Alternatif Finansal Kiralama A.Ş.

Financial Statements
As at and for the Year Ended
31 December 2020
With Independent Auditors' Report

Alternatif Finansal Kiralama A.Ş.

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Independent auditor's report

To the Board of Directors of Alternatif Finansal Kiralama Anonim Şirketi

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Alternatif Finansal Kiralama Anonim Şirketi (the Company), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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

Building a better working world

Key audit matter	How our audit addressed the key audit matter
Impact of IFRS 9 "Financial Instruments" Standard and recognition and impact of impairment on financial assets and related significant disclosures	
As presented in Note 2, the Company measured expected credit losses for financial assets in accordance with IFRS 9 "Financial Instruments Standards". The rationale reasons for selecting IFRS 9 implementation and impairment of financial assets as key audit matter are as follows; - Amount of on balance sheet items that are subject to expected credit loss calculation is material to the financial statements. - There are complex and comprehensive requirements of IFRS 9. - The classification of the financial assets is based on the Company's business model and characteristics of the contractual cash flows in accordance with IFRS 9 and the Company uses significant judgment on the assessment of the business model and identification of the complex contractual cash flow characteristics of financial instruments. - Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses. - The complexity and intensity of the control environment in the processes designed or reorganized for IFRS 9. - Judgements and estimates used in expected credit loss calculation are new, complex and comprehensive. - Complex and comprehensive disclosure requirements of IFRS 9.	Our audit procedures in addition to our current audit procedures: - Evaluating the appropriateness of accounting policies as to the requirements of IFRS 9, Company's past performance, local and global practices. - Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance, standard requirements and Covid-19 impacts in light of industry and global practices. - Testing criteria used for determining the contractual cash flows including interest payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Company's business model. - Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Bank's historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis. - Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses. - Detailed testing of mathematical verification of expected credit losses' calculation on a sample basis. - Evaluation of the assumptions and estimations used for the individually assessed financial assets based on expert judgment. - Evaluating the necessity and accuracy of the updates made or required updates after the modeling process. - Auditing of disclosures related to IFRS 9.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Yaşar Bivas.

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

Yaşar Bivas, SMMM
Partner

18 February 2021
İstanbul, Türkiye

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	Audited 31 December 2020	Audited 31 December 2019
ASSETS			
Cash and cash equivalents	5	131,903	169,495
Finance lease receivables	7	1,503,514	1,401,335
Other assets and prepaid expenses	10	50,321	36,876
Derivative financial assets	6	-	6,561
Tangible assets, net	8	22,044	19,853
Intangible assets, net	9	1,554	1,458
Deferred tax assets	15	15,632	17,139
Total assets		**1,724,968**	**1,652,717**
LIABILITIES AND EQUITY			
Funds borrowed	11	1,411,416	1,403,203
Debt securities issued	12	-	-
Account payables	13	40,451	10,805
Other liabilities	14	25,034	19,448
Other provisions	16	5,804	1,251
Reserve for employee benefits	17	4,160	3,370
Total liabilities		**1,486,865**	**1,438,077**
Equity			
Share capital	18	86,477	86,477
Legal reserves		7,326	6,590
Cash flow hedge gains/(losses)	2	-	1,120
Revaluation surplus on building	8	4,465	3,651
Retained earnings		139,835	116,802
Total equity		**238,103**	**214,640**
Total liabilities and equity		**1,724,968**	**1,652,717**

The accompanying notes set out on pages 5 to 44 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Audited 2020	Audited 2019
Interest income from finance leases		150,815	160,819
Interest income on placements and transactions with banks		5,771	4,711
Total interest income		**156,586**	**165,530**
Interest expense on funds borrowed		(83,924)	(80,538)
Interest expense on debt securities issued		-	(22,886)
Net interest income		**72,662**	**62,106**
Impairment loss on finance lease receivables	7	(42,221)	(44,837)
Foreign exchange gains and (losses), net		12,153	6,464
Other income/(expense), net	24	1,597	(2,675)
Operating profit		**44,191**	**21,058**
Marketing and administrative expenses	21	(4,709)	(3,975)
Salaries and employee benefits	22	(9,128)	(9,171)
Depreciation and amortisation expenses	8,9	(1,179)	(986)
Profit before income tax		**29,175**	**6,926**
Tax expense	15	(5,406)	(1,224)
Deferred tax income / (expense)		*(706)*	*(1,224)*
Corporate tax expense		*(4,700)*	-
Net profit for the year		**23,769**	**5,702**
Other comprehensive income		(306)	1,120
Items that will never be reclassified to profit or loss		814	-
Property revaluation differences		*1,931*	-
Related deferred tax income / loss		*(1,117)*	-
Items that are or may be reclassified to profit or loss		(1,120)	1,120
Cash flow hedge income / loss		*(1,436)*	*1,436*
Related deferred tax income / loss	*15*	*316*	*(316)*
Total comprehensive income for the year		**23,463**	**6,822**
Basic earnings per share attributable to the equity holders of the Company	20	0.00238	0.00057

The accompanying notes set out on pages 5 to 44 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Share capital	Legal reserves	Revaluation surplus on building	Cash flow hedge gains/(losses)	Retained earnings	Total
Balance at 1 January 2019		**86,477**	**5,705**	**3,651**	**-**	**111,985**	**207,818**
Transfers	19	-	885	-	-	(885)	-
Total comprehensive income for the year		**-**	**-**	**-**	**1,120**	**5,702**	**6,822**
Cash flow hedge reserves		-	-	-	1,120	-	1,120
Net profit for the year		-	-	-	-	5,702	5,702
Balance at 31 December 2019		**86,477**	**6,590**	**3,651**	**1,120**	**116,802**	**214,640**
Balance at 1 January 2020		**86,477**	**6,590**	**3,651**	**1,120**	**116,802**	**214,640**
Transfers		-	736	-	-	(736)	-
Total comprehensive income for the year		**-**	**-**	**814**	**(1,120)**	**23,769**	**23,463**
Revaluation surplus on building		-	-	814	-	-	814
Cash flow hedge reserves		-	-	-	(1,120)	-	(1,120)
Net profit for the year		-	-	-	-	23,769	23,769
Balance at 31 January 2020		**86,477**	**7,326**	**4,465**	**-**	**139,835**	**238,103**

The accompanying notes set out on pages 5 to 44 form an integral part of these financial statements.

