Fibabanka A.Ş.
and Its Subsidiaries

Consolidated Financial Statements
As of and for the year ended
31 December 2021 with
Independent Auditor's Report Thereon

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Independent Auditors' Report

To the General Assembly of Fibabanka Anonim Şirketi,

Qualified Opinion

We have audited the consolidated financial statements of Fibabanka Anonim Şirketi ("the Bank") and its subsidiaries (together will be referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Basis for Qualified Opinion

As stated in Note 21, the accompanying consolidated financial statements as at 31 December 2021 include a general reserve provision of total of TL 337.000 thousands, of which TL 186.000 thousands was recognized as expense within the current period and TL 151.000 thousands had been recognized as expense in prior periods; with a deferred tax asset amounting to TL 77.510 thousands of which TL 47.310 thousands was recognized within the current period and TL 30.200 thousands had been recognized in prior periods, which does not meet the requirements of International Accounting Standard ("IAS") 37 "Provisions, Contingent Liabilities and Contingent Assets". This general reserve provision is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

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

Key Audit Matters

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

Impairment of loans and advances to customers

Refer to "Significant accounting policies" Note 3. xiii to the consolidated financial statements relating to the impairment of loans and advances to customers.

Key audit matter	*How the matter is addressed in our audit*
As at 31 December 2021, loans measured at amortised cost comprise 51% of the Group's total assets. The Group recognizes its loans and advances to customers in accordance with IFRS 9 Financial Instruments ("Standard"). The Group applies the "expected credit loss model" in determining the impairment of loans and advances to customers in accordance with the Standard. The model which contains significant assumptions and estimates is reviewed by the Group management annually. The significant assumptions and estimates of the Group's management are as follows: - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model.	• Our procedures for testing impairment of loans and advances to customers included below: • We tested the design, implementation and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment process with the involvement of information risk management specialists. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Standard. • We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and tested their classification. In this context, the current status of the loan customer has been evaluated by including the impact of COVID-19 on prospective information and macroeconomic variables.

The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions including the impact of COVID-19, the level of judgements and its complex structure as explained above.	• We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis including the impact of COVID-19 on the assumptions and estimates. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. • We also evaluated the adequacy of the consolidated financial statements' disclosures related to impairment provisions.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Alper Güvenç
Partner

7 September 2022
Istanbul, Turkey

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Consolidated Statement of Financial Position as at 31 December 2021

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

	Notes	31 December 2021	31 December 2020
Assets			
Cash and balances with Central Bank	7	12,914,272	2,921,503
Due from banks	8	1,627,990	1,299,024
-Due from banks	*8*	*1,499,270*	*886,793*
-Money market placements	*8*	*128,720*	*412,231*
Financial assets at fair value through profit and loss (Net)	9	1,486,866	845,573
-Debt instruments	*9*	*215,006*	*138,208*
-Derivative financial assets held for trading	*10*	*1,271,860*	*707,365*
Financial assets measured at FVOCI	11	3,148,470	1,104,234
Financial assets measured at amortised cost	12	3,229,949	1,207,496
Loans and advances to customers	13	21,999,938	18,750,686
Investments in equity instruments	15	1,032	27,259
Property and equipment	17	415,755	361,240
Intangible assets	18	106,560	91,028
Deferred tax assets	27	308,900	191,644
Other assets	16	806,791	387,233
Total Assets		**46,046,523**	**27,186,920**
Liabilities			
Deposits from customers	20	24,391,078	16,664,370
Deposits from banks	19	7,099,098	1,610,656
-Deposits from banks	*19*	*6,386,358*	*1,000,496*
-Obligations under repurchase commitments	*19*	*712,740*	*610,160*
Funds borrowed	22	523,577	1,155,142
Securities issued	23	2,646,236	1,480,900
Derivative financial liabilities held for trading	24	1,678,396	1,107,492
Subordinated debts	26	3,790,148	2,127,599
Deferred tax liability	27	17,046	--
Other liabilities and provisions	21	2,418,394	1,159,482
Total Liabilities		**42,563,973**	**25,305,641**
Equity			
Share capital	28	943,684	943,684
Share premium	28	128,678	128,678
Other capital reserves	26	100,000	100,000
Items that may be reclassified subsequently to profit or loss			
-Fair value change on debt instruments measured at fair value through other comprehensive income, net of tax	28	106,364	17,838
Items that will not be reclassified subsequently to profit or loss			
-Fair value change on equity investments measured at fair value through other comprehensive income, net of tax		834,298	--
-Actuarial losses on employee termination benefits		(12,391)	(10,787)
Retained earnings	28	1,381,673	701,707
Equity attributable to owners of the bank		**3,482,306**	**1,881,120**
Non-controlling interest		244	159
Total Shareholders' Equity		**3,482,550**	**1,881,279**
Total Liabilities and Shareholders' Equity		**46,046,523**	**27,186,920**

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

Consolidated Statement of Profit or Loss for the year ended 31 December 2021

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

	Notes	1 January – 31 December 2021	1 January – 31 December 2020
Interest income	31	3,575,480	2,349,890
Interest expense	31	(2,891,013)	(1,534,663)
Net interest income		**684,467**	**815,227**
Fees and commission income	32	409,756	219,886
Fees and commission expenses	32	(65,952)	(34,999)
Net fee and commission income		**343,804**	**184,887**
Dividend income	34	447,349	--
Net trading income	33	525,259	261,828
Other operating income	35	76,971	42,599
Operating income		**2,077,850**	**1,304,541**
Personnel expenses	36	(429,458)	(322,572)
Depreciation and amortisation	17, 18	(77,927)	(72,083)
Impairment losses on loans and advances	13	(331,437)	(263,460)
Other expenses	37	(465,688)	(319,929)
Profit before income tax		**773,340**	**326,497**
Income tax	27	(72,549)	(88,400)
Profit for the period		**700,791**	**238,097**
Profit attributable to:			
Equity holders of the Bank		700,707	238,025
Non-controlling interests		84	72
		700,791	**238,097**

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

Consolidated Statement of Other Compehensive Income for the year ended 31 December 2021

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

	1 January-31 December 2021	1 January-31 December 2020
Profit for the year	**700,791**	**238,097**
Other comprehensive income / (expense)	--	--
Items that maybe reclassified subsequently to profit or loss	**88,526**	**2,064**
- Fair value change on debt instruments measured at fair value through other comprehensive income, net of tax	*113,967*	*7,958*
-Tax effect of unrealized gains/(losses) on financial assets measured at FVOCI	*(25,441)*	*(5,894)*
Items that will not be reclassified subsequently to profit or loss	**832,694**	**(3,010)**
-Fair value change on equity investments measured at fair value through other comprehensive income, net of tax	*851,344*	--
-Tax effect of unrealized gains/(losses) on on financial assets measured at FVOCI	*(17,046)*	--
-Actuarial losses on employee termination benefits	*(3,029)*	*(3,763)*
-Tax effect of actuarial losses on employee termination benefits	*1,425*	*753*
Other comprehensive income/(expense) for the year, net of tax	**921,220**	**(946)**
Total comprehensive income for the year	**1,622,011**	**237,151**
Attributable to:		
Equity Holders of the Bank	1,621,927	237,079
Non – controlling interest	84	72

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

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

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

	Share Capital	Share premium	Other capital reserves	Items that maybe reclassified subsequently to profit or loss	Items that will not be reclassified subsequently to profit or loss		Retained earnings / (accumulated losses)	Non-controlling Interest	Total
				Fair Value Change on Debt Instruments	Fair Value Change on Equity Instruments	Actuarial gains / (losses)			
Balances at 1 January 2020	**943,684**	**128,678**	**81,575**	**15,774**	**--**	**(7,777)**	**497,321**	**87**	**1,659,342**
Share capital increase	--	--	--	--	--	--	--	--	--
Additions to unrealized gains / (losses) on financial assets measured at FVOCI, net of deferred tax	--	--	--	2,064	--	--	--	--	2,064
Actuarial losses on employee termination benefits, net of deferred tax	--	--	--	--	--	(3,010)	--	--	(3,010)
Net profit for the year	--	--	--	--	--	--	238,025	72	238,097
Total comprehensive income for the year	--	--	--	**2,064**	**--**	**(3,010)**	**238,025**	**72**	**237,151**
Subordinated debt (*)	--	--	18,425	--	--	--	(33,639)	--	(15,214)
Balances at 31 December 2020	**943,684**	**128,678**	**100,000**	**17,838**	**--**	**(10,787)**	**701,707**	**160**	**1,881,279**
Share capital increase	--	--	--	--	--	--	--	--	--
Additions to unrealized gains / (losses) on financial assets measured at FVOCI, net of deferred tax	--	--	--	88,256	834,298	--	--	--	922,824
Actuarial losses on employee termination benefits, net of deferred tax	--	--	--	--	--	(1,604)	--	--	(1,604)
Net profit for the year	--	--	--	--	--	--	700,707	84	700,791
Total comprehensive income for the year	**--**	**--**	**--**	**106,364**	**834,298**	**(1,604)**	**700,707**	**84**	**1,622,011**
Subordinated debt (*)	--	--	--	--	--	--	(20,741)	--	(20,741)
Balances at 31 December 2021	**943,684**	**128,678**	**100,000**	**106,364**	**834,298**	**(12,391)**	**1,381,673**	**244**	**3,482,550**

(*) Group has classified the additional borrowing of TL 100.000 nominal and its interests, which has a capital stock character, under "other subordinated debt" according to the "IAS 32 Financial Instruments Presentation" Standards ("IAS 32").

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

Consolidated Statement of Cash Flows for the year ended 31 December 2021

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

	Notes	1 January-31 December 2021	1 January-31 December 2020
Net profit/(loss) for the year		**700,791**	**238,097**
Adjustments for:			
Depreciation of property and equipment	17	39,972	39,850
Amortisation of intangible assets	18	35,905	26,068
General provision		186,000	106,500
Impairment losses on loans and advances, net		60,762	26,006
Unearned revenue		(505)	16,332
Employment termination benefits	21	6,064	6,892
Unused vacation pay provision		496	1,228
Other provisions (net)		(58,322)	(151,297)
Bonus provision		9,432	1,641
Unrealized gains on financial assets/liabilities		92,657	1,042,228
Taxation	27	72,549	88,400
Operating profit before changes in operating assets/liabilities		**1,145,801**	**1,441,945**
Changes in operating assets and liabilities:			
Net decrease in balances with banks and central bank		3,969,108	1,027,541
Net increase in financial assets at fair value through profit & loss		(76,798)	1,907,549
Net increase in loans and securities issued		399,073	(3,071,630)
Net increase in other assets		(353,991)	151,286
Net decrease in deposits		1,960,164	1,327,274
Net increase in other liabilities		910,170	86,894
Employment termination benefits paid	21	(4,990)	(5,863)
Taxes paid		(7,244)	(84,557)
Bonuses paid		(20,978)	(14,400)
Net cash used in operating activities		**7,920,315**	**2,766,039**
Cash flow from investing activities:			
Purchase of financial assets measured at FVOCI		(2,612,243)	(417,912)
Proceeds from sale of financial assets measured at FVOCI		568,007	121,246
Purchase of financial assets measured at amortised cost		(1,268,302)	(493,617)
Unrealized gains on financial assets measured at FVOCI, net of tax		949,051	38,225
Purchase of property & equipment	17	(93,216)	(57,837)
Purchase of intangible assets	18	(52,203)	(51,385)
Net cash used in investing activities		**(2,508,906)**	**(861,280)**
Cash flow from financing activities:			
Proceeds from borrowing funding loans		-	315,156
Payments of borrowing funding loans		(631,565)	(233,910)
Proceeds from issue of subordinated liabilities		-	-
Net cash provided by financing activities		**(631,565)**	**81,246**
Net (decrease)/increase in cash & cash equivalents		**4,779,844**	**1,986,005**
Cash & cash equivalents at the beginning of the year	7	**2,535,432**	**2,058,550**
Foreign exchange effect on cash and cash equivalents		4,324,370	(1,509,123)
Cash & cash equivalents at the end of the year	7	**11,639,646**	**2,535,432**

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

1. General Information

On 21 December 2001, Share Transfer Agreement was signed with Novabank S.A. for the sale of all shares of Sitebank A.Ş. under the control of the Savings Deposit Insurance Fund ("SDIF") and the sale transaction was approved by the decision of the Banking Regulation and Supervision Agency ("BRSA") No: 596 on 16 January 2002.

In the General Assembly held on 4 March 2003, the name of Sitebank A.Ş. was amended as BankEuropa Bankası A.Ş.

In the extraordinary General Assembly held on 28 November 2006, the name of BankEuropa Bankası A.Ş. was amended as Millennium Bank A.Ş.

On 10 February 2010, Banco Comercial Portugues S.A. and Credit Europe Bank N.V., which is an affiliate of Fiba Group, signed a share purchase agreement to transfer 95% of Millennium Bank A.Ş.'s shares to Credit Europe Bank N.V. and the legal approval process has been completed as of 27 December 2010. Credit Europe Bank N.V. is 100% owned by Credit Europe Group N.V. which is a banking group incorporated in Netherlands and an affiliate of Fiba Holding A.Ş.

In the extraordinary General Assembly held on 25 April 2011 the name of Millennium Bank A.Ş. has been amended as Fibabanka A.Ş. ("the Bank").

As of December 2012, Fiba Holding A.Ş. became the ultimate parent of the Bank after acquiring 97.6% of the shares from Credit Europe Bank N.V. on 3 December 2012 and 2.4% of the shares from Banco Comercial Portugues S.A. on 7 December 2012. There were sales of equity shares to the management of the Bank in 2013. Total share of the management is 2.66% as of 31 December 2021.

