

BANK OF CHINA TURKEY A.Ş.

**INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS AND
RELATED DISCLOSURES FOR THE SIX MONTHS
PERIOD ENDED JUNE 30, 2021**

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

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

To the General Assembly of Bank of China Turkey A.Ş.;

Introduction

We have reviewed the unconsolidated balance sheet of Bank of China Turkey A.Ş. ("the Bank") at June 30, 2021 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information does not present fairly in all material respects the financial position of Bank of China Turkey A.Ş. at June 30, 2021 and the results of its operations and its cash flows for the six-month-period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.



Other Matter

The unconsolidated financial statements of the Bank as at 31 December 2020 and 30 June 2020 were audited and reviewed by another auditor which expressed an unqualified opinion and an unqualified conclusion in their reports issued on 26 February 2021 and 11 August 2020.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

A handwritten signature in blue ink, appearing to read 'Didem Demer Kaya', is positioned below the company name.

Didem Demer Kaya, SMMM
Partner

Istanbul, 13 August 2021

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

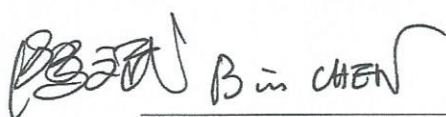
THE UNCONSOLIDATED INTERIM FINANCIAL REPORT OF
BANK OF CHINA TURKEY A.Ş. AS AT AND FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2021

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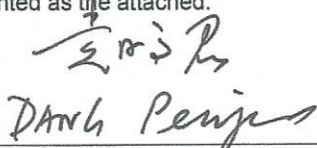
The unconsolidated interim financial report as at and for the six-month period ended prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, comprises the following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

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

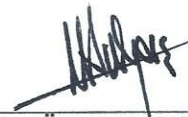
The unconsolidated financial statements for the six-month period ended and related disclosures and footnotes in this report are prepared in accordance with the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks, Banking Regulation and Supervision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



Bin CHEN
Chairman of the
Board of Directors



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



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



Dalei DING
Acting
General Manager and
Assistant General
Manager



Fang LONG
Head of Financial and
Operational Control
Department

Contact information of the personnel in charge of the addressing of questions about this financial report:
Name-Surname/Title : Elif Gümrah / Financial Reporting and Budgeting Manager
Telephone Number : (0 212) 386 01 32

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BANK OF CHINA TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

SECTION ONE

GENERAL INFORMATION

I. History of the Bank including its corporation date, initial status and amendments to the initial status

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

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

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

Besides being one of the biggest public banks in the People’s Republic of China, the Parent Company, Bank of China Limited, who holds 99.99% of the Bank’s shares is also one of the biggest banks in the world and has a respectable reputation for over a hundred years. Since the establishment of the London Branch in 1929, which was the first overseas branch, Bank of China, who represents the People’s Republic of China best in the international arena, established its representative office in 2011, in Istanbul, Turkey. There have not been any changes in the Bank’s partnership structure in 2021.

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

Members of the Bank's Board of Directors, Audit Committee Members, General Manager and Deputies as of June 30, 2021 are stated below. None of the members of the Board of Directors (including General Manager) has shareholding interest in the Bank.

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

Name	Title	Assigned Date	Education
Bin CHEN	Chairman of the Board of Directors	January 10, 2017	PHD Degree
Dalei DING	Member of the Board of Directors and Deputy General Manager	July 26, 2021	Bachelor Degree
Xiaoyu LIU	Member of the Board of Directors	January 10, 2017	Master Degree
Pengjun DANG	Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	January 10, 2017	Master Degree
Özgür DALGIÇ	Member of the Board of Directors	January 10, 2017	Master Degree

(1) Ruojie Li, General Manager and Member of the Board of Directors, resigned from his duties as General Manager and Member of the Board of Directors as of July 25, 2021, and Deputy General Manager Dalei Ding began to carry out these duties as of July 26, 2021.

Members of the Audit Committee:

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

BANK OF CHINA TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

GENERAL INFORMATION (Continued)

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

Assistant General Manager:

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

IV. Information on the Banks' Qualified Shareholders

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

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

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

As it is stated in Article 3 of the Articles of Association, the objective and purpose of the Bank whose General Directorate is located in Istanbul, is that the main field of activity is corporate banking. As of June 30, 2021, the Bank serves with 44 employees (December 31, 2020: 44 employees).

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

None.

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

None.

BANK OF CHINA TURKEY A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF JUNE 30, 2021

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

I. Balance Sheet (Statement of Financial Position)

	Note (Section Five)	Current Period 30.06.2021			Prior Period 31.12.2020		
		TL	FC	Total	TL	FC	Total
I. ASSETS		538,121	87,659	625,780	641,260	114,223	755,483
1.1 Cash and cash equivalents		538,121	87,659	625,780	641,260	114,223	755,483
1.1.1 Cash and balances at central bank	(5.1.1)	12,056	39,596	51,652	6,309	37,089	43,398
1.1.2 Banks	(5.1.4)	526,629	48,067	574,696	635,643	77,142	712,785
1.1.3 Money Market Placements		-	-	-	-	-	-
1.1.4 Expected Credit Losses (-)	(5.1.4)	564	4	568	692	8	700
1.2 Financial assets at fair value through profit or loss		-	-	-	-	-	-
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity securities		-	-	-	-	-	-
1.2.3 Other financial assets		-	-	-	-	-	-
1.3 Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
1.3.1 Government debt securities		-	-	-	-	-	-
1.3.2 Equity securities		-	-	-	-	-	-
1.3.3 Other financial assets		-	-	-	-	-	-
1.4 Derivative financial assets	(5.1.3)	-	-	-	-	-	-
1.4.1 Derivative financial assets at fair value through profit and loss		-	-	-	-	-	-
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		1,043,741	373,078	1,416,819	820,846	377,473	1,198,319
2.1 Loans	(5.1.6)	200,201	377,802	578,003	207,120	382,600	589,720
2.2 Lease receivables		-	-	-	-	-	-
2.3 Factoring receivables		-	-	-	-	-	-
2.4 Other financial assets measured at amortised cost	(5.1.7)	845,639	-	845,639	614,303	-	614,303
2.4.1 Government debt securities		845,639	-	845,639	614,303	-	614,303
2.4.2 Other financial assets		-	-	-	-	-	-
2.5 Expected credit losses (-)	(5.1.6,7)	2,099	4,724	6,823	577	5,127	5,704
III. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS(Net)		-	-	-	-	-	-
3.1 Held for sale		-	-	-	-	-	-
3.2 Discontinued operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		-	-	-	-	-	-
4.1 Investments in associates (net)		-	-	-	-	-	-
4.1.1 Associates accounted by using equity method		-	-	-	-	-	-
4.1.2 Unconsolidated associates		-	-	-	-	-	-
4.2 Subsidiaries (net)		-	-	-	-	-	-
4.2.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (net)		-	-	-	-	-	-
4.3.1 Joint ventures valued based on equity method		-	-	-	-	-	-
4.3.2 Unconsolidated jointly ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(5.1.13)	14,223	-	14,223	16,186	-	16,186
VI. INTANGIBLE ASSETS (Net)	(5.1.14)	2,175	-	2,175	2,680	-	2,680
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		2,175	-	2,175	2,680	-	2,680
VII. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(5.1.17)	35,632	-	35,632	24,184	-	24,184
X. OTHER ASSETS	(5.1.19)	3,398	5,706	9,104	3,669	3,953	7,622
Total Assets		1,637,290	466,443	2,103,733	1,508,825	495,649	2,004,474

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

BANK OF CHINA TURKEY A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF JUNE 30, 2021

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

I. Balance Sheet (Statement of Financial Position) (Continued)

	Note (Section Five)	Current Period 30.06.2021			Prior Period 31.12.2020		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS		150,878	18,309	169,187	151,509	52,680	204,189
II. LOAN RECEIVED	(5.II.1)	-	86,810	86,810	-	74,203	74,203
III. MONEY MARKET FUNDS	(5.II.3)	-	-	-	-	-	-
IV. MARKETABLE SECURITIES (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(5.II.2)	107,282	-	107,282	79,019	-	79,019
7.1 Derivative financial liabilities at fair value through profit or loss		107,282	-	107,282	79,019	-	79,019
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(5.II.5)	435	21,127	21,562	533	19,477	20,010
X. PROVISIONS	(5.II.7)	2,278	14,722	17,000	2,590	10,384	12,974
10.1 Provisions for restructuring		-	-	-	-	-	-
10.2 Reserve for employee benefits		2,253	4,654	6,907	2,556	4,079	6,635
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions		25	10,068	10,093	34	6,305	6,339
XI. CURRENT TAX LIABILITIES	(5.II.8)	26,819	-	26,819	11,487	-	11,487
XII. DEFERRED TAX LIABILITIES		-	-	-	-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for sale		-	-	-	-	-	-
13.2 Related to discontinued operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBTS		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES	(5.II.4)	12,340	307	12,647	10,488	492	10,980
XVI. SHAREHOLDERS' EQUITY	(5.II.11)	1,662,426	-	1,662,426	1,591,612	-	1,591,612
16.1 Paid-in capital		1,051,230	-	1,051,230	1,051,230	-	1,051,230
16.2 Capital reserves		-	-	-	-	-	-
16.2.1 Equity share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		-	-	-	-	-	-
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		(12)	-	(12)	(12)	-	(12)
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		-	-	-	-	-	-
16.5 Profit reserves		503,049	-	503,049	395,224	-	395,224
16.5.1 Legal reserves		33,572	-	33,572	25,789	-	25,789
16.5.2 Statutory reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		469,477	-	469,477	369,435	-	369,435
16.5.4 Other profit reserves		-	-	-	-	-	-
16.6 Profit or loss		108,159	-	108,159	145,170	-	145,170
16.6.1 Prior years' profits or losses		26,229	-	26,229	26,229	-	26,229
16.6.2 Current Period net profit or loss		81,930	-	81,930	118,941	-	118,941
16.7 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		1,962,458	141,275	2,103,733	1,847,238	157,236	2,004,474

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

BANK OF CHINA TURKEY A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF JUNE 30, 2021