ALTERNATİF FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	Audited 2020	Audited 2019
Cash flows from operating activities			
Net profit for the year		23,769	5,702
Adjustments for:			
Depreciation and amortisation	8,9	1,179	986
Increase in provision for employee severance payments	17	390	694
Increase in provision for employee bonuses	17	3,168	2,601
Impairment loss on finance lease receivables	7	42,221	44,837
Deferred tax (income) / expense	15	706	1,224
Interest received		133,038	150,066
Interest paid		(89,227)	(106,772)
Unrealised foreign currency losses		(18,843)	(88,940)
Remeasurement (gain) /loss of derivative financial instruments		6,561	4,692
Net cash from operating activities before changes in operating assets and liabilities		**102,962**	**15,090**
Net increase in finance lease receivables		(180,749)	487,355
Net decrease in other assets	10	(15,909)	(12,354)
Net (increase)/decrease in accounts payable	13	29,646	(6,128)
Net (increase)/decrease in other liabilities	14	(2,562)	(79,434)
Employee benefits paid	17	(217)	(843)
Net cash from/(used) in operating activities		**169,761**	**388,596**
Cash flows from investing activities			
Acquisition of tangible assets	8	(2,922)	(657)
Acquisition of intangible assets	9	(651)	(437)
Proceedings from sale of tangible assets	8	107	69
Proceedings from sale of intangible assets	9	-	-
Net cash used in investing activities		**(3,466)**	**(1,025)**
Cash flows from financing activities			
Proceeds/ (repayments) from funds borrowed		13,516	(298,464)
Proceeds/ (repayments) from issued debt securities	12	-	(223,293)
Proceeds from issue of share capital		-	-
Net cash from from/(used) in financing activities		**13,516**	**(521,757)**
Net decrease/(increase) in cash and cash equivalents		(56,779)	(119,096)
Effect of exchange rate changes on cash and cash equivalents		18,844	88,940
Cash and cash equivalents at beginning of year	5	169,493	199,649
Cash and cash equivalents at end of year	**5**	**131,558**	**169,493**

The accompanying notes set out on pages 5 to 44 form an integral part of these financial statements.

NOTE 1 - REPORTING ENTITY

Alternatif Finansal Kiralama A.Ş. ("the Company") was established in February 1997, in order to operate in Turkey pursuant to the licence obtained from the Undersecretariat of Treasury for the purpose of financial leasing as permitted by the law number 3226. The Company started leasing operations in 1997 and its registered head office address is Vadistanbul Bulvar, Azerbaycan Caddesi, 2D Blok, No: 3M/1, Kat:3 Sarıyer, İstanbul, Turkey.

As of 31 December 2020, the Company has 39 employees (2019: 37).

The Company is mainly engaged in leasing of various equipment, construction machinery including industrial machinery and real-estate equipment. The Company operates predominantly in one geographical region, Turkey.

The Company's main shareholder is Alternatifbank A.Ş. and the ultimate shareholder is the Commercial Bank (P.S.Q.C.). Anadolu Endüstri Holding A.Ş. decided to use to right to share sales on 18 July 2013 according to "Shareholder's Agreement" which was signed with The Commercial Bank (P.S.Q.C.), and Anadolu Endüstri Holding A.Ş. sold their 25% of the shares of Alternatifbank A.Ş. to The Commercial Bank (P.S.Q.C.) on 19 December 2016. After this transaction the Commercial Bank (P.S.Q.C.) has become 100% indirect shareholder of Alternatif Finansal Kiralama A.Ş.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adapted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation and statement of compliance

These financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRS"), including the International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company maintains its books of account and prepares its statutory financial statements in thousands of Turkish Lira ("TL") which is the Company's functional and presentation currency, in accordance with communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" ("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA"), Turkish Commercial Code, Leasing Law and tax legislation. Turkish tax legislation required all leased assets be capitalized on the balance sheet of the lessor whether the lease is operating or finance lease until July 1, 2003. In accordance with amendments in Turkish tax law dated April 24, 2003, the lessors started to apply rules similar to IAS 17: "Leases" for the leasing transactions they entered after July 1, 2003 in their statutory financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

The financial statements of the Company are authorized for issue by the Board of Directors on 18 February 2021. The General Assembly has the power to amend the financial statements after its issue.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation and statement of compliance (Continued)

The ongoing COVID-19 pandemic, which has recently emerged in China, has spread to various countries in the world, causing potentially fatal respiratory infections, negatively affects both regional and global economic conditions, as well as it causes disruptions in operations, especially countries that are exposed to the epidemic. As a result of the spread of COVID-19 around the world, several measures have been taken in Turkey as well as in the world in order to prevent the spread of the virus and measures are still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in Turkey and worldwide.

While preparing the financial statements as of December 31, 2020, the Company reflected the possible effects of the COVID-19 outbreak on the estimate and assumptions used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected loan losses are explained in the statements on impairment of financial assets.

Basis of measurement

The financial statements have been prepared on a historical cost basis; except for derivative financial instruments and buildings, which have all been measured at fair value.

Functional and presentation currency

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

Going concern

The Company prepared its financial statements on the going concern basis.

Accounting for the effects of hyperinflation

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey was 35.6% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute. This, together with the sustained positive trend in quantitative factors, such as the stabilization in capital and money markets, decrease in interest rates and the appreciation of TL against the USD and other hard currencies have been taken into consideration to categories Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied in the preparation of the accompanying financial statements beginning from 1 January 2006.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, 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.

Calculation of Expected credit Losses

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realizable value of any underlying collateral. Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note 2.

Measurement of Fair Values

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

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted market price (unadjusted) in an active market for identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments using valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Income taxes

The Company is subject to income taxes. Significant estimates are required in determining the provision for income taxes. Management records deferred tax assets to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The recoverability of the deferred tax assets is reviewed regularly. These estimations disclosed in Note 15 are reviewed regularly.

Reserve for employee severance payments

In accordance with the existing social legislation, the Company is required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements, the Bank uses assumptions such as discount rate, turnover of employees and future change in salaries/limits in order to make the best estimate. These estimations disclosed in Note 17 are reviewed regularly.

Minimum finance lease receivables

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee are classified as minimum finance lease receivables. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognized. The difference between the gross receivable and the present value of the receivable is unearned interest income and is recognized over the term of the lease using the effective interest rate method.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and borrowings

Loans and borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, loans and borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings.

Derivative financial instruments

The major derivative instruments utilized by the Company are currency swaps. Derivative financial instruments of the Company are classified under IFRS 9, "Derivative Financial Assets Designated at Fair Value through Profit or Loss". Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values. Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

Cash Flow Hedge

The Company has started to apply cash flow hedge accounting as of 4 March 2019 by fixing its forward operating lease receivables in Euro ("EUR", "EURO"), subject to the contract, through TL currency swap derivatives.

As of 21 March 2019, the Company has started to apply cash flow hedge accounting through the TL currency swap derivative transaction, by fixing its forward operating lease receivables in US dollars ("USD"), subject to the contract.

In both of the cash flow hedge accounting that the Company started to implement; As a hedged item, the Company has determined its future operating lease receivables, and as a hedging instrument, currency swap derivative transactions in EUR and USD are taken into consideration, respectively.

As of 31 December 2020, the Company does not have any hedged item. (31 December 2019: total net after tax profit / (loss) accounted under equity through cash flow hedge accounting is TL 1,120).