The Parent Bank applied to the BRSA on 14 January 2015 for permission of the subordinated loan provided from Fiba Holding A.Ş. in the amount of USD 50 million to be converted to share capital. Following the authorization of the BRSA on 4 March 2015, the Board of Directors decision was taken on 5 March 2015 regarding share capital increase of TL 128,860, TL 127,045 of the increase was provided by the subordinated loan granted by Fiba Holding A.Ş. which had been approved to be converted to capital and TL 1,815 of total capital was paid in cash by the other shareholders, capital increase was recognised in financial satements following the completion of the legal procedures on 7 May 2015.

The Bank's paid-in capital was increased by TL 168,655 in total on 23 December 2015 with equal contributions from International Finance Corporation ("IFC") and European Bank for Reconstruction and Development ("EBRD"). In addition, share issuance premium of TL 73,379 was recognised in the shareholders' equity.

The Bank's paid-in capital amounting to TL 850,038 was increased to TL 943,684 on 7 September 2016 with the capital contribution of TurkFinance B.V. by TL 93,646. In addition, share issuance premium of TL 55,299 was recognised in the shareholders' equity.

As of 31 December 2021, the Bank's full paid in capital is TL 943,684.

As of 31 December 2021, the Bank has 47 domestic branches and its head office is located at the following address: Esentepe Mah. Büyükdere Cad. No: 129 Şişli / İstanbul (31 December 2020: 50 domestic branches).

1. General Information (continued)

Explanations on Subsidiaries

Fiba Portföy Yönetimi A.Ş.

Fiba Portföy Yönetimi A.Ş. ("Fiba Portföy") which is a 99% owned subsidiary of the Bank, established in September 2013 in İstanbul, was consolidated by using full consolidation method in the consolidated financial statements as at 31 December 2021.

Fiba Portföy's application to Capital Markets Board ("CMB") about portfolio management authorization certificate was issued successfully and PYŞ. PY 56/1267 numbered 12 December 2013 dated authorization certificate was given to Fiba Portföy.

The aim of Fiba Portföy is to manage portfolios which consist of financial assets within the implementation of CMB's laws and relevant legislation rules with portfolio management contract as a representative and trade in capital markets. Besides, Fiba Portföy can manage local and foreign investment funds, investment trusts, local/foreign natural and legal people, investment firms and similar enterprises within the circle of legislation conditions as portfolio management activities. Fiba Portföy can also function on investment consulting activity, market consultancy and trading on shares of investment funds at Borsa İstanbul A.Ş. Emerging Companies Market on the condition that articles of the capital market legislation is fulfilled and necessary permission and authorization certificates are taken from Capital Markets Board. The Bank owns 99% of the equity of Fiba Portföy whose headquarters is located in Istanbul.

Finberg Araştırma Geliştirme Danışmanlık Yatırım Hizmetleri A.Ş.

Finberg Araştırma Geliştirme Danışmanlık Yatırım Hizmetleri Anonim Şirketi ("Finberg") which is a 100% owned subsidiary of the Bank, established in 2018 in İstanbul, was consolidated by using full consolidation method in the consolidated financial statements as at 31 December 2021.

Finberg is an investment and financial technology venture. Achieving a first in the Turkish banking industry, Finberg is intended to promote entrepreneurship and financial technologies. Aiming to partner with medium-scale companies and offer consultancy services in areas with growth potential, Fibabanka provides financing and added value to enterprises in the fields of mobile payment, income-expense monitoring and money transfer.

Finberg's aim is to offer customers both conventional banking products and the new products emerging from the combination of financial services and technology. As well, Finberg is designed to reach new customers and extend the Bank's knowledge of existing customers through such technological products, providing services to them with the right products. Furthermore, other purposes include minimizing the high costs and long timelines posed by the provision of products and services, while eliminating the challenges associated with accessing customer information and incorrect information, as encountered in conventional banking products.

Fibabanka A.Ş., Fiba Portföy Yönetimi A.Ş. and Finberg Araştırma Geliştirme Danışmanlık Yatırım Hizmetleri A.Ş. are together stated as the "Group" in this report.

The Group has 1,787 employees as of 31 December 2021 (31 December 2020: 1,564 employees).

2. New and amended standards and interpretations

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

IFRS 17 Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

The standard is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)

In December 2021, IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The standard is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2023. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39.

The Group does not expect that application of these amendments to IFRS 4 will have any impact on the financial position or performance of the Group.

2. New and amended standards and interpretations (continued)

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On 23 January 2020, IASB issued Classification of Liabilities as Current or Non-Current which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position.

The amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;

b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;

c) Clarifying how lending conditions affect classification; and

d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, according to the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023.

The Group does not expect that application of these amendments to IAS 1 will have significant impact on its consolidated financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

The standard is not applicable for the Group and will not have any impact on the financial position or performance of the Group.

2. New and amended standards and interpretations (continued)

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Group does not expect that application of these amendments to IAS 16 will have significant impact on its consolidated financial statements.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

IASB developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group does not expect that application of these amendments to IAS 37 will have significant impact on its consolidated financial statements.

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

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material previously:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The amendments are effective from 1 January 2023 but companies can apply it earlier.

The Group does not expect that application of these amendments to Amendments to IAS 1 and IFRS Practice Statement 2) will have significant impact on its consolidated financial statements.

2. New and amended standards and interpretations (continued)

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group does not expect that application of these amendments to Amendments to IAS 1 and IFRS Practice Statement 2) will have significant impact on its consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent’s date of transition to IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i)reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

2. New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

IFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

The effects of the changes on the Group’s consolidated financial statements have been evaluated and it has been concluded that that there is no material impact. On the other hand, IBOR process is ongoing for certain indicators and the Group's studies continue within the scope of compliance with the changes.

3 Significant Accounting Policies

i. Statement of Compliance

The Bank and its subsidiaries maintain their books of accounts and prepare their statutory financial statements in Turkish Lira (TL) in accordance with the Accounting Practice Regulations as promulgated by BRSA, the Turkish Commercial Code and the Turkish Tax Legislation (collectively, Turkish GAAP).

These consolidated financial statements have been prepared in accordance with IFRS Standards.

ii. Basis of Preparation

The accompanying financial statements are presented in thousands of TL, which is the Group's functional currency.

The financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except that the following assets and liabilities are stated at their fair value if reliable measures are available: derivative financial assets held for trading, financial assets at fair value through profit or loss, financial assets measured at FVOCI and derivative financial liabilities held for trading.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

iii. Basis of Consolidation

According to full consolidation method, the subsidiaries' 100% of assets, liabilities, revenues, expenditures and off-balance sheet liabilities were combined with the Parent Bank's assets, liabilities, revenues, expenditures and off-balance sheet liabilities. Book value of the investment in the Group's subsidiaries and the portion of the cost of subsidiaries' capital belonging to the Group are eliminated. All intragroup balances and income and expenses relating to transactions between the Bank and its subsidiaries are eliminated in full on consolidation. Non-controlling interest shares in the net income of consolidated subsidiaries determined the net income of the Group and were demonstrated as a separate item in the income statement. Non-controlling interest shares were presented under equity in the consolidated financial statements.

iv. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method.

They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

v. Potential impacts of COVID-19 on the consolidated financial statements

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

While preparing the financial statements dated 31 December 2021, the Group reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements and disclosed in the related accounting policies.

(Amounts expressed in thousands of TL unless otherwise indicated.)

3 Significant Accounting Policies (continued)

vi. Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgments such as loan loss provision and deferred tax recoverability made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2021.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the effect on the amounts recognised in the financial statements are described in notes "vi" to "xxii".

vii. Reclassification of Comparative Information

In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are explained.

viii. Foreign Currency Translation

For the purpose of the accompanying financial statements, the consolidated results and consolidated financial position of the Group is expressed in Turkish Lira, which is the functional currency of the Group, and the presentation currency for the accompanying consolidated financial statements.

Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

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

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts, swaps and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

As at 31 December 2021 and 31 December 2020 foreign currency assets and liabilities of the Group are mainly in USD and EUR. Foreign currency translation rates used by the Group as of respective year-ends are as follows:

	EUR / TL	USD / TL
31 December 2021	15.0867	13.3290
31 December 2020	9.0079	7.3405

3 Significant Accounting Policies (continued)

ix. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Property	50 years
Vehicles	5 years
Furniture, fixtures and office equipment and others	4-50 years

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets of cash generating units are written down to their recoverable amount. The recoverable amount is defined as the amount that is the higher of the asset's fair value less costs to sell and value in use. Impairment losses are recognized in the income statement. There is no impairment recorded related to property and equipment.

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

x. Intangible Assets

Intangible assets acquired are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over the best estimate of their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

There is no impairment recorded related to intangible assets. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The Group amortizes intangible assets with a finite life on a straight-line basis over the estimated useful lives of 3 to 15 years. There are no intangible assets with indefinite useful lives.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

(Amounts expressed in thousands of TL unless otherwise indicated.)

3 Significant Accounting Policies (continued)

xi. Earnings per share

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

	31 December 2021	31 December 2020
Net Profit distributable to Common Shares	700,707	238,025
Average Number of Issued Common Shares (Thousand)	94,116,055	94,116,055
Earnings Per Share (Amounts presented as full TL)	**0.00745**	**0.00253**

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

There are no bonus shares issued by the Group in 2021 (31 December 2020: None).

xii. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

xiii. Financial Instruments

Initial recognition of financial instruments

It shall be recognised a financial asset or a financial liability in the statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using settlement date accounting.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. At initial recognition, the Group shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3 Significant Accounting Policies (continued)

xiii. Financial Instruments (continued)

Classification of financial instruments

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

As per IFRS 9, the Parent Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss. The Parent Bank tested all financial assets whether their "contractual cash-flows solely represent payments of principal and interest" and assessed the asset classification within the business model.

Assessment of business model

As per IFRS 9, the Parent Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Parent Bank's business models are divided into three categories:

Business model aimed to hold assets in order to collect contractual cash flows

This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Receivables from the Central Bank, banks, money market placements, investments under financial assets measured at amortized cost, large part of the loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

Business model aimed to collect contractual cash flows and sell financial assets

This is a model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Parent Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial Assets Measured at Fair Value through Other Comprehensive Income are assessed in this business model.

Other business models

Financial assets are measured at fair value through profit or loss when they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial Assets Measured at Fair Value Through Profit/Loss are assessed in this business model.

3 Significant Accounting Policies (continued)

a) <u>Financial Assets</u>

Financial assets include cash on hand, contractual rights to receive cash or another financial asset from the counterparty or the right to exchange of financial instruments or equity instrument transactions of the counterparty. Financial assets are classified into three groups as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost. The Group classifies its financial assets based on the Group's business model and characteristics of the contractual cash flows in accordance with IFRS 9 and uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments.The Group determines the classification of its financial assets at initial recognition.

The Group recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

- ***Financial assets measured at fair value through profit or loss***

Financial assets measured at fair value through profit or loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets measured at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair values after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss.

Loans measured at fair value through profit or loss are subject to valuation in accordance with fair value principles and profit or losses, emerging as a result of valuation, are recognized under profit/loss accounts.

3 Significant Accounting Policies (continued)

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

Financial assets are measured at fair value through other comprehensive income if financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

Financial assets measured at fair value through other comprehensive income are recognized by adding transaction costs to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets measured at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or loss to be reclassified through profit or loss” under shareholders’ equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are recognized in the income statement.

Equity securities, which are classified as financial assets at fair value through other comprehensive income can be measured are carried at fair value. However, in some exceptional cases, cost may be an appropriate estimation method for determining fair value. The cost is estimated to be the case fair value is reflected in the best way possible.

As of 31 December 2021, total amount of financial assets measured at fair value through other comprehensive income is TL 3,148,470 (31 December 2020: TL 1,104,234), of which TL 260,388 comprises of private bank and corporate bonds denominated in foreign currencies with maturity more than 1 year (31 December 2020: TL 345,999).

➢ ***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 acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

3 Significant Accounting Policies (continued)

➢ ***Loans and Receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Except for loans and advances designated as hedged item in qualifying hedging relationships and carried at fair value, such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortisation process. Interest earned on such loans and receivables is reported as interest income.

➢ ***Explanations on expected credit loss***

The Parent Bank recognizes expected credit loss allowance for financial assets measured at amortized cost and measured at fair value through other comprehensive income.

As of 1 January 2018, the Parent Bank recognizes provisions for impairment in accordance with IFRS 9 requirements by applying the expected credit loss model under IFRS 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 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 that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk will be 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 will be transferred to Stage 2. Impairment for credit risk will be 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. For these assets, lifetime expected credit losses are recognized.

As part of IFRS 9, expected credit loss models are improved in process of exposure at default, probability of default and loss given default. These models are formed by taking into consideration internal ratings systems, past data and prospective expectations and considering below factors;

- Customer type (individual, corporate, and commercial)
- Product type
- Ratings used as part of internal ratings systems
- Collaterals
- Collection period
- Exposure at default
- Time passed from loan disbursement
- Time to maturity

(Amounts expressed in thousands of TL unless otherwise indicated.)

3. Significant Accounting Policies (continued)

Exposure at Default: Expresses the exposure amount when debtor defaults. It accounts along with the maturity of the borrower.
The amount of additional risk that may occur in case of default is added to the amount of risk and included in the calculations by using the credit conversion rates (CCR) for irrevocable commitments.

Probability of Default: Refers to the probability of default due to the inability of the debtor to fulfill its obligations. 12-month or lifetime estimation is performed according to whether there is an increase in credit risk or not.