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

II. Off Balance Sheet Commitments

	Note (Section Five)	Current Period 30.06.2021			Prior Period 31.12.2020		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(5.III.1)	423,496	1,878,410	2,301,906	446,934	1,584,175	2,031,109
I. GUARANTEES AND WARRANTIES		245,594	1,591,607	1,837,201	245,594	1,280,295	1,525,889
1.1 Letters of Guarantee		245,594	125,088	370,682	245,594	160,004	405,598
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		245,594	125,088	370,682	245,594	160,004	405,598
1.2 Bank Acceptances		-	-	-	-	-	-
1.2.1 Import Letter of Acceptance		-	-	-	-	-	-
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		-	-	-	-	-	-
1.3.1 Documentary Letters of Credit		-	-	-	-	-	-
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees		-	1,466,519	1,466,519	-	1,120,291	1,120,291
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS		10,119	-	10,119	-	-	-
2.1 Irrevocable Commitments		10,119	-	10,119	-	-	-
2.1.1 Asset Purchase Commitments		10,119	-	10,119	-	-	-
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		-	-	-	-	-	-
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		-	-	-	-	-	-
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9 Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10 Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		-	-	-	-	-	-
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.III.2)	167,783	286,803	454,586	201,340	303,880	505,220
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Fair Value Hedges		-	-	-	-	-	-
3.1.2 Cash Flow Hedges		-	-	-	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		167,783	286,803	454,586	201,340	303,880	505,220
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		167,783	286,803	454,586	201,340	303,880	505,220
3.2.2.1 Foreign Currency Swap-Buy		167,783	-	167,783	201,340	-	201,340
3.2.2.2 Foreign Currency Swap-Sell		-	286,803	286,803	-	303,880	303,880
3.2.2.3 Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4 Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3 Foreign Currency, Interest Rate and Securities Options		-	-	-	-	-	-
3.2.3.1 Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2 Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		-	190,967	190,967	-	163,227	163,227
IV. ITEMS HELD IN CUSTODY		-	-	-	-	-	-
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		-	-	-	-	-	-
4.3 Cheques Received for Collection		-	-	-	-	-	-
4.4 Commercial Notes Received for Collection		-	-	-	-	-	-
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		-	-	-	-	-	-
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		-	190,967	190,967	-	163,227	163,227
5.1 Marketable Securities		-	-	-	-	-	-
5.2 Guarantee Notes		-	-	-	-	-	-
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Immovables		-	190,967	190,967	-	163,227	163,227
5.6 Other Pledged Items		-	-	-	-	-	-
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL, GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		423,496	2,069,377	2,492,873	446,934	1,747,402	2,194,336

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

BANK OF CHINA TURKEY A.Ş.

UNCONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED JUNE 30, 2021

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

III. Statements of Profit or Loss

INCOME AND EXPENSE ITEMS		Note (Section five)	Current Period 01.01.2021- 30.06.2021	Prior Period 01.01.2020- 30.06.2020	Current Period 01.04.2021- 30.06.2021	Prior Period 01.04.2020- 30.06.2020
I.	INTEREST INCOME	(5.IV.1)	124,161	75,906	68,837	32,713
1.1	Interest from Loans		12,197	18,648	3,172	8,013
1.2	Interest from Reserve Deposits		585	-	340	-
1.3	Interest from Banks		63,574	32,812	34,760	10,662
1.4	Interest from Money Market Transactions		-	-	-	-
1.5	Interest from Marketable Securities Portfolio		47,805	24,446	30,565	14,038
1.5.1	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-
1.5.3	Financial Assets Measured at Amortized Cost		47,805	24,446	30,565	14,038
1.6	Interest from Financial Leases		-	-	-	-
1.7	Other Interest Income		-	-	-	-
II.	INTEREST EXPENSE	(5.IV.2)	15,865	6,414	8,355	1,265
2.1	Interest on Deposits		14,929	5,024	7,894	591
2.2	Interest on Funds Borrowed		451	817	230	364
2.3	Interest Expense on Money Market Transactions		-	-	-	-
2.4	Interest on Securities Issued		-	-	-	-
2.5	Lease Interest Expenses		450	527	220	276
2.6	Other Interest Expenses		35	46	11	34
III.	NET INTEREST INCOME (I - II)		108,296	69,492	60,482	31,448
IV.	NET FEES AND COMMISSIONS INCOME / LOSSES		20,918	16,524	11,117	7,987
4.1	Fees and Commissions Received		20,991	16,579	11,157	8,016
4.1.1	Non-cash Loans		19,573	15,117	10,393	6,866
4.1.2	Other		1,418	1,462	764	1,150
4.2	Fees and Commissions Paid		73	55	40	29
4.2.1	Non-cash Loans		-	-	-	-
4.2.2	Other		73	55	40	29
V.	DIVIDEND INCOME	(5.IV.3)	-	-	-	-
VI.	TRADING INCOME/LOSS (Net)	(5.IV.4)	12,886	14,272	19,242	6,915
6.1	Profit / Loss on Securities Trading		-	-	-	-
6.2	Profit / Loss on Derivative Financial Transactions		(26,547)	(29,516)	920	(13,014)
6.3	Foreign Exchange Gains / Losses		39,433	43,788	18,322	19,929
VII.	OTHER OPERATING INCOME	(5.IV.5)	562	349	(1,132)	346
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		142,662	100,637	89,709	46,696
IX.	EXPECTED CREDIT LOSSES (-)	(5.IV.6)	5,285	1,116	4,992	727
X.	OTHER PROVISIONS (-)		-	-	-	-
XI.	PERSONEL EXPENSES (-)		15,221	11,824	9,233	6,900
XII.	OTHER OPERATING EXPENSES	(5.IV.7)	15,843	11,814	9,481	5,464
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		106,313	75,883	66,003	33,605
XIV.	INCOME RESULTED FROM MERGERS		-	-	-	-
XV.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-	-	-
XVI.	GAIN / LOSS ON NET MONETARY POSITION		-	-	-	-
XVII.	OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)	(5.IV.8)	106,313	75,883	66,003	33,605
XVIII.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	(5.IV.9)	(24,383)	(16,724)	(16,306)	(7,393)
18.1	Current Tax Provision		(35,832)	(26,327)	(23,589)	(11,752)
18.2	Expense Effect of Deferred Tax		(1,292)	(3,719)	(692)	(1,008)
18.3	Income Effect of Deferred Tax		12,741	13,322	7,975	5,367
XIX.	NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	(5.IV.10)	81,930	59,159	49,697	26,212
XX.	PROFIT FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income From Assets Held for Sale		-	-	-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3	Other Income From Discontinued Operations		-	-	-	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Expenses on Assets Held for Sale		-	-	-	-
21.2	Losses from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3	Other Expenses From Discontinued Operations		-	-	-	-
XXII.	P/L BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Expense Effect of Deferred Tax		-	-	-	-
23.3	Income Effect of Deferred Tax		-	-	-	-
XXIV.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-	-	-
XXV.	NET PROFIT / LOSS (XVIII+XXIII)	(5.IV.11)	81,930	59,159	49,697	26,212
	Profit/Loss per share		0.07794	0.05628	0.04728	0.02493

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

BANK OF CHINA TURKEY A.Ş.**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2021**

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

IV Statement of Profit or Loss and Other Comprehensive Income

	Current Period 01.01.2021-30.06.2021	Prior Period 01.01.2020-30.06.2020
I CURRENT PERIOD INCOME/LOSS	81,930	59,159
II OTHER COMPREHENSIVE INCOME	-	-
2.1 Other comprehensive income that will not be reclassified to profit or loss	-	-
2.1.1 Gains (Losses) on Revaluation of Property and Equipment	-	-
2.1.2 Gains (Losses) on Revaluation of Intangible Assets	-	-
2.1.3 Gains (Losses) on Remeasurements of Defined Benefit Plans	-	-
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	-	-
2.1.5 Taxes Relating to Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	-	-
22 Other Comprehensive Income That Will Be Reclassified to Profit or Loss	-	-
2.2.1 Exchange Differences on Translation	-	-
2.2.2 Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value Through Other Comprehensive Income	-	-
2.2.3 Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4 Income (Loss) Related with Hedges of Net Investment Foreign Operations	-	-
2.2.5 Other Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	-	-
2.2.6 Tax Relating to Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	-	-
III TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	81,930	59,159

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

BANK OF CHINA TURKEY A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED JUNE 30, 2021

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

V. Statement of Changes in Shareholders' Equity

					Other Accumulated Comprehensive Income or Expense That Will Not Be Reclassified in Profit and Loss						Other Accumulated Comprehensive Income That Will Be Reclassified in Profit and Loss						Profit Reserves	Prior Period Net Income / (Loss)	Current Period Net Income / (Loss)	Total Equity
					1	2	3	4	5	6	1	2	3	4	5	6				
Current Period (30.06.2021)																				
	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves																
I. Balances at beginning of the Period (*)	1,051,230	-	-	-	-	(12)	-	-	-	-	-	-	-	-	-	-	395,224	145,170	-	1,591,612
II. Correction made as per TAS 8 (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the Period (I+II)	1,051,230	-	-	-	-	(12)	-	-	-	-	-	-	-	-	-	-	395,224	145,170	-	1,591,612
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	81,930	-	81,930
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase through Internal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,825	(118,941)	-	(11,116)
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,116)	-	(11,116)
11.2 Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107,825	(107,825)	-	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the Period (III+IV+.....+X+XI)	1,051,230	-	-	-	-	(12)	-	-	-	-	-	-	-	-	-	-	503,049	26,229	81,930	1,662,426

					Other Accumulated Comprehensive Income or Expense That Will Not Be Reclassified in Profit and Loss						Other Accumulated Comprehensive Income That Will Be Reclassified in Profit and Loss						Profit Reserves	Prior Period Net Income / (Loss)	Current Period Net Income / (Loss)	Total Equity
					1	2	3	4	5	6	1	2	3	4	5	6				
Prior Period (30.06.2020)																				
	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves																
I. Balances at beginning of the Period (*)	1,051,230	-	-	-	-	(19)	-	-	-	-	-	-	-	-	-	-	200,820	194,404	-	1,446,435
II. Correction made as per TAS 8 (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,176	-	27,176
2.1 Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,176	-	27,176
III. Adjusted balances at beginning of the Period (I+II)	1,051,230	-	-	-	-	(19)	-	-	-	-	-	-	-	-	-	-	200,820	221,580	-	1,473,611
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,159	59,159
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase through Internal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	194,404	(194,404)	-	-
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	194,404	(194,404)	-	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the Period (III+IV+.....+X+XI)	1,051,230	-	-	-	-	(19)	-	-	-	-	-	-	-	-	-	-	395,224	27,176	59,159	1,532,770

1. Tangible and Intangible Asset Revaluation Reserve
2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans
3. Other (Other comprehensive income of Associates and Joint Ventures Accounted for Using Equity Method That Will Not Be Reclassified to Profit or Loss and Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss)
4. Exchange Differences on Translation
5. Accumulated Gains (Losses) due to revolution and/or reclassification of financial assets measured at fair value through other comprehensive income
6. Other (Accumulated gains or losses on Cash flow hedge, other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss and other accumulated amounts of other comprehensive income that will be reclassified to profit or loss)

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

BANK OF CHINA TURKEY A.Ş.**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
JUNE 30, 2021**