Tangible assets

All tangible assets are carried at cost, restated equivalent to purchasing power of TL at 31 December 2005 less accumulated depreciation. Depreciation is calculated over the restated amounts of tangible assets by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life as follows:

Buildings	50 years
Equipment, furniture and fixtures	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price" and "value in use"), it is written down immediately to its recoverable amount. The recoverable amount of the impaired tangible assets represents the net selling price.

Gains and losses on disposal of tangible assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company applies a revaluation model for the buildings in accordance with IAS 16 Accounting Standard for Recognition of Tangible Fixed Assets. As a result of the revaluation, the increase in the book value of the buildings has been stated to the other comprehensive income or expense account in the equity account group which will not be reclassified to profit or loss. As a result of the appraisal of buildings, as of 31 December 2020, the Company accounted TL 1,931 before tax, under other comprehensive income (31 December 2019: None).

Intangible assets

Intangible assets are capitalized at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets mainly comprise of rights and amortised by using the straight-line method over their useful lives of 5 years.

Calculation of expected credit losses

Expected credit losses is calculated based on a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics:

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

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

LGD calculations are performed using historical data which best reflects current conditions. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if there is a qualitative indicator like restructuring. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).
- The borrower is past due more than 1 day.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Calculation of expected credit losses (Continued)

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

Stage 2: When there is a significant increase in credit risk since origination, lifetime expected credit losses is calculated. Including multiple scenario usage, probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

Stage 3: Lifetime expected credit losses are recognized for the impaired leasing receivables. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount. The methodology is similar to stage 2 and the probability of default and loss given default are taken into account as 100%.

Purchased or originated credit impaired assets: Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition. The Company recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability of weighting of the scenarios, discounted by the credit adjusted EIR.

With the aim of mitigating the impact of COVID-19, various international bodies ("European Banking Authority" etc.) and local regulators have made pronouncements aimed at following flexibility in the implementation of the accounting prudential frameworks. The Company previously adopted an approach that past due more than 30 days and 90 days were a qualitative indicator that required an exposure to be transferred to Stage 2 and 3.

With its decision dated 17 March 2020 and its decision dated 27 March 2020, BRSA decided that the following measures would be in force until 31 December 2020:

- The 30-day past due criteria used for loans to be classified under group 2 loans pursuant to the BRSA Regulation on Classification of Loans and Provisions, has been changed to 90 days,
- The 90-day past due criteria used for loans to be classified as non-performing loans has been changed to 180 days.

Afterwards, with the decision of the Board dated 8 December 2020 and numbered 9312, the implementation period of this regulation was extended until 30 June 2021.

Financial instruments

Initial recognition of financial instruments

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of IFRS 15 Revenue from contracts with customers, at initial recognition, the Company measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial assets

IFRS 9, the Company 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 Company 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 Company'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 Company'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 Banks, investments under financial assets measured at amortized cost, leasing receivables and other receivables are assessed within 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets

Financial assets are classified in three main categories as listed below:

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

Financial assets at fair value through profit or loss:

Financial Assets at Fair Value Through Profit/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 at the fair value through profit or loss are initially recognized at fair value and measured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

Financial assets at fair value through other comprehensive income:

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates, they are classified as fair value through other comprehensive income. Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are measured 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 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 "Other comprehensive income/expense items to recycled to profit loss" under shareholders' equity. Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Financial assets measured at amortised 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Assets (Continued)

Finance lease receivables and other receivables

Finance lease receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

When the Company annuls overdue foreign currency leasing contracts, it converts foreign currency receivables into TL using the exchange rate at the annulment date and does not evaluate such amounts starting from the annulment date. Since invoice issuance for such receivables is ceased, the Company also ceases its income accrual calculation starting from the annulment date.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand and time deposits with a maturity period of three months or less. Time deposits are measured at amortized cost using the effective interest method, less any impairment losses.

Impairment of financial assets

IFRS 9 replaced the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. In this context, it has been necessary to evaluate how the economic factors that will be determined by weighting according to the probabilities of realization affect the ECLs. The new impairment model is applied to financial assets at fair value through other comprehensive income or measured at amortized cost (other than investments in equity instruments) and contract assets. The financial assets at amortized cost consist of leasing receivables, purchased or originated credit impaired assets, and cash and cash equivalents.

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities including borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the financial liability using the effective yield method. All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Derecognition of financial liabilities

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

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

a. Income taxes currently payable

Income taxes ("corporation tax") currently payable are calculated based in accordance with the Turkish tax legislation (Note 15).

Taxes other than on income are recorded within other income / (expense) (Note 15).

b. Deferred income taxes

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine the deferred tax. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax, and for financial reporting purposes are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provision is not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Employee benefits

Reserve for employee severance payments

Reserve for employee severance payments represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labour Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service (Note 17).

According to the TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communiqué published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013.

Short term employee benefits

Other short-term benefits includes vacation pay liabilities and employee bonuses. In accordance with the existing labour law in Turkey, the employer is obliged to pay for unused leave days in case the employee is entitled to permission and leaves work. Vacation pay liability is the amount of undiscounted total liability that corresponds to the vacation days for which employees are entitled but have not yet used them.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The Company management considers that the carrying amount of accounts payable approximates their fair value.

Revenue recognition

Direct finance leases consist of full-pay-out leases for various types of equipment. The excess of aggregate contract lease rentals, plus the nominal residual value, over the original cost of the related equipment represents the total revenue to be recognised over the term of the lease. The revenue is recognised in order to provide a constant periodic rate of return on the net investment remaining in each lease. Future gross lease rentals receivable, net of unearned future lease income, are classified as the net investment in direct financing leases. Gross rentals due, but not received at the balance sheet date are classified as receivable lease payments outstanding.

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest income and expense arising from currency swaps.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in Turkish lira at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Reporting of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include balances of cash and due from banks with original maturity periods of less than three months (Note 5).

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share capital

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the post balance sheet events note.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

For the purpose of this report, the shareholders and the ultimate shareholders of the Company, members of the key management personnel of the Company or its parent and the companies controlled by/associated with all of the above are referred to as related parties (Note 23). A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Events after the reporting period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and

- Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

The Company adjusts its financial statements to reflect adjusting events after the reporting period and discloses the material non-adjusting events after the reporting period in the notes to the financial statements.

Comparative information

The accompanying financial statements have been prepared including comparative information in order to enable readers to understand the trends in the financial position, performance and cash flows of the Company. Where necessary, comparative information have been reclassified to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2020 are as follows:

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether an acquired set of activities assets is a business or not.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform. Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standards, amendments and interpretations (Continued)

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to IFRS 16 – Covid-19 Rent Related Concessions

In May 2020, the IASB issued amendments to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments did not have a significant impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Company will wait until the final amendment to assess the impacts of the changes.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standards, amendments and interpretations (Continued)

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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018). The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied prospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first-time adopters. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standards, amendments and interpretations (Continued)

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

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

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

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

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

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The new standards, amendments and interpretations (Continued)

Additional disclosures

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

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

iii) ***Annual Improvements – 2018–2020 Cycle***

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

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

NOTE 3 - FINANCIAL RISK MANAGEMENT

a. Market risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates including credit spreads, foreign exchange rates, equity prices and commodity prices. The Company manages liquidity risk, foreign exchange risk and interest rate risk by considering market risk.

