,041 | 225 |

(*) The arithmetic average of the last three months weekly-unconsolidated Liquidity Coverage Ratios are used.

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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)
VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)
Liquidity coverage ratio:

| Prior Period 31.12.2019 | | Total Unweighted Value (Average)(*) | | Total Weighted Value (Average)(*) | |
|----------------------------|--|--|---------------|--------------------------------------|---------------|
| High-Quality Liquid Assets | | TL+FC | FC | TL+FC | FC |
| 1 | Total high-quality liquid assets (HQLA) | | | 323,726 | 41,235 |
| Cash Outflows | | | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | - | - | - | - |
| 3 | Stable deposits | - | - | - | - |
| 4 | Less stable deposits | - | - | - | - |
| 5 | Unsecured wholesale funding, of which: | 153,859 | 7,978 | 62,506 | 3,327 |
| 6 | Operational deposits | - | - | - | - |
| 7 | Non-operational deposits | 152,255 | 7,753 | 60,902 | 3,101 |
| 8 | Unsecured funding | 1,604 | 226 | 1,604 | 226 |
| 9 | Secured wholesale funding | - | - | - | - |
| 10 | Other cash outflows of which: | - | - | - | - |
| 11 | Outflows related to derivative exposures and other collateral requirements | - | - | - | - |
| 12 | Outflows related to restructured financial instruments | - | - | - | - |
| 13 | Payment commitments and other off-balance sheet commitments granted for debts to financial markets | - | - | - | - |
| 14 | Other revocable off-balance sheet commitments and contractual obligations | - | - | - | - |
| 15 | Other irrevocable or conditionally revocable off-balance sheet obligations | - | - | - | - |
| 16 | Total Cash Outflows | | | 62,506 | 3,327 |
| Cash Inflows | | | | | |
| 17 | Secured receivables | - | - | - | - |
| 18 | Unsecured receivables | 778,083 | 15,792 | 778,083 | 15,792 |
| 19 | Other cash inflows | 15,280 | 70 | 15,280 | 70 |
| 20 | Total Cash Inflows | 793,363 | 15,862 | 793,363 | 15,862 |
| Values applied upper limit | | | | | |
| 21 | Total HQLA | | | 323,726 | 41,235 |
| 22 | Total Net Cash Outflows | | | 18,478 | 2,556 |
| 23 | Liquidity Coverage Ratio (%) | | | 1,833 | 19,430 |

(*) The arithmetic average of the last three months weekly-unconsolidated Liquidity Coverage Ratios are used.

In accordance with the BRSA's letter dated 18 April 2020 and the Article 93 and the second paragraph of Article 43 of the Banking Law No.5411, the weekly Asset Ratio (AR) calculations of the banks, as of the end of each month, the monthly average of AR 100% for banks and 80% for participation banks, for banks with an AR value of less than 100% as of the end of the relevant month and the amount of excess to be taken as a basis in accordance with subparagraph (a) of the first paragraph of Article 148 of the Law. For participation banks below 80, it has been decided to be calculated as the amount of change in the share that will bring the ratio to 100% and 80%, respectively.

The relevant rates for AR calculation have been changed to 95% for deposit banks and 75% for participation banks with the decision dated August 10, 2020, effective as of August 1, 2020. According to the data reported to the BRSA, as of March 31, 2020, banks with a total of Turkish Lira (TL) Deposits + Foreign Currency (FX) Deposits below TL 25 billion, excluding bank deposits, have been given time to comply with this regulation until December 31, 2020. In this context, the Bank is exempt from the relevant regulation as of the reporting period until the end of the year.

Liquidity coverage ratios are calculated on a weekly and monthly basis as of January 1, 2015 in accordance with the "Regulation on Calculation of the Liquidity Coverage Ratio of Banks" published in the Official Gazette No. 28948 dated March 21, 2014 and are subject to legal reporting. Liquidity coverage ratio must be at least 80% for foreign currency assets and liabilities for 2020, and at least 100% for total assets and liabilities. The dates and values of the lowest and highest foreign currency and total

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VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)

unconsolidated liquidity coverage ratios calculated weekly for the last three months are explained in the table below:

| Current Period 30.09.2020 | | | | | | |
|----------------------------------|----------------|-----------------|---------------|-------------------|----------------|--|
| | Highest | Date | Lowest | Date | Average | |
| TL+FC | 5,599 | 21 August 2020 | 1,054 | 18 September 2020 | 2,041 | |
| FC | 533 | 21 August 2020 | 132 | 11 September 2020 | 225 | |
| Prior Period 31.12.2019 | | | | | | |
| | Highest | Date | Lowest | Date | Average | |
| TL+FC | 2,688 | 1 November 2019 | 1,382 | 4 October 2019 | 1,833 | |
| FC | 70,702 | 1 November 2019 | 422 | 13 December 2019 | 19,430 | |

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VII. EXPLANATIONS ON LEVERAGE RATIO

The leverage ratio calculated by the Bank in accordance with the “Regulation on Measurement and Evaluation of Leverage Level of Banks” is 44.69% (31 December 2019: 49.19%). This rate is above the minimum rate, and the regulation stipulated the minimum leverage rate as 3%.

The table of leverage ratio calculated in accordance with the Regulation on Assessment and Calculation of Banks’ Leverage ratio published in the Official Gazette numbered 28812 and dated 5/11/2013 shown below.

| | Current Period 30.09.2020 (*) | Prior Period 31.12.2019 (*) |
|---|--|--|
| 1 Balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals) | 2,085,054 | 1,699,746 |
| 2 (Assets deducted in determining Tier 1 capital) | 27,698 | (6,277) |
| 3 Total balance sheet risks (sum of lines 1 and 2) | 2,057,356 | 1,693,469 |
| Derivative financial instruments and credit derivatives | | |
| 4 Replacement cost associated with all derivative financial instruments and credit derivatives | - | - |
| 5 Potential credit risk associated with all derivative financial instruments and credit derivatives | 10,067 | 42,896 |
| 6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5) | 10,067 | 42,896 |
| Securities or commodity financing transactions (SCFT) | | |
| 7 Risks from SCFT assets (except for on-balance sheet) | - | - |
| 8 Risks from brokerage activities related exposures | - | - |
| 9 Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) | - | - |
| Off-balance sheet transactions | | |
| 10 Gross notional amounts of off-balance sheet transactions | 1,340,303 | 1,172,070 |
| 11 (Adjustments for conversion to credit equivalent amounts) | - | - |
| 12 Total risks of off-balance sheet items (sum of lines 10 and 11) | 1,340,303 | 1,172,070 |
| Capital and total risks | | |
| 13 Tier 1 capital | 1,520,975 | 1,429,777 |
| 14 Total risks (sum of lines 3, 6, 9 and 12) | 3,407,726 | 2,908,435 |
| 15 Leverage ratio | 44.69 | 49.19 |

(*) Represents three-month weighted average amounts.

VIII. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

IX. EXPLANATIONS ON RISK MANAGEMENT

Footnotes and related explanations are given in this section prepared based on “Communiqué on Public Disclosures Regarding to Banks Risk Management” published in Official Gazette No. 29511 at 23 October 2015 and became effective as at 31 March 2016. Based on this communique, the tables, which are to be prepared according to Internal rating-based (IRB) approach must be presented on quarterly basis, are not presented because standard approach is used in calculation of the Bank’s capital adequacy.

1. Explanations on Risk Management and Risk Weighted Assets

1.1. Bank’s Risk Management Approach

Risk management covers the measurement and monitoring of risks, the control and reporting of risks within certain limits. These activities are carried out directly by the Risk Management Director directly reporting to Internal Systems Officer. The Risk Management Director is independent from the executive units and fulfills its responsibilities to the Board of Directors through the Audit Committee and the Risk Committee.

Policies and procedures related to each of the quantifiable risks such as General Risk Policy and Credit Risk, Market Risk, Liquidity Risk, Operational Risk have been formed and identified for approval and measurement and control of the risks that the Bank may be exposed to due to its activities and approved by the Board of Directors.

Credit and operational risk constitute the main risk factors in terms of the types of risks the Bank is exposed to. The Bank aims not to carry positions that may cause currency risk.