Loss Given Default: In the default of the borrower, it is calculated as the expected credit loss to exposure at default. Loss given default models include inputs such as product type, customer segment, collateral structure, customer payment performance.

Macroeconomic Factors: Macroeconomic indicators are taken into account in determining the probability of default component in the expected credit loss calculation. Future macroeconomic forecasts are reflected in the expected credit loss calculations using more than one scenario.

While macroeconomics information is included in calculations, models and model estimations reflecting the relationships between model risk parameters and macroeconomics variables are taken into consideration. The main macroeconomics indicators that make up these estimation models are the Gross Domestic Product (GDP), growth rate, and the unemployment rate. According to segmentation based on turnover, the unemployment rate is used in models including segments with a turnover of TL 20 million and below,on the other hand; the unemployment rate and the Gross Domestic Product (GDP) are used in models including segments with a turnover of over TL 20 million. Macroeconomics estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

Future expectations are determined based on 2 scenarios, base and negative. Each scenario has predetermined weights, and the final provisions are calculated by weighting on these probabilities.

The Bank's macro-economic forecasting for forward-looking perspective, the current economic conditions, according to the Medium Term Programme (MTP) and expert opinions, it calculates the expected credit loss with two scenarios: base and negative.The macroeconomic value estimates taken into account are presented below;

	Base Scenario		Negative Scenario	
	Growth	Unemployment	Growth	Unemployment
1st year	5,00%	12,00%	3,70%	13,00%
2st year	5,50%	11,40%	2,90%	12,50%
3st year	5,50%	10,90%	2,90%	11,90%

Calculation of Expected Loss Period: In determining the lifetime expected credit loss, the period in which the Parent Bank will be exposed to credit risk is taken into consideration. Behavioral maturity analysis was performed on credit cards and overdraft accounts. The maximum period for which credit losses are to be recognized, except for credit cards and other rotative loans, is the contractual life of the financial instrument unless a legal right is required to recall the loan.

3. Significant Accounting Policies (continued)

Significant Increase in Credit Risk: Due to the significant increase in credit risk, the Parent Bank performs quantitative and qualitative assessments to determine the financial assets to be classified as Stage 2 (Significant Increase in Credit Risk).

Within the scope of the quantitative assesments made for the corporate segment, the Parent Bank compares the change between the starting date and the date of the report by taking into account the time passed since the opening date. In order to make this comparison, the Parent Bank specifies threshold values to determine which changes are accepted as significant change. The decision to classify financial assets as Stage 2 due to a significant increase in credit risk by exceeding these threshold values is taken by the opinion of the Credit Department.

Within the scope of qualitative evaluations, financial assets included in the scope of close monitoring as of the reporting date are classified as Stage 2.

- ***Derecognition of Financial Assets***

Based on IFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset could lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a ‘new’ financial asset. When the Parent Bank assesses the characteristics of the new contractual terms of the financial asset, it evaluates the contractual cash flows including foreign currency rate changes, conversion to equity, counterparty changes and solely principal and interest on principle. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and recognized a modification gain or loss in profit or loss.

b) Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

- ***Financial Liabilities at Fair Value through Profit or Loss***

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in ‘other gains/losses’ line in the statement of comprehensive income.

- ***Other Financial Liabilities***

Other financial liabilities, including borrowings and deposits, are initially measured at fair value, net of transaction costs.

All deposits and borrowings are initially recognized at the fair value of consideration received less directly attributable transaction costs. After initial recognition interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Gains or losses are recognized in the income statement when the liabilities are derecognized as well as through the amortisation process.

3. Significant Accounting Policies (continued)

➢ ***Derecognition of Financial Liabilities***

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

➢ ***Off- Balance Sheet Commitments and Contingencies***

The Parent Bank deals with off-balance sheet risk in the normal course of business such as letters of guarantee, letters of credit, pre-financing loans, etc. The Group's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

Derivative Financial Instruments

The Group's derivative transactions mainly consist of interest rate swaps, foreign currency swaps, foreign currency options and foreign currency forward contracts. The Group does not have any embedded derivatives separated from the host contract.

Derivative contracts of the Group are all classified as trading purpose derivatives. Derivatives are initially recognized at cost including the transaction costs. Also, the assets and liabilities arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts. The derivative transactions held for trading are valued at fair-value using market prices or pricing models subsequent to initial recognition and are presented in "derivatives held for trading purpose". Gains and losses arising from a change in the fair value are recognized in the income statement.

➢ **Netting of Financial Assets and Liabilities**

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

3 Significant Accounting Policies (continued)

xiv. Fair Value Considerations

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted for at fair value. Other financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes, wherever practicable.

Due to economic conditions and volatility or low trading volumes in markets, the Parent Bank may be unable, in certain cases, to find a market price in an actively traded market. In such cases, other measures of fair value are considered. These include comparisons with similar financial instruments that do have active markets. As there are wide ranges of valuation techniques, it may be inappropriate to compare the Group's fair value information to independent markets or to other financial institutions' fair value information.

For certain financial assets and liabilities carried at cost, the fair values are assumed not to differ significantly from cost, due to the short-term nature of the items involved or because interest rates applicable to such items are variable at such short notice that interest income or expense on such items would not differ significantly from market rates.

3 Significant Accounting Policies (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

- Central Bank accounts and balances with banks: The carrying amount is a reasonable estimate of fair value.
- Securities investments: Fair value is estimated using quoted market prices wherever applicable.
- Derivatives: Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and the fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Parent Bank uses that technique. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

  In the absence of forward foreign currency market rates and reliable forward rate estimations in a volatile market, values of foreign currency swap transactions are determined by comparing forward rates with contractual forward rates discounted to the balance sheet date with the current market rates. The resulting gain or loss is reflected to the income statement. In determination of the fair values of interest rate swaps, discounted values calculated using the fixed and floating interest rates between the transaction date and repricing date are used.

- Loans and Receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortisation process. Interest earned on such loans and receivables is reported as interest income.
  The Group management believes that the risk factors embedded in the initial interest rates and subsequent rate changes along with the related allowances for uncollectibility and assessment of risks associated with the loan book result in a fair value calculation of loans.

- Deposits: Estimated fair value of demand deposits, saving deposits and interbank deposits is the amount payable on demand at the reporting date.

- Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing borrowings and overdrafts are recorded at the proceeds received. Interests on borrowings are accounted for on an accrual basis and are added to the carrying amount of instruments to the extent they are not settled in the period in which they arise.

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

3 Significant Accounting Policies (continued)

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain OTC derivative contracts.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

xv. Non-current Assets Held for Sale

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

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

xvi. Employee Benefits

- ***Employee Termination Benefits***

In accordance with existing social legislation in Turkey, the Group is required to pay lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

These payments are qualified as recognized retirement benefit plan according to revised IAS 19 Employee Benefits. Severance payment liability recognized in the balance sheet is calculated according to net present value of expected amount in the future arising from all employees' retirements and presented in the financial statements. All actuarial gains and losses are recognized immediately through other comprehensive income.

As of 31 December 2021, the Group's severance payment provision is calculated by an actuarial firm and the actuarial loss of TL 12,391 (net of deferred taxes) is accounted for under Equity (31 December 2020: Actuarial loss of TL 10,787).

(Amounts expressed in thousands of TL unless otherwise indicated.)

3 Significant Accounting Policies (continued)

The principal actuarial assumptions used at 31 December 2021 and 31 December 2020 are as follows;

	31 December 2021	31 December 2020
	%	%
Discount rate	13.0	13.0
Inflation rate	8.5	8.5

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. The ceiling amount at 31 December 2021 was TL 8,284.51 (full basis) (31 December 2020: TL 7,117.17 (full basis)).

➢ ***Other Contributions***

The Group pays contributions to Social Security Funds on a mandatory basis. There are no other liabilities related to employee benefits to be provisioned.

xvii. Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

xviii. Leases

➢ ***The Group as Lessee***

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. These include rent agreements of branch and head office premises, which are cancellable subject to a period of notice. With the “IFRS 16 Leases” standard valid from 1 January 2019, the difference between operating leases and finance leases has been eliminated and the lease transactions have been expressed under the “Lease Payables” as liability by leases.

➢ ***IFRS 16 Leases***

The Group has adopted new standard, changes and commands, which are valid as of 1 January 2019, in line with the “IFRS 16 Leases” standard’s first time applying transition commands.

The Group as a lessee according to “Lease” Standard:

The Group assesses whether the contract has the quality of a lease or whether the lease includes the transaction at the beginning of a contract. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Group reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

3 Significant Accounting Policies (continued)

Existence of right to use:

The right to use asset is first recognized by cost method and includes:
a) the initial measurement amount of the lease obligation,
b) the amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
c) all initial direct costs incurred by the Group.

When applying the cost method, the Group measures the right to use as follows:
a) deducts accumulated depreciation and accumulated impairment losses and
b) measures the restatement of the lease obligation at the restated cost.

The Group applies depreciation clauses of IAS 16 Tangible Assets standard when measuring the depreciation of the right to use.

Lease obligations:
At the effective date of the lease, the Group measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Group's average borrowing interest rates.
The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

After the effective date of the lease, the Group measures the leasing liability as follows:

a) Increase the book value to reflect the interest on the lease obligation
b) Reduces the book value to reflect the lease payments made and
c) The book value is measured to reflect reassessments and restructuring, or reflect to fixed lease payments as of revised nature.

The interest on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic interest rate to the remaining balance of the lease liability.

3 Significant Accounting Policies (continued)

xix. Income and Expense Recognition

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties in the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Interest income and expenses presented in the statement of profit or loss and other comprehensive income include interest income and expenses arising from currency swaps, cross currency swaps, futures and interest rate cap/floor agreements which are presented as other interest income and expense in the accompanying consolidated financial statements.

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate of the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts. Asset management fees and custody service fees that are continuously provided over an extended period of time are recognized ratably over the period service is provided.

Fee for bank transfers and other banking transaction services are recorded as income when collected. Net trading income comprises gains minus losses related to financial assets and liabilities held for trading and includes all realised and unrealised fair value changes and foreign exchange differences.

xx. Related party transactions

Related parties include entities, which the Group has the ability to exercise significant influence in making financial and operating decisions. Related parties include, directors, shareholders, close members of their families, companies owned or controlled by them and companies over which they can influence the financial and operating policies.

3 Significant Accounting Policies (continued)

xxi. Income Tax

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

➢ ***Current Tax***

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

➢ ***Deferred Tax***

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

In accordance with the provisional article, added to Corporate Tax Law, corporate tax, which is 20% for the year 2017, has changed as 22% for the profit of company belonging to 2018, 2019 and 2020 fiscal periods. In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, starting from the declarations that must be submitted as of 1 July 2021 and to be valid for the taxation period starting from 1 January 2021, the corporate tax rate is 25% for the taxation period of 2021.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

xxii. Subsequent Events

Post-balance sheet events that provide additional information about the Group's position at the balance sheet dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

(Amounts expressed in thousands of TL unless otherwise indicated.)

4 Segment Reporting

A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment information is presented in respect of the Group's business segments. The Group comprises Retail, Corporate & Commercial Banking and Treasury as main business segments; Fiba Portföy and Finberg, the Bank's consolidated subsidiaries, are operating in the area of portfolio management and entrepreneurship, new business fields and technologies respectively.

Major financial statement items according to business segments:

1 January - 31 December 2021	**Corporate & Commercial Banking**	**Retail Banking**	**Treasury & Head Office**	**Total**
Operating income	838,002	546,676	693,172	2,077,850
Profit/loss before tax	249,820	80,332	443,188	773,340
Tax charge				(72,549)
Net profit				**700,791**
31 December 2021				
Segment assets	13,641,125	8,473,595	23,931,803	46,046,523
Unallocated assets				--
Total assets				**46,046,523**
Segment liabilities	4,094,079	20,519,955	17,949,939	42,563,973
Unallocated liabilities				--
Equity				3,482,550
Total liabilities and equity				**46,046,523**

1 January - 31 December 2020	**Corporate & Commercial Banking**	**Retail Banking**	**Treasury & Head Office**	**Total**
Operating income	790,683	296,170	217,688	1,304,541
Profit/loss before tax	280,339	50,677	(4,519)	326,497
Tax charge				(88,400)
Net profit				**238,097**
31 December 2020				
Segment assets	15,229,438	3,777,473	8,180,009	27,186,920
Unallocated assets				--
Total assets				**27,186,920**
Segment liabilities	3,993,327	12,673,602	8,638,712	25,305,641
Unallocated liabilities				--
Equity				1,881,279
Total liabilities and equity				**27,186,920**

5 Financial Risk Management

(a) Introduction and Overview

The Group has exposure to the following risks due to its operations:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Risk Committee of the Bank is responsible for developing and monitoring the Group's risk management policies in their specified areas. All board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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

The Bank Audit Committee is responsible to monitor the efficiency and adequacy of the Group's Internal Control Systems framework on behalf of the Board of Directors. The Bank Audit Committee is assisted in these functions by Risk Management, Internal Control, Legislation & Compliance and Internal Audit departments.

The effects of developments in COVID-19 on Bank's risk profile and risk appetite framework are closely monitored within risk measurement, reporting and management processes.

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

(b) Credit Risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty fails to meet its contractual obligations to a financial instrument, among the Group's corporate, retail bank sovereign loan portfolio. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure such as individual risk, counterparty risk, group risk as well as country & sector risks.

The Group's counterparty credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet.

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Group only deals with counterparties which have good credit worthiness.