The core business of the Company is to serve clients' financial needs; therefore typically the Company acts as a commercial institution, an activity which could expose the Company to risks such as foreign exchange risk, interest rate risk and liquidity risk.

b. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or Company's customers in specific locations or businesses. It also obtains security when appropriate.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below summaries the geographic distribution of the Company's assets and liabilities:

2020	Assets	%	Liabilities	%
Turkey	1,714,756	99.41	1,327,624	89.29
European countries	2,278	0.13	131,118	8.82
Other	7,934	0.46	28,123	1.89
	1,724,968	**100**	**1,486,865**	**100**

2019	Assets	%	Liabilities	%
Turkey	1,628,699	98.55	779,589	54.21
European countries	3,321	0.20	538,030	37.41
Other	20,697	1.25	120,458	8.38
	1,652,717	**100**	**1,438,077**	**100**

Maximum exposure to credit risk

	2020	2019
Credit risk exposures relating to balance sheet items:		
Due from banks	131,903	169,495
Finance lease receivables	1,503,514	1,401,335
Receivables from insurance policies	4,639	5,066

c. Currency risk

Foreign currency risk is a result of the Company's assets and liabilities denominated in foreign currencies. The Company has a foreign currency position as a result of its operations. The table below summaries the Company's exposure to foreign currency exchange rate risk.

	Foreign Currency		
2020	**USD**	**EUR**	**Total**
Assets			
Cash and cash equivalents	6,500	98,381	104,881
Finance lease receivables	119,833	736,912	856,745
Other assets and prepaid expenses	1,537	19,220	20,757
Total assets	**127,870**	**854,513**	**982,383**
Liabilities			
Funds borrowed	125,355	807,555	932,910
Account payables	690	35,040	35,730
Other liabilities	1,249	11,213	12,462
Total liabilities	**127,294**	**853,808**	**981,102**
Net balance sheet position	**576**	**705**	**1,281**
Net off-balance sheet position	**-**	**-**	**-**
Financial derivative assets	**-**	**-**	**-**
Financial derivative liabilities	**-**	**-**	**-**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

c. Currency risk (continued)

	Foreign Currency		
2019	**USD**	**EUR**	**Total**
Assets			
Cash and cash equivalents	11,546	157,668	169,214
Finance lease receivables	316,368	762,346	1,078,714
Other assets and prepaid expenses	1,050	8,032	9,082
Total assets	**328,964**	**928,046**	**1,257,010**
Liabilities			
Funds borrowed	303,913	846,001	1,149,914
Account payables	1,902	4,351	6,253
Other liabilities	1,140	7,408	8,548
Total liabilities	**306,955**	**857,760**	**1,164,715**
Net balance sheet position	**22,009**	**70,286**	**92,295**
Net off-balance sheet position	**(20,822)**	**(75,061)**	**(95,883)**
Financial derivative assets	19,101	-	19,101
Financial derivative liabilities	39,923	75,061	114,984

At 31 December 2020, assets, liabilities and off-balance sheet derivative financial instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of and TL 7.3405 = USD 1, TL 9.0079 = EUR 1 (2019: TL 5.9402 = USD 1, TL 6.6506 = EUR 1).

The table below shows the Company's sensitivity against 10% changes in USD and EUR rates against TL in the income statement. In this analysis it has been assumed that all other variables, especially interest rates, are being held constant

	2020		2019	
	Profit and loss	**Equity**	**Profit and loss**	**Equity**
USD	58	58	119	119
EUR	71	71	(478)	(478)
Total	**129**	**129**	**(359)**	**(359)**

In the case of appreciation of TL against USD and EUR 10%, totals shown above has equal or opposite effect on the income statement.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

d. Liquidity risk

Liquidity risk is the possibility that the Company will be unable to fund its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. The Company's policy is to match cash outflow mainly arising from repayments of the funds borrowed and cash inflow mainly arising from lease receivables maintained in the portfolio. Repayment schedules of leasing contracts made with the customers are structured considering the funding and equity base of the Company.

In addition, the Company maintains reasonable amount of cash at bank in order to protect itself against the risk of deviation from the expected in and out cash flows in an unfavourable manner.

The following table presents the cash flows payable by the Company under non-derivative financial liabilities remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Company manages the inherent liquidity risk based on expected undiscounted cash inflows.

2020	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**No definite maturity**	**Total**
Funds borrowed	658,852	444,975	374,639	-	1,478,466
Total liabilities	**658,852**	**444,975**	**374,639**	**-**	**1,478,466**
Cash and cash equivalents	129,573	-	-	2,330	131,903
Finance lease receivables	294,580	557,181	894,437	(1,038)	1,745,160
Assets held for managing liquidity risk (contractual maturity dates)	**424,153**	**557,181**	**894,437**	**1,292**	**1,877,063**

2019	**Up to 3 months**	**3 to 12 months**	**Over 1 year**	**No definite maturity**	**Total**
Funds borrowed					
Debt securities issued	430,434	885,113	127,426	-	1,442,973
Total liabilities	**430,434**	**885,113**	**127,426**	**-**	**1,442,973**
Cash and cash equivalents	168,180	-	-	1,315	169,495
Finance lease receivables	270,329	515,718	809,119	5,410	1,600,576
Assets held for managing liquidity risk (contractual maturity dates)	**438,509**	**515,718**	**809,119**	**6,725**	**1,770,071**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value or future cash flows of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. The table below summaries the average year-end interest rates by major currencies for monetary financial instruments:

	31 December 2020 (%)			31 December 2019 (%)		
Assets	**USD**	**EUR**	**TL**	**USD**	**EUR**	**TL**
Cash and cash equivalents	1.25	1.98	17.00	2.15	0.20	-
Finance lease receivables	7.32	5.60	17.92	7.61	5.68	22.24
Liabilities						
Fund borrowed	4.06	2.81	10.96	5.43	3.22	16.67
Debt securities issued	-	-	-	-	-	-

The table below summaries the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the re-pricing or contractual dates whichever is earlier.