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IX. EXPLANATIONS ON RISK MANAGEMENT (continued)

For these risks, written limits, early warning thresholds and risk appetite indicators were determined by the General Risk Limit Policy and approved by the Board of Directors.

The Internal Capital Adequacy Assessment Procedure for the determination of the internal capital requirements and the adequacy of the Bank was approved by the Board of Directors.

Risk appetite and limits are reviewed regularly by the Internal Systems Officer, Risk Management Director, Risk Committee and the Bank's top management in a manner not to exceed the legal limits stated in the legislation and if deemed necessary, re-determined with the approval of the Board of Directors.

Risks are measured according to international and local regulations, Bank policies and procedures, using methods accepted in international practices appropriate to the Bank's structure, stress tests and scenario analyzes are conducted and reported regularly to senior management, Risk Committee and Board of Directors. Risk measurements are included in the Bank's decision-making processes.

The risk reports prepared for assessing the risks of the Bank are regularly shared with the Board of Directors and senior management. Within the scope of the reports; information on compliance with the limits and risk appetite indicators defined on the basis of each type of risk, results related to capital adequacy and results of stress tests.

1.2. Overview of Risk Weighted Amounts

| | | Risk Weighted Amounts | | Minimum Capital Liability | |
|----|---|------------------------------|----------------------------|------------------------------|----------------------------|
| | | Current Period 30.09.2020 | Prior Period 31.12.2019 | Current Period 30.09.2020 | Prior Period 31.12.2019 |
| 1 | Credit risk (excluding counterparty credit risk) (CCR) | 2,229,377 | 1,831,089 | 178,350 | 146,487 |
| 2 | Standardized approach (SA) | 2,229,377 | 1,831,089 | 178,350 | 146,487 |
| 3 | Internal rating-based (IRB) approach | - | - | - | - |
| 4 | Counterparty credit risk | 7,570 | 31,795 | 606 | 2,544 |
| 5 | Standardized approach for counterparty credit risk (SACCR) | 7,570 | 31,795 | 606 | 2,544 |
| 6 | Internal Model method (IMM) | - | - | - | - |
| 7 | Basic risk weight approach to internal modals equity position in the banking account | - | - | - | - |
| 8 | Investments made in collective investment companies –look– through approach | - | - | - | - |
| 9 | Investments made in collective investment companies –mandate-based approach | - | - | - | - |
| 10 | Investments made in collective investment companies -%1250 weighted risk approach | - | - | - | - |
| 11 | Settlement risk | - | - | - | - |
| 12 | Securitization positions in banking accounts | - | - | - | - |
| 13 | IRB ratings-based approach (RBA) | - | - | - | - |
| 14 | IRB supervisory formula approach (SFA) | - | - | - | - |
| 15 | SA/simplified supervisory Formula Approach (SSFA) | - | - | - | - |
| 16 | Market risk | 24,554 | 33,172 | 2,044 | 2,654 |
| 17 | Standardized approach (SA) | 24,554 | 33,172 | 2,044 | 2,654 |
| 18 | Internal model approaches (IMM) | - | - | - | - |
| 19 | Operational risk | 497,260 | 409,866 | 39,781 | 32,789 |
| 20 | Basic indicator approach | 497,260 | 409,866 | 39,781 | 32,789 |
| 21 | Standard approach | - | - | - | - |
| 22 | Advanced measurement approach | - | - | - | - |
| 23 | The amount of the discount threshold under the equity (subject to a 250% risk weight) | - | - | - | - |
| 24 | Floor Adjustments | - | - | - | - |
| 25 | Total (1+4+7+8+9+10+11+12+16+19+23+24) | 2,758,761 | 2,305,922 | 220,781 | 184,474 |

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IX. EXPLANATIONS REGARDING THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks.”

X. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks.”

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS

1. Information on cash and balances with the Central Bank of Turkey

1.1. Information on cash and cash equivalents

| | Current Period | | Prior Period | |
|--|----------------|----------------|--------------|---------------|
| | TL | FC | TL | FC |
| Cash in TL /Foreign Currency | - | - | - | - |
| Balances with the Central Bank of Turkey | 2,791 | 112,821 | 2,805 | 40,054 |
| Other | - | - | - | - |
| Total | 2,791 | 112,821 | 2,805 | 40,054 |

1.2. Information related to account of Central Bank of Turkey

| | Current Period | | Prior Period | |
|------------------------------|----------------|----------------|--------------|---------------|
| | TL | FC | TL | FC |
| Unrestricted Demand Deposits | 2,791 | 10,052 | 2,805 | 35,179 |
| Unrestricted Time Deposits | - | - | - | - |
| Restricted Time Deposits | - | 102,769 | - | 4,875 |
| Total | 2,791 | 112,821 | 2,805 | 40,054 |

According to the CBRT's "Communiqué on Required Reserves No. 2013/15", the Bank establishes a reserve requirement at the CBRT for Turkish currency and foreign currency liabilities. According to the "Communiqué on Required Reserves" at the CBRT, Turkish Lira can be kept in USD, EUR and standard gold. According to the principles of communiqué No. 2019/19 dated 9 December 2019, the CBRT pays interest to banks that provide credit growth for Turkish Lira required reserves.

As of September 30, 2020, valid rates for required reserves established in the CBRT are between 1% and 7% according to the maturity structure in Turkish currency (31 December 2019: between 1% and 7%); in foreign currency, 8% to 24% depending on the maturity structure range (31 December 2019: 5% to 21%).

2. Information on financial assets at fair value through profit or loss

2.1. Information on financial assets at fair value through profit or loss subject to repurchase agreement

As of September 30, 2020, there are no financial assets at fair value through profit or loss subject to repurchase agreement (December 31, 2019: None).

As of September 30, 2020, the Bank does not have any collateral assets in exchange for Istanbul Stock Exchange (December 31, 2019: None).

2.2. Positive differences related to financial assets at fair value through profit or loss

None (December 31, 2019: None).

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I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (continued)

3. Positive differences related to derivative financial assets

| | Current Period | | Prior Period | |
|----------------------|----------------|----------|---------------|----------|
| | TL | FC | TL | FC |
| Forward Transactions | - | - | - | - |
| Swap Transactions | - | - | 20,444 | - |
| Futures Transactions | - | - | - | - |
| Options | - | - | - | - |
| Other | - | - | - | - |
| Total | - | - | 20,444 | - |

4. Information on Banks

4.1. Information on Banks and Other Financial Institutions

| | Current Period | | Prior Period | |
|--|----------------|----------------|----------------|--------------|
| | TL | FC | TL | FC |
| Banks | 522,722 | 235,703 | 668,860 | 8,841 |
| <i>Domestic</i> | 522,722 | 190,743 | 668,860 | 73 |
| <i>Foreign</i> | - | 44,960 | - | 8,768 |
| <i>Foreign head-offices and branches</i> | - | - | - | - |
| Total | 522,722 | 235,703 | 668,860 | 8,841 |

4.2. Expected credit losses for cash and cash equivalents

| Current Period | Stage 1 | Stage 2 | Stage 2 | Total |
|--|------------|----------|----------|------------|
| Balances at End of Prior Period | 729 | - | - | 729 |
| Additions during the Period | 634 | - | - | 634 |
| Disposal | (577) | - | - | (577) |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Foreign Currency Differences | - | - | - | - |
| Balances at End of Period | 786 | - | - | 786 |

5. Information on Financial Assets Valued at Fair value Through Other Comprehensive Income

5.1. Financial assets valued at fair value through other comprehensive income subject to repurchase agreements and provided as collateral/blocked

As of September 30, 2020, there are no financial assets at fair value through other comprehensive income subject to repurchase agreement (December 31, 2019: None). As of September 30, 2020, there are no financial assets given as collateral/blocked (December 31, 2019: None).

5.2. Information on Financial Assets Measured at Fair value Through Other Comprehensive Income

None (December 31, 2019: None).

6. Information on Loans

6.1. Information on all types of loans and advances given to shareholders and employees of the Bank

None (December 31, 2019: None).