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

VI. Statement of Cash Flows

STATEMENT OF CASH FLOWS		Note	Current Period 01.01.2021-30.06.2021	Prior Period 01.01.2020-30.06.2020
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		116,376	21,863
1.1.1	Interest received (+)		150,771	79,700
1.1.2	Interest paid (-)		14,518	5,177
1.1.3	Dividend received (+)		-	-
1.1.4	Fees and commissions received (+)		31,046	8,601
1.1.5	Other income (+)		-	-
1.1.6	Collections from previously written off loans and other receivables (+)		-	-
1.1.7	Payments to personnel and service suppliers (-)		19,307	20,086
1.1.8	Taxes paid (-)		31,616	41,175
1.1.9	Other (+/-)		-	-
1.2	Changes in Operating Assets and Liabilities		1,635	129,872
1.2.1	Net increase (decrease) in financial assets at fair value through profit or loss (+/-)		-	-
1.2.2	Net increase (decrease) in due from banks (+/-)		-	-
1.2.3	Net increase (decrease) in loans		50,216	36,921
1.2.4	Net increase (decrease) in other assets (+/-)		-	-
1.2.5	Net increase (decrease) in bank deposits (+/-)		-	-
1.2.6	Net increase (decrease) in other deposits (+/-)		(34,357)	51,663
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss (+/-)		(16,660)	-
1.2.8	Net increase (decrease) in funds borrowed (+/-)		-	43,537
1.2.9	Net increase (decrease) in matured payables (+/-)		-	-
1.2.10	Net increase (decrease) in other liabilities (+/-)		2,436	(2,249)
I.	Net cash provided from banking operations		118,011	151,735
B.	CASH FLOWS FROM INVESTING ACTIVITIES			-
II.	Net cash provided from investing activities (+/-)		(231,809)	(271,819)
2.1	Cash paid for acquisition of investments, associates and subsidiaries		-	-
2.2	Cash obtained for acquisition of investments, associates and subsidiaries		-	-
2.3	Purchases of property and equipment (-)		473	585
2.4	Disposals of property and equipment (+)		-	-
2.5	Cash paid for purchase of financial assets available- for sale (-)		-	-
2.6	Cash obtained from sale of financial assets available- for sale (+)		-	-
2.7	Cash paid for purchase of investment securities (-)		1,224,121	397,386
2.8	Cash obtained from sale of investment securities (+)		992,785	126,152
2.9	Other (+)		-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III.	Net cash provided from financing activities (+/-)		(10,004)	-
3.1	Cash obtained from funds borrowed and securities issued (+)		-	-
3.2	Cash used for repayment of funds borrowed and securities issued (-)		-	-
3.3	Issued equity instruments (+)		-	-
3.4	Dividends paid (-)		10,004	-
3.5	Payments for financial leases (-)		-	-
3.6	Other (+/-)		-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		(6,495)	18,896
V.	Net increase in cash and cash equivalents (I+II+III+IV)		(130,297)	(101,188)
VI.	Cash and cash equivalents at beginning of Period		754,069	716,744
VII.	Cash and cash equivalents at end of Period		623,772	615,556

The accompanying notes form an integral part of these financial statements

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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SECTION THREE

ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents” published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency (“BRSA”) which refers to “Turkish Accounting Standards (“TAS”) 34 - Interim Financial Reporting” and “Turkish Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No. 28337 dated June 28, 2012.

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

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

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

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

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

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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ACCOUNTING POLICIES (Continued)

I. BASIS OF PRESENTATION (Continued)

c. Changes in accounting policy

The TFRS changes, effective from January 1, 2020, do not have a significant effect on the Bank's accounting policies, financial status and performance. The TFRS changes that were published but not put into effect as of the final date of the financial statements will not have a significant effect on the Bank's accounting policies, financial status and performance.

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

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

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

Explanation on foreign currency transactions:

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

III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

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

As of June 30, 2021, the Bank has derivative financial liability is TL 107,282 which is classified as "Derivative Financial Liabilities Measured at Fair Value through Profit and Loss" (December 31, 2020: TL 79,019 liability).

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

ACCOUNTING POLICIES (Continued)

IV. INFORMATION ON INTEREST INCOME AND EXPENSES

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

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

VI. EXPLANATIONS ON FINANCIAL ASSETS

Within the framework of the business plan, the Bank classifies and accounts for its financial assets as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" or "Financial assets at amortized cost". Such financial assets are accounted for in accordance with the "TFRS 9 Financial Instruments" standard, which is about the classification and measurement of financial instruments published in the Official Gazette dated January 15, 2019 and numbered 30656 by the Public Oversight Accounting and Auditing Standards Authority. The Bank is registered or issued in accordance with the provisions of "Inclusion in Financial Statements and Exclusion from Financial Statements" in the third part of the standard, effective from January 1, 2018.

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

The Bank has no financial assets at fair value through profit or loss and other comprehensive income as of June 30, 2021. (December 31, 2020: None).

Financial assets measured at amortized cost:

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

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

Loans and Receivables:

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

Stage 1:

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

Stage 2:

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

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment as of the reporting date. Lifetime expected credit losses are recorded for these assets.

Use of current conditions, past events and macroeconomic forecasts:

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

Expected credit loss provision calculation:

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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

ACCOUNTING POLICIES (Continued)

VIII. DISCLOSURES ABOUT NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Explanations on netting of financial instruments:

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

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

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

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

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

As of June 30, 2021, the Bank has no repo, reverse repo and foreclosed marketable securities (December 31, 2020: None).

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

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

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

As of June 30, 2021, the Bank has no assets held for sale and discontinued operations (December 31, 2020: None).

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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

ACCOUNTING POLICIES (Continued)

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

As of June 30, 2021, there is no goodwill in the accompanying financial statements (December 31, 2020: None).

XII. EXPLANATIONS ON TANGIBLE ASSETS

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

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

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

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

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

Tangible Assets	Estimated Useful Life (Year)	Amortization Rate (%)
Operating Leases	7-9	11.11-14.29
Furniture	5-10	10-20
Office equipment	3-10	10-33.33
Safe	50	2
Vehicles	5	20

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

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

Explanations on TAS 16 Leases Standard:

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

Measurement, Presentation and Reflection of Financial Leasing into Financial Statement

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

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT ASSETS/LIABILITIES

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

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

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

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

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ACCOUNTING POLICIES (Continued)

XV. EXPLANATION ON LIABILITIES RELATED TO EMPLOYEE RIGHTS

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

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

a. Defined benefit plans:

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

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

b. Defined contribution plans:

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

c. Short-term benefits to employees:

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

XVI. EXPLANATIONS ON TAXATION

a. Corporate tax:

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In accordance with the 11 and 14th articles of the Law numbered 7316 on "Amendment of Law on Collection Procedure of Public Receivables and Certain Laws" published in the Official Gazette dated April 22, 2021 and numbered 31462, starting from the declarations that must be submitted starting from July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021, 23% for enterprises' corporate income belonging to the taxation periods of 2022 and 20% for enterprises' corporate income belonging to the taxation periods of 2023 and beyond. These rates have entered into force on the date of publication, starting from the declarations that must be submitted as of July 1, 2021 and being valid for the corporate earnings for the taxation period starting from January 1, 2021. In the 30 June 2021 financial statements the corporate tax has been used as 25%.

Corporate tax declarations are prepared between 1st and 30th days of 4th month of the related fiscal year and are paid until the end of the following month in one instalment.

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ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON TAXATION (Continued)

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

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

If there is no dividend distribution planned, no further tax charges are made. Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated July 23, 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

b. Deferred tax:

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

The Bank's deferred tax assets and liabilities are offsetted in unconsolidated balance sheet. As of June 30, 2021, the Bank has TL 35,632 deferred tax asset (December 31, 2020: TL 24,184 deferred tax asset).

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. The Bank calculated its deferred tax assets or liabilities over 20% as of December 31, 2020, 2021 within the scope of TAS 12. In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, starting from the declarations that must be submitted as of July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, the corporate tax rate is 25% for the taxation period of 2021. and this rate will be applied as 23% for the taxation period of 2022. The corporate tax rate was applied as 25% on second provisional tax declaration and deferred tax rate was applied between 20% and 25% regarding anticipated realization dates of incomes or expenses.

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it is highly probable that these will in the future create taxable profit. Starting from January 1, 2020, deferred tax asset has been calculated for temporary differences of expected credit loss provisions.

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

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ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON TAXATION (Continued)

c. Transfer pricing:

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

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

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

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank’s fund resources consist of borrowing from foreign financial institutions. Instrument regarding borrowing are valued with their fair values and other financial liabilities are carried at “amortised cost” using the effective interest method. As of June 30, 2021, the Bank has obtained funds from foreign institutions amounting to TL 86,810 through borrowings. (December 31, 2020: TL 74,203).

XVIII. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

None (December 31, 2020: None).

XIX. EXPLANATIONS ON BANK ACCEPTANCES AND BILLS OF GUARANTEE

Bank acceptances and bills of guarantee are presented within off-balance sheet liabilities as being possible liabilities and commitments. As of the balance sheet date, there are no bank acceptances and bills of guarantee recognized as liability against an asset (December 31, 2020: None).

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of the balance sheet date, the Bank does not have any government incentives (December 31, 2020: None).

XXI. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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ACCOUNTING POLICIES (Continued)

XXI. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION (Continued)

Other than legal reserves in statutory financial statements, retained earnings and reserves set aside by the resolution of the general assembly are available for distribution, subject to the legal reserve requirement set out below. Legal reserves consist of first and second reserves as stipulated in the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve should be separated from profits at a rate of 5% until it reaches 20% of the total reserve paid-in capital. The second legal reserve is reserved at the rate of 10% on all cash dividend distributions exceeding 5% of the paid-in capital.

XXII. EXPLANATIONS ON EARNINGS PER SHARE

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

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

XXIII. EXPLANATIONS ON RELATED PARTIES

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

XXIV. EXPLANATIONS ON CASH and CASH EQUIVALENTS

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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ACCOUNTING POLICIES (Continued)

XXV. EXPLANATIONS ON SEGMENT REPORTING

The main segment of banking operations is Corporate Banking. As of June 30, 2021, the financial information per banking segments is presented below:

	Corporate	Fund		
Current Period 30.06.2021	Banking	Management	Unallocated	Total
Operating income	18,771	123,329	562	142,662
Operating expense	(5,285)	-	(31,064)	(36,349)
Pre-tax income / (loss)	13,486	123,329	(30,502)	106,313
Tax provision (-)	-	-	(24,383)	(24,383)
Net Profit / (Loss)	13,486	123,329	(54,885)	81,930
Segment assets	571,220	1,471,379	61,134	2,103,733
Segment liabilities	181,307	194,092	65,908	441,307
Equity	-	1,662,426	-	1,662,426
Prior Period 30.06.2020	Corporate	Fund		Total
	Banking	Management	Unallocated	
Operating income	35,172	71,530	349	107,051
Operating expense	(6,140)	(863)	(24,165)	(31,168)
Pre-tax income / (loss)	29,032	70,667	(23,816)	75,883
Tax provision (-)	-	-	(16,724)	(16,724)
Net Profit / (Loss)	29,032	70,667	(40,540)	59,159
Segment assets	571,032	1,215,950	63,239	1,850,221
Segment liabilities	132,772	133,094	51,585	317,451
Equity	-	1,532,770	-	1,532,770

XXVI. RECLASSIFICATIONS

In order to be consistent with the presentation of current Period financial statements, there can be certain reclassifications in case needed.