2020	Up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	129,573	-	-	2,330	131,903
Finance lease receivables	265,089	434,618	804,845	(1,038)	1,503,514
Other assets and prepaid expenses	-	-	-	50,321	50,321
Tangible assets, net	-	-	-	22,044	22,044
Intangible assets, net	-	-	-	1,554	1,554
Deferred tax assets	-	-	-	15,632	15,632
Total assets	**394,662**	**434,618**	**804,845**	**90,843**	**1,724,968**
Liabilities					
Funds borrowed	781,837	450,039	179,540	-	1,411,416
Debt securities issued	-	-	-	-	-
Accounts payable	-	-	-	40,451	40,451
Other liabilities	-	-	-	25,034	25,034
Other provisions	-	-	-	5,804	5,804
Reserve for employee benefits	-	-	-	4,160	4,160
Total liabilities	**781,837**	**450,039**	**179,540**	**75,449**	**1,486,865**
Net repricing gap	**(387,175)**	**(15,421)**	**625,305**	**15,394**	**238,103**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

e. Interest rate risk (continued)

2019	Up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	168,180	-	-	1,315	169,495
Finance lease receivables	240,687	427,187	728,053	5,408	1,401,335
Other assets and prepaid expenses	-	-	-	36,876	36,876
Derivative financial instruments	-	-	-	6,561	6,561
Tangible assets, net	-	-	-	19,853	19,853
Intangible assets, net	-	-	-	1,458	1,458
Deferred tax assets	-	-	-	17,139	17,139
Total assets	**408,867**	**427,187**	**728,053**	**88,610**	**1,652,717**
Liabilities					
Funds borrowed	591,510	811,693	-	-	1,403,203
Debt securities issued	-	-	-	-	-
Account payables	-	-	-	10,805	10,805
Other liabilities	-	-	-	19,448	19,448
Other provisions	-	-	-	1,251	1,251
Reserve for employee benefits	-	-	-	3,370	3,370
Total liabilities	**591,510**	**811,693**	**-**	**34,874**	**1,438,077**
Net repricing gap	**(182,643)**	**(384,506)**	**728,053**	**53,736**	**214,640**

The sensitivity analyses below have been determined based on the exposure to interest rates for both non-derivatives and derivative instruments, if any, at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2020 would decrease/increase by TL 1,384 (2019: decrease/increase by TL 1,782). This is mainly attributable to the Company's exposure to interest rates on its variable rate funds borrowed.

f. Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as main methods.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

g. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

Fair value of financial assets is measured according to the assumptions based on quoted bid prices of similar assets, or amounts derived from cash flow models.

The fair values of certain financial assets excluding finance lease receivables and funds borrowed are considered to approximate their respective carrying values due to their short-term nature. Fair value of floating rate funds borrowed and debt securities in issue is considered to approximate their carrying values.

The table below indicates the fair value of the financial assets which are stated at their carrying amounts:

	2020	**2019**
Financial Assets		
Finance lease receivables - Carrying amount	1,503,514	1,401,335
Finance lease receivables - Fair value	1,598,870	1,524,602
Financial Liabilities		
Funds borrowed - Carrying amount	1,411,416	1,403,203
Funds borrowed - Fair value	1,411,845	1,403,162

The following tables present the Company's assets and liabilities that are measured at fair value:

31 December 2020: None.

31 December 2019	**Level 1**	**Level 2**	**Level 3**
Derivatives financial instruments	-	6,561	-
Total liabilities	**-**	**6,561**	**-**

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

a. Capital management

According to 12rd article of "regulation on the Establishment and Operations of Leasing, Factoring, and Consumer Finance Companies" which was published in the Official Gazette dated 24 April 2013 and numbered 28627, total shareholders' equity cannot be less than 3% of total assets of the Company. As of 31 December 2019, the related ratio is 13%. Therefore, as of 31 December 2019 there is no breach of the lending limits.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. These disclosures supplement the commentary significant accounting policies (Note 2) and financial risk management (Note 3). Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include.

b. Impairment of financial assets

IFRS 9 replaced the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. In this context, it has been necessary to evaluate how the economic factors that will be determined by weighting according to the probabilities of realization affect the ECLs. The new impairment model is applied to financial assets at fair value through other comprehensive income or measured at amortized cost (other than investments in equity instruments) and contract assets. The financial assets at amortized cost consist of leasing receivables, purchased or originated credit impaired assets, and cash and cash equivalents.

c. Deferred tax asset recognition

Deferred tax assets are recognized to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

NOTE 5 - CASH AND CASH EQUIVALENTS

	2020	**2019**
Demand deposits	521	281
Time deposits	26,501	-
Total TL denominated demand and time deposits at banks	**27,022**	**281**
Foreign currency denominated demand deposits at banks (original maturity less than 3 months)	1,809	1,034
Foreign currency denominated time deposits at banks (original maturity less than 3 months)	103,072	168,180
Total foreign currency denominated demand and time deposit at banks	**104,881**	**169,214**
Total demand and time deposits at banks	**131,903**	**169,495**

For the purposes of cash flow statements, cash and cash equivalents amounting to TL 131,558 (2019: TL 169,493) and comprised from due from banks excluding accrued interest.

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

NOTE 6 - DERIVATIVE FINANCIAL INSTRUMENTS

The Company has no derivative instruments as at 31 December 2020. The Company has the following derivative instruments as at 31 December 2019:

"Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates. Currency swaps involve the exchange of the principal as well. The Company risks are represented by the potential cost of replacing the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market. To control the level of risk taken, the Company assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms.

31 December 2020: None.

2019			
	Contract/notional	**Fair values**	
	Amount	**Assets**	**Liabilities**
Swap purchase / sale transactions	238,461	6,561	-
Total derivative assets	**238,461**	**6,561**	**-**

NOTE 7 - FINANCE LEASE RECEIVABLES

	2020	**2019**
Gross finance lease receivables	1,678,389	1,531,331
Invoiced lease receivables	67,809	63,834
Gross finance lease receivables	**1,746,198**	**1,595,165**
Unearned finance income	(241,646)	(199,241)
Finance lease receivables	**1,504,552**	**1,395,924**
Impaired lease receivables	116,209	80,437
Less: 12 months ECL (stage 1)	(2,444)	(1,449)
Less: Lifetime ECL significant increase in credit risk (stage 2)	(52,823)	(34,900)
Less: Lifetime ECL impaired credits (stage 3)	(61,980)	(38,677)
Finance lease receivables (net)	**1,503,514**	**1,401,335**

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

NOTE 7 - FINANCE LEASE RECEIVABLES (Continued)

At 31 December 2020 and 2019, finance lease receivables according to its interest variability is as follows:

	2020	2019
Fixed rate	1,484,288	1,324,775
Floating rate	20,264	71,149
Finance lease receivables	**1,504,552**	**1,395,924**

At 31 December 2020 and 2019, the finance lease receivables have the following collection plans:

Period end	2020	2020
	Gross	Net
31 December 2021	851,760	699,706
31 December 2022	540,478	476,411
31 December 2023	240,510	221,218
31 December 2024	81,859	76,811
31 December 2025 and after	31,591	30,406
	1,746,198	**1,504,552**

Period end	2019	2019
	Gross	Net
31 December 2020	786,045	667,872
31 December 2021	465,309	409,125
31 December 2022	254,516	234,547
31 December 2023	71,948	68,127
31 December 2024 and after	17,347	16,253
	1,595,165	**1,395,924**

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

NOTE 7 - FINANCE LEASE RECEIVABLES (Continued)

Finance lease receivables can be analysed as follows:

	2020	2019
12 months ECL (stage 1)	946,587	948,702
Lifetime ECL significant increase in credit risk (stage 2)	557,965	447,222
Lifetime ECL impaired credits (stage 3)	116,209	80,437
Gross	**1,620,761**	**1,476,361**
Less: 12 months ECL (stage 1)	(2,444)	(1,449)
Less: Lifetime ECL significant increase in credit risk (stage 2)	(52,823)	(34,900)
Less: Lifetime ECL impaired credits (stage 3)	(61,980)	(38,677)
Finance lease receivables (net)	**1,503,514**	**1,401,335**

As at 31 December 2020, TL 623,421 of the total collaterals (2019: TL 496,204) are related with the impaired finance lease receivables amounting to TL 12,120 (2019: TL 9,881).

