YAPI KREDİ FİNANSAL KİRALAMA A.O.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yapı Kredi Finansal Kiralama A.O.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Yapı Kredi Finansal Kiralama A.O. (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 ("IFRS").

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), "Independence Audit by-Law" published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and independent auditing requirements referred to in Article 400 of the Turkish Commercial Code ("TCC") (collectively referred to as "Turkish Local Independence Rules"). We have fulfilled our other ethical responsibilities in accordance with IESBA Code and Turkish Local Independence Rules.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for finance lease receivables The Company has total expected credit losses for finance lease receivables amounting to TL 567,971 thousand with respect to total finance lease receivables amounting to TL 10,971,872 thousand which represent a significant portion of the Company's total assets in its financial statements as at 31 December 2020. Explanations and notes related to expected credit losses for finance lease receivables are presented in Notes 2, 3, 4 and 7 in the accompanying financial statements as at 31 December 2020.	With respect to stage classification of finance lease receivables and calculation of expected credit losses in accordance with IFRS 9, we have assessed policy, procedure and management principles of the Company including the effects of COVID-19 within the scope of our audit. We evaluated and tested the design and the operating effectiveness of relevant controls implemented by the Company.

Key audit matter	How our audit addressed the key audit matter
The Company recognizes allowance for expected credit losses on finance lease receivables in accordance with the requirements of "IFRS 9 Financial Instruments" ("IFRS 9") which is a complex standard requiring the Company to exercise significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as expected credit losses on finance lease receivables. These judgements are key in the development of the financial models built to measure the expected credit losses on finance lease receivables recorded at amortized cost. The effects related to COVID-19 pandemic increased the importance of these estimates and assumptions used by the Company's management in determining the expected credit loss provisions for loans and receivables as of 31 December 2020, and the uncertainties caused by these effects were taken into account in the calculation of expected credit loss. Impairment allowances are calculated on a collective basis for portfolios of finance lease receivables of a similar nature and on individual basis for significant finance lease receivables taking into account management's best estimate at the reporting date. Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the finance lease receivables balances; the classification of finance lease receivables as per their credit risk (staging) and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provision for finance lease receivables. Therefore, this area is considered as key audit matter.	Together with our financial risk experts, we have evaluated whether the methodologies used in building impairment models and that include the effects of COVID-19 are in line with the requirements of IFRS 9. Regarding expected credit losses methodology; we have assessed and tested appropriateness of segmentation, lifetime probability of default model, loss given default model and approaches in relation to projection of macroeconomic expectations with our financial risk experts. We have performed credit review on a selected sample of finance lease receivables with the objective to identify whether the staging classification reflects related credit risk level of the each selected credit files, whether key aspects of the Company's significant increase in credit risk determinations are designated appropriately and whether provision for impairment has been recognized in a timely manner. We tested individually assessed finance lease receivables on a sampling basis and checked the management's calculations by inspecting the calculation methodology, challenging key assumptions used in calculations, assessing reasonableness of the future cash flow estimations, comparing estimates to external evidence where available and tracing a sample back to source data and evaluated appropriateness including areas affected by uncertainties caused by COVID-19 via inquiry with management. We checked accuracy of resultant expected credit losses calculations. We have also evaluated the adequacy of the financial statements disclosures and we have assessed whether the disclosures appropriately disclose and address the key judgements and assumptions used in expected credit loss calculation of finance lease receivables.

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 IFRS, 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 ISA 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 ISA, we exercise professional judgement and maintain professional scepticism 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.

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 2 February 2021

YAPI KREDİ FİNANSAL KİRALAMA A.O.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS **PAGE**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

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

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	5	565,518	91,494
Financial assets at fair value through profit or loss ("FVPL")		-	4,273
- Derivative financial instruments	*8*	-	*4,273*
Financial assets at fair value through other comprehensive income ("FVOCI")		140	140
- Equity securities	*6*	*140*	*140*
Financial assets at amortised cost ("AC")		10,403,901	9,959,083
- Finance lease receivables	*7*	*10,403,901*	*9,959,083*
Other assets and prepaid expenses	10	977,908	280,720
Assets held for sale		1,704	1,831
Investment accounted for using the equity accounting method	9	359,544	311,352
Income taxes assets	16	343	-
Property and equipment, net	11	3,718	3,834
Intangible assets, net	11	11,829	11,543
Deferred tax assets, net	16	127,759	118,909
Total assets		**12,452,364**	**10,783,179**
LIABILITIES			
Financial liabilities at amortised cost		8,513,135	7,630,009
- Funds borrowed	*12*	*8,510,755*	*7,627,334*
- Lease liabilities		*2,380*	*2,675*
Accounts payable	14	736,998	321,857
Advances from customers	13	208,131	150,330
Provisions	14	55,500	45,254
Other liabilities	14	13,960	47,911
Derivative financial instruments	8	11,669	87
Provisions for employee benefits	15	7,178	6,714
Current income tax payable	16	-	29,638
Total liabilities		**9,546,571**	**8,231,800**
EQUITY			
Share capital	17	389,928	389,928
Adjustment to share capital	17	(31,017)	(31,017)
Total paid-in share capital	17	358,911	358,911
Share premium		2	2
Retained earnings and other reserves	18	2,546,880	2,192,466
Total equity		**2,905,793**	**2,551,379**
Total liabilities and equity		**12,452,364**	**10,783,179**

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

YAPI KREDİ FİNANSAL KİRALAMA A.O.

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	1 January - 31 December 2020	1 January - 31 December 2019
Interest income			
Interest income from direct finance leases measured at AC		872,059	929,045
Interest income on placements and transactions with banks measured at amortised cost		6,358	9,913
Interest income on derivative financial instruments		1,847	2,525
Total interest and similar income		**880,264**	**941,483**
Interest expense			
Interest expense on borrowings (-)		(342,037)	(357,048)
Interest expense on debt securities issued (-)		(2)	(49,783)
Total interest expenses (-)		**(342,039)**	**(406,831)**
Net interest income		**538,225**	**534,652**
Net trading income		5,540	-
Foreign exchange gains, including net gains or losses from dealing in foreign currency, net		41,431	9,569
Net interest income after foreign exchange gains or losses		**585,196**	**544,221**
Fee and commission expenses, net (-)		(1,430)	(6,443)
Expected credit loss provision, net		(154,931)	(107,980)
Operating expenses (-)	20	(66,929)	(57,534)
Other expenses, net (-)	19	(8,095)	(4,373)
Net operating income		**353,811**	**367,891**
Share of net profit of associates for using the equity method	9	88,574	73,734
Profit before income tax		**442,385**	**441,625**
Current income tax expense (-)	16	(96,337)	(67,177)
Deferred tax income/(expense)	16	8,728	(12,739)
Profit for the year		**354,776**	**361,709**
Earnings per share (in full TL)	23	0.9099	0.9276
Other comprehensive income/(loss)		**(362)**	**4,298**
Items that may be reclassified to profit or loss			
Changes in the fair value of debt instruments at fair value through other comprehensive income	9	468	4,782
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefits obligation, net of tax		(830)	(484)
Total comprehensive income		**354,414**	**366,007**

The accompanying notes 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.)

	Share capital	Adjustment to share capital	Share premium	Retained earnings and other reserves (Note 18)	Total equity
Balance at 1 January 2019	**389,928**	**(31,017)**	**2**	**1,826,459**	**2,185,372**
Total comprehensive income	-	-	-	366,007	366,007
Profit for the year	-	-	-	*361,709*	*361,709*
Other comprehensive income	-	-	-	*4,298*	*4,298*
Balance at 31 December 2019	**389,928**	**(31,017)**	**2**	**2,192,466**	**2,551,379**
Balance at 1 January 2020	**389,928**	**(31,017)**	**2**	**2,192,466**	**2,551,379**
Total comprehensive income	-	-	-	354,414	354,414
Profit for the year	-	-	-	*354,776*	*354,776*
Other comprehensive income	-	-	-	*(362)*	*(362)*
Balance at 31 December 2020	**389,928**	**(31,017)**	**2**	**2,546,880**	**2,905,793**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	1 January - 31 December 2020	1 January - 31 December 2019
Cash flows from operating activities			
Net profit for the year		354,776	361,709
Adjustments for:			
Depreciation and amortization	11, 20	9,236	6,842
Provision for employment benefits		2,595	2,615
Provision for tax and legal proceedings		7,173	7,173
Allowances for expected credit losses on lease receivables and other financial assets		154,931	107,980
Interest income, net		(538,225)	(534,652)
Income from associate under equity accounting method	9	(88,574)	(73,734)
Remeasurement on derivative financial instruments		15,855	(4,150)
Current and deferred income taxes	16	87,609	79,916
Net foreign currency exchange differences		2,088,319	926,933
Cash flows from operating profit before changes in operating assets and liabilities		**2,093,695**	**880,632**
Changes in operating assets and liabilities			
Net (increase)/decrease in finance lease receivables (-)		(567,232)	2,174,410
Net (increase)/decrease in other assets and prepaid expenses		(673,021)	79,428
Net decrease in other liabilities, accounts payable and advances received (-)		440,478	112,139
Interest received		853,869	974,455
Interest paid (-)		(309,563)	(439,510)
Taxes paid (-)		(126,521)	(31,688)
Employment benefits paid (-)		(1,771)	(2,176)
Net cash provided from operating activities (-)		**1,709,934**	**3,747,690**
Cash flows from investing activities			
Dividend received	21	17,919	29,892
Purchase of property and equipment and intangible assets, net		(10,333)	(8,804)
Net cash provided from investing activities		**7,586**	**21,088**
Cash flows from financing activities			
Proceeds from borrowings	12	4,511,598	5,810,522
Repayments of borrowings (-)	12	(5,868,519)	(9,149,909)
Repayments of debt securities issued (-)		-	(462,345)
Net cash used in financing activities (-)		**(1,356,921)**	**(3,801,732)**
Net (decrease)/increase in cash and cash equivalents		360,599	(32,954)
Effects of foreign exchange-rate changes on cash and cash equivalents		119,547	16,006
Cash and cash equivalents at the beginning of the year		92,681	109,629
Cash and cash equivalents at the end of the year	5	**572,827**	**92,681**

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

1. GENERAL INFORMATION

Yapı Kredi Finansal Kiralama A.O. (the “Company”) was established in 19 February 1987, pursuant to the license obtained from the Undersecretariat of Treasury, provides financial leasing and operating leasing services.