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

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (continued)

6.2. Information on the first and second group loans and other receivables including rescheduled or restructured loans

| Cash Loans | Standard Loans and Other Receivables | Loans and Other Receivables Under Close Monitoring | | |
|---------------------------------|--------------------------------------|--|---|------------|
| | | Loans and Receivables Not Subject to Restructuring | Restructured Loans and Receivables | |
| | | | Loans and Receivables with Revised Contract Terms | Re-finance |
| Non-Specialized Loans | 582,842 | - | - | - |
| Loans Given to Enterprises | - | - | - | - |
| Export Loans | 200,362 | - | - | - |
| Import Loans | - | - | - | - |
| Loans Given to Financial Sector | - | - | - | - |
| Consumer Loans | - | - | - | - |
| Credit Cards | - | - | - | - |
| Other | 382,480 | - | - | - |
| Specialized Loans | - | - | - | - |
| Other Loans | - | - | - | - |
| Total | 582,842 | - | - | - |

| Expected Credit Losses | Standard Loans | Loans Under Close Monitoring |
|-------------------------------------|----------------|------------------------------|
| 12 Months Expected Credit Loss | 6,171 | - |
| Significant Increase in Credit Risk | - | - |
| Total | 6,171 | - |

6.3. Distribution of cash loans according to their maturities

| | Loans Under Close Monitoring | | |
|----------------------------|------------------------------|--------------------------------------|--------------------|
| | Standard Loans | Loans without Revised Contract Terms | Restructured Loans |
| Short-term Loans | - | - | - |
| Medium and Long-term Loans | 582,842 | - | - |
| Total | 582,842 | - | - |

6.4. Information on consumer loans, individual credit cards, personnel loans and personel credit cards

None (December 31, 2019: None).

6.5. Information on commercial installment loans and corporate credit cards

None (December 31, 2019: None).

**Notes to unconsolidated financial statements
as at 30 September 2020**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)
I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (continued)
6.6. Loans according to types of borrowers

| | Current Period | Prior Period |
|--------------|----------------|----------------|
| Public | - | - |
| Private | 582,842 | 568,012 |
| Total | 582,842 | 568,012 |

6.7. Distribution of domestic and foreign loans

| | Current Period | Prior Period |
|----------------|----------------|----------------|
| Domestic Loans | 582,842 | 568,012 |
| Foreign Loans | - | - |
| Total | 582,842 | 568,012 |

6.8. Loans given to associates and subsidiaries

None (December 31, 2019: None).

6.9. Explanations on non-performing loans

None (December 31, 2019: None).

6.10. Liquidation policies for uncollectible loans and other receivables

For the unrecoverable non-performing loans under legal follow-up, the loan quality, collateral quality, bona fide of the debtor and assessment of the emergency of legal follow-up are considered, before applying the best practice for unrecoverable non-performing loans under legal follow up. The bank prefers to liquidate the risk through negotiations with the debtors. If this cannot be possible, then the Bank starts the legal procedures for the liquidation of the risk. Ongoing legal follow-up procedures do not prevent negotiations with the debtors. An agreement is made with the debtor at all stage of the negotiations for the liquidation of the risk.

6.11. Explanations on write-off policy

In order to ensure the collection and liquidation of the Bank's receivables, which are given legal follow-up instructions due to the loss of credit worthiness, the subjects such as the quality of the loan, the condition of the loan, the good will of the debtor and the urgency of the follow-up are determined and the most appropriate action style is determined. Although the elimination of the risk is preferred through the administrative interventions and negotiations in the debtors, the liquidation method of the receivable is used by directly initiating legal follow-up procedures. However, the fact that legal proceedings have been initiated does not mean that administrative interviews have ended. An agreement can be made with the debtor regarding the liquidation of the Bank's receivables at each stage, if it is agreed.

6.12. Explanations on expected credit losses for loans

| Current Period | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------|---------|---------|--------------|
| Balances at End of Prior Period | 4,602 | - | - | 4,602 |
| Additions during the Period | - | - | - | - |
| Disposal | (341) | - | - | (341) |
| Debt Sale | - | - | - | - |
| Write-offs | - | - | - | - |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Foreign Currency Differences | 1,910 | - | - | 1,910 |
| Balances at End of Period | 6,171 | - | - | 6,171 |

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

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (continued)

6.13. Information on interest accruals, discounts, valuation differences and their provisions calculated for non-performing loans in accordance with TFRS 9

None (December 31, 2019: None).

7. Information on financial assets measured at amortized cost

7.1. Information on financial assets that are subject to repo transactions and are given as collateral / blocked, and measured financial assets

There are no financial assets subject to repurchase agreements in the current Period (December 31, 2019: None). As of September 30, 2020, the Bank does not have securities given as collateral (December 31, 2019: None).

7.2. Information on government debt securities measured at amortized cost

| | Current Period | Prior Period |
|------------------------------|----------------|----------------|
| Government Bond | 556,262 | 329,421 |
| Treasury Bonds | 18,575 | - |
| Other Public Debt Securities | - | - |
| Total | 574,837 | 329,421 |

7.3. Information on investments measured at amortized cost

| | Current Period | Prior Period |
|---------------------------------------|----------------|----------------|
| Debt Securities | 574,837 | 329,421 |
| <i>Quoted at Stock Exchange</i> | 574,837 | 329,421 |
| <i>Unquoted at Stock Exchange</i> | - | - |
| Value Increases/Impairment Losses (-) | - | - |
| Total | 574,837 | 329,421 |

7.4. Movements of investments measured at amortized cost during the year

| | Current Period | Prior Period |
|---|----------------|----------------|
| Opening balance | 329,421 | - |
| Foreign exchange differences in monetary assets | - | - |
| Purchases during the year | 496,985 | 340,071 |
| Disposals through Sales and Redemptions | (251,569) | (10,650) |
| Value decrease equivalent | - | - |
| Period end balance | 574,837 | 329,421 |

7.5. Explanations on expected credit losses for financial assets measured at amortised cost

| Current Period | Stage 1 | Stage 2 | Stage 2 | Total |
|--|-----------|---------|---------|-----------|
| Balances at End of Prior Period | 24 | - | - | 24 |
| Additions during the Period | 30 | - | - | 30 |
| Disposal | (23) | - | - | (23) |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Foreign Currency Differences | - | - | - | - |
| Balances at End of Period | 31 | - | - | 31 |

8. Information on associates

The Bank has no associates as of September 30, 2020 (December 31, 2019: None).

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (continued)

9. Information on subsidiaries (net)

The Bank has no subsidiaries as of September 30, 2020 (December 31, 2019: None).

10. Information on entities under common control (Joint Ventures)

The Bank does not have investments in entities under common control as of September 30, 2020 (December 31, 2019: None).

11. Information on lease receivables

The Bank does not have lease receivables as of September 30, 2020 (December 31, 2019: None).

12. Information on derivative financial assets held for hedging purposes

There are no derivative financial instruments for hedging purposes (December 31, 2019: None).

13. Information on tangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks."

14. Information on intangible assets

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks."

15. Information on investment properties (net)

None (December 31, 2019: None).

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I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (continued)

16. Information on Deferred Tax asset

According to the provisions of TAS 12 "Income Taxes" of the Bank and the provisions of the BRSA General Regulation No, DZM, 2 / 13/1-a-3 of 8 December 2004, it is possible to obtain a financial profit that can be deducted in the following Periods according to tax legislation, deferred tax asset on deductible temporary differences except for provisions and deferred tax asset on taxable temporary differences.

As of September 30, 2020, net deferred tax asset amounted to TL 26,375 (December 31, 2019: TL 5,228) has been reflected in the financial statements of the Bank after netting the deferred tax asset amounting to TL 27,562 (December 31: 2019: TL 5,640) and the tax liability amounting to TL 1,187 (December 31, 2019: TL 412).