The aging of past due but not impaired finance lease receivables are as follows:

	2020		2019	
	Invoiced Amount	**Remaining Principal**	**Invoiced Amount**	**Remaining Principal**
0-30 days	54,447	286,589	49,067	275,581
31-60 days	3,974	23,219	8,403	67,394
61-90 days	9,388	42,433	6,364	31,808
	67,809	**352,242**	**63,834**	**374,783**

The aging of impaired finance lease receivables is as follows:

	2020	2019
91-150 days	18,780	18,516
151-240 days	7,620	11,937
241-365 days	2,448	9,506
366 days and over	87,361	40,478
	116,209	**80,437**

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

NOTE 7 - FINANCE LEASE RECEIVABLES (Continued)

Movements in provision for impaired finance lease receivables are as follows:

	2020	2019
At 1 January	**(38,677)**	**(53,646)**
Impairment loss	(27,493)	(31,130)
Recoveries of amounts previously impaired (including foreign exchange differences)	4,190	1,624
Write-off (*)	-	47,475
At 31 December	**(61,980)**	**(38,677)**

(*) 31 December 2020: None (31 December 2019: Impaired finance lease receivables and its ECL amounting to 47,475 were derecognised from the accounts. The effect of FX valuation amounting to TL 6,930 is not included in the table above).

Economic sector risk concentrations for the finance lease receivables are as follows:

	2020	%	2019	%
Wholesaling and Retailing	331,191	22	208,640	15
Textile	286,202	19	257,232	19
Metal Processing	195,083	13	220,419	16
Other Production Industry	177,470	12	243,286	17
Construction	128,628	8	165,840	12
Other Services	106,631	7	106,936	8
Agriculture	83,605	6	39,813	3
Transportation and Warehousing	59,124	4	43,446	3
Electricity and Gas	48,925	3	17,232	1
Mining	45,660	3	32,802	2
Health	17,548	1	31,626	2
Real Estate Brokerage	10,635	1	603	0
Food, Beverage & Tobacco	10,414	1	18,483	1
Tourism	3,436	-	9,566	1
Total	**1,504,552**	**100**	**1,395,924**	**100**

Minimum finance lease receivables consist of rentals receivable over the terms of leases. As per the lease agreements made with lessees, the ownership of the items leased is transferred to the lessees at the end of the lease term.

As of 31 December 2020, neither past due nor impaired finance lease receivables amounting to TL 336,612 (2019: TL 390,530) and past due but not impaired receivables amounting to TL 51,311 (2019: TL 23,839) have been renegotiated, rescheduled or revised.

Depending on the customers' inability to repay its obligations arising from financial leases or other similar economic factors, the Company cancelled some of the lease contracts signed with its customers. These related assets may be re-leased to the same customer or to the other customers or; may be sold to the third parties, depending upon circumstances.

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 7 - FINANCE LEASE RECEIVABLES (Continued)

As of 2020 and 2019, the Company obtained the following collaterals from its customers except the goods subjected to finance lease agreements:

	2020	2019
Mortgages	244,614	224,211
Pledged assets	104,607	81,673
Buyback guarantees	107,441	70,378
Capital share transfer	96,655	60,951
Transfer of rights of receivables	54,638	46,789
Guarantee letters	11,360	9,801
Cash blockage	2,581	1,306
Cheques received	1,061	713
Life insurance	427	346
Guarantee notes	37	36
Total	**623,421**	**496,204**

Finance lease receivables are further analysed as a part of the balance sheet in the notes: related party transactions (Note 23) and financial risk management (Note 3).

NOTE 8 – TANGIBLE ASSETS

	Land and Buildings	Equipment, Furniture and Fixtures	Total
1 January 2020, net book value	19,267	586	19,853
Additions	-	991	991
Revaluation surplus on building (*)	1,931	-	1,931
Disposals	(103)	(4)	(107)
Depreciation charge for the year	(401)	(223)	(624)
Depreciation effects of disposals	-	-	-
31 December 2020	**20,694**	**1,350**	**22,044**
31 December 2020			
Cost	21,687	2,046	23,733
Accumulated depreciation	(993)	(696)	(1,689)
Net book value	**20,694**	**1,350**	**22,044**

(*) The Company applies a revaluation model for the buildings in accordance with IAS 16 Accounting Standard for Recognition of Tangible Fixed Assets. As a result of the revaluation, the increase in the book value of the buildings has been recognized under “Items that will never be reclassified to profit or loss”. As a result of the evaluation of buildings, as of 31 December 2020, tangible assets have an increase of TL 1,931 before tax. Fair value of the building is determined by an appraisal firm authorized by the BRSA and the Capital Markets Board.

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

NOTE 8 – TANGIBLE ASSETS (Continued)

	Land and Buildings	Equipment, Furniture and Fixtures	Total
1 January 2019, net book value	19,369	360	19,729
Additions	301	356	657
Disposals	(10)	(59)	(69)
Depreciation charge for the year	(394)	(119)	(513)
Depreciation effects of disposals	1	48	49
31 December 2019	**19,267**	**586**	**19,853**
31 December 2019			
Cost	19,859	1,059	20,918
Accumulated depreciation	(592)	(473)	(1,065)
Net book value	**19,267**	**586**	**19,853**

NOTE 9 - INTANGIBLE ASSETS

	Total
Cost	
1 January 2020, net book value	1,458
Additions	651
Accumulated amortization	
Amortisation charge for the year	(555)
31 December 2020	**1,554**
31 December 2020	
Cost	4,780
Accumulated amortisation	(3,226)
Net book value	**1,554**

	Total
Cost	
1 January 2019, net book value	1,494
Additions	437
Accumulated amortization	
Amortisation charge for the year	(473)
31 December 2019	**1,458**
31 December 2019	
Cost	4,129
Accumulated amortisation	(2,671)
Net book value	**1,458**

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

NOTE 10 - OTHER ASSETS AND PREPAID EXPENSES

	2020	2019
Equipment to be leased	40,479	26,870
Prepaid expenses	5,513	3,394
Receivables from insurance policies	2,606	4,853
Prepaid taxes	948	563
Other	775	1,196
Total	**50,321**	**36,876**

Equipments to be leased consist of assets purchased for the financial lease agreements signed in the current period, which will be transferred to lessees in the subsequent period.