Yapı ve Kredi Bankası A.Ş. ("YKB" or “the Bank”) is the main shareholder of the Company and holds the control of the Company. YKB's publicly traded shares have been traded on Borsa Istanbul ("BIST") since 1987. As of 31 December 2020, 30.03% of the shares certificates of the YKB is publicly traded (31 December 2019: 18.10%). The remaining 81.90% is owned by Koç Finansal Hizmetler A.Ş. (“KFS”), a joint venture of UniCredit (“UCG”) and Koç Group.

As of 30 November 2019, Koç Group and UCG have reached a deal to exchange their shares in the YKB and KFS.

Accordingly, all the shares of KFS, which is currently a joint venture, are transferred to Koç Group. Besides, after the shares are transferred, KFS will hold 40.95%, UCG will hold 31.93% directly and Koç Group will hold a total of 49.99% directly and indirectly of the Parent Bank shares and become controlling shareholder.

In addition, as of 6 February 2020, UniCredit also announced the placement of 11.93% shares in YKB to institutional investors. The transaction has been completed on 13 February 2020. As a result, UCG holds directly 20.00% of the YKB shares.

As of 31 December 2020, the Company has 132 employees (31 December 2019: 139). The Company operates predominantly in one geographical region, Turkey, and in one industry segment, financial leasing.

The address of the registered office is Cömert Sokak No:1A D:18,19,20 Levent Mahallesi, Beşiktaş/ İstanbul/Türkiye.

Approval of financial statements

The financial statements for the year ended 31 December 2020 have been approved for issue by the Company management on 2 February 2021.

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.

2.1 Basis of presentation of financial statements

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (“IASB”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation of financial statements (Continued)

These financial statements have been prepared under the historical cost convention, except for derivative financial assets and liabilities measured at fair value.

The Company which is incorporated in Turkey maintain its books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. Functional currency of the Company is the Turkish Lira ("TL"), being the currency of economic environment in which the Company operates. The financial statements have been prepared in accordance with IFRS and presented in TL. For the purpose of fair presentation in accordance with IFRS, certain adjustments and reclassifications have been made to the statutory financial statements.

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

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

The Company's current financial statements are prepared in comparison with the previous period to allow the determination of the financial position and performance trends. The comparative information is restated or classified when necessary in terms of ensuring compliance with the presentation of current period financial statements.

2.2 Changes in accounting policies and disclosures

The social and economic measures have been taken to reduce the negativity of COVID -19 epidemic, which was spread globally in the first half of 2020, in our country as in other countries where the epidemic is effective and measures with partial changes continue to be implemented.

The Company has reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected credit losses are explained in the explanations on the impairment of financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New and Revised International Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2020:

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

  i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in IAS 1 about immaterial information.

- **Amendments to IFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New and Revised International Financial Reporting Standards (Continued)

b) ***Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:***

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- **Amendments to IAS 1, Presentation of financial statements on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.

    - **Amendments to IFRS 3**, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. .

    - **Amendments to IAS 16**, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

    - **Amendments to IAS 37**, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

  Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 New and Revised International Financial Reporting Standards (Continued)

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

The new standards, amendments and interpretations which will be effective after 1 January 2021 are not expected to have a material impact on the Company's financial statements.

2.4 Accounting policies, judgements and estimates

Related parties

For the purposes of these financial statements, shareholders who has the controlling power, key management personnel and Board of Directors, in each case together with companies controlled by/or affiliated with them or with their close family members, associated companies and other companies within the UniCredit ("UCI") and Koç Holding A.Ş. group companies are considered and referred to as related parties (Note 21).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

(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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand. For the purposes of the cash flow statement, cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Finance leases

The Company as lessor

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. A lease is recognized when there is a contractual right to be the asset's cash flow and derecognized when all contractual rights and obligations expire. Amounts due from leases under finance leases are recorded as receivables at the amount of the net investment in the leases. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognized on sale of leased assets is recorded as gain on liquidation of investments.

Gross rental payments due but not received at the balance sheet date are classified as receivables from outstanding lease payments. Receivables from outstanding lease payments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment as discussed below.

Operating leases

The Company as lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Foreign currency translation

The financial statements are presented in TL, which is the Company’s functional and presentation currency. Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are recognized in the income statement.

Foreign currency translation rates used by the Company as of respective year-ends are TL 7.3405 = US$ 1 and TL 9.0079 = EUR 1 (2019 TL 5.9402 =US$ 1 and TL 6.6506 = EUR 1).

Financial assets

The Company classifies its financial assets in the following categories: “Financial Assets at Fair Value Through Profit or Loss”; “Financial Assets Measured at Fair Value Through Other Comprehensive Income” or “Financial Assets Measured at Amortised Cost”. The financial assets are recognized or derecognized in accordance with the “Recognition and Derecognition” principles defined in Section 3 related to the classification and measurement of financial instruments of the "IFRS 9 Financial Instruments" standard. At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Company recognizes a financial asset in the financial statement when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management. When the business model determined by the Company’s management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to earnings, losses or interest that were previously recorded in the financial statements.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to “hold to collect” and “hold & sell” the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through profit or loss are initially recognized at fair value and are subsequently measured at fair value. Gain and losses upon their valuation are accounted under the profit or loss accounts.

Equity securities classified as financial assets at fair value through profit or loss are recognized at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Transaction costs that are directly attributable to the acquisition are expensed immediately. All derivative financial instruments are classified as held for trading. Certain derivative transactions, even though providing effective economic hedges under the Company's risk management position, do not qualify for hedge accounting under the specific rules in IFRS 9 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair values are obtained from quoted market prices and from discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2020 and 31 December 2019 All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 8).

Financial assets at fair value through other comprehensive income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

The Company may elect at initial recognition to irrevocably designate an equity investment at fair value other comprehensive income where those investments are hold for purposes other than to generate investments returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends that represent a return on the investment continue to be recognised in profit or loss in the financial statements.

All equity instruments classified as financial assets at fair value through other comprehensive income are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Classification of financial assets reflects the business model of how the Company manages the assets in order to generate cash flows. Company's business model may be to collect solely the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Financial assets measured at amortised cost

A financial asset is classified as a financial asset measured at amortised cost when the Company's policy within a business model is to hold the asset to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal of interest at certain dates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Financial asset measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method. Interest income related to the financial asset measured at amortised cost is recognized in the statement of income.

Finance lease receivables

Finance lease receivables are financial assets to Company's customers with fixed or determinable payment terms which are not traded on an active market and measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method. Finance lease receivables to customers are carried at amortised cost, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in the income statement in "Expected credit loss expense for finance lease receivables.

Netting of financial assets and liabilities

Financial assets and liabilities are off-set and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Recognition and derecognition of financial instruments

The Company recognizes a financial asset or financial liability in the balance sheet only when it becomes a party to the contractual provisions of the instrument.

The Company recognizes all regular way purchases and sales of financial assets on the settlement date i.e. the date that the asset is delivered. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortised cost; change in value is not recognized.

The Company derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Company has also assumed an obligation to pay them in full without material delay to a third party; or the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

The Company does not have any assets where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Company's continuing involvement in the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

The Company derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Assessment of the business model

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not a single instrument basis approach for classification and should be determined on a higher level of aggregation.

During the assessment of the business model for management of financial assets, all relevant evidences at the assessment date have been taken into consideration. Such relevant evidence includes below:

- How the performance of the portfolio is evaluated and reported to the Company’s management;
- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets with duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company’s stated objective for managing the financial assets is achieved and how cash flows are realized.

If cash flows are realized in a way that is different from the expectations on the date of the assessment of the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as all relevant information that was available at the time of business model assessment were. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realized in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- Business model whose objective is to hold assets in order to collect contractual cash flows financial assets that are held within a business 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. That is, the Company manages the assets held within the portfolio to collect those particular contractual cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Although the objective of Company's business model may be to hold financial assets in order to collect contractual cash flows, the Company does not need to hold all of those instruments until the maturity. Thus, Company's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future.

The business model may be to hold assets to collect contractual cash flows even if the Company sells financial assets when there is an increase in the assets' credit risk. The Company considers reasonable and supportable information, including forward looking information in order to determine whether there has been an increase in the assets' credit risk. Regardless of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a business model whose objective is to hold financial assets to collect contractual cash flows because the credit quality of financial assets is relevant to the Company's ability to collect contractual cash flows.

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Company may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Company's management has made a decision on both collecting contractual cash flows and selling financial assets are necessary for achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to manage liquidity needs on daily basis, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities funding those assets. To achieve such an objective, the Company will both collect contractual cash flows and sell financial assets.

Compared to a business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it.

- Other business models

Financial assets are measured at fair value through profit or loss if 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.

A portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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.

Impairment of financial assets

A loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, commitments and financial guarantee contracts in accordance with IFRS 9 principles. Equity instruments are not subject to impairment assessment as they are measured at fair value.

Measurement of the expected credit losses reflects:

- Time value of money
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date

Expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions and the time value of money. The financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset will be transferred to this Stage. Impairment for credit risk will be determined on the basis of the instrument's lifetime expected credit losses. Following criterias have been taken into account in classification a financial asset as Stage 2:

- The receivable is overdue more than 30 days
- Restructured receivables
- Concordatum files
- Significant deterioration in probability of default

In the case of the occurrence of any of the first four items above, it is classified under Stage 2 receivables regardless of the comparison between probability of defaults.

Significant deterioration in probability of default is considered as significant increase in credit risk and the financial assets is classified under Stage 2 financial assets. In this regard, it is assumed that the probability of default deteriorates.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized.

Life-time expected credit loss is calculated on an individual or collective basis for the financial assets in Stage 2 and Stage 3.

The Company uses specific models for calculating the expected credit loss; such models are based on the parameters of PD, LGD and EAD and on the effective interest rate. In particular:

- the PD (Probability of Default), represents the probability of occurrence of an event of default of the credit exposure, in a defined time lag;
- the LGD (Loss Given Default), represents the percentage of the estimated loss, and thus the expected rate of recovery, at the date of occurrence of the default event of the credit exposure;
- the EAD (Exposure at Default), represents the measure of the exposure at the time of the event of default of the credit exposure;
- the Effective interest rate is the discount rate that expresses of the time value of money.

Such parameters are calculated starting from the corresponding parameters used for IRB preparation purposes, with specific adjustments in order to ensure consistency between accounting and regulatory treatment despite different regulatory requirements.