The Group has defined rating models, and validation standards in order to estimate, identify, measure, monitor, dispose, reduce and manage the credit risk. These standards have been developed to determine the quality of credit customers in line with the Group's credit policy. Credit risk reports and concentration & risk limits concerning the Bank's loan portfolio are reviewed periodically by the Risk Management Department.

	31 December 2021
Performing loans	18,461,425
Loans under close monitoring (stage 2)	3,540,679
Non-performing loans (stage 3)	888,713
Gross	**22,890,817**
ECL allowance for stage 3 loans	382,736
ECL allowance for stage 1 and stage 2 loans	508,143
Total	**21,999,938**

	31 December 2020
Performing loans	15,875,999
Loans under close monitoring (stage 2)	3,085,379
Non-performing loans (stage 3)	619,425
Gross	**19,580,803**
ECL allowance for stage 3 loans	388,750
ECL allowance for stage 1 and stage 2 loans	441,367
Total	**18,750,686**

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

Collateral policy

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

The breakdown of cash loans and advances to customers by type of collateral is as follows:

	31 December 2021		
Cash Loans-Gross	**Performing**	**Non - Performing**	**Total**
Secured loans	18,667,625	564,475	19,119,484
Secured by cash collateral	263,590	--	263,590
Secured by mortgages	4,925,705	544,234	3,644,867
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	13,365,714	20,241	15,211,027
Unsecured loans	3,447,095	324,238	3,771,333
Total Cash Loans-Gross	**22,002,104**	**888,713**	**22,890,817**

	31 December 2020		
Cash Loans-Gross	**Performing**	**Non - Performing**	**Total**
Secured loans	14,725,124	322,161	15,047,285
Secured by cash collateral	234,132	--	234,132
Secured by mortgages	3,824,029	283,790	4,107,819
Other collateral (pledge on assets, vehicle, corporate and personal guarantees, promissory notes)	10,666,963	38,371	10,705,334
Unsecured loans	4,236,254	297,264	4,533,518
Total Cash Loans-Gross	**18,961,378**	**619,425**	**19,580,803**

The breakdown of non-cash loans by type of collateral is as follows:

Non-Cash Loans	**31 December 2021**	**31 December 2020**
Secured loans	1,004,177	1,266,562
Secured by cash collateral	--	--
Secured by mortgages	58,706	56,819
Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)	945,471	1,209,743
Unsecured loans	--	--
Total Non-Cash Loans	**1,004,177**	**1,266,562**

Sectoral concentration of loans and advances to customers

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of performing loans and advances to customers is shown below:

	31 December 2021	**31 December 2020**
Consumer	6,252,516	2,719,236
Manufacturing	4,343,885	4,065,387
Service	9,065,154	8,797,170
Construction	1,121,551	2,306,635
Agriculture and stockbreeding	448,916	281,196
Other	770,082	791,754
Total performing loans and advances to customers	**22,002,104**	**18,961,378**

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the financial statements;

Gross maximum exposure	31 December 2021	31 December 2020
Balances with the Central Bank (including reserve deposits) (*)	11,946,373	2,585,089
Deposits with and loans due from banks and other financial institutions	1,629,041	1,300,776
Financial assets at fair value through profit and loss	215,007	138,208
Financial assets at fair value through other comprehensive income	3,148,470	1,104,234
Financial assets measured at amortised cost	3,230,721	1,207,902
Loans and receivables	22,890,817	19,580,803
Total	**43,060,429**	**25,917,012**
Contingent liabilities	1,004,177	1,266,562
Commitments	2,110,417	1,567,786
Total	**3,114,594**	**2,834,348**
Total credit risk exposure	**46,175,023**	**28,751,360**

(*) Balances with the Central Bank (including reserve deposits) excludes cash in TL /foreign currency amount.

Information by major sectors and type of counterparties

Current Period	Loans		Provisions
	Impaired		
Major Sector / Counterparties	Significant Increase in Credit Risk (Stage 2)	Credit Impaired (Stage 3)	Expected Credit Losses
Agriculture	**8,509**	**31,828**	**22,699**
Farming and Stockbreeding	8,458	26,330	18,631
Forestry	51	5,498	4,068
Fishery	--	--	--
Manufacturing	**451,975**	**66,876**	**75,078**
Mining and Quarrying	26,278	28,422	24,462
Production	78,628	33,454	29,307
Electricity, Gas and Water	347,069	5,000	21,309
Construction	**157,457**	**448,364**	**135,296**
Services	**2,466,581**	**235,429**	**353,070**
Wholesale and Retail Trade	182,107	63,362	84,835
Accommodation and Dining	1,594,526	10,622	164,640
Transportation and Telecommunication	346,040	141,349	59,401
Financial Institutions	737	245	161
Real Estate and Rental Services	116,411	7,026	18,942
Self-Employment Services	224,043	617	15,694
Educational Services	851	2,318	1,460
Health and Social Services	1,866	9,890	7,937
Other	**456,157**	**106,216**	**144,849**
Total	**3,540,679**	**888,713**	**730,992**

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

Prior Period	Loans		Provisions
	Impaired		
Major Sector / Counterparties	**Significant Increase in Credit Risk (Stage 2)**	**Credit Impaired (Stage 3)**	**Expected Credit Losses**
Agriculture	**22,058**	**53,394**	**32,469**
Farming and Stockbreeding	21,739	46,668	28,236
Forestry	319	6,726	4,233
Fishery	--	--	--
Manufacturing	**441,805**	**114,951**	**84,228**
Mining and Quarrying	28,064	33,264	26,454
Production	95,781	76,758	54,405
Electricity, Gas and Water	317,960	4,929	3,369
Construction	**611,825**	**130,322**	**188,880**
Services	**1,749,996**	**264,969**	**251,585**
Wholesale and Retail Trade	419,581	131,745	111,071
Accommodation and Dining	586,114	11,438	33,815
Transportation and Telecommunication	398,674	72,496	71,669
Financial Institutions	2,322	438	285
Real Estate and Rental Services	100,694	15,763	11,300
Self-Employment Services	228,891	3,040	6,263
Educational Services	2,954	8,991	5,817
Health and Social Services	10,766	21,058	11,365
Other	**259,695**	**55,789**	**117,211**
Total	**3,085,379**	**619,425**	**674,373**

Credit quality of loans and receivables as of 31 December 2021 and 2020 are as follows;

31 December 2021	**Neither past due nor impaired**	**Past due but not impaired**	**Individually impaired (gross)**	**Total**
Loans and receivables		“		
Commercial	15,740,652	22,666	797,433	16,560,751
Consumer	6,113,982	112,244	91,280	6,317,506
Credit cards	12,321	239	--	12,560
Total	**21,866,955**	**135,149**	**888,713**	**22,890,817**

31 December 2020	**Neither past due nor impaired**	**Past due but not impaired**	**Individually impaired (gross)**	**Total**
Loans and receivables				
Commercial	16,048,167	188,577	579,218	16,815,962
Consumer	2,671,304	37,265	40,207	2,748,776
Credit cards	15,592	473	--	16,065
Total	**18,735,063**	**226,315**	**619,425**	**19,580,803**

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

(b) Credit Risk (continued)

Carrying amount per class of loans and receivables assets whose terms have been renegotiated:

	31 December 2021	31 December 2020
Loans and receivables		
Commercial	2,881,899	1,606,461
Consumer	47,320	16,218
Total	**2,929,219**	**1,622,679**

Aging analysis of past due but not impaired loans per class of financial instruments:

31 December 2021	Less than 31 days	31-60 days	61-90 days	90+ days	Total
Loans and receivables					
Commercial	7,030	7,748	7,888	-	22,666
Consumer	25,446	56,310	30,488	-	112,244
Credit cards	154	68	17	-	239
Total	**32,630**	**64,126**	**38,393**	**-**	**135,149**

31 December 2020	Less than 31 days	31-60 days	61-90 days	90+ days	Total
Loans and receivables					
Commercial	44,562	16,263	105,896	21,856	188,577
Consumer	6,213	6,207	6,897	17,948	37,265
Credit cards	109	105	259	-	473
Total	**50,884**	**22,575**	**113,052**	**39,804**	**226,315**

(c) Liquidity Risk

Liquidity risk reflects the potential inability both to finance assets over appropriate times to maturity and at suitable rates and to liquidate portfolio positions at the proper time and at reasonable prices.

The Group maintains liquidity facilities with the Central Bank of Turkey and other banks that are available immediately when needed. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. Liquidity risk is continuously assessed by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy.

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

(c) Liquidity Risk (continued)

The table below shows the undiscounted cash flows on the Group's non-derivative financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the below table represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability.

31 December 2021	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities								
Deposits from banks	7,099,098	7,240,677	143,375	3,053,532	4,043,770	--	--	--
Deposits from customers	24,391,078	24,501,929	6,412,022	15,665,184	2,093,156	154,249	43,607	133,711
Borrowed funds	523,577	559,971	--	1,395	196,215	152,730	209,632	--
Securities issued	2,646,236	2,857,211	--	78,639	--	78,639	2,699,933	--
Subordinated debts	3,790,148	5,014,301	--	--	131,472	131,472	1,051,773	3,699,584
Total	**38,450,137**	**40,174,090**	**6,555,397**	**18,798,750**	**6,464,613**	**517,090**	**4,004,945**	**3,833,295**
Derivative liabilities	1,678,396	692,198	--	391,537	158,341	65,825	76,495	--
Total	**40,128,533**	**40,866,288**	**6,555,397**	**19,190,287**	**6,622,954**	**582,915**	**4,081,440**	**3,833,295**

31 December 2020	Carrying amount	Gross nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
Non-derivative liabilities								
Deposits from banks	1,610,656	1,613,876	50,626	939,848	623,402	--	--	--
Deposits from customers	16,664,370	16,756,161	1,947,926	11,989,941	2,615,113	95,128	3,585	104,468
Borrowed funds	1,155,142	1,197,536	--	521	168,932	768,225	259,858	--
Securities issued	1,480,900	1,660,129	--	43,308	--	43,308	1,573,513	--
Subordinated debts	2,127,599	2,906,266	--	--	72,404	72,404	579,229	2,182,229
Total	**23,038,667**	**24,133,968**	**1,998,552**	**12,973,618**	**3,479,851**	**979,065**	**2,416,185**	**2,286,697**
Derivative Liabilities	1,107,492	822,871	--	289,439	256,048	64,646	212,738	--
Total	**24,146,159**	**24,956,839**	**1,998,552**	**13,263,057**	**3,735,899**	**1,043,711**	**2,628,923**	**2,286,697**

Maturity analysis of balance sheet items is as follows:

As at 31 December 2021	Demand	Up to 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Unallocated	Total
Assets:							
Cash and balances with the Central bank	3,041,049	9,873,611	--	--	--	(388)	12,914,272
Due from banks	942,113	686,928	--	--	--	(1,051)	1,627,990
Financial assets at FVTPL	9,438	558,611	252,590	450,527	215,700	--	1,486,866
Financial assets at FVOCI	1,075,614	391,740	3,549	433,122	1,244,445	--	3,148,470
Financial Assets measured at amortised cost	--	--	--	33,927	3,196,794	(772)	3,229,949
Loans and advances to customers	--	3,383,186	4,658,967	7,015,127	6,944,824	(2,166)	21,999,938
Derivative assets held for hedging	--	--	--	--	--	--	--
Other assets	--	--	--	--	--	1,639,038	1,639,038
Total assets	**5,068,214**	**14,894,076**	**4,915,106**	**7,932,703**	**11,601,763**	**1,634,661**	**46,046,523**
Liabilities:							
Deposits from customers	6,412,020	15,644,158	2,039,641	143,307	151,952	--	24,391,078
Deposits from banks	143,375	3,043,770	3,911,953	--	--	--	7,099,098
Borrowed funds	--	1,968	240,727	191,935	88,947	--	523,577
Securities issued	--	--	--	--	2,646,236	--	2,646,236
Derivatives held for trading purpose	--	496,935	265,899	745,735	169,827	--	1,678,396
Derivative financial liabilities held for hedging	--	--	--	--	--	--	--
Subordinated debts	--	--	--	--	3,790,148	--	3,790,148
Other liabilities and equity	--	92,536	--	--	--	5,825,454	5,917,990
Total liabilities	**6,555,395**	**19,279,367**	**6,458,220**	**1,080,977**	**6,847,110**	**5,825,454**	**46,046,523**
Net liquidity surplus/(gap)	**(1,487,181)**	**(4,385,291)**	**(1,543,114)**	**6,851,726**	**4,754,653**	**(4,190,793)**	**--**
As at 31 December 2020							
Total assets	**2,062,334**	**4,856,561**	**3,825,057**	**7,338,085**	**8,256,215**	**848,668**	**27,186,920**
Total liabilities	**1,998,552**	**13,313,890**	**3,820,954**	**943,210**	**4,257,330**	**2,852,984**	**27,186,920**
Net liquidity surplus/(gap)	**63,782**	**(8,457,329)**	**4,103**	**6,394,875**	**3,998,885**	**(2,004,316)**	**--**

5 Financial Risk Management (continued)

(d) Market Risk

In order to provide hedge against the market risk within the context of the risk management objectives, the Group sets its activities related with market risk management in accordance with “Regulations on Banks’ Internal Control and Risk Management Systems and ICAAP” published in the Official Gazette no. 29057 dated 11 July 2014 and “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette no. 29511 dated 23 October 2015 entered into force as of 31 March 2016.

Being exposed to market risk, Bank’s Board of Directors has defined risk management strategies and policies about risk managements in line with application and recommendation of group and have led to follow-up strategies periodically. The limits of risks are identified and these limits are revised periodically. Board of Directors ensures that risk management group and executive managers should identify, measure, control and manage the Group’s risk.