XXVII. EXPLANATIONS ON OTHER MATTERS

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

In order to reduce the negative effects of the epidemic, BRSA decisions 8948, 8949 and 8950 have been published. The BRSA has extended the delays stipulated for the classification of loans as a summary in these decisions, and are classified as live receivables due to restructuring and the principal and / or interest payments are delayed more than 30 days within one year of monitoring or are restructured once more during this monitoring Period eliminated the obligation to classify loans in the third group. In addition, the Bank does not have any overdue loans.

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AS OF JUNE 30, 2021**

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

SECTION FOUR

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT

I. EXPLANATIONS ON THE COMPONENTS OF SHAREHOLDERS' EQUITY

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

Due to the fluctuations in the financial markets as a result of the COVID-19 outbreak, the BRSA introduced the following flexibility with the additional regulation dated March 23, 2020 and numbered 3397, with regard to the calculation of the capital adequacy standard ratio of the banks, valid until December 31, 2020.

- In the calculation of the amount subject to credit risk, spot purchase exchange rate can be used in preparation of financial statements as of December 31, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies
- If the net valuation differences of the securities held by banks in the portfolio of "Financial Assets at Fair Value through Other Comprehensive Income" are negative, these differences are no longer allowed to not take into consideration in the equity amount.

Within the context of the measures that are announced by BRSA on December 8, 2020, capital adequacy ratio calculation may be calculated with arithmetic average of the Central Bank of Turkey's buying exchange rates for 252 working days before the date of the calculation of the amount subject to credit risk until June 30, 2021. In addition, as of the announcement date negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" may not be included in capital calculation until June 30, 2021.

Within the context that are announced by BRSA on June 17, 2021, capital adequacy ratio calculation may be calculated with arithmetic average of the Central Bank of Turkey's buying exchange rates for 252 working days before the date of the calculation of the amount subject to credit risk until September 30, 2021.

The Bank did not take advantage of the above-mentioned COVID-19 supplementary regulation while calculating the capital adequacy standard ratio as of June 30, 2021.

As of June 30, 2021, the Bank's total capital has been calculated as TL 1,640,778 (December 31, 2020: TL 1,576,019) and the capital adequacy ratio is 58.10% (December 31, 2020: 62.71%). This ratio is well above the minimum ratio required by the legislation.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Information on Equity Accounts:

	Current Period 30.06.2021	Amounts as per the regulation before 1/1/2014 (*)	Prior Period 31.12.2020	Amounts as per the regulation before 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL	1,623,294	-	1,563,276	-
Paid-in capital to be entitled for compensation after all creditors	1,051,230	-	1,051,230	-
Share Premium	-	-	-	-
Reserves	503,049	-	395,212	-
Gains recognized in equity as per TAS	-	-	-	-
Profit	108,159	-	145,170	-
Current Period profit	81,930	-	118,941	-
Prior Period profit	26,229	-	26,229	-
Bonus shares from associates, subsidiaries and joint ventures not accounted in current Period's profit	-	-	-	-
Common Equity Tier I Capital Before Deductions	1,662,438	-	1,591,612	-
Deductions from Common Equity Tier I Capital				
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-	-	-
Current and Prior Periods' losses not covered by reserves, and losses accounted under equity according to TAS	12	-	12	-
Improvement costs for operating leasing (-)	1,325	-	1,459	-
Goodwill and other intangible assets and related deferred taxes (-)	-	-	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	2,010	-	2,475	-
Excess amount arising from deferred tax assets from temporary differences	35,797	-	24,390	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-	-	-
Securitization gains	-	-	-	-
Unrealized gains and losses arising from the differences in the credit value of the Bank's liabilities at fair value.	-	-	-	-
Net amount of defined benefit plans	-	-	-	-
Direct and indirect investments of the Bank on its own Tier I Capital (-)	-	-	-	-
Shares obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-	-	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-	-	-	-
Mortgage servicing rights exceeding the 10% threshold of Tier I Capital (-)	-	-	-	-
Net deferred tax assets arising from temporary differences exceeding the 10% threshold of Tier I Capital (-)	-	-	-	-
Amount exceeding the 15% threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital not deducted from Tier I Capital (-)	-	-	-	-
Excess amount arising from mortgage servicing rights	-	-	-	-
Excess amount arising from deferred tax assets from temporary differences (-)	-	-	-	-
Other items to be defined by the BRSA	-	-	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	-	-	-
Total Deductions from Common Equity Tier I Capital	39,144	-	28,336	-
Total Common Equity Tier I Capital	1,623,294	-	1,563,276	-

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

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

	Current Period 30.06.2021	Amounts as per the regulation before 1/1/2014 (*)	Prior Period 31.12.2020	Amounts as per the regulation before 1/1/2014 (*)
ADDITIONAL TIER I CAPITAL				
Preferred stock not included in Tier I capital and the related share premiums	-	-	-	-
Debt instruments and the related issuance premiums defined by the BRSA	-	-	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)	-	-	-	-
Shares of third parties in Additional Tier I Capital	-	-	-	-
Shares of third parties in Additional Tier I Capital (Temporary Article 3)	-	-	-	-
Additional Core Capital before Deductions	-	-	-	-
Deductions from Additional Core Capital	-	-	-	-
Direct and indirect investments of the Bank on its own Additional Tier I Capital (-)	-	-	-	-
Investments in equity instruments issued by Banks or financial institutions invested in Bank's Additional Tier I Capital and having conditions stated in the Article 7 of the Regulation	-	-	-	-
The total of net long position of the direct or indirect investments in Additional Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital (-)	-	-	-	-
The total of net long position of the direct or indirect investments in Additional Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital (-)	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
Items to be Deducted from Tier I Capital during the Transition Period	-	-	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Net deferred tax asset/liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-	-	-
Total Deductions from Additional Tier I Capital	-	-	-	-
Total Additional Tier I Capital	-	-	-	-
Total Tier I Capital (Tier I Capital=Common Equity Additional Tier I Capital)	1,623,294	-	1,563,276	-
TIER II CAPITAL	-	-	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	17,484	-	12,743	-
Tier II Capital before Deductions	17,484	-	12,743	-
Deductions from Tier II Capital	-	-	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-	-	-
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-	-	-
Total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-	-	-	-
Total of net long position of the direct or indirect investments in Additional Tier I Capital and Tier II Capital of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital exceeding the 10% threshold of Tier I Capital (-)	-	-	-	-
Net long-term position of investments in capital assets of banks and financial institutions that have 10% or more of their shareholding interests and have not been consolidated	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
Total Deductions from Tier II Capital	-	-	-	-
Total Tier II Capital	17,484	-	12,743	-
Total Equity (Total Tier I and Tier II Capital)	1,640,778	-	1,576,019	-

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

	Current Period 30.06.2021	Amounts as per the regulation before 1/1/2014 (*)	Prior Period 31.12.2020	Amounts as per the regulation before 1/1/2014 (*)
Total Tier I Capital and Tier II Capital (Total Equity)	1,640,778	-	1,576,019	-
Loans granted against the Articles 50 and 51 of the Banking Law (-)	-	-	-	-
Net book values of movables and immovable exceeding the limit defined in the Article 57, Clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years (-)	-	-	-	-
Other items to be defined by the BRSA (-)	-	-	-	-
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital)				
During the Transition Period	-	-	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-	-	-
The portion of total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns more than 10% of the issued share capital exceeding the 10% threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-	-	-
The portion of net long position of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or more of the issued share capital, of the net deferred tax assets arising from temporary differences and of the mortgage servicing rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-	-	-
EQUITY	1,640,778	-	1,576,019	-
Total Capital (Total of Tier I Capital and Tier II Capital)	1,640,778	-	1,576,019	-
Total Risk Weighted Assets	2,824,071	-	2,513,098	-
CAPITAL ADEQUACY RATIOS				
Core Capital Adequacy Ratio (%)	57.48	-	62.21	-
Tier I Capital Adequacy Ratio (%)	57.48	-	62.21	-
Capital Adequacy Ratio (%)	58.10	-	62.71	-
BUFFERS				
Bank-specific total Core Capital Ratio	0.27	-	0.34	-
Capital Conservation Buffer Ratio (%)	2.50	-	2.50	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%) (*)	-	-	-	-
The ratio of Additional Common Equity Tier I capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital Buffers to risk weighted assets	52.98	-	57.71	-
Amounts lower than Excesses as per Deduction Rules	-	-	-	-
Remaining total of net long positions of the investments in equity items of unconsolidated banks and financial institutions where the Bank owns 10% or less of the issued share capital	-	-	-	-
Remaining total of net long positions of the investments in Tier I Capital of unconsolidated banks and financial institutions where the Bank owns more than 10% or less of the Tier I Capital	-	-	-	-
Remaining mortgage servicing rights	-	-	-	-
Net deferred tax assets arising from temporary differences	-	-	-	-
Limits for Provisions Used in Tier II Capital Calculation	-	-	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	17,484	-	12,743	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	29,050	-	24,766	-
Total loan provision that exceeds total expected loss calculated according to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-	-	-
Total loan provision that exceeds total expected loss calculated according to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, limited by 0.6% risk weighted assets	-	-	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	-	-	-	-
Upper limit for Additional Tier I Capital items subject to Temporary Article 4	-	-	-	-
Amount of Additional Tier I Capital items subject to Temporary Article 4 that exceeds upper limit	-	-	-	-
Upper limit for Additional Tier II Capital items subject to Temporary Article 4	-	-	-	-
Amount of Additional Tier II Capital items subject to Temporary Article 4 that exceeds upper limit	-	-	-	-

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

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

Explanations on reconciliation of shareholder's equity items to balance sheet:

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

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

	Current Period 30.06.2021	Prior Period 31.12.2020
Paid in Capital	1,051,230	1,051,230
Capital Reserves	503,049	395,212
Profit	108,159	145,170
Total Equity before Deductions	1,662,438	1,591,612
Deduction made within the scope of the Regulation	39,144	28,336
Common Equity Tier 1 Capital	1,623,294	1,563,276
Tier 1 Capital	1,623,294	1,563,276
General Provisions (Up to 1.25%)	17,484	12,743
Total Equity	1,640,778	1,576,019

II. EXPLANATIONS ON CURRENCY RISK

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

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

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

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

BANK OF CHINA TURKEY A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**II. EXPLANATIONS ON CURRENCY RISK (Continued)**

The Bank's current foreign exchange buying rates announced on June 30, 2021 and December 31, 2020 as well as the last five days financial statement valuation rates are as follows:

(All rates presented as full TL).