The main adjustments aimed at:

- removal of prudency principal required for IRB preparation phase;
- introducing "point-in-time" adjustments to replace "through-the-cycle" adjustments required for IRB preparation phase (Company is at pre-application Stage for A-IRB models. IFRS-9 parameters developed over these parameters.);
- with reference to lifetime PD, through-the-cycle PD curves obtained by adjusting observed cumulated default rates were calibrated in order to reflect point-in-time on portfolio default rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Recovery rate incorporated into through-the-cycle LGD was adjusted in order to remove prudency principle and to reflect the most updated trend of recovery rates discounted at effective interest rate or at its best approximation.

The lifetime EAD has been obtained by converting the 1 year regulatory or managerial model to lifetime, removing margin of prudency and including the expected discounted cash flow.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses which is aimed at transferring credit exposures from Stage 1 to Stage 2.

With reference to the quantitative component of the model for Stage allocation, the Company has adopted a statistical approach based on a quantiles regression whose objective is to define a threshold in terms of maximum variation acceptable between the PD at the time of origination and the PD assessed at the reporting date.

The Stage Allocation model was based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between the PD measured at the time of recognition and PD as at the reporting date, both calculated according to internal models, through thresholds set in a way considering all key variables of each transaction that can affect the Company's expectation of PD changes over time;
- absolute elements such as the backstops required by law;
- additional internal evidence

Default definition is determined as the followings:

- The receivable is overdue more than 90 days after considering lease invoice payment term defined by related laws (i.e. plus 60 days)
- The customer is not able to pay at least one of the payables to the Company (cross default)
- Having a negative intelligence and bad-record for the borrower in the market.
- Deterioration of the creditworthiness of the borrower.

The Company does not have any financial asset as purchased or originated credit-impaired.

Assets held for sale

The assets sustaining the criteria of being classified under assets held for sale are measured with the lower of their book values or fair value less costs to be incurred for sale. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold at once in the circumstances of usual conditions and should have a high possibility to be sold. Besides, the asset (or the asset group to be disposed) shall be traded actively with a price in concordance with its "fair market value".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Property and equipment

All property and equipment is 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 property and equipment 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:

Furniture and fixtures	5-10 years
Machinery, equipment and installations	6 years
Leasehold improvements	Shorter of lease period or useful lives
Right of use assets	1-3 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.

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

Intangible assets

Intangible assets are measured initially at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Intangible assets mainly comprise of expenditures to acquire software licenses and amortised by using the straight-line method over their useful lives of 3 or 5 years.

Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Company's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in the statement of other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Income taxes

a. Current income taxes

Tax expense/(income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred taxes.

The Company is subject to Turkish taxation legislation. Where there are matters causing the final tax outcome to be different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2019.

As of 31 December 2020, the Company carries TL 343 income taxes asset (31 December 2019: TL 29,638 income taxes payable) and TL 127,759 of net deferred tax asset (31 December 2019: TL 118,909 net deferred tax asset).

b. Deferred income taxes

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

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

The principal temporary differences arise from the provision for impaired lease receivables, provisions and derivative financial instruments (Note 16).

The deferred tax is calculated using the enacted tax rates that are valid as of the balance sheet date in accordance with the tax legislation in force. According to the Law, which was approved in the Grand National Assembly on 28 November 2017 and published in the Official Gazette dated 5 December 2017, the rate of Corporate Tax for the years 2018, 2019 and 2020 was increased from 20% to 22%. In this context, as of 31 December 2020 the Company uses 20% tax rate in the calculation of deferred tax, taking into account the periods in which deferred tax assets are realized or deferred tax liabilities are fulfilled, based on the Law that have been enacted (31 December 2019: 20% or 22%).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

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

Income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity and not in the statement of profit or loss. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Employment termination benefits

Defined benefit plans

Obligations related to employee termination benefits are accounted for in accordance with "International Accounting Standard for Employee Rights" ("IAS 19") and are classified under "employment benefits" account in the balance sheet.

Under the Turkish Labor Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. Employment termination benefits represent the estimated present value of the total reserve of the future probable obligation of the Company arising in the case of the retirement of the employees in accordance with this Law and is calculated using the projected unit credit method (Note 15).

Defined contribution plans

The Company also has to pay contributions to the Social Security Institution (Institution) for its employees within the contribution margin decided by the law. The Company does not have other liabilities to its employees or to the Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

Short term plans

The Company also provides for short-term employee benefits such as vacation rights and bonuses in accordance with IAS 19.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Revenue recognition

Financing leases consist of full-payout 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 recognized over the term of the lease. The revenue is recognized in order to provide a constant periodic rate of return on the net investment remaining in each lease.

Interest income and expenses are recognized in the income statement for all interest-bearing instruments on an accrual basis.

Borrowing costs

All borrowing costs are recorded in the statement of comprehensive income in the period in which they are incurred.

Interest income and expense

Interest income and expense are recognized in the income statement for all interest-bearing instruments whose cash inflows and outflows are known or can be estimated on an accrual basis.

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in the financial statements and treated as contingent assets or liabilities.

Share capital and dividends

Dividends on ordinary shares are recognized 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.

Earnings per share

Earnings per share presented in the statement of comprehensive income are determined by dividing net income attributable to that class of shares by the weighted average number of such shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (bonus shares) to existing shareholders from retained earnings and inflation adjustment to shareholders' equity. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Accounting policies, judgements and estimates (Continued)

Subsequent events

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

Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments and whose operation results are regularly reviewed by Board of Directors. The Company does not present segment information from the geographic perspective and business perspective since the Company operates in one geographical area (Turkey) and performs its activities only in finance lease sector.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company management makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions 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 judgments, 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 4). Judgments that have the most significant effect on the amounts recognized 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:

Allowance for impairment of finance lease receivables

The Company reviews its financial assets classified as measured at amortised cost at each statement of financial position date to assess whether they are impaired in line with the descriptions set out in accounting policy Note 2.

The methodology and assumptions used for estimating both significant increase in credit risk and forward-looking information in Note 2 are discussed below.

Significant increase in credit risk

In the assessment of significant increase in credit risk quantitative and qualitative assessments are made;

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Quantitative assessment:

As a result of quantitative assessment, related financial asset is classified as Stage 2 (Significant Increase in Credit Risk) when any of the following criteria are satisfied.

As of reporting date:

- Lifetime expected credit losses shall be recognized on a transaction base, when 30 days past due status is reached. The Company can abandon this estimation when it has reasonable and supportable information available which demonstrates that even if contractual payments become more than 30 days past due, this does not represent a significant increase in the credit risk of a financial instrument.
- In case a receivable has been restructured, it will be followed up under Stage 2 during the follow-up period mentioned in the related regulations. The receivable can be transferred back to Stage 1 at end of the follow-up period if there is no significant deterioration.

Qualitative assessment:

The probability of significant increase in credit risk under qualitative assessment is based on the comparison of probability of default of a receivable in the origination and as of reporting date.

The Company uses distribution regression on segment basis in order to calculate the thresholds used in defining the significant increase in credit risk.

Financial instruments defined as low risk for IFRS 9 are;

- Receivables with counterparty of Turkish Government;
- Bank placements;
- Other money market transactions;
- Transactions of Company's associates and subsidiaries

Forward looking information:

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation.

For the calculation of expected credit loss, Company uses macroeconomic estimation method which is developed during creation of various scenarios. Macroeconomic variables prevailing during these estimates are Gross Domestic Product (GDP) the Deflator of Gross Domestic Product and Mortgage Price Index.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The total carrying value of such net finance lease receivables as of 31 December 2020 is TL 10,403,902 (31 December 2019: TL 9,959,083) with the impairment allowance of TL 567,971 (31 December 2019: TL 531,901).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

While generating data for expected credit loss calculation, OECD countries, in the context of estimating macroeconomic information of international monetary policy and the intensity of the sector, specifications and estimates of econometric models revealing past relationships between credit risk parameters and macroeconomic variables are employed in order to be able to generate estimates based on macroeconomic information.

When expected credit losses are estimated in accordance with the forward-looking macroeconomic information, the Company evaluates 3 scenarios (base, pessimistic and optimistic) with various weights based. Each of these scenarios are in relation with different probability of default risk.

Where macroeconomic scenarios do not include longer than 1-year maturity, a process called "convergence to the mean" is applied.

Provisions for legal proceedings

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in order to recognize allowances for litigations, the Company determines probable outflow of resources embodying economic benefits that are as a result of a past event and will be required to settle the obligation with a reliable estimate of the amount of the obligation. Within this scope, the Company management evaluates with the Company lawyers and makes most accurate evaluations with the available data. The Company has accounted for a litigation provision as of 31 December 2020 amounting to TL 44,778 (31 December 2019: TL 37,180).

Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realization 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 16).

4. FINANCIAL RISK MANAGEMENT

Financial risk factors and risk management

The Company's activities expose to a variety of financial risks including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is carried out by Treasury and Foreign Relations department under policies approved by the Board of Directors. Treasury and Foreign Relations department identifies, evaluates and hedges financial risks in close co-operation with the operating units.

4. FINANCIAL RISK MANAGEMENT (Continued)

The core business of the Company is to serve clients' financial needs, therefore typically the Company acts as a financial institution, an activity which could expose the Company to risks such as foreign exchange risk, interest rate risk and liquidity risk. The Treasury mainly focuses on the structure of the Company's assets and liabilities while analysing these risks. The Treasury's mission is to provide funds to the Company, to manage the structural excess of liquidity to match the foreign currency exposure and interest rate risk of the Company; in addition it tries to achieve the projected revenues of the Treasury budget, while minimizing the volatility of the results. The Treasury also aims to satisfy the Regulator's requirements.

The Rule Book is subject to the approval of the Board of Directors, which also approves any proposed amendment to it. It will be the Company's responsibility to assure regular compliance with these principles and limits.

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 foreign exchange risk and interest rate risk by considering market risk.

For the market risk management some general guidelines apply;

- Yapı ve Kredi Bankası A.Ş. Risk Management and the Company's Board of Directors are informed of and they approve any major change in the risk portfolio or any important decision regarding market risk before any action is taken.
- All market risks are managed by the Company's Treasury.
- Planning and Control is independent from the Treasury and reports directly to general manager and Asset Liability Committee.
- Interest rate and foreign exchange risk is managed by the Treasury and it is the Treasury's responsibility to keep these within the limits.
- Derivative trading is allowed only for hedging purposes.
- Investments in government bonds are allowed if in Turkish domestic debt. Other government bonds are subject to the approval of the Board of Directors.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company enters into a derivative financial instrument to manage its exposure to interest rate risk and currency risk.