Current and Prior Period deferred tax assets and liabilities movements are as follows:

| | Current Period | |
|---|-------------------|---------------------------------|
| | Deferred Tax Base | Deferred Tax Asset/ (Liability) |
| Retirement Pay and Unused Vacation Provision | 761 | 162 |
| Bonus Provision | 4,179 | 919 |
| Tangible Assets Amortization Differences | (1,604) | (353) |
| Differences Arising from Market Value of Derivative Financial Instruments | 94,455 | 20,780 |
| Commission charged in advance | 9,748 | 2,145 |
| MTM – SL securities interest difference | (3,791) | (834) |
| Expected Credit Loss According to TFRS 9 | 12,492 | 2,748 |
| MTM-TFRS16 difference | 3,547 | 780 |
| MTM-TFRS difference for interest income/expense | 126 | 28 |
| Total | 119,913 | 26,375 |

| | Prior Period | |
|---|-------------------|---------------------------------|
| | Deferred Tax Base | Deferred Tax Asset/ (Liability) |
| Retirement Pay and Unused Vacation Provision | 432 | 91 |
| Bonus Provision | 4,605 | 1,013 |
| Tangible Assets Amortization Differences | (1,875) | (412) |
| Differences Arising From Market Value of Derivative Financial Instruments | 3,314 | 729 |
| Commission charged in advance | 10,689 | 2,352 |
| MTM – SL securities interest difference | 6,093 | 1,340 |
| Other | 523 | 115 |
| Total | 23,781 | 5,228 |

17. Information on assets held for sale and non-current assets related to discontinued operations

None (December 31, 2019: None).

18. If the other assets item of the balance sheet exceeds 10% of the total balance sheet excluding commitments in the off-balance sheet accounts, the names and amounts of the sub-accounts constituting at least 20% of the balance sheet

Other assets do not exceed 10% of total assets excluding the off-balance sheet items (December 31, 2019: None).

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II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES

1. Information on deposits

1.1. Information on maturity structure of deposits

| Current Period | Demand | 7 Days' Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6- 1 Year | 1 Year and Over | Cumulative Deposit | Total |
|------------------------------|--------------|-------------------|------------------|---------------|---------------|--------------|--------------------|-----------------------|----------------|
| Saving Deposits | - | - | - | - | - | - | - | - | - |
| Foreign Currency Deposits | 2,183 | 200,522 | 12,676 | - | - | - | - | - | 215,381 |
| Residents in Turkey | 2,183 | 200,522 | 12,676 | - | - | - | - | - | 215,381 |
| Residents Abroad | - | - | - | - | - | - | - | - | - |
| Public Sector Deposits | - | - | - | - | - | - | - | - | - |
| Commercial Deposits | 66 | - | - | - | - | - | - | - | 66 |
| Other Ins, Deposits | - | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | - | - | - | - | - | - | - |
| Interbank Deposits | - | - | 81,752 | - | - | - | - | - | 81,752 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | - | - | - | - | - | - | - | - | - |
| Foreign Banks | - | - | 81,752 | - | - | - | - | - | 81,752 |
| Special Finan. | - | - | - | - | - | - | - | - | - |
| Inst. | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 2,249 | 200,522 | 94,428 | - | - | - | - | - | 297,199 |

| Prior Period | Demand | 7 Days' Notice | Up to 1 Month | 1-3 Months | 3-6 Months | 6- 1 Year | 1 Year and Over | Cumulative Deposit | Total |
|------------------------------|---------------|-------------------|------------------|---------------|---------------|--------------|--------------------|-----------------------|---------------|
| Saving Deposits | - | - | - | - | - | - | - | - | - |
| Foreign Currency Deposits | 8 | - | - | - | - | - | - | - | 8 |
| Residents in Turkey | 8 | - | - | - | - | - | - | - | 8 |
| Residents Abroad | - | - | - | - | - | - | - | - | - |
| Public Sector Deposits | - | - | - | - | - | - | - | - | - |
| Commercial Deposits | 10,057 | 65,620 | - | - | - | - | - | - | 75,677 |
| Other Ins, Deposits | - | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | - | - | - | - | - | - | - |
| Interbank Deposits | - | - | - | - | - | - | - | - | - |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | - | - | - | - | - | - | - | - | - |
| Foreign Banks | - | - | - | - | - | - | - | - | - |
| Special Finan. | - | - | - | - | - | - | - | - | - |
| Inst. | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 10,065 | 65,620 | - | - | - | - | - | - | 75,685 |

1.2. Information on saving deposits under insurance

1.2.1. Amounts exceeding the insurance limit

None (December 31, 2019: None).

1.3. Saving deposits that are not under the guarantee of deposit insurance fund

There are no saving deposits that are not under the guarantee of deposit insurance fund as of September 30, 2020 (December 31, 2019: None).

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II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (continued)

2. Information on derivative financial liabilities

2.1. Negative differences table related to derivative financial liabilities

| | Current Period | | Prior Period | |
|----------------------|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Forward Transactions | - | - | - | - |
| Swap Transactions | 85,696 | - | - | - |
| Futures Transactions | - | - | - | - |
| Options | - | - | - | - |
| Other | - | - | - | - |
| Total | 85,696 | - | - | - |

3. Information on borrowings

3.1. Banks and other financial institution

| | Current Period | | Prior Period | |
|--|----------------|---------------|--------------|---------------|
| | TL | FC | TL | FC |
| CBRT Borrowings | - | - | - | - |
| From domestic Banks and Institutions | - | - | - | - |
| From Foreign Banks, Institutions and Funds | - | 77,529 | - | 59,423 |
| Total | - | 77,529 | - | 59,423 |

3.2. Maturity structure of borrowings

| | Current Period | | Prior Period | |
|----------------------|----------------|---------------|--------------|---------------|
| | TL | FC | TL | FC |
| Short-term | - | - | - | - |
| Medium and Long-term | - | 77,529 | - | 59,423 |
| Total | - | 77,529 | - | 59,423 |

4. If the foreign liabilities of the balance exceed 10% of the total balance sheet excluding the penalty and off-balance sheet commitments, the names and amounts of the sub-accounts constituting at least 20%

Other foreign liabilities do not exceed 10% of the balance sheet total (December 31, 2019: Not exceeding).

5. Information on Lease Obligations

5.1. Criteria used in the determination of lease installments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts

The Bank does not have any financial lease agreement (December 31, 2019: None).

5.2. Detailed explanation of contract amendments and new obligations of these amendments to the Bank

The Bank does not have any financial lease agreement (December 31, 2019: None).

5.3. Information on lease liabilities

As of September 30, 2020, total net lease liability amount of the Bank is TL 26,466 (31 December 2019: TL 22,412).

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II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (continued)

5.4. Information on “Sale -and- lease back” agreements

The Bank does not have any sale-and-lease back transactions in the current Period (December 31, 2019: None).

6. Information on derivative financial liabilities for hedging purposes

There are no derivative financial liabilities for hedging purposes (December 31, 2019: None).

7. Information on Provisions

7.1. Information on General Provisions

As of 1 January 2020, the Bank has applied TFRS 9 regulation and has started to calculate allowance for expected credit losses.

The information on the general provisions of the Bank as of 31 December 2019 before adoption of TFRS 9 is presented below:

| | Prior Period |
|---|---------------------|
| I. Loans and Receivables in Group I | 18,745 |
| -Additional Provision for Loan and Receivables with Extended Maturities | - |
| II. Loans and Receivables in Group II | - |
| -Additional Provision for Loan and Receivables with Extended Maturities | - |
| Non-Cash Loans | 16,844 |
| Others | - |
| Total | 35,589 |

7.2. Information on other provisions

| | Current Period | Prior Period(*) |
|-------------------------------|-----------------------|------------------------|
| Provisions for Non Cash Loans | 5,504 | - |
| Total | 5,504 | - |

*The expected loss provisions for non-cash loans are included in other provisions in the liabilities with IFRS 9.

7.2.1. Provision for probable losses

None (December 31, 2019: None).

7.2.2. The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total provisions

Other provisions do not exceed 10% of the total provisions (December 31, 2019: Not exceed).