30.06.2021	USD	EUR	GBP	CNY
Rates:	8.6803	10.3249	12.0008	1.3367
1. Day Foreign Exchange Buying Rate	8.6772	10.3646	12.0479	1.3368
2. Day Foreign Exchange Buying Rate	8.6772	10.3646	12.0479	1.3368
3. Day Foreign Exchange Buying Rate	8.6772	10.3646	12.0479	1.3368
4. Day Foreign Exchange Buying Rate	8.7219	10.4077	12.1165	1.3432
5. Day Foreign Exchange Buying Rate	8.7052	10.3645	12.0343	1.3402
Arithmetic mean of last 30 days	8.6022	10.3617	12.0457	1.3316
31.12.2020	USD	EUR	GBP	CNY
Rates:	7.4194	9.1164	10.1142	1.1283
1. Day Foreign Exchange Buying Rate	7.5517	9.2037	10.2230	1.1500
2. Day Foreign Exchange Buying Rate	7.5517	9.2037	10.2230	1.1500
3. Day Foreign Exchange Buying Rate	7.4738	9.1370	10.1008	1.1368
4. Day Foreign Exchange Buying Rate	7.4063	9.0697	9.9761	1.1277
5. Day Foreign Exchange Buying Rate	7.3405	9.0079	9.9438	1.1182
Arithmetic mean of last 30 days	7.7138	9.3887	10.3482	1.1729

Sensitivity analysis on currency risk:

The table below demonstrates prospective increase and decrease in equity and profit/loss as of June 30, 2021 and December 31, 2020 (excluding tax effect) on condition that 10 percent revaluation/devaluation of the foreign currencies below against TL. This analysis has been prepared assuming that other variables, particularly interest rates, remain constant.

Current Period 30.06.2021	Change in Foreign Currency	Impact on Profit / Loss (*)	Impact on Equity
EUR	10% Increase	2,591	2,591
	10% Decrease	(2,591)	(2,591)
USD	10% Increase	1,677	1,677
	10% Decrease	(1,677)	(1,677)
Prior Period 31.12.2020	Change in foreign currency	Impact on Profit / Loss (*)	Impact on Equity
EUR	10% Increase	2,834	2,834
	10% Decrease	(2,834)	(2,834)
USD	10% Increase	597	597
	10% Decrease	(597)	(597)

(*) Pre-tax figures.

BANK OF CHINA TURKEY A.Ş.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. EXPLANATIONS ON CURRENCY RISK (Continued)

Explanations on currency risk:

	EUR	USD	Other FC	Total
Current Period 30.06.2021				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metal) and Balances with the CBRT	18,069	21,527	-	39,596
Due from Banks (*)	12,515	34,394	1,154	48,063
Financial Assets at Fair Value through Profit/Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	-	-	-	-
Loans and Receivables (**)	287,307	85,771	-	373,078
Investments in Assoc., Subsidiaries and Entities under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Derivative Financial Assets Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	2,554	3,057	95	5,706
Total Assets	320,445	144,749	1,249	466,443
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	528	17,704	77	18,309
Money Market Borrowings	-	-	-	-
Funds Provided from Other Financial Institutions	-	86,810	-	86,810
Securities Issued	-	-	-	-
Sundry Creditors	-	-	-	-
Derivative Fin. Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities	7,202	23,460	5,494	36,156
Total Liabilities	7,730	127,974	5,571	141,275
Net Balance Sheet Position	312,715	16,775	(4,322)	325,168
Net Off-Balance Sheet Position	(286,803)	-	-	(286,803)
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	286,803	-	-	286,803
Non-Cash Loans (***)	989,167	522,238	80,202	1,591,607
Prior Period 31.12.2020				
Total Assets	336,936	158,469	244	495,649
Total Liabilities	4,721	152,502	13	157,236
Net Balance Sheet Position	332,215	5,967	231	338,413
Net Off-Balance Sheet Position	(303,880)	-	-	(303,880)
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	303,880	-	-	303,880
Non-Cash Loans (***)	752,304	527,991	-	1,280,295

(*) Banks include balance of expected loss provisions amounting to TL 4.

(**) Loans and receivables include balance of expected loss provisions amounting to TL 4,724.

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

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AS OF JUNE 30, 2021**

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

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**III. EXPLANATIONS ON INTEREST RATE RISK**

Interest rate risk is the probability of loss due to changes in interest rates depending on the Bank's position regarding the interest-bearing financial instruments. Interest rate risk arises because of timing differences on the re-pricing of assets and liabilities, changes in correlation of interest rates between different financial instruments and, unexpected changes in the shape and slope of yield curves.

Exposure to interest rate movements arises when there is a mismatch between rate sensitive assets and liabilities. Interest rate risk is a key component of the Bank's market risk and asset and liability management. As part of asset and liability management, sensitivity analysis are used to measure the effects of changes in yield curves on the balance sheet.

The impact of interest rate volatility to the Bank will be analysed by presenting the results to the Risk Committee and senior management regularly. In this analysis, it is planned to calculate possible losses in fair value changes on interest rate sensitive products by interest rate shocks.

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

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

Current Period 30.06.2021	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	11,170	-	-	-	-	40,482	51,652
Banks	521,238	-	-	-	-	53,458	574,696
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-
Loans	290,984	86,818	201	200,000	-	-	578,003
Financial Assets Measured at Amortized Cost	-	499,599	346,040	-	-	-	845,639
Other Assets	-	-	-	-	-	53,743	53,743
Total Assets	823,392	586,417	346,241	200,000	-	147,683	2,103,733
Liabilities							
Bank Deposits	-	-	-	-	-	10	10
Other Deposits	150,806	-	-	-	-	18,371	169,177
Interbank Money Market Received	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	86,810	-	-	-	-	86,810
Other Liabilities (*)	-	-	-	-	-	1,847,736	1,847,736
Total Liabilities	150,806	86,810	-	-	-	1,866,117	2,103,733
Balance sheet long position	672,586	499,607	346,241	200,000	-	-	1,718,434
Balance sheet short position	-	-	-	-	-	(1,718,434)	(1,718,434)
Off-Balance sheet long position	43,676	-	33,557	100,669	-	-	177,902
Off-Balance sheet short position	(57,361)	-	(57,361)	(172,081)	-	-	(286,803)
Total Position	658,901	499,607	322,437	128,588	-	(1,718,434)	(108,901)

(*) Including TL 1,662,426 shareholders' equity.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

Prior Period 31.12.2020	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	14,620	-	-	-	-	28,778	43,398
Banks	631,993	-	-	-	-	80,792	712,785
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-
Loans	308,386	281,334	-	-	-	-	589,720
Financial Assets Measured at Amortized Cost	-	372,546	241,757	-	-	-	614,303
Other assets	-	-	-	-	-	44,268	44,268
Total Assets	954,999	653,880	241,757	-	-	153,838	2,004,474
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	151,461	-	-	-	-	52,728	204,189
Interbank Money Market Received	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	74,203	-	-	-	-	74,203
Other Liabilities (*)	-	-	-	-	-	1,726,082	1,726,082
Total Liabilities	151,461	74,203	-	-	-	1,778,810	2,004,474
Balance sheet long position	803,538	579,677	241,757	-	-	-	1,624,972
Balance sheet short position	-	-	-	-	-	(1,624,972)	(1,624,972)
Off-Balance sheet long position	33,557	-	33,557	134,226	-	-	201,340
Off-Balance sheet short position	(50,647)	-	(50,647)	(202,586)	-	-	(303,880)
Total Position	786,448	579,677	224,667	(68,360)	-	(1,624,972)	(102,540)

(*) Including TL 1,591,612 shareholders' equity.

BANK OF CHINA TURKEY A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**III. EXPLANATIONS ON INTEREST RATE RISK (Continued)****Average interest rates applied to financial instruments (%)**

Current Period 30.06.2021	EUR	USD	Other FC	TL
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	13.17
Banks and Receivables from Other Financial Institutions	(0.50)	0.01	-	17.49
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans	3.00	3.10	-	15.96
Financial Assets Measured at Amortized	-	-	-	14.97
Liabilities				
Bank Deposits	-	-	-	17.20
Other Deposits	-	-	-	18.96
Interbank Money Market Received	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	-	1.05	-	-
Prior Period 31.12.2020	EUR	USD	Other FC	TL
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	8.57
Banks and Receivables from Other Financial Institutions	0.06	0.20	-	10.45
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans	3.00	3.40	-	11.61
Financial Assets Measured at Amortized	-	-	-	8.04
Liabilities				
Bank Deposits	(0.30)	-	-	-
Other Deposits	1.35	0.08	-	10.39
Interbank Money Market Received	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	(0.27)	1.36	-	-

BANK OF CHINA TURKEY A.Ş.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. EXPLANATIONS ON POSITION RISK OF EQUITY SECURITIES

1. Balance sheet values, fair value and market value comparison of equity investments

None (December 31, 2020: None).

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

None (December 31, 2020: None).

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

The Bank established Liquidity Management Principles in order to monitor, audit and manage its liquidity position and liquidity requirement. Liquidity risk of the Bank is managed through taking potential funding sources, unexpected situation plans and legal limits into consideration within the framework of limits which are updated at least annually. It is aimed to carry out activities through ensuring a liquidity level which can provide to make payments at any time to sustain the trustable bank image of the Bank in the sector via taking risk/return balance of the Bank into consideration. Cash inflow and outflows in Turkish Lira and foreign currencies are tried to be kept under control continuously in liquidity risk management approach, long-term cash flow tables are formed and scenario analysis based on expectations and stress tests are performed to determine the resistance against the sudden crisis.