There has been no major change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

i. 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 Treasury monitors daily the foreign currency position of the Company. Monthly reporting of the foreign currency position, in detailed tables by maturity and currency, is the responsibility of Planning and Control. A maximum limit of (+/-) EUR 6,500,000 (Full amount) (2019: (+/-) EUR 6,500,000 (Full amount)) for foreign currency exposure is projected by the Company. The Company invests in derivative financial instruments to match its assets and liabilities denominated in foreign currencies.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

The table below summaries the Company's exposure to foreign currency exchange rate risk at 31 December 2020 and 31 December 2019.

	TL Equivalent			
31 December 2020	**USD**	**EUR**	**Other**	**Total TL equivalent**
Assets				
Cash and cash equivalents	235,750	319,162	7,785	562,697
Finance lease receivables	1,637,629	5,573,132	45,013	7,255,774
Other assets and prepaid expenses	154,032	490,206	20	644,258
Total assets	**2,027,411**	**6,382,500**	**52,818**	**8,462,729**
Liabilities				
Borrowings (-)	(1,565,401)	(5,647,602)	(45,633)	(7,258,636)
Lease payables (-)	-	(824)	-	(824)
Advances received from customers (-)	(163,143)	(404,715)	(3,934)	(571,792)
Provisions (-)	(34,133)	-	(3,132)	(37,265)
Accounts payable (-)	(28,640)	(38,641)	(36)	(67,317)
Total liabilities	**(1,791,317)**	**(6,091,782)**	**(52,735)**	**(7,935,834)**
Net balance sheet position	**236,094**	**290,718**	**83**	**526,895**
Off-balance sheet derivative instruments net notional position	(138,735)	(75,667)	-	(214,402)
Net foreign currency position (*)	**97,359**	**215,051**	**83**	**312,493**

(*) Had the impact of the currency difference arising from the transactions between the Company and its customers, which would have been reflected to tenants, been eliminated, the net foreign exchange position would have occurred as TL 6,723 in USD, TL 35,775 in Euro, TL 2,710 in other currencies and TL 45,208 in total.

	TL Equivalent			
31 December 2019	**USD**	**EUR**	**Other**	**Total TL equivalent**
Assets				
Cash and cash equivalents	2,241	1,359	1,124	4,724
Finance lease receivables	1,883,027	5,958,390	60,737	7,902,154
Other assets and prepaid expenses	32,864	167,861	15	200,740
Total assets	**1,918,132**	**6,127,610**	**61,876**	**8,107,618**
Liabilities				
Borrowings (-)	(989,996)	(6,514,627)	(70,850)	(7,575,473)
Lease payables (-)	-	(1,278)	-	(1,278)
Advances received from customers (-)	(10,799)	(49,836)	(26)	(60,661)
Provisions (-)	(27,642)	-	(2,450)	(30,092)
Accounts payable (-)	(69,023)	(221,176)	(3,007)	(293,206)
Total liabilities	**(1,097,460)**	**(6,786,917)**	**(76,333)**	**(7,960,710)**
Net balance sheet position	**820,672**	**(659,307)**	**(14,457)**	**146,908**
Off-balance sheet derivative instruments net notional position	(844,089)	791,554	12,801	(39,734)
Net foreign currency position (*)	**(23,417)**	**132,247**	**(1,656)**	**107,174**

(*) Had the impact of the currency difference arising from the transactions between the Company and its customers, which would have been reflected to tenants, been eliminated, the net foreign exchange position would have occurred as TL 6,451 in USD, TL 35,435 in Euro, TL 313 in other currencies and TL 42,199 in total.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2020, assets, liabilities and off-balance sheet derivative instruments denominated in foreign currency were translated into TL by using a foreign exchange rate of and TL 7.3405 = US$ 1 and TL 9.0079 = EUR 1 (2019: TL 5,9402 = US$ 1 and TL 6,6506 = EUR 1).

Foreign currency sensitivity

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar and Euro.

The following table details the Company's sensitivity to a 20% increase and decrease in the TL against the relevant foreign currencies as of 31 December 2020 is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. A positive number indicates an increase in profit or loss where the TL weakens against the relevant currency.

	Profit/(Loss) 2020	**Profit/(Loss) 2019**
US Dollar	1,345	1,290
EURO	7,155	7,087
Other	542	63

In the case of appreciation of TL against US$ and EUR by 20%, totals shown above has equal and opposite effect on the income statement,

ii. Interest rate risk

Movements in market interest rates which lead to price fluctuations in financial instruments of the Company require the management of the interest risk. It is Treasury and Foreign Relations Department that follows up the Company's interest sensitive assets, liabilities and off-balance sheet items. In addition, Business Planning and Financial Reporting Department reports the interest rate risk by distributing interest rate risk into monthly time bands according to their maturity. The interest rate risk is measured on a monthly basis using Economic Value Sensitivity Analysis, Interest Rate Stress Testing and various scenarios.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

According to the Sensitivity Analysis as at 31 December 2020, in the scenario of one basis point increase in the TL interest rate and the foreign currency interest rate with all other variables being constant, there will be TL 1,370 (2019: TL 1,596).

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

4. FINANCIAL RISK MANAGEMENT (Continued)

The table below summaries the average year-end interest rates by major currencies for monetary financial instruments:

	31 December 2020 (%)			31 December 2019 (%)		
	US$	**EUR**	**TL**	**US$**	**EUR**	**TL**
Assets						
Finance lease receivables	6.71	4.91	15.86	6,58	4,90	19,76
Time deposits	1.79	0.41	-	-	-	9,80
Liabilities						
Borrowings	3.86	2.77	15.76	5,12	2,71	21,75

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.

31 December 2020	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 Year**	**Non-interest bearing**	**Total**
Assets					
Cash and cash equivalents	565,518	-	-	-	565,518
Finance lease receivables	1,271,235	2,377,370	6,656,405	98,891	10,403,901
Total assets	**1,836,753**	**2,377,370**	**6,656,405**	**98,891**	**10,969,419**
Liabilities					
Borrowings	2,850,244	3,953,573	1,706,938	-	8,510,755
Total liabilities	**2,850,244**	**3,953,573**	**1,706,938**	**-**	**8,510,755**
Net re-pricing gap	**(1,013,491)**	**(1,576,203)**	**4,949,467**	**98,891**	**2,458,664**

31 December 2019	**Demand and up to 3 months**	**3 to 12 months**	**Over 1 Year**	**Non-interest bearing**	**Total**
Assets					
Cash and cash equivalents	91,494	-	-	-	91,494
Finance lease receivables	1,153,891	2,275,723	6,393,011	136,458	9,959,083
Total assets	**1,245,385**	**2,275,723**	**6,393,011**	**136,458**	**10,050,577**
Liabilities					
Borrowings	3,793,530	2,557,522	1,276,282	-	7,627,334
Total liabilities	**3,793,530**	**2,557,522**	**1,276,282**	**-**	**7,627,334**
Net re-pricing gap	**(2,548,145)**	**(281,799)**	**5,116,729**	**136,458**	**2,423,243**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

b. Credit risk

Financial instruments contain an element of risk that the counterparty may be unable to meet the terms of the agreements. This risk is managed by limiting the aggregate risk to any individual counterparty and financial institution. The Company's exposure to credit risk is concentrated in Turkey where the majority of the activities are carried out. The credit risk is generally diversified due to the large number of entities comprising the customer bases and their dispersion across different industries.

The table below summaries the geographic distribution of the Company's assets and liabilities at 31 December 2020 and 31 December 2019:

31 December 2020	**Assets**	**%**	**Liabilities**	**%**
Turkey	11,893,832	95	7,236,090	76
European countries	366,210	3	1,986,301	21
Other	192,322	2	324,180	3
	12,452,364	**100**	**9,546,571**	**100**

31 December 2019	**Assets**	**%**	**Liabilities**	**%**
Turkey	10,427,490	96	3,679,200	45
European countries	289,671	3	4,363,006	53
Other	66,018	1	189,594	2
	10,783,179	**100**	**8,231,800**	**100**

The Company takes following criteria into consideration for the identification of default:

- The receivable is overdue more than 90 days
- The customer is not able to pay at least one of the payables to the Company (cross default)
- Having a negative intelligence and bad record for the borrower in the market,
- Deterioration of the creditworthiness of the borrower,

Probability of default of a customer is calculated through a rating system which is developed by the Company's shareholder, YKB.

Maximum exposure to credit risk

	31 December 2020	**31 December 2019**
Credit risk exposures relating to balance sheet items:		
Due from banks	565,518	91,494
Finance lease receivables, net	10,403,901	9,959,083
Derivative financial instruments	-	4,273
Other financial assets	977,908	280,720

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

4. FINANCIAL RISK MANAGEMENT (Continued)

The above table represents worst case scenario of credit risk exposure in the absence of any collateral or credit enhancements.

The main types of collateral obtained are as follows:

- Equipment and goods subject to financial lease,
- For commercial lending, mortgages over real estate properties, cash, guarantee letters, securities, pledges or guarantees
- For retail lending, mortgages over residential properties or pledges on vehicles

The rating concentration of lease receivable customers according to Company's rating evaluation is as follows:

	Rating class	31 December 2020	31 December 2019
Above average	1 - 4	3,766,446	4,839,325
Average	5 - 6	5,985,344	4,479,921
Below average	7 - 9	652,111	639,837
Total		**10,403,901**	**9,959,083**

Further credit risk related disclosures are presented in Note 7.

c. 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. To hedge against this risk, management has diversified funding sources, and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents. Moreover, the ability to fund the existing and prospective debt requirements and cover withdrawals at unexpected levels of demand is managed by maintaining the availability of adequate funding lines from shareholders and high-quality investors.

The following table presents the cash flows payable by the Company under derivative and non-derivative financial liabilities based on 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.