Market risk arising from trading transactions is limited through the risk appetite policy approved by Board of Directors as “low” and measured by taking into consideration BRSA’s standard methodology. Additionally Financial Control Department reports the market value of daily purchases and sales and realized profit. The risk management and asset liability committee continuously monitor compliance of trading transactions with the risk appetite policy. Market risk occurred between mismatches of asset-liability maturity is also monitored through GAP report.

Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. Risk measurement methods such as cash flow projection, GAP analysis are also applied.

Capital to be kept for general market risk and specific risk are calculated by using a standard method in accordance with “Measurement and Assessment of Bank Capital Adequacy Regulation” and reported monthly.

In the calculation of the value at credit risk for the derivative financial instruments, the receivables from counterparties are multiplied by the rates stated in the Article 21 and Appendix-2 of “the Regulation on Measurement and Assessment of Capital Adequacy of Banks”, reduced as per the “Regulation on Credit Risk Mitigation Techniques” and then included in the relevant exposure category and weighted for a second time. The risk amount related to the Group's derivative financial instruments are calculated using the “Fair Value Method”.

(i) Interest Rate Risk

“Interest rate risk” is the probability of loss due to changes in interest rates depending on the Group’s position regarding the interest bearing financial instruments. Interest rate risk arises as a result of timing differences on the re-pricing of assets and liabilities, changes in correlation of interest rates between different financial instruments and unexpected changes in the shape and slope of yield curves. Exposure to interest rate movements arises when there is a mismatch between rate sensitive assets and liabilities.

Within the scope of Asset and Liability Management Policy, Group's assets and liabilities are re-priced according to the remaining maturities and determined interest rate shocks’ effect on the net economic value is calculated.

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

(d) Market Risk (continued)

(i) Interest Rate Risk

With the interest rate risk reports and stress tests on the interest rate risk of the Group, willing to relocate risk levels are tested due to the sensitivity of the risk levels in the presence of crisis scenarios and keeping them under control is provided.

Interest rate gap analysis

The following tables indicate the periods in which financial assets and liabilities are repriced as at 31 December 2021 and 31 December 2020;

31 December 2021:	**Less than three months**	**Between three and twelve months**	**Over one year**	**Non-interest bearing**	**Total**
Financial assets					
Cash and balances with the Central Bank	10,731,219	--	--	2,183,053	12,914,272
Due from banks	687,052	--	--	940,938	1,627,990
Financial assets at FVTPL	811,206	450,360	215,863	9,437	1,486,866
Financial assets at fair value through other comprehensive income	521,653	790,147	761,056	1,075,614	3,148,470
Financial assets measured at amortised cost	127,799	33,927	3,068,995	(772)	3,229,949
Loans and advances to customers	9,783,802	7,782,802	4,435,500	(2,166)	21,999,938
Derivative assets held for hedging	--	--	--	--	--
Financial liabilities					
Deposits from customers	17,683,799	143,307	151,952	6,412,020	24,391,078
Deposits from banks	6,955,725	--	--	143,373	7,099,098
Borrowed funds	372,934	150,643	--	--	523,577
Securities issued	--	--	2,646,236	--	2,646,236
Derivatives held for trading	762,833	745,736	169,827	--	1,678,396
Derivative financial liabilities held for hedging	--	--	--	--	--
Subordinated debts	--	3,390,278	399,870	--	3,790,148

31 December 2020:	**Less than three months**	**Between three and twelve months**	**Over one year**	**Non-interest bearing**	**Total**
Financial assets					
Cash and balances with the Central Bank	1,866,495	--	--	1,055,008	2,921,503
Due from banks	848,457	--	--	450,567	1,299,024
Financial assets at FVTPL	325,809	102,834	416,930	--	845,573
Financial assets at fair value through other comprehensive income	214,566	356,369	446,228	87,071	1,104,234
Financial assets measured at amortised cost	73,021	231,707	902,768	--	1,207,496
Loans and advances to customers	7,154,326	4,954,360	6,852,692	(210,692)	18,750,686
Derivative assets held for hedging	--	--	--	--	--
Financial liabilities					
Deposits from customers	14,535,737	90,603	90,104	1,947,926	16,664,370
Deposits from banks	1,560,032	--	--	50,624	1,610,656
Borrowed funds	592,356	560,968	1,818	--	1,155,142
Securities issued	37,310	--	1,443,590	--	1,480,900
Derivatives held for trading	594,866	129,207	383,419	--	1,107,492
Derivative financial liabilities held for hedging	--	--	--	--	--
Subordinated debts	38,843	61	2,088,695	--	2,127,599

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

(d) Market Risk (continued)

(i) Interest Rate Risk

The following table indicates the interest rates by major currencies for the major balance sheet components as at 31 December 2021 and 31 December 2020:

31 December 2021	EUR %	USD %	Other Currencies %	TL %
Cash and balances with the Central Bank	--	--	--	--
Due from banks and money market placements	0.01	0.05	--	--
Financial assets at FVTPL	--	4.40	--	23.31
Financial assets at fair value through other comprehensive income	5.39	5.55	--	15.79
Financial assets measured at amortised cost	4.89	5.56	--	15.62
Loans and advances to customers	5.40	6.15	--	19.93
Deposits from banks	--	--	--	14.89
Borrowed funds	2.26	0.83	--	15.86
Repurchase agreements	--	1.36	--	14.23
Deposits from customers	0.46	0.28	0.01	17.77
Securities issued	--	6.00	--	--
Subordinated debts	--	8.03	--	--
31 December 2020				
Cash and balances with the Central Bank	--	--	--	--
Due from banks and money market placements	0.01	--	--	17.67
Financial assets at FVTPL	--	3.15	--	11.74
Financial assets at fair value through other comprehensive income	3.12	5.65	--	13.81
Financial assets measured at amortised cost	4.52	6.70	--	9.04
Loans and advances to customers	5.91	4.76	5.93	18.13
Deposits from banks	--	1.17	0.10	16.87
Borrowed funds	2.38	1.27	--	10.66
Repurchase agreements	1.47	2.17	--	--
Deposits from customers	0.85	1.85	0.45	16.52
Securities issued	--	6.00	--	--
Subordinated debts	--	8.01	--	--

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

(d) Market Risk (continued)

The Group analyses and reports to the Group's senior management the interest rate sensitivity of equity on a monthly basis by applying positive and negative shocks to the interest sensitive on balance sheet and off-balance sheet positions which are distributed into groups based on their cashflows.

	31 December 2021			2020
	Shock Applied (+ / - x bps)	**Gains/ Losses**	**Gains / Equity - Losses / Equity**	**Gains / Equity - Losses / Equity**
TRY	500	(228,572)	(3.75)%	(6.21)%
TRY	-400	198,258	3.26%	5.63%
USD	200	(89,470)	(1.47)%	0.28%
USD	-200	103,418	1.70%	(0.21)%
EUR	200	(284,180)	(4.67)%	(3.74)%
EUR	-200	323,667	5.31%	4.12%
Total (For Positive Shocks)		**(602,222)**	**(9.89)%**	**(9.67)%**
Total (For Negative Shocks)		**625,343**	**10.27%**	**9.54%**

(ii) Currency Risk

The Group is exposed to currency risk through transactions in foreign currencies. The main measurement currencies of its foreign exchange operations are EUR and USD. As the currency in which the Group presents its financial statements is the Turkish Lira (TL), the financial statements are affected by movements in the exchange rates between these currencies and TL. Currency risk is managed through VaR limits.

At 31 December 2021 and 31 December 2020, the Group's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	2021				
	EUR	**USD**	**Other**	**Total**	**Total in 2020**
Foreign currency denominated assets:					
Cash and balances with Central Bank	2,481,643	9,344,698	151,692	11,978,033	2,455,668
Due from banks	666,214	379,866	55,871	1,101,951	422,967
Financial assets at FVTPL	9,438	65,891	--	75,329	3
Money market receivables	98,063	30,657	--	128,720	72,063
Financial assets at fair value through other comprehensive income	31,351	1,166,378	--	1,197,729	1,009,121
Financial assets measured at amortised cost	1,029,851	2,010,276	--	3,040,127	1,020,243
Loans and advances to customers	5,831,443	621,716	907	6,454,066	7,257,188
Other assets	2,427	1,881	916	5,224	3,085
	10,150,430	**13,621,363**	**209,386**	**23,981,179**	**12,240,338**
Foreign currency denominated liabilities:					
Deposits from customers	2,345,788	10,655,545	2,516,961	15,518,294	7,805,667
Deposits from banks	75,228	433,918	44,925	554,071	1,185,703
Borrowed funds	422,909	85,022	--	507,931	1,134,772
Securities issued	--	2,646,236	--	2,646,236	1,480,900
Subordinated debts	--	3,790,148	--	3,790,148	2,127,599
Other liabilities	70,489	426,866	7,379	504,734	158,679
	2,914,414	**18,037,735**	**2,569,265**	**23,521,414**	**13,893,320**
Net on-balance sheet position	7,236,016	(4,416,372)	(2,359,879)	459,765	(1,652,982)
Net off-balance sheet position	(7,429,918)	4,425,203	2,357,341	(647,374)	1,913,370
Net position	**(193,902)**	**8,831**	**(2,538)**	**(187,609)**	**260,388**

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

A 10 percent strengthening of the foreign currencies against TL would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the TL against foreign currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

	31 December 2021		31 December 2020	
	Profit or Loss	**Equity**	**Profit or Loss**	**Equity**
USD	883	(1,442)	5,856	7,085
EUR	(19,390)	(19,369)	14,875	15,487
Other currencies	(254)	(254)	5,309	5,309
Total	**(18,761)**	**(21,065)**	**26,040**	**27,881**

(e) Operational Risk

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

The Group practices policies in accordance with local regulations and in the context of best international practices for operational risk identification, measurement, mitigation, reporting and control of international best practices in the context of implementing.

Under the umbrella of operational risk, business continuity policies and procedures have been created. Business impact analysis has been made to ensure process based business continuity, critical activities of the institution and necessary resources to carry out these activities have been identified. Creation of infrastructure for the implementation of the plans is in progress through business continuity plans.

(f) Capital Adequacy

The BRSA sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total risk-weighted assets (12% for banks operating in offshore markets). These ratios measure capital adequacy by comparing the Group's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, tier1 security and minority interest.

- Tier 2 capital, which includes qualifying subordinated liabilities, general impairment allowances and Tier 1 capital, which includes the element of the fair value reserve relating to unrealized gains on securities classified as financial assets measured at FVOCI.

(Amounts expressed in thousands of TL unless otherwise indicated.)

5 Financial Risk Management (continued)

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Group and its individually regulated operations have complied with externally imposed capital requirements throughout the period and its capital adequacy ratio calculated in accordance with local regulations is above the minimum required ratio which is 8%.

The capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques", "Regulation on Calculation of Risk Weighted Amounts for Securitization's" and the "Regulation on Equities of Banks". In calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation. The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation. the "counterparty credit risk" is calculated for repurchase transactions, securities and commodities borrowing agreements.

Summary information related to the consolidated capital adequacy ratio

	Bank		Group	
	Current Period	**Prior Period**	**Current Period**	**Prior Period**
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	1,856,164	1,526,156	1,857,937	1,526,156
Capital Requirement for Market Risk (CRMR)	40,615	47,740	40,615	47,740
Capital Requirement for Operational Risk (CROR)	173,535	144,904	174,914	145,587
Equity	6,090,650	4,163,418	6,111,228	4,173,852
Equity/((CRCR+MRCR+ORCR) * 12.5 * 100)	**23.54%**	**19.38%**	**23.58%**	**19.42%**

(Amounts expressed in thousands of TL unless otherwise indicated.)

6 Fair Value of Financial Instruments

The table below sets out the carrying amounts and fair values of the Group's financial assets and financial liabilities:

31 December 2021	**Financial instruments at fair value**	**Loans and receivables**	**Financial instruments at amortized cost**	**Total carrying amount**	**Fair value**
Cash and balances with the Central Bank	--	12,914,272	--	12,914,272	12,914,272
Due from banks	--	1,627,990	--	1,627,990	1,627,990
Financial assets at FVTPL	1,486,866	--	--	1,486,866	1,486,866
Financial assets measured at FVOCI	3,148,470	--	--	3,148,470	3,148,470
Financial assets measured at amortised cost	--	--	3,229,949	3,229,949	3,157,574
Derivative assets held for hedging	--	--	--	--	--
Loans and advances to customers:	--	--		--	--
Measured at fair value	--	--	--	--	--
Measured at amortized cost	--	21,999,938	--	21,999,938	21,986,888
	4,635,336	**36,542,200**	**3,229,949**	**44,407,485**	**44,322,060**
Deposits from customers	--	--	24,391,078	24,391,078	24,391,078
Deposits from banks	--	--	7,099,098	7,099,098	7,099,098
Borrowed funds	--	--	523,577	523,577	523,577
Securities issued	--	--	2,646,236	2,646,236	2,646,236
Derivatives held for trading	1,678,396	--	--	1,678,396	1,678,396
Derivative liabilities held for hedging	--	--	--	--	--
Subordinated debts	--	--	3,790,148	3,790,148	3,790,148
	1,678,396	**--**	**38,450,137**	**40,128,533**	**40,128,533**

31 December 2020	**Financial instruments at fair value**	**Loans and receivables**	**Financial instruments at amortized cost**	**Total carrying amount**	**Fair value**
Cash and balances with the Central Bank	--	2,921,503	--	2,921,503	2,921,503
Due from banks	--	1,299,024	--	1,299,024	1,299,024
Financial assets at FVTPL	845,573	--	--	845,573	845,573
Financial assets measured at FVOCI	1,104,234	--	--	1,104,234	1,104,234
Financial assets measured at amortised cost	--	--	1,207,496	1,207,496	1,277,595
Derivative assets held for hedging	--	--	--	--	--
Loans and advances to customers:					
Measured at fair value	--	--	--	--	--
Measured at amortized cost	--	18,750,686	--	18,750,686	18,639,479
	1,949,807	**22,971,213**	**1,207,496**	**26,128,516**	**26,087,408**
Deposits from customers	--	--	16,664,370	16,664,370	16,664,370
Deposits from banks	--	--	1,610,656	1,610,656	1,610,656
Borrowed funds	--	--	1,155,142	1,155,142	1,155,142
Securities issued	--	--	1,480,900	1,480,900	1,480,900
Derivatives held for trading	1,107,492	--	--	1,107,492	1,107,492
Derivative liabilities held for hedging	-	--	--	--	--
Subordinated debts	--	--	2,127,599	2,127,599	2,127,599
	1,107,492	**--**	**23,038,667**	**24,146,159**	**24,146,159**

Fair values of the financial assets and liabilities carried at amortized cost, except for loans and advances to customers, are considered to approximate their respective carrying values due to their short-term nature.