NOTE 11 - FUNDS BORROWED

		2020			2019		
		Original Amount	TL Equivalent	Interest Rate (%)	Original Amount	TL Equivalent	Interest Rate (%)
Fixed interest	EUR	65,254	587,802	2.56	57,293	381,033	2.91
	USD	17,077	125,357	4.06	31,006	184,183	5.75
	TL	298,966	298,966	11.14	253,289	253,289	16.67
Floating interest	EUR	7,967	71,766	3.33	52,025	345,997	3.50
	USD	-	-	-	20,156	119,729	4.94
Short-term			**1,083,891**			**1,284,231**	
Fixed interest	TL	179,540	179,540	10.65	-	-	-
Floating interest	EUR	16,428	147,985	3.58	17,889	118,972	3.37
Medium/long-term			**327,525**			**118,972**	
Total			**1,411,416**			**1,403,203**	

Floating rate funds borrowed bear interest at rates fixed in advance for periods of three and six months. Repayments of medium/long-term funds borrowed are as follows:

	2020		2019	
	Fixed Rate	Fixed Rate	Fixed Rate	Floating Rate
2020	-	-	-	-
2021	-	-	-	53,094
2022	93,222	72,319	-	53,293
2023	86,318	75,666	-	12,585
2024	-	-	-	-
Total	**179,540**	**147,985**	**-**	**118,972**

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.)

NOTE 12 - DEBT SECURITIES ISSUED

31 December 2020: None (31 December 2019: None).

NOTE 13 - ACCOUNT PAYABLES

	2020	2019
Insurance policy payables	8,046	7,209
Payables to suppliers	32,246	3,476
Other	159	120
Total	**40,451**	**10,805**

NOTE 14 - OTHER LIABILITIES

	2020	2019
Advances received	20,911	16,383
Prepayments from customers	1,900	1,389
Value Added Tax ("VAT") payable	1,873	1,084
Other taxes payable	274	253
Other	76	339
Total	**25,034**	**19,448**

Advances received are related with the amounts received from customers regarding the financial leasing agreements.

NOTE 15 - TAXATION

Components of tax income/expenses for the years ended 31 December 2020 and 2019 are as follows:

	2020	2019
Deferred tax income / (expense)	(706)	(1,224)
Corporate tax expense	(4,700)	-
	(5,406)	**(1,224)**

Corporate Tax

While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%. This rate is applied to tax base which is calculated by adding certain non deductable expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2018, 2019 and 2020: 22%) on their corporate income. Advance tax declaration is made by the 14th day of the following month and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

NOTE 15 – TAXATION (Continued)

Corporate Tax (Continued)

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" that was published on the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the statutory financial statements by adjusting the non-monetary assets and liabilities according to inflation adjustments. In accordance with the aforementioned law's provisions, in order to apply inflation adjustment, the cumulative inflation rate (State Institute of Statistics-Wholesale Price Indices) over the last 36 months and 12 months must exceed 100% and 10%, respectively. Inflation adjustment has not been applied as these conditions were not met for the years ended 31 December 2020 and 2019.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

Exemption for investment allowance

The expression of "just belongs to 2006, 2007 and 2008" in the 193 numbered Income Tax Law's temporary 69th clause is cancelled due to the Constitutional Court's 2009/ 144 numbered decision, published in the Official Gazette at 8 January 2010 and restated due to the 6009 numbered laws 5 clause and use of investment allowance exemption which was published and validated at 1 August 2010 and 27659 numbered Official Gazette. With the new regulation, the discounted amount of investment incentives exemption will be used in tax base determination but is anticipated as not to exceed 25% profit of the related year. Also, with this new change, corporate tax ratio in effect is determined as (20%), not 30%, for the entities utilizing investment incentive. In its meeting dated 9 February 2014, the Constitutional Court decided to annul the phrase of "the amount subject to deduction in terms of investment allowance exemption may not exceed 25% of the relevant year's income" which was added to the first paragraph of the Temporary Article 69 of the Income Tax Law, as it was found to be unconstitutional. Additionally in the same meeting of the Constitutional Court, as the aforementioned phrase was annulled with the decision dated 9 February 2013 and numbered E.2010/93 K. 2013/20 the Constitutional Court has ruled that the decision shall not get into effect until the date it is published in the Official Gazette, in order to prevent the occurrence of hardly recoverable or unrecoverable losses and difficulties that would result from the implementation of the aforementioned decision.

Transfer Pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing dated 18 November 2007 sets details about implementation.

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

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

NOTE 15 – TAXATION (Continued)

Purchase, sale, manufacturing and construction operations, leasing and leasing transactions, borrowing and issuing money, bonuses, fees and similar transactions that require payments are considered as purchase or sale of goods or services in every condition. Companies are required to fill in the transfer pricing form which will be included in the annex of the annual corporate tax return. In this form, the amounts of all transactions with related companies and the methods of transfer pricing related to these transactions are specified in the related accounting period.

Deferred tax

Under IAS 12, which deals with income taxes, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Bank calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled. Due to the completion of the temporary tax rate change on corporate tax at the rate of 22% as of 2020 with the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, for the temporary differences that are expected to occur or to be closed in 2021 and after, the Company has used 20% tax rate while preparing the financial statements.

As of 31 December 2020 and 2019 the Deferred tax assets and liabilities are attributable to the following items:

	Temporary differences		**Deferred tax assets/ (liabilities)**	
	2020	**2019**	**2020**	**2019**
Allowance for impairment loss on finance receivables	76,997	46,380	15,399	9,941
Unused investment allowances with stoppage	25,955	45,494	52	1,001
Unused investment allowances without stoppage	-	23,590	-	5,179
Tax loss carry forward	-	5,025	-	1,105
Provision for employee benefits	4,159	3,370	832	741
Other	2,764	4,220	774	914
Deferred tax assets			**17,057**	**18,881**
Accrued income on derivative transactions	-	(6,561)	-	(1,443)
Difference between carrying value and tax base of tangible and intangibles	(737)	(737)	(147)	(147)
Prepaid commissions	(750)	(577)	(149)	(127)
Other	(1,989)	(115)	(1,129)	(25)
Deferred tax liabilities			**(1,425)**	**(1,742)**
Deferred tax assets, net			**15,632**	**17,139**

Movement of the net deferred tax asset is as follows:

	2020	**2019**
January 1, 2019	17,139	18,679
Deferred tax recognized in profit or loss	(706)	(1,224)
Deferred tax recognized in other comprehensive income	(801)	(316)
December 31, 2019	**15,632**	**17,139**

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

NOTE 16 - OTHER PROVISIONS

	2020	2019
Corporate tax provision	4,700	-
Provisions for outstanding claims	1,104	1,251
Total	**5,804**	**1,251**

At 31 December 2020, the Company is involved in number of legal disputes, The Company's lawyer's advice that, owing the developments in some of these cases; it is probable that the company will be found liable. Therefore, the management has recognised a provision as the best estimate of the amount to settle these potential obligations.