Non-derivative financial liabilities:

31 December 2020	Up to 3 months	3 to 12 months	Over 1-year	No definite maturity	Total
Borrowings	2,152,019	2,918,549	3,788,137	-	8,858,705
Lease liabilities	790	1,467	264	-	2,521
Total cash outflows	**2,152,809**	**2,920,016**	**3,788,401**	**-**	**8,861,226**

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

4. FINANCIAL RISK MANAGEMENT (Continued)

Derivative financial instruments:

31 December 2020	**Up to 3 months**	**3 to 12 months**	**Over 1-year**	**No definite maturity**	**Total**
Derivative financial instruments held for trading	-	426,575	-	-	426,575
Total cash outflows	**-**	**426,575**	**-**	**-**	**426,575**

Non-derivative financial liabilities:

31 December 2019	**Up to 3 months**	**3 to 12 months**	**Over 1-year**	**No definite maturity**	**Total**
Borrowings	238,603	3,952,500	3,763,408	-	7,954,511
Lease liabilities	672	1,318	685	-	2,675
Total cash outflows	**239,275**	**3,953,818**	**3,764,093**	**-**	**7,957,186**

Derivative financial instruments:

31 December 2019	**Up to 3 months**	**3 to 12 months**	**Over 1-year**	**No definite maturity**	**Total**
Derivative financial instruments held for trading	-	1,691,590	-	-	1,691,590
Total cash outflows	**-**	**1,691,590**	**-**	**-**	**1,691,590**

d. 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.

e. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement 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 realize 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.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

The table below indicates the fair value of the financial instruments which are stated at amortised cost in the statement of financial position:

	Carrying amount		**Fair value**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Cash and cash equivalents	565,518	91,494	565,518	91,494
Finance lease receivables	10,403,901	9,959,083	10,591,088	10,608,763
Borrowings	8,510,755	7,627,334	8,277,987	7,713,832
Financial leases payables	2,380	2,675	2,380	2,675

The discount rate used to calculate the fair value of US dollar, EUR and TL finance lease receivables as at 31 December 2020 are %5.7, %4.8 and %19.8 (2019: %6.7, %5.1 and %17.1), respectively.

The discount rate used to calculate the fair value of US dollar, EUR and TL borrowings as at 31 December 2020 are %2.5, %3.8 and %18.5 (2019: %5.0, %3.6 and %23.1), respectively.

Fair value hierarchy

Fair values of financial assets and liabilities that are carried with their fair values on the balance sheet, are determined as follows:

- Level 1: Financial assets and liabilities are valued at the quoted prices (unadjusted) in an active market for identical assets and liabilities,
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the quoted market price of the relevant asset or liability mentioned in Level 1,
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability,

There are not any significant transfers between Level 1 and Level 2 of the fair value hierarchy.

According to these classification principles stated, the Company's classification of financial assets and liabilities carried at their fair value are as follows:

31 December 2020	**Level 1**	**Level 2**	**Level 3**
Trading derivative financial liabilities	-	11,669	-
Total liabilities	**-**	**11,669**	**-**

31 December 2019	**Level 1**	**Level 2**	**Level 3**
Trading derivative financial assets	-	4,273	-
Total assets	**-**	**4,273**	**-**
Trading derivative financial liabilities	-	87	-
Total liabilities	**-**	**87**	**-**

Since available for sale share certificates are not quoted in a stock exchange, they are carried at cost and are not included in the table above.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

f. Capital management

In accordance with Article 12 of the "Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013, the Company is required to keep minimum 3% standard ratio calculated by dividing equity to total assets. Standard ratio of the Company is 23.3% as of 31 December 2020 (31 December 2019: 23.7%) as calculated in accordance with statutory financial statements.

5. CASH AND CASH EQUIVALENTS

	31 December 2020			31 December 2019		
	Foreign currency	TL	Total	Foreign currency	TL	Total
Due from banks						
- Time deposits	568,029	-	568,029	-	87,223	87,223
- Demand deposits	2,109	2,861	4,970	4,786	695	5,481
- Allowance for expected losses (-)	(7,441)	(40)	(7,481)	(61)	(1,149)	(1,210)
Total cash and cash equivalents	**562,697**	**2,821**	**565,518**	**4,725**	**86,769**	**91,494**

Accrued interest on time deposits amounts to TL 172 as of 31 December 2020 (31 December 2019: TL 23).

For the purpose of presentation in the statement of cash flows, breakdown of cash and cash equivalents is as follows:

	31 December 2020	31 December 2019
Due from banks	572,999	92,704
Accrued interest (-)	(172)	(23)
	572,827	**92,681**

TL equivalents of foreign currency details of the demand deposits as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
TL	2,861	695
EUR	1,448	1,377
CHF	432	1,148
USD	229	2,256
JPY	-	4
GBP	-	1
Total	**4,970**	**5,481**

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

5. CASH AND CASH EQUIVALENTS (Continued)

Details of time deposits are presented below:

	31 December 2020			31 December 2019		
	Maturity	**Amount (TL Equivalent)**	**Per-annum rate (%)**	**Maturity**	**Amount (TL Equivalent)**	**Per-annum rate (%)**
EUR	January 4,2021	96,565	0.05	-	-	-
EUR	January 14,2021	90,086	0.75	-	-	-
USD	February 15,2021	73,429	3	-	-	-
USD	January 4,2021	73,409	1	-	-	-
USD	January 4,2021	51,514	3	-	-	-
EUR	January 8,2021	45,042	0.5	-	-	-
EUR	January 11,2021	45,042	0.5	-	-	-
EUR	January 4,2021	45,040	0.25	-	-	-
USD	January 4,2021	40,446	0.14	-	-	-
CHF	January 18,2021	5,799	0.01	-	-	-
CHF	January 18,2021	1,657	0.01	-	-	-
TL	-	-	-	2 January 2020	87,223	9.8
Total		**568,029**			**87,223**	

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	31 December 2020	**31 December 2019**
Unlisted equity securities	140	140
Total	**140**	**140**

The unlisted equity securities at 31 December 2020 and 31 December 2019 are as follows:

Entity	**Nature of business**	**31 December 2020 TL**	**31 December 2020 (%)**	**31 December 2019 TL**	**31 December 2019 (%)**
Yapı Kredi Bank Azerbaijan J.S.C.	Banking	109	<1	109	<1
Yapı Kredi Yatırım Menkul Değerler A.Ş.	Investment Management	14	<1	14	<1
Koç Kültür Sanat ve Tanıtım A.Ş.	Organisation	10	4,9	10	4,9
Yapı Kredi Faktoring A.Ş.	Factoring	7	<1	7	<1
Unlisted equity securities		**140**		**140**	

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

7. FINANCE LEASE RECEIVABLES, NET

	31 December 2020	31 December 2019
Gross investment in direct finance leases	12,286,867	11,652,640
Invoiced lease receivables	107,903	60,752
Gross finance lease receivables	**12,394,770**	**11,713,392**
Unearned finance lease income (-)	(1,852,332)	(1,805,738)
Finance lease receivables	**10,542,438**	**9,907,654**
Credit impaired finance lease receivables	429,434	583,330
Less: 12-Month Expected Credit Losses (Stage 1)	(52,226)	(38,835)
Less: Lifetime expected credit loss for significant increase in credit risk (Stage 2)	(185,204)	(46,174)
Less: Expected credit loss for Stage 3	(330,541)	(446,892)
Finance lease receivables, net	**10,403,901**	**9,959,083**

At 31 December 2020 and 31 December 2019, the gross investment in direct finance leases according to their interest type are as follows:

	31 December 2020	31 December 2019
Fixed interest	11,939,256	11,304,378
Floating interest	455,514	409,014
Total	**12,394,770**	**11,713,392**

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

	31 December 2020		31 December 2019	
	Gross	Net	Gross	Net
Period end				
Upto 1 year	4,546,911	3,730,186	3,863,603	3,174,457
1-2 years	3,132,155	2,638,965	2,685,055	2,229,886
2-3 years	1,993,253	1,709,194	1,952,385	1,656,311
3-4 years	1,279,701	1,140,491	1,262,002	1,063,810
4-5 years	729,937	664,141	832,163	748,161
Over 5 years	712,813	659,461	1,118,184	1,035,029
	12,394,770	**10,542,438**	**11,713,392**	**9,907,654**

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

7. FINANCE LEASE RECEIVABLES, NET (Continued)

Net finance lease receivables can be analysed as follows:

	31 December 2020	31 December 2019
Stage 1	9,641,716	9,108,418
Stage 2	900,722	799,236
Stage 3	429,434	583,330
Gross lease receivables	**10,971,872**	**10,490,984**
Less: 12-Month Expected Credit Losses (Stage 1) (-)	(52,226)	(38,835)
Less: Lifetime expected credit loss for significant increase in credit risk (Stage 2) (-)	(185,204)	(46,174)
Less: Expected credit loss for Stage 3 (-)	(330,541)	(446,892)
Net finance lease receivables	**10,403,901**	**9,959,083**

As at 31 December 2020, TL 21,615 (31 December 2019: TL 107,192) of the total collaterals is related to the credit impaired finance lease receivables that are classified under Stage 3 amounting to TL 429,434 (31 December 2019: TL 583,330).

The aging of finance lease receivables that are classified under Stage 1 and Stage 2 at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	Invoiced amount	Remaining Principal	Invoiced amount	Remaining Principal
0-30 days	82,326	9,973,010	29,767	9,422,677
30-60 days	16,969	229,838	15,764	205,617
60 - 90 days	8,608	67,512	15,221	104,632
	107,903	**10,270,360**	**60,752**	**9,732,926**

As at 31 December 2020, TL 18,071 of related lease receivables that are classified in Stage 2 are followed-up by the Company via the watch list, remaining principal amount of the same lease receivables amounting to TL 469,751 is also followed-up via the watch list (31 December 2019: TL 21,959 of related lease receivables that are classified in Stage 2 are followed-up by the Company via the watch list, remaining principal amount of the same lease receivables amounting to TL 227,870 is also followed-up via the watch list).