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

Presentation of assets and liabilities according to their remaining maturities:

Current Period 30.06.2021								
Assets	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated	Total
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	40,482	11,170	-	-	-	-	-	51,652
Banks	53,458	521,238	-	-	-	-	-	574,696
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-
Loans	-	61,542	12,415	69,962	434,084	-	-	578,003
Financial Assets Measured at Amortized Cost	-	-	499,599	346,040	-	-	-	845,639
Other Assets (*)	-	-	-	-	-	-	53,743	53,743
Total assets	93,940	593,950	512,014	416,002	434,084	-	53,743	2,103,733
Liabilities								
Bank Deposits	10	-	-	-	-	-	-	10
Other Deposits	18,371	150,806	-	-	-	-	-	169,177
Funds Borrowed from Other Financial Institutions	-	-	12,407	12,400	62,003	-	-	86,810
Interbank Money Market	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Other Liabilities (**)	-	-	-	-	-	-	1,847,736	1,847,736
Total Liabilities	18,381	150,806	12,407	12,400	62,003	-	1,847,736	2,103,733
Net Liquidity Gap	75,559	443,144	499,607	403,602	372,081	-	(1,793,993)	-
Net Off-Balance Sheet Position	-	(13,685)	-	(23,804)	(71,412)	-	-	(108,901)
Financial Derivative Assets	-	43,676	-	33,557	100,669	-	-	177,902
Financial Derivative Liabilities	-	57,361	-	57,361	172,081	-	-	286,803
Non-Cash Loans	15,487	-	34,720	1,020,170	-	766,824	-	1,837,201

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

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

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Prior Period 31.12.2020								
Assets	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Unallocated	Total
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	28,778	14,620	-	-	-	-	-	43,398
Banks	80,792	631,993	-	-	-	-	-	712,785
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-
Loans	-	55,154	207,139	61,246	266,181	-	-	589,720
Financial Assets Measured at Amortized Cost	-	-	372,546	241,757	-	-	-	614,303
Other Assets (*)	-	-	-	-	-	-	44,268	44,268
Total assets	109,570	701,767	579,685	303,003	266,181	-	44,268	2,004,474
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	52,728	151,461	-	-	-	-	-	204,189
Funds Borrowed from Other Financial Institutions	-	-	9	10,599	63,595	-	-	74,203
Interbank Money Market	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Other Liabilities (**)	-	-	-	-	-	-	1,726,082	1,726,082
Total Liabilities	52,728	151,461	9	10,599	63,595	-	1,726,082	2,004,474
Net Liquidity Gap	56,842	550,306	579,676	292,404	202,586	-	(1,681,814)	-
Net Off-Balance Sheet Position								
Financial Derivative Assets	-	(17,090)	-	(17,090)	(68,360)	-	-	(102,540)
Financial Derivative Liabilities	-	33,557	-	33,557	134,226	-	-	201,340
Financial Derivative Liabilities	-	50,647	-	50,647	202,586	-	-	303,880
Non-Cash Loans	13,675	-	111,291	463,981	272,471	664,471	-	1,525,889

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

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Liquidity coverage ratio:

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

Current Period 30.06.2021		Total Unweighted Value (Average)(*)		Total Weighted Value (Average)(*)	
High-Quality Liquid Assets		TL+FC	FC	TL+FC	FC
1	Total high-quality liquid assets (HQLA)			842,995	58,402
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	208,790	39,754	87,666	16,826
6	Operational deposits	-	-	-	-
7	Non-operational deposits	201,873	38,213	80,749	15,285
8	Unsecured funding	6,917	1,541	6,917	1,541
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	19,106	9,678	19,106	9,678
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	99,643	90,631	39,857	36,253
16	Total Cash Outflows			146,629	62,757
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	785,995	55,997	785,995	55,997
19	Other cash inflows	-	-	-	-
20	Total Cash Inflows	785,995	55,997	785,995	55,997
21	Total HQLA			842,995	58,402
22	Total Net Cash Outflows			37,980	20,225
23	Liquidity Coverage Ratio (%)			2,520	422

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

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

Liquidity coverage ratio:

Prior Period 31.12.2020		Total Unweighted Value (Average)(*)		Total Weighted Value (Average)(*)	
High-Quality Liquid Assets		TL+FC	FC	TL+FC	FC
1	Total high-quality liquid assets (HQLA)			616,299	74,940
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	239,742	98,151	99,801	39,580
6	Operational deposits	-	-	-	-
7	Non-operational deposits	233,235	97,618	93,294	39,047
8	Unsecured funding	6,507	533	6,507	533
9	Secured wholesale funding	-	-	-	-
10	Other cash outflows of which:	-	-	-	-
11	Outflows related to derivative exposures and other collateral requirements	7,968	3,961	7,968	3,961
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	-	-	-	-
16	Total Cash Outflows			107,769	43,541
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	762,488	77,477	762,488	77,477
19	Other cash inflows	-	-	-	-
20	Total Cash Inflows	762,488	77,477	762,488	77,477
Values applied upper limit					
21	Total HQLA			616,299	74,940
22	Total Net Cash Outflows			40,011	33,892
23	Liquidity Coverage Ratio (%)			1.844	358

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

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (Continued)

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

Current Period 30.06.2021

	Highest	Date	Lowest	Date	Average
TL+FC	4,498	June 4, 2021	1,612	June 18, 2021	2,509
FC	1,132	June 4, 2021	112	April 16, 2021	408

Prior Period 31.12.2020

	Highest	Date	Lowest	Date	Average
TL+FC	3,340	November 27, 2020	869	November 6, 2020	1,844
FC	834	December 18, 2020	87	October 30, 2020	358

VI. EXPLANATIONS ON LEVERAGE RATIO

The leverage ratio calculated by the Bank in accordance with the "Regulation on Measurement and Evaluation of Leverage Level of Banks" is 42.49% (December 31, 2020: 43.05%). This rate is above the minimum rate, and the regulation stipulated the minimum leverage rate as 3%.

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

	Current Period 30.06.2021 (*)	Prior Period 31.12.2020 (*)
1 Balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals)	2,090,575	2,052,862
2 (Assets deducted in determining Tier 1 capital)	36,561	32,314
3 Total balance sheet risks (sum of lines 1 and 2)	2,054,014	2,020,548
Derivative financial instruments and credit derivatives		
4 Replacement cost associated with all derivative financial instruments and credit derivatives	-	-
5 Potential credit risk associated with all derivative financial instruments and credit derivatives	8,389	10,067
6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	8,389	10,067
Securities or commodity financing transactions (SCFT)		
7 Risks from SCFT assets (except for on-balance sheet)	-	-
8 Risks from brokerage activities related exposures	-	-
9 Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	-	-
Off-balance sheet transactions		
10 Gross notional amounts of off-balance sheet transactions	1,727,721	1,574,375
11 (Adjustments for conversion to credit equivalent amounts)	-	-
12 Total risks of off-balance sheet items (sum of lines 10 and 11)	1,727,721	1,574,375
Capital and total risks		
13 Tier 1 capital	1,609,713	1,548,767
14 Total risks (sum of lines 3, 6, 9 and 12)	3,790,124	3,604,990
15 Leverage ratio	42.49	43.05

(*) Represents yearly weighted average amounts.

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

VIII. EXPLANATIONS ON RISK MANAGEMENT

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

1. Explanations on Risk Management and Risk Weighted Assets

1.1. Bank’s Risk Management Approach

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

Policies and procedures related to each of the quantifiable risks such as General Risk Policy, Market Risk, Liquidity Risk, Operational Risk have been formed in order to identify, measure and control the risks that the Bank may be exposed to due to its activities and approved by the Board of Directors and entered into force. Furthermore, the Bank has also Reputational Risk Policy.

Credit and operational risk constitute the main risk factors in terms of the types of risks that the Bank is exposed to.

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

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

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

Risks are measured using methods that comply with international and local regulations, the Bank’s policies and procedures suitable for the Bank’s structure, stress tests and scenario analyses are conducted and reported regularly to the senior management, Risk Committee and the Board of Directors. Risk measurements are included in the Bank’s decision-making processes.

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

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INFORMATION ON FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

1. Explanations on Risk Management and Risk Weighted Assets (Continued)

1.2. Overview of Risk Weighted Amounts

		Risk Weighted Amounts		Minimum Capital Liability	
		Current Period 30.06.2021	Prior Period 31.12.2020	Current Period 30.06.2021	Prior Period 31.12.2020
1	Credit risk (excluding counterparty credit risk) (CCR)	2,319,320	1,974,383	185,546	157,951
2	Standardized approach (SA)	2,319,320	1,974,383	185,546	157,951
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	4,687	6,922	375	554
5	Standardized approach for counterparty credit risk (SACCR)	4,687	6,922	375	554
6	Internal Model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal modals equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies –look– through approach	-	-	-	-
9	Investments made in collective investment companies –mandate-based approach	-	-	-	-
10	Investments made in collective investment companies -%1250 weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-	-
15	SA/simplified supervisory Formula Approach (SSFA)	-	-	-	-
16	Market risk	38,365	34,533	3,069	2,763
17	Standardized approach (SA)	38,365	34,533	3,069	2,763
18	Internal model approaches (IMM)	-	-	-	-
19	Operational risk	461,699	497,260	36,936	39,781
20	Basic indicator approach	461,699	497,260	36,936	39,781
21	Standard approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-	-
24	Floor Adjustments	-	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	2,824,071	2,513,098	225,926	201,049

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VIII. EXPLANATIONS ON RISK MANAGEMENT (continued)

2. Credit quality of assets

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
Current Period 30.06.2021		Defaulted exposures	Non- defaulted exposures		
1	Loans	-	578,003	-	578,003
2	Debt Securities	-	-	-	-
3	Off-balance sheet exposures	-	1,837,201	-	1,837,201
4	Total	-	2,415,204	-	2,415,204

		Gross carrying values of as per TAS		Allowances/ impairments	Net values
Prior Period 31.12.2020		Defaulted exposures	Non- defaulted exposures		
1	Loans	-	589,720	-	589,720
2	Debt Securities	-	-	-	-
3	Off-balance sheet exposures	-	1,525,889	-	1,525,889
4	Total	-	2,115,609	-	2,115,609

3. Changes in stock of defaulted loans and debt securities

The Bank does not have any default receivables or borrowing instruments.

4. Credit risk mitigation techniques

Current Period 30.06.2021		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	578,003	-	-	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	Total	578,003	-	-	-	-	-	-
4	Of which defaulted	-	-	-	-	-	-	-

Prior Period 31.12.2020		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	589,720	-	-	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	Total	589,720	-	-	-	-	-	-
4	Of which defaulted	-	-	-	-	-	-	-

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

VIII. EXPLANATIONS ON RISK MANAGEMENT (continued)

5. Credit Risk if the Standard Approach is used

Bank of China Turkey A.Ş. uses external ratings provided by Fitch Ratings when calculating the credit risk by the standard method. Within this scope, the Bank's risk weights in the Receivables from Central Governments or Central Banks risk class are determined by taking into consideration the matching table provided by Fitch Ratings and determined by the BRSA for related CRA(Credit Rating Agency).