(Amounts expressed in thousands of TL unless otherwise indicated.)

6 Fair Value of Financial Instruments (continued)

The fair values of financial assets and financial liabilities are determined as follows:

• Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
• Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

• Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

	31 December 2021			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Financial assets at fair value through profit and loss	1,486,866	215,006	1,271,860	--
Financial assets at fair value through other comprehensive income	3,148,470	3,148,470	--	--
Financial Liabilities				
Derivatives held for trading	1,678,396	--	1,678,396	--

	31 December 2020			
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Financial assets at fair value through profit and loss	845,573	138,208	707,365	--
Financial assets at fair value through other comprehensive income	1,100,931	1,100,931	--	--
Financial Liabilities				
Derivatives held for trading	1,107,492	--	1,107,492	--

There is no transition between Level 1 and Level 2 in the current year.

(Amounts expressed in thousands of TL unless otherwise indicated.)

7 Cash and Balances with Central Bank

At 31 December 2021 and 31 December 2020, cash and balances with the Central Bank are as follows:

	31 December 2021	31 December 2020
Cash on hand	968,288	336,602
Reserve deposits at the Central Bank-unrestricted	9,090,862	1,193,135
Reserve deposits at the Central Bank-restricted	2,855,510	1,391,955
Expected credit loss	(388)	(189)
Cash and balances with the Central Bank	**12,914,272**	**2,921,503**
Due from other banks	1,629,041	1,300,776
Less: Reserve deposits-restricted	(2,855,510)	(1,391,955)
Less: Restricted deposits	(47,106)	(293,140)
Expected credit loss	(1,051)	(1,752)
Cash and cash equivalents in the statements of cash flows	**11,639,646**	**2,535,432**

Reserve deposits at the Central Bank represent the minimum cash reserve maintained with the Central Bank of Turkey (the Central Bank), as required by the Turkish Banking Law, calculated on the basis of customer deposits taken at the rates determined by the Central Bank. At 31 December 2021, reserve deposit ratios for Turkish Lira and foreign currency deposits are 3%-8% and 5%-25% (31 December 2020: 1%-6% and 5%-21%). Restricted reserve deposits are not available for the daily business of the Group. As of 31 December 2021, there is interest payment 8,5% for TL reserves and 0% for USD reserves deposits (31 December 2020: 12% for TL and 0% for USD).

8 Due from Banks

At 31 December 2021 and 31 December 2020, due from banks are as follows:

	31 December 2021	31 December 2020
Turkish Lira	398,368	65,375
Foreign Currency	543,744	386,943
Demand	**942,112**	**452,318**
Turkish Lira	--	400,195
Foreign Currency	558,209	36,032
Time	**558,209**	**436,227**
Turkish Lira	--	340,168
Foreign Currency	128,720	72,063
Money market placements	**128,720**	**412,231**
Expected credit loss	**(1,051)**	**(1,752)**
Total due from banks	**1,627,990**	**1,299,024**

(Amounts expressed in thousands of TL unless otherwise indicated.)

8 Due from Banks (continued)

As at 31 December 2021, there are no TL currency time placements (31 December 2020: 4 days maturity and 17.65%). As at 31 December 2021, EUR currency time placements have 3 days maturity and 0.01% interest rate on the average (31 December 2020: 4 days maturity and 0.01%) As at 31 December 2021, USD currency time placements have 3 days maturity and 0.01% interest rate on the average (31 December 2020: None). As at 31 December 2021, there are no TL currency money market placements (31 December 2020: 3 days maturity and 18.04%). As at 31 December 2021, EUR currency money market placements have 3 days maturity and 0.05% interest rate on the average (31 December 2020: None). The Group has TL 47,106 blocked deposit accounts for the derivative contracts with the banks abroad (31 December 2020: TL 293,140).

9 Financial Assets at Fair Value Through Profit and Loss

At 31 December 2021 and 31 December 2020, debt securities at FVTPL are as follows:

	31 December 2021			31 December 2020		
	Pledged	**Non-pledged**	**Total**	**Pledged**	**Non-pledged**	**Total**
Debt instruments	**92**	**214,914**	**215,006**	**2,726**	**135,482**	**138,208**
Government bonds	92	170	262	2,726	24,751	27,477
Eurobonds	--	2,304	2,304	--	--	--
Corporate and bank bonds	--	--	--	--	3	3
Investment fund	--	212,440	212,440	--	110,728	110,728
Expected credit loss	--	--	--	--	--	--
Total	**92**	**214,914**	**215,006**	**2,726**	**135,482**	**138,208**

As of 31 December 2021, government securities with carrying values of TL 92 (31 December 2020: TL 2,726) are pledged to the Central Bank and İstanbul Takas ve Saklama Bankası Anonim Şirketi (Clearing and Custody Incorporation) for regulatory requirements and as a guarantee for money market transactions. As of 31 December 2021 there is no pledged financial asset subject to repo transactions (31 December 2020: None).

TL 63 (31 December 2020: TL 2,680) of debt securities have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

Average interest rates for TL and USD denominated financial assets at FVOCI are 23.31% and 4.40% respectively (31 December 2020: are 11.74% and 3.15% respectively).

Loans recognized at fair value through profit or loss

As of 31 December 2021, there are no loans measured at fair value through profit or loss (31 December 2020: None).

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortized to statement of profit or loss over the life of the hedged item from that date of the hedge accounting is discontinued.

(Amounts expressed in thousands of TL unless otherwise indicated.)

10. Derivative financial assets

	31 December 2021	31 December 2020
Derivatives held for trading		
- Forwards	278,218	97,046
- Swaps	722,661	368,124
- Options	270,981	242,195
Total	**1,271,860**	**707,365**

11. Financial assets measured at FVOCI

	31 December 2021	31 December 2020
Debt instruments		
Share certificates and equity investment	1,080,155	5,466
Corporate and bank bonds	1,026,449	711,562
Government bonds	1,041,866	387,206
Total	**3,148,470**	**1,104,234**

(*) ECL amount is TL 3,995 as of 31 December 2021 (TL 2,963 as of 31 December 2020).

As of 31 December 2021 TL 483,387 of financial assets at fair value through other comprehensive income have floating interest rates whereas the rest of the debt securities have fixed interest rates (31 December 2020: TL 2,854).

As of 31 December 2021, government securities with carrying values of TL 584,987 (31 December 2020: TL 51,781) are pledged to the Central Bank and İstanbul Takas ve Saklama Bankası Anonim Şirketi (Clearing and Custody Incorporation) for regulatory requirements and as a guarantee for money market transactions. As of 31 December 2021 securities with carrying values TL 556,462 (31 December 2020: TL 668,430) are pledged subject to repo transactions.

Average interest rates for TL, EUR and USD denominated financial assets at FVOCI are 15.79%. 5.39% and 5.55% respectively (31 December 2020: 13.81%. 3.12% and 5.65% respectively).

12. Financial assets measured at amortised cost

	31 December 2021	31 December 2020
Debt instruments		
Government bonds	3,224,506	1,194,589
Corporate and bank bonds	9,438	13,313
Expected credit loss	(3,995)	(406)
Total	**3,229,949**	**1,207,496**

(Amounts expressed in thousands of TL unless otherwise indicated.)

13 Loans and Advances to Customers

At 31 December 2021 and 31 December 2020, details of loans and advances to customers are as follows:

Consumer loans and individual credit cards	**31 December 2021**	**31 December 2020**
Consumer loans-TL		
Real estate loans	196,946	277,766
Vehicle loans	1,971	2,812
General purpose loans	5,906,516	2,361,414
Others	--	--
Consumer loans FC and FC Indexed		
Real estate loans	1,572	4,855
Vehicle loans	--	--
General purpose loans	214	317
Individual credit cards-TL		
With installment	1,723	1,119
Without installment	6,295	5,930
Individual credit cards-FC		
With installment	--	--
Without installment	175	135
Personnel loans	**6,076**	**5,832**
Overdraft account-TL	**131,028**	**59,056**
Total consumer loans and individual credit cards	**6,252,516**	**2,719,236**
Commercial loans and corporate credit cards		
Commercial loans with installments-TL		
Real estate loans	6	153
Vehicle loans	33,811	76,174
General purpose loans	2,820,185	4,158,668
Commercial loans with installments-FC and FC Indexed		
Real estate loans	--	--
Vehicle loans	--	6,354
General purpose loans	5,830,633	6,083,677
Corporate credit cards-TL		
With installment	2,217	2,413
Without installment	2,150	6,307
Overdraft accounts-TL	**138,507**	**76,144**
Spot loans	**1,107,831**	**1,479,872**
Revolving loans	**1,979,268**	**2,003,628**
Investment loans	**67,386**	**177,832**
Export loans	**222,033**	**145,079**
Other loans	**3,597,586**	**2,071,374**
Total commercial loans and corporate credit cards	**15,801,613**	**16,287,675**
Total performing loans	**22,054,129**	**19,006,911**
Non-performing loans	**888,713**	**619,425**
Unearned commission income	**(52,025)**	**(45,533)**
Total gross loans	**22,890,817**	**19,580,803**
Allowance for loan losses	(890,879)	(830,117)
Loans and advances to customers	**21,999,938**	**18,750,686**

(Amounts expressed in thousands of TL unless otherwise indicated.)

13 Loans and Advances to Customers (continued)

Information on expected credit losses

	Stage 1	Stage 2	Stage 3
Beginning of period (1 January 2021)	**155,743**	**285,624**	**388,750**
Transfers to stage 1	13,627	(13,569)	--
Transfers to stage 2	(11,873)	10,896	16,824
Transfers to stage 3	(1,365)	(140,178)	77,308
Provision for the year	4,110	264,742	62,585
Amounts written off (*)	(355)	(59,259)	(162,731)
Period end (31 December 2021)	**159,887**	**348,256**	**382,736**

(*) The loan amounting to TL 209,289 has been written off from assets by transferring to asset management company in 2021.

Expected Credit Loss Measurement of On-Balance Sheet Financial Assets

	Carrying Amount				Expected Credit Loss			
	Stage I	Stage II	Stage III	Total	Stage I	Stage II	Stage III	Total
Cash and balances with Central Bank	12,914,660	--	--	**12,914,660**	388	--	--	**388**
Due from banks	1,629,041	--	--	**1,629,041**	1,051	--	--	**1,051**
Financial assets at FVTPL	1,486,867	--	--	**1,486,867**	1	--	--	**1**
Financial assets at fair value through other comprehensive income	3,148,470	--	--	**3,148,470**	3,995	--	--	**3,995**
Financial assets measured at amortised cost	3,230,721	--	--	**3,230,721**	772	--	--	**772**
Derivative assets held for hedging	--	--	--	**--**	--	--	--	**--**
Loans and advances to customers	18,461,425	3,540,679	888,713	**22,890,817**	159,887	348,256	382,736	**890,879**

Movement on non-performing loans

	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Balances at Beginning of Period	**64,587**	**82,945**	**471,893**
Additions (+)	857,453	74,578	21,896
Transfers from other categories of non-performing loans (+)	--	577,766	127,329
Transfers to other categories of non-performing loans (-)	577,766	127,329	--
Collections (-)	243,811	47,282	124,070
Write-offs (-)	4,462	4,462	51,262
Sold (-)	34,322	31,355	143,613
Corporate and commercial Loans	32,718	21,587	105,821
Retail loans	1,598	9,737	35,577
Credit cards	7	31	2,214
Other	--	--	--
Balances at End of the Period	**61,679**	**524,861**	**302,173**
Expected credit losses (-)	37,132	157,932	187,672
Net Balance on Balance Sheet	**24,547**	**366,929**	**114,501**

(Amounts expressed in thousands of TL unless otherwise indicated.)

14 Derivative Financial Assets Held For Hedging

At 31 December 2021 and 31 December 2020, there are no TL and FC currency derivative financial assets held for hedging purposes.

15 Investments in Equity Instruments

The Group has TL 1,032 investments in equity instruments as of 31 December 2021 (31 December 2020: TL 27,259).