7.2.3. Explanations on reserves for employee benefit

The table of current and previous Period retirement pay provision is as follows:

| | Current Period | Prior Period |
|----------------------------|-----------------------|---------------------|
| Opening Balance, January 1 | 201 | 92 |
| Period expenses | 85 | 90 |
| Payments made | - | - |
| Actuarial Difference | - | 19 |
| Closing Balance | 286 | 201 |

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

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (continued)

7.2.3. Explanations on reserves for employee benefit (continued)

In accordance with the current labour law in Turkey, the Bank is required to pay termination benefits to the personnel who are dismissed from work due to retirement or who are terminated for reasons other than resignation and abuse. These compensations are the 30-day Gross wage for each year of work based on the wage on the date of dismissal. As of September 30, 2020 and December 31, 2019, the ceiling of the provision for employment termination benefits is TL 7,117.17 (full TL).

In the financial statements of September 30, 2020 and December 31, 2019, the Bank calculates the termination indemnity by discounting the annual inflation and interest rate usage. The inflation and interest rates used are as follows:

| | Current Period | Prior Period |
|----------------|----------------|--------------|
| Inflation Rate | 5.90% | 5.90% |
| Interest Rate | 9.39% | 9.39% |

As of September 30, 2020, total provision for employee benefits amounting to TL 4,940 (December 31, 2019: TL 5,037) is composed of TL 475 unused vacation provision (December 31, 2019: TL 231), TL 4,179 bonus provision (December 31, 2019: TL 4,605), TL 286 provision for employee termination benefits (December 31, 2019: 201 TL).

8. Explanations on Tax Liability

As of September 30, 2020, the Bank has current tax liability of TL 18,486 (December 31, 2019: TL 19,484).

The Bank has a corporate tax amount of TL 44,634 (December 31, 2019: TL 63,703) to be paid after the deduction of the prepaid corporate tax of TL 27,271 (December 31, 2019: 45,828) from the corporate tax calculated as TL 17,363 (December 31, 2019: 17,785).

8.1. Information on tax payables

| | Current Period | Prior Period |
|--|----------------|---------------|
| Corporate taxes payable | 17,363 | 17,875 |
| Taxation on securities | 73 | 344 |
| Property tax | 5 | 11 |
| Banking and Insurance Transaction Tax (BITT) | 73 | 454 |
| Taxes on foreign exchange transactions | - | - |
| Value added taxes payable | 56 | 124 |
| Other | 646 | 463 |
| Total | 18,216 | 19,271 |

8.2. Information on premium

| | Current Period | Prior Period |
|------------------------------------|----------------|--------------|
| Social Security Premiums- Employee | 115 | 92 |
| Social Security Premiums- Employer | 131 | 101 |
| Unemployment Insurance- Employee | 8 | 7 |
| Unemployment Insurance- Employer | 16 | 13 |
| Other | - | - |
| Total | 270 | 213 |

8.3. Explanations on deferred tax liabilities

None (December 31, 2019: None).

9. Information on liabilities regarding assets held for sale and discontinued operations

None (December 31, 2019: None).

10. Explanations on Subordinated loans

None (December 31, 2019: None).

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

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (continued)

11. Information on Shareholders' equity

11.1. Paid in Capital

The Bank's paid-in capital is TL 1,051,230 as of September 30, 2020 (December 31, 2019: TL 1,051,230). The capital does not have a share certificate.

11.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital ceiling

Registered share capital system is not applied.

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III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

1. Information on off-balance sheet commitments

1.1. Nature and amount of irrevocable loan commitments

None (December 31, 2019: None).

1.2. Possible losses and commitments related to off-balance sheet items, including the ones listed below

1.2.1. Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits

| | Current Period | Prior Period |
|-----------------------------------|------------------|----------------|
| Guarantees | 1,125,065 | 973,594 |
| Bills of Exchange and Acceptances | - | - |
| Letters of Credit | - | - |
| Total | 1,125,065 | 973,594 |

1.2.2. Revocable, irrevocable guarantees and other similar commitments and contingencies

| | Current Period | Prior Period |
|---------------------------------------|----------------|----------------|
| Temporary letter of guarantees | 13,625 | 16,857 |
| Revocable letters of guarantee | 794 | 794 |
| Letters of guarantee given in advance | 253,328 | 251,333 |
| Guarantees given to customs | - | - |
| Other letter of guarantees | - | 2,899 |
| Total | 267,747 | 271,883 |

1.3. Explanation on Non-cash loans

1.3.1. Total amount of non-cash loans

| | Current Period | Prior Period |
|--|------------------|------------------|
| Non-Cash Loans Given against Cash Loans | 1,125,065 | 973,594 |
| With Original Maturity of 1 Year or Less Than 1 Year | - | 532,968 |
| With Original Maturity of More Than 1 Year | 1,125,065 | 440,626 |
| Other Non-Cash Loans | 267,747 | 271,883 |
| Total | 1,392,812 | 1,245,477 |

1.4. Explanation on expected losses for non-cash loans and irrevocable commitments

| Current Period | Stage 1 | Stage 2 | Stage 3 | Total |
|--|--------------|----------|----------|--------------|
| Balances at End of Prior Period | 5,431 | - | - | 5,431 |
| Additions during the Period | 2,655 | - | - | 2,655 |
| Disposal | (3,186) | - | - | (3,186) |
| Transfer to Stage 1 | - | - | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | - | - | - |
| Foreign Currency Differences | 604 | - | - | 604 |
| Balances at End of Period | 5,504 | - | - | 5,504 |

**Notes to unconsolidated financial statements
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS (continued)

2. Explanations on financial derivatives

It is not prepared in accordance with Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes Announced to Public by Banks.

3. Explanation on credit derivatives and risk exposures due to these credit derivatives

It is not prepared in accordance with Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes Announced to Public by Banks.

4. Explanation on contingent liabilities and assets

It is not prepared in accordance with Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes Announced to Public by Banks.

5. Off-balance sheet items related to assets held for sale and discontinued operations

It is not prepared in accordance with Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes Announced to Public by Banks.

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IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT

1. Information on interest income

1.1. Information on interest on loans

| | Current Period | | Prior Period | |
|--|----------------|--------------|---------------|--------------|
| | TL | FC | TL | FC |
| Interest Income on Loans | 17,796 | 8,993 | 24,294 | 7,083 |
| <i>Short-term Loans</i> | - | - | - | - |
| <i>Medium/Long-term Loans</i> | 17,796 | 8,993 | 24,294 | 7,083 |
| Interest on Loans Under Follow-up | - | - | - | - |
| Premiums Received from Resource Utilization Support Fund | - | - | - | - |
| Total | 17,796 | 8,993 | 24,294 | 7,083 |

1.2. Information on interest income received from banks

| | Current Period | | Prior Period | |
|---------------------------------|----------------|------------|----------------|------------|
| | TL | FC | TL | FC |
| The Central Bank of Turkey | 181 | - | 368 | 271 |
| Domestic Banks | 44,704 | 61 | 147,778 | - |
| Foreign Banks | - | 67 | - | 3 |
| Branches and Head Office Abroad | - | - | - | - |
| Total | 44,885 | 128 | 148,146 | 274 |

* The interest income on Required Reserves amounting to TL 2 is not included into interest income on Banks (December 2019: 2).

1.3 Interest received from marketable securities portfolio

| | Current Period | | Prior Period | |
|---|----------------|----------|--------------|----------|
| | TL | FC | TL | FC |
| Financial Assets at Fair Value Through Profit or Loss | - | - | - | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | - | - | - | - |
| Financial Assets Measured at Amortized Cost | 38,044 | - | 6,490 | - |
| Total | 38,044 | - | 6,490 | - |

1.4. Information on interest income received from associates and subsidiaries

None (September 30, 2019: None).

2. Information on Interest Expense

2.1. Information on interest on funds borrowed

| | Current Period | | Prior Period | |
|-----------------------------------|----------------|--------------|--------------|-----------|
| | TL | FC | TL | FC |
| Banks | - | 1,041 | - | 23 |
| TR Central Bank | - | - | - | - |
| Domestic Banks | - | - | - | - |
| Foreign Banks | - | 1,041 | - | 23 |
| Foreign Headquarters and Branches | - | - | - | - |
| Other Institutions | - | - | - | - |
| Total | - | 1,041 | - | 23 |

2.2. Information on interest expenses to associates and subsidiaries

None (September 30, 2019: None).

2.3. Information on interest expenses to marketable securities

None (September 30, 2019: None).