Credit Quality Stage	Long Term Credit Ratings	
	Fitch Ratings	Receivables from Central Government and Central Banks Risk Weight (%)
1	AAA and AA-	0
2	A+ and A-	20
3	BBB+ and BBB-	50
4	BB+ and BB-	100
5	B+ and B-	100
6	CCC+ and below	150

5.1. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects

Current Period 30.06.2021		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central Banks	1,226,704	206,498	1,226,704	206,498	538,025	44%
2	Exposures to regional governments or local Authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	573,273	882,388	583,686	678,539	707,662	%56
7	Exposures to corporates	290,137	766,823	290,137	766,823	1,056,960	100%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial real estate	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	16,673	-	16,673	-	16,673	100%
17	Equity Investment	-	-	-	-	-	-
18	Total	2,106,787	1,855,709	2,117,200	1,651,860	2,319,320	62%

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

VIII. EXPLANATIONS ON RISK MANAGEMENT (continued)

5.1. Standardised approach – Credit risk exposure and credit risk mitigation (CRM) effects(continued)

Prior Period 31.12.2020	Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central Banks	1,181,814	182,328	1,181,814	182,328	528,017	45%
2	Exposures to regional governments or local Authorities	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Exposures to institutions	508,639	679,090	508,639	476,291	481,189	49%
7	Exposures to corporates	284,073	664,471	284,073	664,471	948,544	100%
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial real estate	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-
15	Investments in the nature of collective investment enterprise	-	-	-	-	-	-
16	Other receivables	16,633	-	16,633	-	16,633	100%
17	Equity Investment	-	-	-	-	-	-
18	Total	1,991,159	1,525,889	1,991,159	1,323,090	1,974,383	60%

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

VIII. EXPLANATIONS ON RISK MANAGEMENT (continued)

5.2. Standardised approach – exposures by asset classes and risk weights

Current Period 30.06.2021											Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	
1 Exposures to central governments or central banks	895,177	-	-	-	-	-	538,025	-	-	-	1,433,202
2 Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
3 Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	572,122	-	193,730	-	496,373	-	-	-	1,262,225
7 Exposures to corporates	-	-	-	-	-	-	1,056,960	-	-	-	1,056,960
8 Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9 Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
11 Past-due loans	-	-	-	-	-	-	-	-	-	-	-
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-
14 Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-	-
15 Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	-	-	-	-	-
17 Other receivables	-	-	-	-	-	-	16,673	-	-	-	16,673
18 Total	895,177	-	572,122	-	193,730	-	2,108,031	-	-	-	3,769,060

Prior Period 31.12.2020											Total credit risk exposure amount (after CCF and CRM)
Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	
1 Exposures to central governments or central banks	836,125	-	-	-	-	-	528,017	-	-	-	1,364,142
2 Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
3 Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	496,635	-	212,866	-	275,429	-	-	-	984,930
7 Exposures to corporates	-	-	-	-	-	-	948,544	-	-	-	948,544
8 Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9 Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
11 Past-due loans	-	-	-	-	-	-	-	-	-	-	-
12 Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-
14 Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-	-	-	-	-	-	-	-	-	-
15 Investments in the nature of collective investment enterprise	-	-	-	-	-	-	-	-	-	-	-
16 Investments in equities	-	-	-	-	-	-	-	-	-	-	-
17 Other receivables	-	-	-	-	-	-	16,633	-	-	-	16,633
18 Total	836,125	-	496,635	-	212,866	-	1,768,623	-	-	-	3,314,249

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

VIII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

6. Disclosures regarding Counterparty Credit Risk

6.1. Analysis of counterparty credit risk (CCR) exposure by approach

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
Current Period 30.06.2021							
1	Standard Approach-CCR	-	8,389	-	-	8,389	4,195
2	Internal Model Approach	-	-	-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation	-	-	-	-	-	-
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions	-	-	-	-	-	-
6	Total						4,195

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used for computing regulatory EAD	Exposure after credit risk mitigation	Risk Weighted Amounts
Prior Period 31.12.2020							
1	Standard Approach-CCR	-	10,067	-	-	10,067	5,034
2	Internal Model Approach	-	-	-	-	-	-
3	Simplified Standardised Approach for Credit Risk Mitigation	-	-	-	-	-	-
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions	-	-	-	-	-	-
6	Total						5,034

6.2. Credit Valuation Adjustment (CVA) Capital Charge

		Current Period 30.06.2021		Prior Period 31.12.2020	
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy					
1	(i) Value at risk component (including 3*multiplier)		-		-
2	(ii) Stressed Value at Risk (including 3*multiplier)		-		-
3	All portfolios subject to Standardised CVA capital obligation	8,389	4,195	10,067	5,034
4	Total amount of CVA capital adequacy	8,389	4,195	10,067	5,034

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

VIII. EXPLANATIONS ON RISK MANAGEMENT (continued)

6.3. Standardised approach – CCR exposures by regulatory portfolio and risk weights

Current Period 30.06.2021 Asset classes/ Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total risk
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and noncommercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	-	8,389	-	-	-	-	8,389
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	-	8,389	-	-	-	-	8,389

Prior Period 31.12.2020 Asset classes/ Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total risk
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and noncommercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	-	10,067	-	-	-	-	10,067
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Mortgage receivables	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-
Mortgage- backed securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Receivables from banks and intermediary institutions with short-term credit ratings and corporate receivables	-	-	-	-	-	-	-	-	-
Investments in nature of collective investment enterprise	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	-	10,067	-	-	-	-	10,067

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

VIII. EXPLANATIONS ON RISK MANAGEMENT (continued)

6.4. Composition of collateral for CCR exposure

The Bank has no collaterals used for counterparty credit risk.

6.5. Credit derivatives

The Bank has no derivatives.

6.6. Risks to Central Counterparty

The Bank has no risks to central counterparty.

7. Securitization disclosures

The Bank has no securities.

8. Explanations On Market Risk

Market risk; is defined as the risk of loss in the value of assets and returns in the balance sheet and off-balance sheet as a result of changes in rates and prices in financial markets.

The Bank's market risk is determined, evaluated and managed within the framework of Market Risk Management Policy. This policy covers the basic principles of the Bank in relation to market risk management, the duties and responsibilities of the parties involved in market risk management and the process related to the measurement, monitoring and reporting of market risk. Within the scope of market risk, the Bank has interest rate risk and currency risk. Standard method is used to measure market risk and to be the basis for capital allocation.

The Bank measures market risk within the framework of legal regulations. In addition, the Bank conducts stress tests and monitors the management of the risk.

The Bank carries out the stress test by applying negative and positive shocks on the yield curve and the interest rate risk arising from the on-balance sheet and off-balance sheet positions.

The Bank carries out stress tests and evaluates currency risk by applying changes in foreign exchange risk on foreign currency net general position.

The Bank has determined the risk appetite and limits related to market risk taking into account the activities and product structure.

	Current Period 30.06.2021	Prior Period 31.12.2020
	Risk Weighted Asset	Risk Weighted Asset
Outright products		
1 Interest rate risk (general and specific)	-	-
2 Equity risk (general and specific)	-	-
3 Foreign exchange risk	38,365	34,533
4 Commodity risk	-	-
Options		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	38,365	34,533

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS

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

1.1. Information on cash and cash equivalents

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL /Foreign Currency	-	-	-	-
Balances with the Central Bank of Turkey	12,056	39,596	6,309	37,089
Other	-	-	-	-
Total	12,056	39,596	6,309	37,089

1.2. Information related to account of Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	12,056	28,766	6,309	22,589
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	10,830	-	14,500
Total	12,056	39,596	6,309	37,089

According to the CBRT's "Communiqué on Required Reserves No. 2013/15", the Bank establishes a reserve requirement at the CBRT for Turkish currency and foreign currency liabilities. According to the "Communiqué on Required Reserves" at the CBRT, Turkish Lira can be kept in USD, EUR and standard gold. According to the principles of communiqué No. 2019/19 dated December 9, 2019, the CBRT pays interest to banks that provide credit growth for Turkish Lira required reserves. This practice has been terminated according to the CBRT's notification numbered 2417 dated December 10, 2020.

As of June 30, 2021, valid rates for required reserves established in the CBRT are between 3% and 8% according to the maturity structure in Turkish currency (December 31, 2020: between 1% and 6%); in foreign currency, 5% to 21% depending on the maturity structure range (December 31, 2020: 5% to 21%).

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

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

As of June 30, 2021, there are no financial assets at fair value through profit or loss subject to repurchase agreement (December 31, 2020: None).

As of June 30, 2021, the Bank does not have any collateral assets in exchange for Istanbul Stock Exchange (December 31, 2020: None).

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

None (December 31, 2020: None).

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (Continued)

3. Positive differences related to derivative financial assets

None (December 31, 2020: None).

4. Information on Banks

4.1. Information on Banks and Other Financial Institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	526,629	48,067	635,643	77,142
<i>Domestic</i>	526,629	1,912	635,643	1,261
<i>Foreign</i>	-	46,155	-	75,881
<i>Foreign head-offices and branches</i>	-	-	-	-
Total	526,629	48,067	635,643	77,142

4.2. Expected credit losses for cash and cash equivalents

Current Period	Stage 1	Stage 2	Stage 2	Total
Balances at End of Prior Period	700	-	-	700
Additions during the Period	292	-	-	292
Disposal	(424)	-	-	(424)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	-	-	-	-
Balances at End of Period	568	-	-	568

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

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

As of June 30, 2021, there are no financial assets at fair value through other comprehensive income subject to repurchase agreement (December 31, 2020: None). As of June 30, 2021, there are no financial assets given as collateral/blocked (December 31, 2020: None).

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

None (December 31, 2020: None).

6. Information on Loans

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

None (December 31, 2020: None).

BANK OF CHINA TURKEY A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (continued)****6. Information on Loans (Continued)****6.2. Information on the first and second group loans and other receivables including rescheduled or restructured loans**

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not Subject to Restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Re-finance
Non-Specialized Loans	578,003	-	-	-
Loans Given to Enterprises	-	-	-	-
Export Loans	200,201	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	-	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	377,802	-	-	-
Specialized Loans	-	-	-	-
Other Loans	-	-	-	-
Total	578,003	-	-	-

Expected Credit Losses	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	6,783	
Significant Increase in Credit Risk	-	
Total	6,783	

6.3. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

None (December 31, 2020: None).

6.4. Information on commercial installment loans and corporate credit cards

None (December 31, 2020: None).

6.5. Loans according to types of borrowers

	Current Period	Prior Period
Public	-	-
Private	578,003	589,720
Total	578,003	589,720

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (Continued)

6. Information on Loans (Continued)

6.6. Distribution of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	578,003	589,720
Foreign Loans	-	-
Total	578,003	589,720

6.7. Loans given to associates and subsidiaries

None (December 31, 2020: None).