NOTE 17 - RESERVE FOR EMPLOYEE BENEFITS

	2020	2019
Provision for personnel performance bonus	3,168	2,601
Reserve for employee severance payments	737	564
Vacation pay liability	255	205
	4,160	**3,370**

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age. Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The liability is not funded, as there is no funding requirement.

IFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. In the financial statements, the Company reflected a liability calculated using the projected unit credit method and based upon the factors derived using their experience of personnel terminating their services and being eligible to receive employment termination benefits. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

Accordingly, the following actuarial assumptions were used in the calculations of the provision:

	2020	2019
Discount rate (%)	4.00	4.72
Turnover rate to estimate the probability of retirement (%)	-	-

The principal assumption is that the maximum liability for each year of service will increase in line with inflation.

Movement of the reserve for employee severance payments for the year is as follows:

	2020	2019
1 January	**564**	**713**
Service cost	390	660
Interest cost	-	34
Paid during the year	(217)	(843)
31 December	**737**	**564**

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

NOTE 18 - SHARE CAPITAL

At 31 December 2020, the Company's authorised share capital consists of 10,000,000,000 shares with a par value of Kuruş 1 each (2019: 10,000,000,000 shares with a par value of Kuruş 1 each). The Company does not have any preferred shares in accordance with its main agreement.

As of 31 December 2020, the Company's historical subscribed and issued share capital was TL 100,000 (historical terms) (31 December 2019: TL 100,000). The composition of shareholders and their respective percentages of ownership can be summarized as follows:

	2020		2019	
	%	**Amount**	**%**	**Amount**
Alternatifbank A.Ş.	100	100,000	100	100,000
Total in historical TL	**100**	**100,000**	**100**	**100,000**
Differences on capital adjustments		(13,523)		(13,523)
		86,477		**86,477**

NOTE 19 - EARNINGS AND LEGAL RESERVES

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

NOTE 20 - EARNINGS PER SHARE

Earnings per share disclosed in the statement of profit or loss are determined by dividing net income by the weighted average number of shares outstanding during the period concerned.

	31 December 2020	31 December 2019
Profit attributable to equity holders of the Company	23,769	5,702
Weighted average number of ordinary shares in issue	100,000	100,000
Basic earnings (expressed in full TL)	**0.00237**	**0.00057**

NOTE 21 - MARKETING AND ADMINISTRATIVE EXPENSES

	2020	2019
Sundry taxes	1,207	796
Transportation expenses	941	1,132
Consultancy expenses	939	889
Information technology system expenses	692	568
Office expenses	190	135
Communication expenses	122	123
Printing and stationary expenses	53	59
Representation expenses	196	48
Other expenses	369	225
	4,709	**3,975**

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

NOTE 22 - SALARIES AND EMPLOYEE BENEFITS

	2020	2019
Wages and salaries	5,991	5,860
Increase in provision for employee benefits	1,742	1,944
Compulsory social security contributions	913	792
Other employee benefits	482	575
	9,128	**9,171**

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Alternatifbank A.Ş. (the Shareholder Company) which owns 100 % of the Company's shares. The ultimate owner of the Company is The Commercial Bank (P.S.Q.C.). For the purpose of these financial statements, the Shareholder Company, and their affiliated companies are referred to as "related parties". Related parties also include individuals that are principal owners, management and members of the Company's Board of Directors and their families.

A summary of the major transactions and balances with related parties during the related periods were as follows:

	2020	2019
Due from banks		
Demand deposits		
Alternatifbank A.Ş.	215	42
Time deposits		
Alternatifbank A.Ş.	97,982	141,566
	98,197	**141,608**

	2020	2019
Lease receivables		
Alternatifbank A.Ş.	236	236
	236	**236**

	2020	2019
Transactions for cash flow hedge		
Alternatifbank A.Ş.	-	236,077
	-	**236,077**

Borrowings		
Alternatifbank A.Ş.	215,989	246,533
United Arab Bank P.J.S.C.	-	119,729
	215,989	**366,262**

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

NOTE 23 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

(b) Transactions with related parties:

	2020	2019
Income from derivatives		
Alternatifbank A.Ş.	338	5,535
	338	**5,535**
Expense on derivatives		
Alternatifbank A.Ş.	-	35
	-	**35**
Other income		
Alternatifbank A.Ş.	9	4
	9	**4**
Rent income		
Alternatif Yatırım Menkul Değerler A.Ş.	444	426
	444	**426**

	2020	2019
Interest income on placements and transactions with banks		
Alternatifbank A.Ş.	2,300	2,580
	2,300	**2,580**
Interest expense on funds borrowed		
Alternatifbank A.Ş.	24,402	19,648
United Arab Bank P.J.S.C.	3,619	9,555
	28,021	**29,203**
Service expenses		
Alternatifbank A.Ş.	685	544
	685	**544**
Commission expenses		
Alternatif Yatırım Menkul Değerler A.Ş.	-	320
United Arab Bank P.J.S.C.	-	364
Alternatifbank A.Ş.	107	145
	107	**829**

(c) Off-balance sheet items

	2020	2019
Guarantee letters		
Alternatifbank A.Ş.	413	1,102
	413	**1,102**

As of 31 December 2020, the Company has time deposits amounting to USD 830, EUR 7,260 and TL 26,200 at related party bank Alternatifbank A.Ş. with an average interest rate of 1.25%, 0.35% and 17% respectively (31 December 2019: USD 1,910 and EUR 19,580 at related party bank - Alternatifbank A.Ş. with an average interest rate of 2.15% and 0.15% respectively). Also, the Company has demand deposits at related party bank (Alternatifbank A.Ş.) amounting TL 42 (31 December 2019: TL 42).

(d) Key Management's Remuneration:

As of 31 December 2020, the executive members and key management personnel of the Company's management received and accrued salaries and bonuses total amounting to TL 2,006 (2019: TL 1,842).

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

NOTE 24 - OTHER INCOME / (EXPENSE), NET

	2020	**2019**
Commission income, net	3,303	2,284
Bank charges and commissions	(2,171)	(3,741)
Increase in legal provisions	(169)	(1,112)
Sundry expenses	(20)	(52)
Other	654	(54)
	1,597	**(2,675)**

Sundry agreement income / (expenses) consists of tax, legal, expertise, translation and other expenses which have been reimbursed by clients.

NOTE 25 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these financial statements. The following is a summary of significant commitments and contingent liabilities at 31 December 2020 and 2019.

Future minimum lease payments under operating lease agreements are as follows:

	2020	**2019**
Next 1 year	386	421
1 year through 5 years	246	46
Total	**632**	**467**

Other commitments:

At 31 December 2020, the Company obtained letters of credits and guarantee letters amounting to TL 142,882 (2019: TL 124,617) and submitted to various public authorities.

NOTE 26 - EVENTS AFTER THE REPORTING PERIOD

None.