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

7. FINANCE LEASE RECEIVABLES, NET (Continued)

The aging of finance lease receivables that are past due but not impaired as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020		31 December 2019	
	Invoiced amount	**Remaining Principal**	**Invoiced amount**	**Remaining Principal**
0-30 days	82,326	463,879	29,767	310,289
30-60 days	16,969	229,838	15,764	205,617
60 - 90 days	8,608	67,512	15,221	104,632
	107,903	**761,229**	**60,752**	**620,538**

The aging of credit impaired finance lease receivables at 31 December 2020 is as follows:

	31 December 2020		
	Invoiced amount	**Remaining principal**	**Total**
3 - 12 months	13,054	5,168	18,222
1 year and over	141,328	269,884	411,212
	154,382	**275,052**	**429,434**

The aging of credit impaired finance lease receivables at 31 December 2019 is as follows:

	31 December 2019		
	Invoiced amount	**Remaining principal**	**Total**
3 - 12 months	88,509	216,970	305,479
1 year and over	90,442	187,409	277,851
	178,951	**404,379**	**583,330**

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. As of 31 December 2020, renegotiated finance lease receivables that would otherwise be past due or impaired amounts to TL 1,359,704 (31 December 2019: TL 448,683). Due to COVID-19, the Company has been given the opportunity to postpone the principal, interest and instalment payments of its individual and corporate customers if requested, the postponing within this scope have been implemented by considering their own risk criteria. All renegotiated finance lease receivables are classified in Stage 2 as of 31 December 2020 and 31 December 2019.

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

7. FINANCE LEASE RECEIVABLES, NET (Continued)

Movements in provision for impaired finance lease receivables for the year ended 31 December 2020 are as follows:

	2020	2019
Opening - 1 January	**531,901**	**501,204**
Expected credit loss provision provided for lease receivables during the year	192,566	147,094
Recoveries and cancellation from amounts previously provided for (-)	(51,250)	(37,966)
Written-off during the period (-) (*)(**)	(105,246)	(78,431)
Closing - 31 December	**567,971**	**531,901**

(*) On 30 December 2020, the Company sold the portfolio of TL 105,246 from non-performing finance lease receivables and were previously fully impaired to Met-Ay Varlık Yönetim A.Ş. for TL 641 and removed the portfolio from the financial statements.

(**) On 26 June 2019, the Company sold the portfolio of TL 71,423 from non-performing finance lease receivables and were previously fully impaired to Met-Ay Varlık Yönetim A.Ş. for TL 265 and removed the portfolio from the financial statements.

Reconciliation of impairment allowance account for losses on finance lease receivables by class for the years ended 2020 and 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Beginning of the period (1 January 2020)	**38,835**	**46,174**	**446,892**	**531,901**
Additions	7,318	138,880	24,225	170,423
Disposals	(240)	(7,663)	(43,347)	(51,250)
Transfers	(107)	(214)	321	-
Transfer from Stage 1 to Stage 2	(107)	107	-	-
Transfer from Stage 2 to Stage 3	-	(321)	321	-
Write offs	-	-	(105,246)	(105,246)
Exchange differences	6,420	8,027	7,696	22,143
End of the period (31 December 2020)	**52,226**	**185,204**	**330,541**	**567,971**

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

7. FINANCE LEASE RECEIVABLES, NET (Continued)

	Stage 1	Stage 2	Stage 3	Total
Beginning of the period (1 January 2019)	**41,123**	**26,351**	**433,730**	**501,204**
Additions	10,524	28,805	96,456	135,785
Disposals	(9,547)	(13,560)	(14,859)	(37,966)
Transfers	(6,118)	2,036	4,082	-
Transfer from Stage 1 to Stage 2	(6,118)	6,118	-	-
Transfer from Stage 2 to Stage 3	-	(4,082)	4,082	-
Write offs	-	-	(78,431)	(78,431)
Exchange differences	2,853	2,542	5,914	11,309
End of the period (31 December 2019)	**38,835**	**46,174**	**446,892**	**531,901**

Economic sector risk concentrations for the gross investment in direct finance leases as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	Share (%)	31 December 2019	Share (%)
Energy	2,553,941	21	2,377,584	20
Construction	2,246,343	18	1,876,249	16
Textile	1,549,480	13	1,248,019	11
Real Estate	1,175,999	9	1,542,866	13
Steel and mining	973,957	8	859,290	7
Transportation	820,467	7	1,026,728	9
Health	560,514	5	224,918	2
Machinery and equipment	547,456	4	535,324	5
Petroleum and chemistry	541,688	4	291,451	2
Food	333,934	3	266,451	2
Printing	321,374	3	393,328	3
Automotive	191,443	2	193,008	2
Wholesale and retail trade	158,925	1	113,948	1
Tourism	84,772	1	53,666	<1
Agriculture	32,337	<1	28,310	<1
Financial institutions	8,535	<1	3,342	<1
Education	8,116	<1	79,116	<1
Other	285,489	1	599,794	7
	12,394,770	**100**	**11,713,392**	**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.

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

7. FINANCE LEASE RECEIVABLES, NET (Continued)

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.

Finance lease receivables are further analysed as a part of the balance sheet in the notes: related party transactions (Note 21) and financial risk management (Note 4).

8. DERIVATIVE FINANCIAL INSTRUMENTS

31 December 2020	Contract/notional amount	Fair values Assets	Fair values Liabilities (-)
Foreign exchange derivatives			
Currency swaps	426,575	-	(11,669)
Total	**426,575**	**-**	**(11,669)**

31 December 2019	Contract/notional amount	Fair values Assets	Fair values Liabilities (-)
Foreign exchange derivatives			
Currency swaps	1,691,590	4,273	(87)
Total	**1,691,590**	**4,273**	**(87)**

Derivative financial instruments are further analysed as part of the balance sheet in the notes: Commitments and Contingent Liabilities (Note 22) and Financial Risk Management (Note 4).

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

9. INTERESTS IN ASSOCIATES AND JOINT VENTURES

Information on investments in associates as of 31 December 2020 is as follows:

Description	City/Country	Shareholder ratio (%)	Other shareholder (%)	Net Assets	Net profit
Allianz Yaşam ve Emeklilik A.Ş.	Istanbul/Turkey	19.93	80.07	2,957,217	453,075

The Company has acquired a full nominal value of 115,574,715 shares for TL 11,557 representing 19.93% of the capital of Allianz Yaşam ve Emeklilik A.Ş. for TL 188,108 on 12 July 2013. The Company accounts its shares on Allianz Yaşam ve Emeklilik A.Ş. in accordance with equity accounting method as described in Note 2.

The movement of investments in associates for the years ended 2020 and 2019 are as follows:

	2020	2019
Opening - 1 January	**311,352**	**262,726**
Share of associate's current year profit or loss	88,574	73,734
Share of associate's other comprehensive income	468	4,782
Dividends received (Note 21) (-) (*)	(40,850)	(29,890)
Closing - 31 December	**359,544**	**311,352**

(*) According to Provisional Article 13 of the Turkish Commercial Code numbered 6102, companies can distribute up to 25% of profit for the year 2019. As of 31 December 2020, TL 17,919 has been paid with respect to the dividend amount to be paid from the 2019 profit of Allianz Yaşam ve Emeklilik A.Ş. amounting to TL 40,850. The remaining TL 22,931 has been paid on 4 January 2021.

10. OTHER ASSETS AND PREPAID EXPENSES

	31 December 2020	31 December 2019
Advances to vendors (*)	539,720	199,071
Equipment to be leased (**)	322,705	28,768
Prepaid expenses	73,937	54,202
Dividends due from associates	22,931	-
Cash Collaterals given to Takasbank A.Ş.	8,758	-
Other	18,452	614
Expected credit losses (-)	(8,595)	(1,935)
	977,908	**280,720**

(*) Advances to vendors consist of advances paid to vendors for related customer orders and in advance of activation of customer agreements which will be transferred to lease receivables in subsequent period.

(**) Equipment 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.

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

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

a) Property and equipment

	Furniture and fixtures	Machinery, equipment and installations	Leasehold improvements	Right of use assets	Total
At 1 January 2020					
Cost	485	2,330	905	5,244	8,964
Accumulated depreciation (-)	(375)	(1,257)	(719)	(2,779)	(5,130)
Net book value	**110**	**1,073**	**186**	**2,465**	**3,834**
31 December 2020					
Opening net book value	**110**	**1,073**	**186**	**2,465**	**3,834**
Additions	-	849	7	2,478	3,334
Disposals (-)	-	(161)	-	-	(161)
Depreciation (-)	(41)	(344)	(83)	(2,887)	(3,355)
Disposal on depreciation	-	66	-	-	66
Net book value	**69**	**1,483**	**110**	**2,056**	**3,718**
At 31 December 2020					
Cost	485	3,018	912	7,722	12,137
Accumulated depreciation (-)	(416)	(1,535)	(802)	(5,666)	(8,419)
Net book value	**69**	**1,483**	**110**	**2,056**	**3,718**

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

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

	Furniture and fixtures	Machinery, equipment and installations	Leasehold improvements	Right of use assets	Total
At 1 January 2019					
Cost	530	1,843	869	3,553	6,795
Accumulated depreciation (-)	(373)	(1,137)	(629)	-	(2,139)
Net book value	**157**	**706**	**240**	**3,553**	**4,656**
31 December 2019					
Opening net book value	**157**	**706**	**240**	**3,553**	**4,656**
Additions	4	501	36	1,691	2,232
Disposals (-)	(49)	(14)	-	-	(63)
Depreciation (-)	(44)	(130)	(90)	(2,779)	(3,043)
Disposal on depreciation	42	10	-	-	52
Net book value	**110**	**1,073**	**186**	**2,465**	**3,834**
At 31 December 2019					
Cost	485	2,330	905	5,244	8,964
Accumulated depreciation (-)	(375)	(1,257)	(719)	(2,779)	(5,130)
Net book value	**110**	**1,073**	**186**	**2,465**	**3,834**

As of 31 December 2020, there is no pledge on the assets of the Company (31 December 2019: None).

b) Intangible assets

31 December 2020	**Software**
Opening net book value	11,543
Additions	6,233
Amortization charge (-)	(5,947)
Net book value	**11,829**
31 December 2020	
Cost	35,876
Accumulated amortization (-)	(24,047)
Net book value	**11,829**

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

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

31 December 2019	**Software**
Opening net book value	8,770
Additions	6,572
Amortization charge (-)	(3,799)
Net book value	**11,543**