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT (continued)

2.4. Information on interest expense to maturity structure of deposits

| Current Period 30.09.2020 | | | | | | | | |
|---------------------------|----------------|---------------|----------------|---------------|--------------|-------------|----------------|--------------|
| Time Deposit | | | | | | | | |
| Account Name | Demand Deposit | Up to 1 Month | Up to 3 Months | Up to 6 Month | Up to 1 Year | Over 1 Year | Accum. Deposit | Total |
| Turkish Currency | | | | | | | | |
| Bank Deposits | - | - | - | - | - | - | - | - |
| Savings Deposits | - | - | - | - | - | - | - | - |
| Public Deposits | - | - | - | - | - | - | - | - |
| Commercial Deposits | - | 3,970 | 1,008 | - | - | - | - | 4,978 |
| Other Deposits | - | - | - | - | - | - | - | - |
| 7 Day Notice Deposits | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | - | 3,970 | 1,008 | - | - | - | - | 4,978 |
| Foreign Currency | | | | | | | | |
| Foreign Currency Account | - | - | 1,605 | - | - | - | - | 1,605 |
| Bank Deposits | - | - | - | - | - | - | - | - |
| 7 Day Notice Deposits | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | - | - | - | - | - | - |
| Total | - | - | 1,605 | - | - | - | - | 1,605 |

| Prior Period 30.09.2019 | | | | | | | | |
|--------------------------|----------------|---------------|----------------|---------------|--------------|-------------|----------------|---------------|
| Time Deposit | | | | | | | | |
| Account Name | Demand Deposit | Up to 1 Month | Up to 3 Months | Up to 6 Month | Up to 1 Year | Over 1 Year | Accum. Deposit | Total |
| Turkish Currency | | | | | | | | |
| Bank Deposits | - | - | - | - | - | - | - | - |
| Savings Deposits | - | - | - | - | - | - | - | - |
| Public Deposits | - | - | - | - | - | - | - | - |
| Commercial Deposits | - | 8,335 | 4,272 | - | - | - | - | 12,607 |
| Other Deposits | - | - | - | - | - | - | - | - |
| 7 Day Notice Deposits | - | - | - | - | - | - | - | - |
| Precious metal deposits | - | - | - | - | - | - | - | - |
| Total | - | 8,335 | 4,272 | - | - | - | - | 12,607 |
| Foreign Currency | | | | | | | | |
| Foreign Currency Account | - | - | 12 | - | - | - | - | 12 |
| Bank Deposits | - | - | - | - | - | - | - | - |
| 7 Day Notice Deposits | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | - | - | - | - | - | - | - |
| Total | - | - | 12 | - | - | - | - | 12 |

2.5. Interest expense on lease liabilities

| | Current Period | Prior Period |
|-------------------------|----------------|--------------|
| Lease Interest Expenses | 802 | 772 |
| Total | 802 | 772 |

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT (continued)

3. Information on dividend income

None (September 30, 2019: None).

4. Information on net trading income / loss

| | Current Period | Prior Period |
|--|----------------|----------------|
| Income | 333,420 | 274,938 |
| Gains on Capital Market Operations | - | - |
| Gains on Derivative Financial Instruments | 45,805 | 58,747 |
| Foreign Exchange Gains | 287,615 | 216,191 |
| Loss (-) | 310,490 | 214,877 |
| Losses on Capital Market Operations | - | - |
| Losses on Derivative Financial Instruments | 118,651 | 6,010 |
| Foreign Exchange Losses | 191,839 | 208,867 |
| Total | 22,930 | 60,061 |

5. Information on other operating income

| | Current Period | Prior Period |
|---------------------------------------|----------------|--------------|
| Adjustment to previous years expenses | 341 | 32 |
| Other | 15 | 13 |
| Total | 356 | 45 |

6. Impairment provisions on loans and other receivables

| | Current Period |
|---|----------------|
| Expected Credit Losses | 1,713 |
| 12 Month Expected Credit Loss (Stage 1) | 1,713 |
| Significant increase in credit risk (Stage 2) | - |
| Non-Performing Loans (Stage 3) | - |
| Marketable Securities Impairment Provision | - |
| Financial Assets at Fair Value Through Profit or Loss | - |
| Financial Assets At Fair Value Through Other Comprehensive Income | - |
| Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease | - |
| Investments in Associates | - |
| Subsidiaries | - |
| Joint Ventures | - |
| Other | - |
| Total | 1,713 |

**Notes to unconsolidated financial statements
as at 30 September 2020**
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)
IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT (continued)

| | Prior Period |
|--|---------------|
| Specific Provisions | - |
| Loans with limited collectability | - |
| Loans with doubtful collectability | - |
| Uncollectible loans | - |
| General Provisions | 13,406 |
| Impairment Losses on Securities | - |
| Financial Assets at Fair Value Through Profit or Loss | - |
| Financial Assets at Fair Value Through Other Comprehensive Income | - |
| Impairment Losses on Associates, Subsidiaries, Joint Ventures and Investment Securities | - |
| Subsidiaries | - |
| Joint Ventures | - |
| Investments Held to Maturity | - |
| Other | - |
| Total | 13,406 |

7. Information related to other operational expenses

| | Current Period | Prior Period |
|---|----------------|---------------|
| Provision for Employee Termination Benefits | 85 | 50 |
| Provision for Bank's Social Aid Fund Deficit | - | - |
| Impairment Losses on Tangible Assets | - | - |
| Depreciation Charges of Tangible Assets | 3,626 | 3,327 |
| Impairment Losses on Intangible Assets | - | - |
| Impairment losses on goodwill | - | - |
| Amortization Charges of Intangible Assets | 1,344 | 1,968 |
| Impairment Losses on Investment Accounted for under Equity Method | - | - |
| Impairment of Assets to be Disposed | - | - |
| Depreciation of Assets to be Disposed | - | - |
| Impairment of Assets Held for Sale | - | - |
| Other Operating Expenses | 6,725 | 6,314 |
| <i>Operational Leases Expenses</i> | - | 47 |
| <i>Repair and Maintenance Expenses</i> | 87 | 53 |
| <i>Advertisement Expenses</i> | - | - |
| <i>Other Expenses(*)</i> | 6,638 | 6,214 |
| <i>Losses on Sale of Assets</i> | - | - |
| Taxes | 1,099 | 1,941 |
| Other(**) | 5,527 | 3,651 |
| Total | 18,406 | 17,251 |

(*) The amount of TL 6,638 in the "Other Expenses" title consists of TL 3,264 IT services expenses, TL 1,072 outsource services, TL 1,124 data line service expenses, TL 1,178 other operating expenses.

(**) The amount of TL 5,527 in the "Other" title consists of TL 4,423 employee benefits provisions, TL 879 auditing services and advisory services, TL 225 operational costs.

8. Information on profit/loss before tax from continued and discontinued operations

As of September 30, 2020, Profit before tax from continued operations is TL 113,071 (September 30, 2019: TL 199,504).

9. Explanations on tax provision for continued and discontinued operations

The tax expense for the Period ended September 30, 2020 is TL 24,916 (September 30, 2019: TL 46,891).

10. Information on profit/loss after tax from continued and discontinued operations

As of September 30, 2020, operating profit after-tax is TL 88,155 (September 30, 2019: TL 152,613).

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT (continued)

11. Information on net profit/loss for the Period

Interest income from ordinary banking transactions amounted to TL 109,846 (September 30, 2019: TL 186,919). Interest expenses arising from ordinary banking transactions are TL 8,553 (September 30, 2019: TL 13,404). As of September 30, 2020, operating profit after-tax is TL 88,155 (September 30, 2019: TL 152,613).

There are no changes in the estimates made by the Bank regarding the financial statement items.

There is no profit or loss related to minority shares.

12. Information on the components of other items in the income statement exceeding 10% of the total, or items that comprise at least 20% of the income statement

Other items in the statement of income do not exceed 10% of the statement of income.