16 Other Assets

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

	31 December 2021	31 December 2020
Check clearance balance	281,650	123,046
Non-current assets held for sale	267,135	188,166
Prepaid commissions	18,308	23,574
Other prepaid expenses	22,888	18,062
Other	216,810	34,385
Total	**806,791**	**387,233**

Movement of non-current assets held for sale is as follows:

	31 December 2021	31 December 2020
Opening balance, 1 January 2021	188,166	153,718
Additions	210,695	122,908
Disposal	(131,726)	(88,460)
Balance at 31 December 2021	**267,135**	**188,166**

17 Property and Equipment

Movement in property and equipment during the year ended 31 December 2021 is as follows:

	Premises	Furniture, fixture and equipment	Construction in progress	Total
Balance at 1 January 2021				
Cost	296,142	145,282	62,910	504,334
Accumulated depreciation	(56,942)	(86,152)	--	(143,094)
Opening net carrying amount	**239,200**	**59,130**	**62,910**	**361,240**
Cost				
Additions	58	34,633	58,525	93,216
Disposals	5,067	(3,796)	--	1,271
Accumulated depreciation				
Depreciation charge	(15,940)	(26,082)	--	(42,022)
Disposals and transfer	--	2,050	--	2,050
Balance at 31 December 2021	**228,385**	**65,935**	**121,435**	**415,755**

(Amounts expressed in thousands of TL unless otherwise indicated.)

17 Property and Equipment (continued)

Movement in property and equipment during the year ended 31 December 2020 is as follows:

	Premises	Furniture, fixture and equipment	Construction in progress	Total
Balance at 1 January 2020				
Cost	295,376	120,951	30,170	446,497
Accumulated depreciation	(29,056)	(62,040)	--	(91,096)
Opening net carrying amount	**266,320**	**58,911**	**30,170**	**355,401**
Cost				
Additions	766	24,331	32,740	57,837
Disposals	(5,225)	(6,923)	--	(12,148)
Accumulated depreciation				
Depreciation charge	(22,497)	(23,518)	--	(46,015)
Disposals and transfer	(164)	6,329	--	6,165
Balance at 31 December 2020	**239,200**	**59,130**	**62,910**	**361,240**

18 Intangible Assets

Movement in intangible assets during the year ended 31 December 2021 is as follows:

	Software	Other	Carrying Value
Balance at 1 January 2021			
Cost	189,587	5,955	195,542
Accumulated amortisation	(98,559)	(5,955)	(104,514)
Opening net carrying amount	**91,028**	**--**	**91,028**
Cost	--	--	--
Additions	52,203	--	52,203
Disposals	(766)	--	(766)
Accumulated amortisation	--	--	--
Amortisation charge	(35,905)	--	(35,905)
Disposals	--	--	--
Balance at 31 December 2021	**106,560**	**--**	**106,560**

(Amounts expressed in thousands of TL unless otherwise indicated.)

18 Intangible Assets (continued)

Movement in intangible assets during the year ended 31 December 2020 is as follows:

	Software	Other	Carrying Value
Balance at 1 January 2020			
Cost	138,202	5,955	144,157
Accumulated amortisation	(68,307)	(5,955)	(74,262)
Opening net carrying amount	**69,895**	**-**	**69,895**
Cost			
Additions	51,385	--	51,385
Disposals	(4,184)	--	(4,184)
Accumulated amortisation			--
Amortisation charge	(26,068)	--	(26,068)
Disposals	--		--
Balance at 31 December 2020	**91,028**	**--**	**91,028**

19 Deposits from Banks

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

	31 December 2021	31 December 2020
Demand deposits in FC	141,280	50,035
Demand deposits in TL	1,946	590
Time deposits in FC	--	525,507
Time deposits in TL	6,243,132	424,364
Money market deposits	712,740	610,160
Total	**7,099,098**	**1,610,656**

20 Deposits from Customers

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

	31 December 2021			31 December 2020		
	Demand	Time	Total	Demand	Time	Total
Saving Deposits	**4,628,344**	**16,579,039**	**21,207,383**	**1,262,125**	**11,548,792**	**12,810,917**
FC Deposits	4,093,791	9,217,322	13,311,113	1,022,955	5,948,252	6,971,207
TL Deposits	534,553	7,361,717	7,896,270	239,170	5,600,540	5,839,710
Commercial deposits	**596,440**	**334,932**	**931,372**	**308,582**	**2,556,938**	**2,865,520**
Public sector and other inst. deposit	**4,906**	**40,236**	**45,142**	**4,734**	**148,739**	**153,473**
Precious metals	**1,182,332**	**1,024,849**	**2,207,181**	**372,485**	**461,975**	**834,460**
Total deposits from customers	**6,412,022**	**17,979,056**	**24,391,078**	**1,947,926**	**14,716,444**	**16,664,370**

(Amounts expressed in thousands of TL unless otherwise indicated.)

21 Other Liabilities and Provisions

At 31 December 2021 and 31 December 2020, other liabilities comprised of the following items:

	31 December 2021	31 December 2020
Miscellaneous payables	564,260	179,677
Check clearance account	447,499	196,614
Blocked accounts	344,548	267,161
Taxes and duties withheld	90,378	42,840
Lease liabilities	49,149	53,631
Unused vacation pay liability and personnel bonus accrual	26,845	17,739
Payables to consultants and suppliers	7,085	6,385
Blocked cheques	1,681	1,381
Other	312,118	62,034
Other liabilities	**1,843,563**	**827,462**
Provision for possible losses (*)	337,000	151,000
Provision for taxes	198,273	143,871
Employee termination benefits	23,977	19,874
Provision for non-cash loans	9,566	11,077
Provision for lawsuits	6,015	6,198
Provisions	**574,831**	**332,020**
Total	**2,418,394**	**1,159,482**

(*) TL 186.000 of the total is the provisions expense for possible losses (31 December 2020: TL 106.500).

Employee Termination Benefits

In accordance with existing social legislation, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 8,284.51 (full TL) and TL 7,117.17 (full TL) at 31 December 2021 and 2020 respectively) per year of employment at the rate of pay applicable at the date of retirement or termination.

The principal actuarial assumptions used in the calculation of the total liability at the balance sheet dates are as follows:

- Calculation is based on discount rate of 13.00%, inflation rate of 8.50% and real rate of rise in salary of 0.00%.
- Individuals' earliest retirement age is considered as retirement age.
- CSO 1980 mortality table is used for the death probabilities of male and female employees.

Movements in the present value of the employee termination benefits were as follows:

	31 December 2021	31 December 2020
Opening, 1 January 2021	19,874	15,083
Current service cost	3,665	5,005
Interest cost	2,399	1,886
Benefits paid	(4,990)	(5,863)
Actuarial losses on employee termination benefits	3,029	3,763
Closing, 31 December 2021	**23,977**	**19,874**

(Amounts expressed in thousands of TL unless otherwise indicated.)

22 Funds Borrowed

Borrowed funds as of 31 December 2021 and 2020 comprised the following items:

	31 December 2021	31 December 2020
Borrowings from Banks		
Turkish Lira	15,646	20,370
Foreign Currency	507,931	1,134,772
Total	**523,577**	**1,155,142**

23 Securities Issued

31 December 2021	TL		FC	
	Short Term	Medium and Long Term	Short Term	Medium and Long Term
Nominal	--	--	--	2,579,975
Carrying Amount	--	--	--	2,646,236

31 December 2020	TL		FC	
	Short Term	Medium and Long Term	Short Term	Medium and Long Term
Nominal	--	--	--	1,443,590
Carrying Amount	--	--	--	1,480,900

24 Derivative Financial Liabilities Held for Trading

At 31 December 2021 and 31 December 2020, derivative liabilities held for trading are as follows:

	31 December 2021	31 December 2020
Derivatives held for trading		
- Forwards	839,041	100,750
- Swaps	587,942	767,880
- Options	251,413	238,862
Total	**1,678,396**	**1,107,492**

(Amounts expressed in thousands of TL unless otherwise indicated.)

25 Derivative Financial Liabilities Held For Hedging

At 31 December 2021 and 31 December 2020, there are no TL and FC curreny derivative financial liabilities held for hedging purposes

26 Subordinated Debts

	31 December 2021		31 December 2020	
	TL	**FC**	**TL**	**FC**
Debt instruments subject to Tier 1 equity	100,000	399,981	100,000	220,276
Subordinated loans	--	--	--	--
Subordinated debt instruments	100,000	399,981	100,000	220,276
Debt instruments subject to Tier 2 equity	--	3,390,167	--	1,907,323
Subordinated loans	--	--	--	--
Subordinated debt instruments	--	3,390,167	--	1,907,323
Total	**100,000**	**3,790,148**	**100,000**	**2,127,599**

Additional Tier 1 Capital

The Group has recognised the issued Tier 1 securities of TL 100,000 nominal and related interest expense, as “other capital reserves” within the scope of “IAS 32 Financial Instruments: Presentation”. It has recognised the issued Tier 1 securities of USD 30,000 nominal and related interest expense as “subordinated debt”.

(Amounts expressed in thousands of TL unless otherwise indicated.)

Debt instruments included in shareholder's equity calculation:

Issuer	Fibabanka A.Ş.	Fibabanka A.Ş.	Fibabanka A.Ş.
Code of debt instrument (CUSIP, ISIN etc.)	XS1386178237	TRSFIBA10016	XS2096028571
Regulation of debt instrument	BRSA's "Regulation on Equities of Banks" dated 1 November 2006" and English Law	BRSA's "Regulation on Equities of Banks" dated 1 November 2006"	BRSA's "Regulation on Equities of Banks" dated 1 November 2006" and English law
Consideration Status in Shareholders' Equity Calculation			
Situation of being subject to practice of being taken into consideration with 10% deduction after1/1/2015	No	No	No
Eligible at unconsolidated / consolidated	Unconsolidated and Consolidated	Unconsolidated and Consolidated	Unconsolidated and Consolidated
Type of debt instrument	Subordinated Security	Subordinated Security	Subordinated Security
Recognized amount in shareholders' equity calculation (As of the most recent reporting date – Thousand TL)	3,320,707	100,000	399,870
Nominal value of debt instrument (Thousand TL)	3,998,700	100,000	399,870
Related account of debt instrument	Subordinated Debt Instruments	Shareholders' Equity	Subordinated Debt Instruments
Issuing date of debt instrument	24/03/16-10/05/17	20/03/19	31/12/19
Maturity structure of debt instrument (Demand/Time)	Time	Demand	Demand
Initial term of of debt instrument	11 years	--	--
Issuer call subject to prior BRSA approval	Has repayment right	Has repayment right	Has repayment right
Optional call date, reimbursement amount	24/11/2022; USD 300 million	13/03/2024; TL 100 million	31/12/2024; USD 30 million
Subsequent call date, if any	None	At the end of every 5th year following	On each interest payments date after first 5 years

Interest/Dividend Payments			
Fixed or floating interest/dividend payments	Floating interest	Floating interest	Floating interest
Interest rate or index value of interest rate	Upto pay back option date 7.75% (5 years mid-swap rate+5.758%); afterwards current 5 years mid-swap rate+5.758%	8% additional return on TRLibor	10% additional return on Libor
Whether there is any restriction to stop dividend payments or not	None	None	None
Feature of being fully optional, partially optional or obligatory	Obligatory	Optional	Optional
Whether there is any stimulant to repayment like interest rate hike or not	None	None	None
Feature of being cumulative or noncumulative	--	--	--
Feature of being convertible bonds			
If there is convertible bonds, trigger incidents cause this conversion	--	--	--
If there is convertible bonds, feature of full or partially conversion	--	--	--
If there is convertible bonds, rate of conversion	--	--	--
If there is convertible bonds, feature of conversion – oligatory or optional-	--	--	--
If there is convertible bonds, types of convertible instruments	--	--	--
If there is convertible bonds, exporter of convertible debt instruments	--	--	--
Feature of value reducement			
If there is a feature of value reducement, trigger incidents cause this reducement	--	Under the condition that unconsolidated and/or consolidated Tier I capital adequacy ratio drop below BRSA’s ratio	Under the condition that unconsolidated and/or consolidated Tier I capital adequacy ratio drop below BRSA’s ratio
If there is a feature of value reducement, feature of full or partially reducement of value	--	Partially and totally	Partially and totally
If there is a feature of value reducement, feature of being constant of temporary	--	--	--
If there is a feature of value reducement, mechanism of value incrementation	--	--	--
Claiming rank in case of winding up (Instrument that is just above debt instrument)	After the other borrowers except depositors	After depositors, other borrowers and Tier II capital	After depositors, other borrowers and Tier II capital
Whether meeting the conditions defined by 7th or 8th articles of Shareholders’ Equity of Banks Regulation	Meets the conditions defined by 8th article, does not meet the conditions defined by 7th article.	Meets the conditions defined by 7th article, does not meet the conditions defined by 8th article.	Meets the conditions defined by 7th article, does not meet the conditions defined by 8th article.
The conditions not met which were defined by 7th or 8th of the 7th or 8th articles of Shareholders’ Equity of Banks Regulation	--	Can not be converted to stock.	Can not be converted to stock.

(Amounts expressed in thousands of TL unless otherwise indicated.)

27 Taxation

Effective from 1 January 2006, statutory income is subject to corporate tax at 20%, on the other hand 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 changed as 22%. In accordance with the Article 11 of the Law No. 7316 on the Procedure for the Collection of Public Receivables and the Law on Amendments to Certain Laws published in the Official Gazette dated April 22, 2021, and with the temporary Article 13 added to the Corporate Tax Law, the corporate tax rate is 23% for the taxation period of 2021. Official Gazette dated April 15, 2022, added to the Corporate Tax Law, the rate will be applied as 25% for the taxation period of 2022.

In Turkey, the Tax Procedural Law does not provide a procedure for final agreement of tax assessments. Tax returns are required to be filed within the fourth month following the balance sheet date. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

Provision for corporate taxes for current and previous year is presented below:

	2021	2020
Total tax liability	198,273	220,908
Prepaid taxes	--	(77,037)
Provision for taxes (Note 21)	**198,273**	**143,871**

For the years ended 31 December 2021 and 2020, taxation comprised the following:

	2021	2020
Current tax expense	(213,821)	(230,877)
Deferred tax income / (expense)	141,272	142,477
Total	**(72,549)**	**(88,400)**

(Amounts expressed in thousands of TL unless otherwise indicated.)