31 December 2019	
Cost	29,643
Accumulated amortization (-)	(18,100)
Net book value	**11,543**

12. BORROWINGS

	31 December 2020			**31 December 2019**		
	Interest rates per annum (%)	**Balance in Original currency**	**TL equivalent**	**Interest rates per annum (%)**	**Balance in original currency**	**TL equivalent**
Domestic borrowings						
Fixed rate borrowings:						
-TL	15.8	1,252,119	1,252,119	21,8	51,861	51,861
-EUR	3.7	265,561	2,392,150	4,4	189,749	1,261,948
-USD	3.9	30,873	226,624	6,7	16,069	95,454
Floating rate borrowings:						
-USD	3.2	49,200	361,153	5,2	38,973	231,507
-EUR	2.2	26,877	242,106	2,3	40,335	268,255
Total domestic borrowings			**4,474,152**			**1,909,025**
Foreign borrowings						
Fixed rate borrowings:						
-EUR	2.2	193,711	1,744,929	2.5	626,626	4,167,439
-US Dollar	4.8	60,364	443,101	4.8	60,348	358,479
-CHF	1.3	440	3,646	1.3	1,375	8,375
Floating rate borrowings:						
-EUR	2.0	140,812	1,268,416	1.4	122,844	816,985
-US Dollar	3.6	72,818	534,524	5.0	51,270	304,556
-CHF	0.6	5,068	41,987	0.6	10,253	62,475
Total foreign borrowings			**4,036,603**			**5,718,309**
Total borrowings			**8,510,755**			**7,627,334**

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

12. BORROWINGS (Continued)

	31 December 2020	31 December 2019
Short term bank borrowings	2,252,720	50,446
Short term portion of long term borrowings	2,648,143	3,987,073
Total short term borrowings	**4,900,863**	**4,037,519**
Long term borrowings	3,609,892	3,589,815
Total borrowings	**8,510,755**	**7,627,334**

Payment terms of the borrowings as as follows:

	31 December 2020	31 December 2019
To be paid within 1 year	4,900,863	4,037,519
To be paid between 1-2 years	1,167,645	1,986,393
To be paid between 2-3 years	1,162,560	591,604
To be paid between 3-4 years	586,321	505,040
To be paid between 4-5 years	405,969	228,639
To be paid between 5-6 years	137,884	130,541
To be paid between 6-7 years	83,539	62,020
To be paid after 7 years	65,974	85,578
	8,510,755	**7,627,334**

The movement of borrowings for the years ended 2020 and 2019 are as follows:

	2020	2019
Opening - 1 January	**7,627,334**	**10,046,697**
Proceeds from borrowings	4,511,598	5,810,522
Repayments of funds borrowed (-)	(5,868,519)	(9,149,909)
Effect of changes in foreign currency and accruals, net	2,240,342	920,024
Closing - 31 December	**8,510,755**	**7,627,334**

13. ADVANCES RECEIVED

	31 December 2020	31 December 2019
Advances received (*)	208,131	150,330
	208,131	**150,330**

(*) Advances received consist of collections from lessees over the invoiced amount or early payments for lease receivables. These amounts will be deducted from related receivables in the subsequent period.

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

14. OTHER LIABILITIES, ACCOUNTS PAYABLE AND PROVISIONS

Other liabilities

	31 December 2020	31 December 2019
Withholding taxes and duties payable	6,542	43,123
Provision for personnel performance bonus	5,422	3,640
Other liabilities	1,996	1,148
	13,960	**47,911**

Accounts payable

	31 December 2020	31 December 2019
Accounts payable (*)	721,090	309,711
Insurance payables	15,908	12,146
	736,998	**321,857**

(*) Accounts payables are mainly related to the purchase of fixed assets from domestic and foreign suppliers regarding the financial lease agreements. As of 31 December 2020, maturity of accounts payable amounting to TL 736,998 is shorter than 1 year (31 December 2019: Maturity of trade payables amounting to TL 321,587 is shorter than 1 year).

Provisions

	31 December 2020	31 December 2019
Provision for open legal cases	44,778	37,180
Provision for resource utilization support fund	8,369	6,602
Other provisions	2,353	1,472
	55,500	**45,254**

The movements of the provision for legal cases for the years ended 2020 and 2019 are as follows:

	2020	2019
Opening - 1 January	**37,180**	**38,812**
Current year provision	8,682	4,538
Paid during the year (-)	(1,084)	(6,170)
Closing - 31 December	**44,778**	**37,180**

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

15. EMPLOYEE BENEFITS

	31 December 2020	31 December 2019
Provision for employment termination benefits	5,806	4,586
Provision for unused annual vacation	1,372	2,128
	7,178	**6,714**

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.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. 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 using statistical valuation. Accordingly, the following financial and demographical actuarial assumptions were used in the calculations of the provision:

	31 December 2020	31 December 2019
Discount rate (%)	4.63	4.67
Estimated severance pay entitlement rate (%)	94.69	94.67

The principal assumption is that the maximum liability for each year service will increase in line with inflation. As the maximum liability is revised semi-annually the maximum amount of TL 7,638.96 (1 January 2019: 6,730.15) (in full "TL" amount) which is effective as of 1 January 2020 has been taken into consideration in calculating the provision for employment termination benefits of the Company.

The movement of the reserve for employment termination benefits for the years ended 2020 and 2019 are as follows:

	2020	2019
Opening - 1 January	**4,586**	**3,703**
Service cost	445	365
Interest cost	183	106
Actuarial loss	952	621
Paid during the year (-)	(360)	(209)
Closing - 31 December	**5,806**	**4,586**

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

16. TAXATION

	31 December 2020	31 December 2019
Corporate taxes payable (-)	(105,426)	(72,667)
Prepaid taxes	105,769	43,029
Corporate tax receivable/(payable), net	**343**	**(29,638)**

	1 January - 31 December 2020	1 January - 31 December 2019
Current period tax charge (-)	(105,426)	(72,667)
Effect of cancellation of previous period corporate tax	9,089	5,490
Deferred tax income/(expense)	8,728	(12,739)
	(87,609)	**(79,916)**

Corporate Tax Law numbered 5422 was altered by Law No.5520 on 13 June 2006 which is published at the Official Gazette numbered 26205 and dated 21 June 2006 and many of its articles have become effective retrospectively starting from 1 January 2006. Corporation tax rate in Turkey starting from 1 January 2006 is 20%. Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption and investment allowance, etc.) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on an investment incentive allowance utilized within the scope of Income Tax Law transitional article 61).

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

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 22% on their corporate income. Advance tax declaration is made by the 14th day 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.

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

16. TAXATION (Continued)

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 22% for 2020 (2019 22%). The advance corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020.

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 for the tax authorities' review who have the right to audit tax returns, and the related accounting records on which they are based, and they 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.

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Company:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Profit before tax	**442,385**	**441,625**
Theoretical tax expense with current tax rate (-)	(97,325)	(97,157)
Effect of share of net profit of associates for using the equity method	19,486	16,221
Effect of change in tax rate (*)	(12,776)	-
Other	3,006	1,020
Current year tax expense (-)	**(87,609)**	**(79,916)**

(*) The Company has prepared deferred tax assets and liabilities based on the tax rates that will be realized when the assets are realized or the liabilities are fulfilled due to the change in the corporate tax rate. As of 31 December 2020, the Company has applied 20% tax rate in calculation of deferred tax assets and liabilities (31 December 2019: 22%).

Deferred taxes:

Under IAS 12, which deals with income taxes, deferred tax assets are recognized 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. The deferred tax asset and deferred tax liability have been netted of in these financial statements.

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017. Therewithal, as of 31 December 2020, the Company has applied tax rate of 20% for the calculation of deferred tax asset and liabilities (31 December 2019: 22%).

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

16. TAXATION (Continued)

Details of cumulative timing differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2020 and 31 December 2019 are as follows:

	Total temporary differences		Deferred tax assets / (liabilities)	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Deferred tax assets				
Provision for impaired finance receivables	391,466	333,134	78,293	73,289
Finance lease receivables	244,745	214,584	48,949	47,208
Provision for open legal cases	44,778	37,180	8,956	8,180
Other	20,364	7,620	4,073	1,676
Deferred tax assets			**140,271**	**130,353**
Deferred tax liabilities				
Valuation difference on financial liabilities (-)	(58,996)	(40,944)	(11,799)	(9,008)
Valuation differences of derivative financial instruments (-)	-	(4,273)	-	(940)
Difference between carrying value and tax base of property, equipment and intangible assets (-)	(3,563)	(6,799)	(713)	(1,496)
Deferred tax liabilities (-)			**(12,512)**	**(11,444)**
Deferred tax assets, net			**127,759**	**118,909**

The movement of the deferred tax assets for the periods ended are as follows:

	2020	**2019**
Opening - 1 January	**118,909**	**131,513**
Recognized under profit or loss	8,728	(12,739)
Recognized under other comprehensive income	122	135
Closing - 31 December	**127,759**	**118,909**

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

17. SHARE CAPITAL

At 31 December 2020, the Company's share capital consists of 389,927,705 shares with a par value of TL 1 each (31 December 2019: 389,927,705 shares with a par value of TL 1 each).

Adjustment to share capital represents the restatement effect of cash contributions to share capital in year-end equivalent purchasing power.

At 31 December 2020 and 31 December 2019, the share capital are as follows:

	31 December 2020		31 December 2019	
	Ratio (%)	**TL**	**Ratio (%)**	**TL**
Yapı ve Kredi Bankası A.Ş.	99.99	389,904	99.99	389,904
Other	0.01	24	0.01	24
	100.00	**389,928**	**100.00**	**389,928**
Adjustment to share capital		(31,017)		(31,017)
		358,911		**358,911**

18. RETAINED EARNINGS AND OTHER RESERVES

	31 December 2020	31 December 2019
Profit reserves		
Prior years' profits	2,112,082	1,750,373
Profit for the current year	354,776	361,709
Legal reserves	78,228	78,228
Other reserves		
Financial assets valuation fund	5,250	4,782
Actuarial losses (-)	(3,456)	(2,626)
	2,546,880	**2,192,466**

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. Legal reserves are not allowed to be distributed in accordance with TCC regulations.

In accordance with the Law No, 5228 on "Amending Certain Tax Laws" published in the Official Gazette dated July 31, 2004 and numbered 25539, it has become possible for costs arising from inflation differences of equity items occurring during the first adjustment of financial statements according to inflation and monitored in "Retained earnings/losses" to be offset with accumulated losses occurring as a result of the adjustment or to be added to the capital by corporate tax payers; and these transactions are not considered as profit distribution.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction, In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

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

19. OTHER INCOME/(EXPENSE)

	1 January - 31 December 2020	1 January - 31 December 2019
Provision charged in the current period for legal cases and other expenses (-)	(8,682)	(4,538)
Other	587	165
	(8,095)	**(4,373)**

20. OPERATING EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	42,055	36,565
Amortization expenses (Note 11)	9,236	6,842
Audit and advisory expenses	4,092	2,757
Taxes and duties other than on income	3,000	2,525
Donation expenses	2,501	2,001
Computer maintenance and repair expenses	1,757	1,327
Marketing and advertising expenses	517	491
Logistics expenses	423	627
Communication expenses	240	235
Insurance expenses	151	349
Litigation expenses	119	169
Office management expenses	94	241
Travel and accommodation expenses	67	166
Transportation expenses	38	92
Rent expenses	-	63
Other	2,639	3,084
Total	**66,929**	**57,534**

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

21. RELATED PARTY TRANSACTIONS

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 financial or operational decisions. A number of transactions were entered into with related parties in the normal course of business.