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

V. EXPLANATIONS AND DISCLOSURES ON THE RISK GROUP OF THE BANK

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at Period end and income and expenses in the current Period

a) Explanations and disclosures of the Bank's risk group

September 30, 2020:

| Bank's Risk Group(*) | Associates, Subsidiaries and Joint-Ventures | | Bank's Direct and Indirect Shareholder | | Other Real Persons and Legal Entities in Risk Group | |
|---|---|----------|--|----------|---|----------|
| | Cash (**) | Non-Cash | Cash (**) | Non-Cash | Cash (**) | Non-Cash |
| Current Period | | | | | | |
| Loans and Other Receivables | | | | | | |
| Balance at the Beginning of the Period | - | - | 19,055 | 247,554 | - | - |
| Balance at the End of the Period | - | - | 44,959 | 267,747 | - | - |
| Interest and Commission Income Received | - | - | 67 | 25,863 | - | - |

(*) It is defined in paragraph 2 of Article 49 of the Banking Act No. 5411.

(**) The information in the above table includes the receivables from banks as well as the commissions to be received in the maturity.

December 31, 2019:

| Bank's Risk Group(*) | Associates, Subsidiaries and Joint-Ventures | | Bank's Direct and Indirect Shareholder | | Other Real Persons and Legal Entities in Risk Group | |
|---|---|----------|--|----------|---|----------|
| | Cash (**) | Non-Cash | Cash (**) | Non-Cash | Cash (**) | Non-Cash |
| Prior Period | | | | | | |
| Loans and Other Receivables | | | | | | |
| Balance at the Beginning of the Period | - | - | - | - | - | - |
| Balance at the End of the Period | - | - | 19,055 | 247,554 | - | - |
| Interest and Commission Income Received | - | - | 3 | 9,321 | - | - |

(*) It is defined in paragraph 2 of Article 49 of the Banking Act No. 5411.

(**) The information in the above table includes the receivables from banks as well as the commissions to be received in the maturity.

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

V. EXPLANATIONS AND DISCLOSURES ON THE RISK GROUP OF THE BANK (continued)

b) Information on deposits of the Bank's risk group

| Bank's Risk Group(*) | Associates, Subsidiaries and Joint-Ventures | | Bank's Direct and Indirect Shareholder | | Other Real Persons and Legal Entities in Risk Group | |
|--|---|-----------------|---|-----------------|---|-----------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Deposit (**) | | | | | | |
| Balance at the Beginning of the Period | - | - | 59,423 | - | - | - |
| Balance at the End of the Period | - | - | 159,281 | 59,423 | - | - |
| Interest Paid | - | - | 1,041 | - | - | - |

(*) It is defined in article 49, paragraph 2, of Banking Law No.

(**) As of September 30, 2020, all of the numbers indicated above are representing funds borrowed, deposits of foreign banks and interest paid to them. As of December 31, 2019, there are no deposits accepted from the risk group in which it is included.

c) Information on forward and option agreements and similar agreements made with Bank's risk group

| Bank's Risk Group | Associates, Subsidiaries and Joint-Ventures | | Bank's Direct and Indirect Shareholder | | Other Real Persons and Legal Entities in Risk Group | |
|--|---|-----------------|---|-----------------|---|-----------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Financial Assets at Fair Value Through Profit and Loss: | | | | | | |
| Balance at the Beginning of the Period | - | - | 564,546 | 604,120 | - | - |
| Balance at the End of the Period | - | - | 504,123 | 564,546 | - | - |
| Total Income/Loss | - | - | (72,846) | 52,737 | - | - |
| Transactions for Hedging Purposes: | | | | | | |
| Balance at the Beginning of the Period | - | - | - | - | - | - |
| Balance at the End of the Period | - | - | - | - | - | - |
| Total Income/Loss | - | - | - | - | - | - |

d) Information on the benefits provided to the Bank's top management

As of September 30, 2020, TL 3,467 (September 30, 2019: TL 2,443) was paid to the top management of the Bank.

e) Other transactions with the Bank's risk group

As of September 30, 2020, the Bank has no other liabilities to the risk group arising from banking transactions (December 31, 2019: None).

BANK OF CHINA TURKEY A.Ş.**Notes to unconsolidated financial statements
as at 30 September 2020***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)***VI. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR INVESTMENTS IN ASSOCIATES AND FOREIGN REPRESENTATIVE OFFICES**

| | Number | Number of Employees | | | |
|-----------------------------------|--------|---------------------|---------------------------|--------------|-------------------------|
| Domestic Branch | - | 43 | | | |
| | | | Country of Incorporations | | |
| Foreign Representation Office | | | | | |
| | | | | Total Assets | Statutory Share Capital |
| Foreign Branch | | | | | |
| Off-shore Banking Region Branches | | | | | |

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

**SECTION SIX
OTHER EXPLANATIONS**

I. OTHER EXPLANATIONS ON THE OPERATIONS OF THE BANK

None.

**SECTION SEVEN
AUDITORS' LIMITED REVIEW REPORT**

I. EXPLANATIONS ON THE AUDITORS' LIMITED REVIEW REPORT




The Bank's publicly available financial statements and footnotes for the Period ended 30 September 2020 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Ernst&Young Global Limited) and the independent auditors' limited review report is presented in front of the financial statements.

II. OTHER FOOTNOTES AND EXPLANATIONS PREPARED BY INDEPENDENT AUDITORS'

None.

BANK OF CHINA TURKEY A.Ş.
STATEMENT REGARDING INTERIM ACTIVITY REPORT AS AT SEPTEMBER 30, 2020

This Interim Activity Report of Bank of China Turkey A.Ş. has been prepared in accordance with the Article 10, 13 and 14 of "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" published by Banking Regulation and Supervision Agency and enclosed herewith.

| | | |
|---|--|--|
|  |  |  |
| Bin CHEN | Pengjun DANG | Xiaoyu LIU |
| Chairman of the Board of Directors | Deputy Chairman of the Board of Directors and Chairman of the Audit Committee | Member of the Board of Directors |

| | | | |
|---|---|--|---|
|  |  |  |  |
| Ruojie LI | Özgür DALGIÇ | Dalei DING | Fang LONG |
| Member of the Board of Directors and General Manager | Member of the Board of Directors and Member of the Audit Committee | Assistant General Manager | Head of Financial and Operational Control Department |

**Notes to unconsolidated financial statements
as at 30 September 2020***(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)***SECTION EIGHT****REMARKS REGARDING INTERIM ACTIVITY REPORT****I. THE INTERIM ACTIVITY REPORT CONTAINING EVALUATIONS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER REGARDING INTERIM PERIOD OPERATIONS****A. Summary Information on Bank of China Turkey A.Ş.**

| | |
|------------------------------|--|
| The Trade Name of the Bank | Bank of China Turkey Anonim Şirketi |
| Trade Registry Number | 65510-5 |
| Head Office Address | Esentepe Mahallesi Büyükdere Caddesi Tekfen Tower No: 209 Şişli İstanbul |
| Head Office Telephone Number | (0 212) 260 88 88 |
| Head Office Fax Number | (0 212) 279 88 66 |
| Website | www.bankofchina.com.tr |
| Electronic mail address | contact@bankofchina.com.tr |

B. Shareholding Structure

According to definition of qualified share given by the Banking Law numbered 5411 and to Article 13 of Regulation on Transactions of Banks Subject to Permit and Indirect Shareholding, ratios of the qualified shareholders who hold a stake in the capital of the Bank are as follows:

| Name-Surname/Trade Name | Share Amounts | Share Ratios | Paid-up Shares | Unpaid Portion |
|--------------------------------|----------------------|---------------------|-----------------------|-----------------------|
| Bank of China Limited | 1,051,229 | 99.99% | 1,051,229 | - |

C. Members of the Board of Directors and the Audit Committee

Members of the board of directors, members of the audit committee, general manager and assistant general managers of the Bank as of September 30, 2020 are listed below: None of the members of the Board of Directors (including the General Manager) has shareholding in the Bank.