27 Taxation (continued)

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to loss from operations before provision for taxes on income as shown in the following reconciliation:

	2021	%	2020	%
Profit before income tax	**773,340**	**100%**	**326,497**	**100%**
At statutory income tax rate	(170,135)	(22)%	(65,300)	(20)%
Nondeductible expenses	(3,505)	(0)%	(2,900)	(1)%
Others	101,091	13%	(20,200)	(6)%
Taxation	**(72,549)**	**(9)%**	**(88,400)**	**(27)%**

Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2021 and 31 December 2020 are attributable to the items detailed in the table below:

	31 December 2021	31 December 2020
Deferred tax assets / liabilities		
Allowance for loan losses	187,651	121,165
Valuation of financial assets	96,754	58,428
Unearned loan commissions	24,783	8,773
Reserve for employee termination benefits	5,892	3,975
Provision for vacation pay	1,514	1,239
Others	(7,694)	(1,936)
Deferred tax assets	**308,900**	**191,644**
Deferred tax liabilities per financial statements	(17,046)	-
Deferred tax liability	**(17,046)**	**-**
Net deferred tax assets	**291,854**	**191,644**

The movements of deferred tax assets are as follows:

	2021	2020
Balance at the beginning of the period	**191,644**	**54,308**
Deferred tax recognised in profit or loss	141,272	142,477
Deferred tax recognised in OCI	(41,062)	(5,141)
Balance at the end of the period	**291,854**	**191,644**

(Amounts expressed in thousands of TL unless otherwise indicated.)

28 Share Capital and Share Premium

Share capital structure of the Group is as follows:

	31 December 2021		31 December 2020	
Name / Commercial Title	**Share Amount (Nominal)**	**Share Ratios**	**Share Amount (Nominal)**	**Share Ratios**
Fiba Holding A.Ş.	655,561	69.47%	675,583	71.59%
International Finance Corporation ("IFC")	84,554	8.96%	84,554	8.96%
European Bank for Reconstruction and Development ("EBRD")	84,554	8.96%	84,554	8.96%
Turk Finance B.V. ("Abraaj")	93,897	9.95%	93,897	9.95%
Others	25,118	2.66%	5,096	0.54%
Total	**943,684**	**100.00%**	**943,684**	**100.00%**

In May 2015, the Parent Bank's capital was increased by TL 128,860 TL; TL 127,045 of the increase was provided by the subordinated loan granted by Fiba Holding A.Ş. which had been approved to be converted to capital and TL 1,815 of total capital was paid in cash by the other shareholders.

In December 2015, the Parent Bank's paid-in capital was increased to TL 850,038 by an increase of TL 168,655 in total, with equal contributions from International Finance Corporation and European Bank for Reconstruction and Development. In addition, share issuance premium of TL 73,379 was recognised in the shareholders' equity.

The Parent Bank's paid-in capital amounting to TL 850,038 was increased to TL 943,684 on 7 September 2016 with the capital contribution of TurkFinance B.V. by TL 93,646. In addition, share issuance premium of TL 55,299 was recognised in the shareholders' equity.

As of 31 December 2021, Parent Bank's paid in capital is TL 943,684.

Retained Earnings / (Accumulated Losses) and Other Capital Reserves

At 31 December 2021 retained earnings are TL 1,381,673 (31 December 2020: TL 701,707).

The Parent Bank has issued a TL denominated debt instrument on 20 March 2019 with nominal amount of TL 100,000 with a floating interest rate, which fulfills the conditions of 7th section-2nd paragraph of BRSA's "Regulation on Equities of Banks", has equity characteristics and with related interest expense, it is included in Tier I capital calculations. It is presented under "Other Capital Reserves" in statement of financial position.

Unrealized Losses on Financial Assets measured at FVOCI, Net of Tax

At 31 December 2021, unrealized gains / (losses) on financial assets measured at FVOCI are TL 970,908 gain (31 December 2020: TL 22,644 gain). The tax effect of unrealized gain on financial assets measured at FVOCI is TL 30,246 (31 December 2020: TL TL 4,805), and the net unrealized gain amount is TL 940,662 (31 December 2020: TL 17,838 gain).

(Amounts expressed in thousands of TL unless otherwise indicated.)

29 Commitments and Contingent Liabilities

29.1 Letters of guarantee and credit

As at 31 December 2021, the Group is contingently liable for letters of guarantee and credit given amounting to TL 1,004,177 (31 December 2020: TL 1,266,562).

Current Period	**Carrying Amount**			**Expected Credit Loss (*)**		
	Stage I	**Stage II**	**Stage III**	**Stage I**	**Stage II**	**Stage III**
Letters of Guarantee	613,377	62,068	6,458	1,629	1,236	5,042
Bills of Exchange and Bank Acceptances	174,675	--	--	12	--	--
Letters of Credit	146,797	802	--	11	--	--
Total	**934,849**	**62,870**	**6,458**	**1,652**	**1,236**	**5,042**

(*) ECL allowance for off-balance sheet financial assets are recognized in Liabilities' "Other liabilities and provisions" line.

Prior Period	**Carrying Amount**			**Expected Credit Loss (*)**		
	Stage I	**Stage II**	**Stage III**	**Stage I**	**Stage II**	**Stage III**
Letters of Guarantee	810,858	43,406	7,307	2,571	2,666	3,671
Bills of Exchange and Bank Acceptances	156,767	--	--	653	--	--
Letters of Credit	230,213	18,011	--	216	2	--
Total	**1,197,838**	**61,417**	**7,307**	**3,440**	**2,668**	**3,671**

(*) ECL allowance for off-balance sheet financial assets are recognized in Liabilities' "Other liabilities and provisions" line.

29.2 Other commitments

	31 December 2021	**31 December 2020**
Irrevocable credit facilities	1,794,126	1,332,248
Payment commitments for cheques	248,984	184,090
Commitments for credit card expenditure limits	25,499	27,643
Other irrevocable commitments	5,409	14,927
Tax and fund liabilities from export commitments	36,399	8,878
Commitments for credit card and banking promotions	--	--
Total	**2,110,417**	**1,567,786**

29.3 Derivative contracts

Commitments for purchase of foreign currencies under option, forward and swap contracts at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	**31 December 2020**
	Purchases	**Purchases**
Spot buy-sell commitments	2,985,214	498,011
Swap agreements	20,378,762	12,931,028
Forward agreements	6,368,100	2,003,993
Options	1,985,889	3,038,144
Futures	--	--
Others	268,446	234,960
Total	**31,986,411**	**18,706,136**

(Amounts expressed in thousands of TL unless otherwise indicated.)

29 Commitments and Contingent Liabilities (continued)

Maturity analysis of derivative instruments is as follows:

31 December 2021	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Interest rate swaps	2,333	40,000	565,901	977,500	862,021	**2,447,755**
Spot, forward and swap exchange contracts	14,197,179	10,251,282	1,487,206	916,468	432,186	**27,284,321**
Options	890,137	404,033	428,317	263,402	--	**1,985,889**
Futures	--	--	--	--	--	**--**
Others	223,757	--	44,689	--	--	**268,446**
Total	**15,313,406**	**10,695,315**	**2,526,113**	**2,157,370**	**1,294,207**	**31,986,411**

31 December 2020	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
Interest rate swaps	10,000	215,000	260,000	264,134	700,641	**1,449,775**
Spot, forward and swap exchange contracts	6,571,651	4,498,386	1,322,123	520,208	1,070,889	**13,983,257**
Options	755,000	263,597	925,103	527,741	566,703	**3,038,144**
Futures	--	--	--	--	--	**--**
Others	56,981	12,233	3,198	162,548	--	**234,960**
Total	**7,393,632**	**4,989,216**	**2,510,424**	**1,474,631**	**2,338,233**	**18,706,136**

30 Related Parties

For the purpose of this report, the Group's ultimate parent group, Fiba Holding A.Ş. and all its subsidiaries, and the ultimate owners, directors of Fibabanka A.Ş. are referred to as related parties. During the course of the business, the Group has made placements with and also received deposits from them at various terms.

(a) Transactions with direct related parties

	2021	2020
Interest income	--	--
Interest expense on deposits	1,112	4,778
Non - cash loan commission income	--	--

(b) Balances with direct related parties

	31 December 2021	31 December 2020
Non cash loans to related parties	--	20
Deposits from related parties	2,204	18,479
Subordinated loans	--	--
Other borrowings	--	--

(Amounts expressed in thousands of TL unless otherwise indicated.)

30 Related Parties (continued)

(c) Transactions with other related parties

	2021	2020
Interest income	55,003	36,979
Interest expense	36,827	20,626
Net trading income	54,396	577
Non - cash loan commission income	590	126

(d) Balances with other related parties

	31 December 2021	31 December 2020
Cash loans to other related parties	465,991	635,851
Non - cash loans to other related parties	67,861	70,760
Deposits from other related parties	399,459	512,953

(e) Derivative transactions with other related parties

	31 December 2021	31 December 2020
	Purchase (*)	Purchase (*)
Spot, swap, forward and option agreements for trading purposes	404,723	585,484

(*) Stated in notional amounts

(f) Remuneration and benefits of key management

The key management and the members of the Board of Directors received remuneration and fees amounting to TL 32,173 in the current period (31 December 2020: TL 23,116).

31 Net Interest Income

	31 December 2021	31 December 2020
Interest income		
Loans and advances to customers	3,142,498	2,034,861
Debt instruments	193,574	112,395
Derivative assets	128,302	153,692
Due from banks	37,441	40,344
Others	73,665	8,598
	3,575,480	**2,349,890**
Interest expense		
Deposits from banks and customers	1,953,075	811,395
Derivative liabilities	491,422	281,197
Funds borrowed	214,774	208,688
Securities issued	158,005	138,708
Saving deposits insurance	44,567	58,547
Obligations under repurchase agreements	8,839	17,804
Others	20,331	18,324
	2,891,013	**1,534,663**
Net interest income	**684,467**	**815,227**

(Amounts expressed in thousands of TL unless otherwise indicated.)

32 Fees and Commission Income and Expenses

Fees and commission income for the years ended 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Insurance commissions	250,256	113,183
Commissions from non-cash loans	20,695	20,562
Asset management fees (*)	17,052	10,215
FibaTarife commissions	13,783	11,725
Credit card commissions	7,310	5,658
Transfer commissions	7,115	3,354
Limit allocation, revision and appraisal fees	807	16,059
Periodical service commissions	602	2,656
Account maintenance fees	--	403
Others	92,136	36,071
Fees and commission income	**409,756**	**219,886**

(*) Asset management fees relate to fees earned by the Group on investment funds.

Fees and commission expenses for the year ended 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Credit card fees	13,974	9,439
Commissions for debt issued	17,471	5,579
Commissions to correspondent banks	9,246	4,461
Payment and transaction fees	5,099	2,623
Debit card fees	1,258	1,264
Other	18,904	11,633
Fees and commission expense	**65,952**	**34,999**

33 Net Trading Income

	31 December 2021	31 December 2020
Gains / (losses) on derivative transactions	(281,670)	183,190
Foreign exchange gains / (losses)	743,755	34,939
Gains / (losses) on debt instruments, net	63,174	43,699
Total	**525,259**	**261,828**

34 Information on Dividend Income

As of 31 December 2021, the Group's dividend income from its subsidiaries is TL 447,349 (31 December 2020: None).

(Amounts expressed in thousands of TL unless otherwise indicated.)

35 Other Operating Income

	31 December 2021	31 December 2020
Gain on sale of non-current assets held for sale and tangible assets	31,337	10,268
Gain on sale of Loans & NPLS	31,410	17,723
Others	14,224	14,608
Total	**76,971**	**42,599**

36 Personnel Expenses

	31 December 2021	31 December 2020
Wages and salaries	296,180	223,566
Social security premiums	51,038	37,260
Personnel bonuses	20,978	16,767
Employee health insurance expenses	9,724	7,604
Food and beverage	8,326	5,490
Transportation	1,205	2,211
Termination and vacation pay expenses	1,491	2,255
Others	40,516	27,419
Total	**429,458**	**322,572**

37 Other Expenses

	31 December 2021	31 December 2020
Provision for possibles losses	186,000	106,500
Information technology expenses	45,336	37,828
Taxes other than on income	36,528	23,350
Communication expenses	38,526	27,088
Consultancy expenses	25,893	29,488
Advertisement expenses	24,356	16,669
Representation hospitality expense	2,263	2,640
Outsource service expenses	12,599	6,833
Cleaning expenses	7,439	7,818
Transportation expenses	9,019	7,142
Electricity expenses	4,031	4,017
Regulatory agency expense	5,445	4,377
Maintenance expenses	2,373	2,217
Office supplies	2,442	1,043
Rent expenses	1,287	630
Others	62,151	42,289
Total	**465,688**	**319,929**

38 Subsequent Events

The cumulative inflation over the past three years has risen to just above 100% in the first quarter of 2022. Based on this information, Turkey is considered a hyperinflationary economy for reporting periods ending on or after 30 April 2022. Accordingly, entities with operations whose functional currency is the Turkish Lira should expect to apply IAS 29 for those operations in financial statements for reporting periods ending on or after 30 April 2022.

With the decision taken at the Extraordinary General Assembly dated 14 April 2022, the paid-in capital of the Bank was increased by TL 416,562 to TL 1,357,723 by making a cash capital increase.