Assets

	31 December 2020	31 December 2019
Due from banks		
Demand deposits		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	4,505	5,074
Yapı Kredi Bank Nederland N.V.	1	1
Time deposits		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	142,580	86,146
	147,086	**91,221**

	31 December 2020	31 December 2019
Finance lease receivables		
Koç Üniversitesi	51,260	56,452
Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret Anonim Şirketi	28,314	33,619
Moment Eğitim Araştırma Sağlık Hizm. ve Tic. A.Ş.	15,706	3,224
Defaş Madencilik Sanayi Ve Ticaret A.Ş.	8,425	-
Demir Export A.Ş.	6,558	13,024
Halikarnas Özel Sağlık Hizmetleri ve Sağlık Mal. San. ve Tic. A.Ş.	4,689	5,682
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	762	2,331
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.	425	627
Simit & Smith İstanbul Gıda Üretim ve Tic. A.Ş.	95	-
Rmk Classic Giyim Tekstil Tic. A.Ş.	38	520
Yapı ve Kredi Bankası A.Ş. (Shareholder)	20	116
Harranova Besi ve Tarım Ürün. A.Ş.	8	8
Kredi Kayıt Bürosu A.Ş.	-	417
Demir Export A.Ş. - Fernas İnş. A.Ş. Adi Ortaklığı	-	56,249
	116,300	**172,269**

Liabilities

	31 December 2020	31 December 2019
Borrowings		
Unicredit Italiano Spa	1,211,775	4,006,499
Yapı ve Kredi Bankası A.Ş. (Shareholder)	323,818	1,724,667
Unicredit Bank AG	59,136	73,006
	1,594,729	**5,804,172**

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

21. RELATED PARTY TRANSACTIONS (Continued)

Trade payables	31 December 2020	31 December 2019
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	647	17
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	177	131
Yapı Kredi Kültür Sanat	30	-
Zer Merkezi Hiz. Ticaret A.Ş.	24	3
Opet Petrolcülük A.Ş.	8	-
Kredi Kayıt Bürosu A.Ş.	3	-
Setur Servis Turistik A.Ş.	-	5
	889	**156**

Lease liabilities

	31 December 2020		31 December 2019	
	Gross	**Net**	**Gross**	**Net**
Yapı ve Kredi Bankası A.Ş. (Shareholder)	1,500	1,411	1,288	1,206
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,046	969	1,630	1,469
	2,546	**2,380**	**2,918**	**2,675**

Off-balance sheet items

Guarantee letters received	31 December 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (Shareholder)	1,674	1,852
	1,674	**1,852**

Derivative financial instruments	31 December 2020	31 December 2019
Yapı ve Kredi Bankası A.Ş. (Shareholder)	(9,602)	4,186
	(9,602)	**4,186**

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

21. RELATED PARTY TRANSACTIONS (Continued)

Statement of profit or loss and other comprehensive income

Interest income from direct finance leases	1 January - 31 December 2020	1 January - 31 December 2019
Koç Üniversitesi	7,144	8,608
Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret Anonim Şirketi	6,257	5,488
Moment Eğitim Araştırma Sağlık Hizm.Ve Tic.A.Ş	1,130	-
Halikarnas Özel Sağlık Hizmetleri Ve Sağlık Malzemeleri San. Ve Tic. A.Ş.	1,108	1,142
Demir Export A.Ş.	1,058	1,981
Defaş Madencilik Sanayi Ve Ticaret Anonim Şirketi	869	-
Koç Sistem Bilgi Ve İletişim Hizm. A.Ş	394	705
Biosun Pamukova Katı Atık İşleme Enerji Ve Çevre San. Tic. A.Ş.	171	354
Yapı ve Kredi Bankası A.Ş. (Ortak)	151	38
Opet Fuchs Madeni Yağ San. Ve Tic. A.Ş.	120	160
Rmk Classic Giyim Tekstil Tic.A.Ş.	64	124
Demir Export A.Ş.-Fernas İnş.Aş. Adi Ortaklığı	-	6,792
Other	-	150
	18,466	**25,542**

Interest income on bank deposits	1 January - 31 December 2020	1 January - 31 December 2019
Yapı ve Kredi Bankası A.Ş. (Shareholder)	2,758	9,364
	2,758	**9,364**

Commission expenses	1 January - 31 December 2020	1 January - 31 December 2019
Yapı ve Kredi Bankası A.Ş. (Shareholder)	234	144
Yapı Kredi Yatırım Menkul Değerler A.Ş.(*)	-	1,203
	234	**1,347**

(*) The Company paid commission expenses related with the bonds issued with intermediation of Yapı Kredi Yatırım Menkul Değerler A.Ş. The commissions paid to Yapı Kredi Yatırım Menkul Değerler A.Ş. are classified under interest expenses and are recognized in the statement of comprehensive income throughout the life of the related bonds.

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

21. RELATED PARTY TRANSACTIONS (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
Interest expense on borrowings		
Unıcredito Italiano Spa	100,401	139,669
Yapı ve Kredi Bankası A.Ş. (Shareholder)	12,179	18,201
Unicredit Bank AG	1,509	1,620
Yapı Kredi Bank Nederland N,V,	413	-
	114,502	**159,490**
Lease interest expense		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	227	266
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	59	101
	286	**367**
Lease payment		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	2,000	1,893
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	1,627	1,301
	3,627	**3,194**

	1 January - 31 December 2020	1 January - 31 December 2019
Service expenses		
Suna ve İnan Kıraç Vakfı	2,000	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1,747	1,030
Zer Merkezi Hizmetler ve Ticaret A.Ş.	1,659	1,232
Allianz Yaşam ve Emeklilik A.Ş.	1,452	1,258
Yapı ve Kredi Bankası A.Ş. (Shareholder)	1,428	739
Koç Holding A.Ş.	605	2,467
Opet Petrolcülük A.Ş.	253	271
Türkiye Aile Sağlığı Ve Planlaması Vakfı	250	-
Türkiye Eğitim Gönüllüleri Vakfı	250	-
Setur Servis Turistik A.Ş.	67	105
Unicredit Bank AG	-	183
Kredi Kayıt Bürosu A.Ş.	-	32
	9,711	**7,317**

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

21. RELATED PARTY TRANSACTIONS (Continued)

Dividend income

Allianz Yaşam ve Emeklilik A.Ş. (*)	40,850	29,890
Yapı Kredi Yatırım Menkul Değerler A.Ş.	2	2
	40,852	**29,892**

(*) Since the investment in Allianz Yaşam ve Emeklilik A.Ş. is accounted for using the equity accounting method, related dividend amount is eliminated in the statement of comprehensive income. According to Provisional Article 13 of the Turkish Commercial Code numbered 6102, companies can distribute up to 25% of profit for the year 2019. As of 31 December 2020, TL 17,919 has been paid with respect to the dividend amount to be paid from the 2019 profit of Allianz Yaşam ve Emeklilik A.Ş. amounting to TL 40,850. The remaining TL 22,931 has been paid on 4 January 2021.

Details of derivative financial instruments with Yapı Kredi Bankası A.Ş. are as follows:

Profit/(loss) from derivative financial instruments	1 January - 31 December 2020	1 January - 31 December 2019
Interest income on derivative financial instruments		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	2,407	(6,183)
Foreign exchange (losses)/gains, including net gains or losses from dealing in foreign currency		
Yapı ve Kredi Bankası A.Ş. (Shareholder)	(43,236)	(8,257)
	(40,829)	**(14,440)**

	31 December 2020		31 December 2019	
Contractual amounts	**Original currency**	**TL**	**Original currency**	**TL**
Cross currency swap purchases				
TRY	69,472	69,472	43,146	43,146
EUR	-	-	119,020	791,554
CHF	-	-	2,101	12,801
		69,472		**847,501**
Cross currency swap sales				
EUR	8,400	75,666	-	-
USD	-	-	142,097	844,089
		75,666		**844,089**
		145,138		**1,691,590**

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

21. RELATED PARTY TRANSACTIONS (Continued)

Payments made to members of the Board and key management personnel:

	1 January - 31 December 2020	1 January - 31 December 2019
Payments made to members of the Board and key management personnel	5,024	4,312

22. 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 31 December 2019.

a. Guarantees received

Details of the guarantees received as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Indemnification	72,114,488	46,920,545
Assignment of claims	3,456,974	2,758,220
Mortgage	1,387,278	1,067,649
Machinery pledge	862,508	671,998
Repurchase guarantees	470,977	412,007
Other pledged assets	249,590	189,330
Other guarantees	238,945	178,506
Collateral letters	35,634	16,792
Other	513,808	434,975
	79,330,202	**52,650,022**

b. Guarantee letters given

	31 December 2020	31 December 2019
İstanbul Takas ve Saklama Bankası A.Ş.	400,000	150,000
Other (*)	25,065	82,220
	425,065	**232,220**

(*) The Company has given the collateral letters to the Banks, customs bureaus and courts.

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

22. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Commitments under derivative financial instruments:

	31 December 2020		31 December 2019	
	Original currency	TL	Original currency	TL
Cross currency swap purchases				
TL	212,173	212,173	43,146	43,146
EUR	-	-	119,020	791,554
CHF	-	-	2,101	12,801
		212,173		**847,501**
Cross currency swap sales				
USD	18,900	138,736	142,098	844,089
EUR	8,400	75,666	-	-
		214,402		**844,089**
Total		**426,575**		**1,691,590**

23. EARNINGS PER SHARE

	1 January - 31 December 2020	1 January - 31 December 2019
Current year net income	354,776	361,709
Weighted average number of shares during the year	389,927,705	389,927,705
Earnings per share (full TL)	**0.9099**	**0.9276**

24. SUBSEQUENT EVENTS

None.

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