Chairman and Members of the Board of Directors:

| Name Surname | Title | Assigned Date | Education |
|---------------------|---|----------------------|------------------|
| Bin CHEN | Chairman of the Board of Directors | January 10,2017 | PHD Degree |
| Ruojie LI | Member of the Board of Directors and General Manager | January 10,2017 | Master Degree |
| Xiaoyu LIU | Member of the Board of Directors | January 10,2017 | Master Degree |
| Pengjun DANG | Deputy Chairman of the Board of Directors and Chairman of the Audit Committee | January 10,2017 | Master Degree |
| Özgür DALGIÇ | Member of the Board of Directors | January 10,2017 | Master Degree |

Members of the Audit Committee:

| Name Surname | Position | Date of Appointment | Educational Background |
|---------------------|--|----------------------------|-------------------------------|
| Pengjun DANG | Chairman of the Audit Committee | May 4, 2017 | Master Degree |
| Özgür DALGIÇ | The Members of the Audit Committee in charge of Internal Systems | May 4, 2017 | Master Degree |

Assistant General Managers:

| Name Surname | Position | Date of Appointment | Educational Background |
|---------------------|---|----------------------------|-------------------------------|
| Dalei DING | Deputy of General Manager and Assistant General Manager Responsible for Financial Management and Control, Information Technologies, Credit Allocation, Human Resources and Administrative Affairs of the Bank | June,3 2019 | Bachelor Degree |

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

D. Information on Branches and Personnel

As of September 30, 2020, Bank of China Turkey A.Ş. has 43 employees and no branch. The Bank runs its operations at its head office (December 31, 2019: 39 employees).

E. Evaluations of the Chairman of the Board of Directors and the General Manager

Bank of China Limited ("Main Shareholder") started its representative operations in Turkey through Bank of China Limited Turkey Representative Office incorporated in 2011. Pursuant to the decision of the Banking Regulation and Supervision Agency ("BRSA") dated 2 May 2016 and numbered 6880, Bank of China Turkey Anonim Şirketi (the "Bank") was granted the permission to incorporate a deposit bank in Turkey. After the incorporation of the Bank by obtaining the incorporation permission from BRSA, the Bank was officially granted permission for operation following the publication of the decision of BRSA dated 1 December 2017 and numbered 7612 on the volume of the Official Gazette dated 7 December 2017 and numbered 30263. With 99.99% shares of the Main Shareholder, the Bank was incorporated with its registration before Istanbul Trade Registry Office on 10 January 2017 and the said matter was announced on the Turkish Trade Registry Gazette dated 17 January 2017 and numbered 9243 together with the Bank's Articles of Association.

Our Bank started its banking operations on 9 May 2018.

Total assets of the Bank as of September 30, 2020 are TL 2,088,299 (December 31, 2019: TL 1,676,970). While our equity amounts to TL 1,561,772 (December 31, 2019: TL 1,446,435) our capital adequacy ratio is at the level of 55.98% (December 31, 2019: 63.32%). As of 30 September 2020, the profit after tax of the Bank for the Period is TL 88,155 (September 30, 2019: TL 152,613). The majority of such profit is the interest income derived from banks placements and loans.

With the support and guidance of our shareholders and Board of Directors, we believe that our Bank will achieve its future goals successfully by prioritizing the customer satisfaction.

II. ECONOMIC DEVELOPMENTS AND BANKING SECTOR OVERVIEW

During the third quarter of 2020, impacts of the pandemic started to lose attention in global market. Instead, the expectations towards US elections and the Central Banks' meetings at monetary policy side have been monitored closely.

The third quarter in Turkey was a period with second flow concerns on coronavirus outbreak due to rebound on the number of cases. However, its impact on the financial market stayed weak. During the quarter, geopolitical developments were prominent in Turkey. Disputes in the Eastern Mediterranean between Turkey and Greece, threats of sanctions on Turkey by EU caused turmoil in financial market.

The investors were mainly on the side of selling on stock exchange and bond market and Turkish Lira sharply depreciated against US Dollar, which had all negative reflections on Turkish Financial market during 3rd quarter. CBRT initially implemented liquidity measures and used costly funding channels to shield Turkish Lira depreciation. Afterwards, CBRT increased one-week repo rate 200 bps on September.

As of September, CPI occurred at 11.75% while PPI was 14.33%. As per New Economic Program, the CPI is expected to drop to 10.50% at the end of 2020. New Economy Program also forecasts 2020-year end Current Account Deficit to GDP to occur at +3.0%.

Loan to Deposit ratio of the sector is at 109.8% according to 2020 August BRSA data. Sectors' NPL ratio is at 4.14% while CAR is 19%. Sectors' total asset size is 5.85 trillion Turkish Lira while deposits size is at 3.32 trillion Turkish Lira.

**Notes to unconsolidated financial statements
as at 30 September 2020**

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

III. FINANCIAL INFORMATION AND EVALUATIONS REGARDING BANK OF CHINA TURKEY A.Ş.

A. Financial Summary Information Regarding the Interim Period

Total assets of Bank of China Turkey A.Ş. are TL 2,088,299 (December 31, 2019: TL 1,676,970) as of the Period that ended on 30 September 2020. 28% of the assets are composed of Government debt securities measured at amortized cost whereas 28% is loans. The balance sheet's biggest source of funding is the equity.

| | 30.09.2020 | 31.12.2019 | 31.12.2018 |
|---|-------------------|-------------------|-------------------|
| Total assets | 2,088,299 | 1,676,970 | 1,291,801 |
| Cash Assets and Central Bank | 115,612 | 42,859 | 16,421 |
| Banks | 758,425 | 677,701 | 949,969 |
| Loans | 582,842 | 568,012 | 306,590 |
| Government debt securities measured at amortized cost | 574,837 | 329,421 | - |
| Other Assets | 56,583 | 58,977 | 18,821 |
| | | | |
| Total liabilities and Equities | 2,088,299 | 1,676,970 | 1,291,801 |
| Deposits | 297,199 | 75,685 | 4 |
| Provisions | 10,444 | 40,626 | 23,549 |
| Financial Derivative Liabilities | 85,696 | - | - |
| Loan Received | 77,529 | 59,423 | - |
| Other Liabilities | 55,659 | 54,801 | 16,202 |
| Shareholders' Equity | 1,561,772 | 1,446,435 | 1,252,046 |
| | | | |
| Letter of Guarantees | 267,747 | 271,883 | 2,577 |
| Other Guarantees | 1,125,065 | 973,594 | 81,827 |
| Derivatives | 504,123 | 564,546 | 604,120 |

| | 01.01.2020- 30.09.2020 | 01.01.2019- 30.09.2019 | 01.01.2018- 30.09.2018 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Net Interest Income | 101,293 | 173,505 | 125,867 |
| Non-Interest Income | 26,470 | 9,879 | 890 |
| Trading Income/Loss | 22,930 | 60,061 | 17,736 |
| Total Operating Income/(Expense) | 150,693 | 243,445 | 144,493 |
| Other Total Operating Income/(Expense) | 35,909 | (30,535) | (25,587) |
| Loan Provisions | 1,713 | 13,406 | 21,485 |
| Net Operating Profit/(loss) | 113,071 | 199,504 | 97,521 |
| Tax Provision (-) | 24,916 | 46,891 | 26,107 |
| Net Profit / Loss for the Period | 88,155 | 152,613 | 71,314 |

Financial Ratios

| | 30.09.2020 | 31.12.2019 | 31.12.2018 |
|------------------------|-------------------|-------------------|-------------------|
| Capital Adequacy Ratio | 55.98 | 63.32 | 190.69 |
| Equity/ Assets | 74.79 | 86.25 | 96.92 |

BANK OF CHINA TURKEY A.Ş.

Notes to unconsolidated financial statements as at 30 September 2020

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

III. FINANCIAL INFORMATION AND EVALUATIONS REGARDING BANK OF CHINA TURKEY A.Ş. (continued)

B. Information Regarding Distribution of Profit

According to AOA of our Bank; net income of 2019 after tax (TL 194,404) and previous years' profit (TL 0,00002) were distributed as shown below:

| | |
|----------------------|----------------|
| Legal Reserves | 12,681 |
| Undistributed Profit | 181,723 |
| Total | 194,404 |

B. Information Regarding Distribution of Profit (continued)

Accounting adjustment between Legal Reserves and General Reserves was done. TL 3,067 was added to Legal Reserves and same amount was deducted from General Reserves.