6.8. Credit-Impaired Losses Stage III Provisions

None (December 31, 2020: None).

6.9. Explanations on non-performing loans

None (December 31, 2020: None).

6.10. Liquidation policies for uncollectible loans and other receivables

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

6.11. Explanations on write-off policy

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

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (Continued)****6. Information on Loans (Continued)****6.12. Explanations on expected credit losses for loans**

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at End of Prior Period	5,684	-	-	5,684
Additions during the Period	2,059	-	-	2,059
Disposal	(1,013)	-	-	(1,013)
Debt Sale	-	-	-	-
Write-offs	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	53	-	-	53
Balances at End of Period	6,783	-	-	6,783

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

None (December 31, 2020: None).

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

There are no financial assets subject to repurchase agreements in the current Period (December 31, 2020: None). As of June 30, 2021, the Bank does not have securities given as collateral (December 31, 2020: None).

7.2. Information on government debt securities measured at amortized cost

	Current Period	Prior Period
Government Bond	845,639	614,303
Treasury Bonds	-	-
Other Public Debt Securities	-	-
Total	845,639	614,303

7.3. Information on investments measured at amortized cost

	Current Period	Prior Period
Debt Securities	845,639	614,303
<i>Quoted at Stock Exchange</i>	<i>845,639</i>	<i>614,303</i>
<i>Unquoted at Stock Exchange</i>	-	-
Value Increases/Impairment Losses (-)	-	-
Total	845,639	614,303

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (Continued)****7. Information on financial assets measured at amortized cost (Continued)****7.4. Movements of investments measured at amortized cost during the year**

	Current Period	Prior Period
Opening balance	614,303	329,421
Foreign exchange differences in monetary assets	-	-
Purchases during the year	1,224,121	664,912
Disposals through Sales and Redemptions	(992,785)	(380,030)
Value decrease equivalent	-	-
Period end balance	845,639	614,303

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

Current Period	Stage 1	Stage 2	Stage 2	Total
Balances at End of Prior Period	20	-	-	20
Additions during the Period	40	-	-	40
Disposal	(20)	-	-	(20)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	-	-	-	-
Balances at End of Period	40	-	-	40

8. Information on associates

The Bank has no associates as of June 30, 2021 (December 31, 2020: None).

9. Information on subsidiaries (net)

The Bank has no subsidiaries as of June 30, 2021 (December 31, 2020: None).

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

The Bank does not have investments in entities under common control as of June 30, 2021 (December 31, 2020: None).

11. Information on lease receivables

The Bank does not have lease receivables as of June 30, 2021 (December 31, 2020: None).

12. Information on derivative financial assets held for hedging purposes

There are no derivative financial instruments for hedging purposes (December 31, 2020: None).

13. Information on tangible assets

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

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (Continued)****14. Information on intangible assets**

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

15. Information on investment properties (net)

None (December 31, 2020: None).

16. Information on current tax assets

None (December 31, 2020: None).

17. Information on Deferred Tax asset

For taxable temporary differences arising between the book value of an asset or liability and its tax base determined in accordance with the tax legislation, the Bank will obtain financial profit that can be deducted in the following periods according to the provisions of "TAS 12 - Income Taxes", BRSA's explanations and circulars and tax legislation, calculates deferred tax on deductible temporary differences, to the extent possible.

As of June 30, 2021, net deferred tax assets amounted to TL 35,632 (December 31, 2020: TL 24,184) has been reflected in the financial statements of the Bank after netting the deferred tax asset amounting to TL 36,355 (December 31, 2020: TL 25,647) and the tax liability amounting to TL 723 (December 31, 2020: TL 1,463).

Current and prior period deferred tax assets and liabilities movements are as follows:

	Accumulated Temporary Differences		Deferred Tax Assets/(Liabilities)	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
- Retirement Pay and Unused Vacation Provision	1,364	888	302	178
- Bonus Provision	5,543	5,747	1,285	1,149
- Differences Arising from Market Value of Derivative Financial Instruments	122,003	97,039	28,073	19,408
- Commission charged in advance	11,806	10,174	2,715	2,035
- Expected Credit Loss According to TFRS 9	17,484	12,744	3,497	2,549
- MTM-TFRS16 difference	2,253	1,423	475	285
- MTM-TFRS difference for interest income/expense	40	217	9	43
Deferred Tax Assets	160,493	128,232	36,356	25,647
- Tangible Assets Amortization Differences	(1,638)	(2,013)	(328)	(403)
- MTM – SL securities interest difference	(1,721)	(5,301)	(396)	(1,060)
Deferred Tax Liabilities	(3,359)	(7,314)	(724)	(1,463)
Deferred Tax Assets/(Liabilities), Net	157,134	120,918	35,632	24,184

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS (Continued)****18. Information on assets held for sale and non-current assets related to discontinued operations**

None (December 31, 2020: None).

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

Other assets do not exceed 10% of total assets excluding the off-balance sheet items (December 31, 2020: None).

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES**1. Information on deposits****1.1. Information on maturity structure of deposits**

Current Period	Demand	7 Days' Notice	Up to 1 Month	1-3 Months	3-6 Months	6-1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	-	-	-	-	-	-	-	-	-
Foreign Currency Deposits	18,309	-	-	-	-	-	-	-	18,309
Residents in Turkey	18,309	-	-	-	-	-	-	-	18,309
Residents Abroad	-	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	62	-	150,806	-	-	-	-	-	150,868
Other Ins, Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Interbank Deposits	10	-	-	-	-	-	-	-	10
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	10	-	-	-	-	-	-	-	10
Special Finan. Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	18,381	-	150,806	-	-	-	-	-	169,187

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (Continued)**

Prior Period	Demand	7 Days' Notice	Up to 1 Month	1-3 Months	3-6 Months	6-1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	-	-	-	-	-	-	-	-	-
Foreign Currency Deposits	52,680	50,649	100,812	-	-	-	-	-	204,141
Residents in Turkey	52,680	50,649	100,812	-	-	-	-	-	204,141
Residents Abroad	-	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	48	-	-	-	-	-	-	-	48
Other Ins, Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Interbank Deposits	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Special Finan. Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	52,728	50,649	100,812	-	-	-	-	-	204,189

1.2. Information on saving deposits under insurance**1.2.1. Amounts exceeding the insurance limit**

None (December 31, 2020: None).

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

There are no saving deposits that are not under the guarantee of deposit insurance fund as of June 30, 2021 (December 31, 2020: None).

2. Information on derivative financial liabilities**2.1. Negative differences table related to derivative financial liabilities**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	44	-	-	-
Swap Transactions	107,238	-	79,019	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	107,282	-	79,019	-

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (Continued)

3. Information on borrowings

3.1. Banks and other financial institution

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT Borrowings	-	-	-	-
From domestic Banks and Institutions	-	-	-	-
From Foreign Banks, Institutions and Funds	-	86,810	-	74,203
Total	-	86,810	-	74,203

3.2. Maturity structure of borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	-	-	-
Medium and Long-term	-	86,810	-	74,203
Total	-	86,810	-	74,203

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

Other foreign liabilities do not exceed 10% of the balance sheet total (December 31, 2020: Not exceeding).

5. Information on Lease Obligations

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

The Bank does not have any financial lease agreement (December 31, 2020: None).

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

The Bank does not have any financial lease agreement (December 31, 2020: None).

5.3. Information on lease liabilities

As of June 30, 2021, total net lease liability amount of the Bank is TL 21,562 (December 31, 2020: TL 20,010).

5.4. Information on "Sale -and- lease back" agreements

The Bank does not have any sale-and-lease back transactions in the current Period (December 31, 2020: None).

BANK OF CHINA TURKEY A.Ş.

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (Continued)

6. Information on derivative financial liabilities for hedging purposes

There are no derivative financial liabilities for hedging purposes (December 31, 2020: None).

7. Information on Provisions

7.1. Information on provisions related with foreign currency difference of foreign indexed loans

As of June 30, 2021, the Bank has no provision related to foreign currency differences of foreign indexed loans (December 31, 2020: None).

7.2. Information on provisions for non-cash loans that are non-funded and non-transformed into cash

	Current Period	Prior Period(*)
Provisions for Non-cash Loans	10,093	6,339
Total	10,093	6,339

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

7.3.1. Provision for probable losses

None (December 31, 2020: None).

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

Other provisions do not exceed 10% of the total provisions (December 31, 2020: Not exceed).

7.4. Explanations on reserves for employee benefit

The table of current and prior period retirement pay provision is as follows:

	Current Period	Prior Period
Opening Balance, January 1	308	201
Period expenses	72	114
Payments made	-	-
Actuarial Difference	-	(7)
Closing Balance, December 31	380	308

In accordance with the current labour law in Turkey, the Bank is required to pay termination benefits to the personnel who are dismissed from work due to retirement or who are terminated for reasons other than resignation and abuse. These compensations are the 30-day Gross wage for each year of work based on the wage on the date of dismissal. As of June 30, 2021, and December 31, 2020, the ceiling of the provision for employment termination benefits is TL 8,284.51 (full TL) and TL 7,638.96 (full TL).

BANK OF CHINA TURKEY A.Ş.

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (Continued)

7. Information on Provisions (Continued)

In the financial statements of June 30, 2021 and December 31, 2020, the Bank calculates the termination indemnity by discounting the annual inflation and interest rate usage. The inflation and interest rates used are as follows:

	Current Period	Prior Period
Inflation Rate	9.24%	9.24%
Interest Rate	13.35%	13.35%

As of June 30, 2021, total provision for employee benefits amounting to TL 6,907 (December 31, 2020: TL 6,635) is composed of TL 984 unused vacation provision (December 31, 2020: TL 580), TL 5,543 bonus provision (December 31, 2020: TL 5,747), TL 380 provision for employee termination benefits (December 31, 2020: 308 TL).

8. Explanations on Tax Liability

As of June 30, 2021, the Bank has current tax liability of TL 26,819 (December 31, 2020: TL 11,487).

The Bank has a corporate tax amount of TL 37,106 (December 31, 2020: TL 53,972) to be paid after the deduction of the prepaid corporate tax of TL 12,537 (December 31, 2020: 44,633) from the corporate tax calculated as TL 24,569 (December 31, 2020: 9,339).

8.1. Information on tax payables

	Current Period	Prior Period
Corporate taxes payable	24,569	9,339
Taxation on securities	145	70
Property tax	5	7
Banking and Insurance Transaction Tax (BITT)	452	156
Taxes on foreign exchange transactions	-	-
Value added taxes payable	81	101
Other	1,194	1,509
Total	26,446	11,182

8.2. Information on premium

	Current Period	Prior Period
Social Security Premiums- Employee	159	130
Social Security Premiums- Employer	181	148
Unemployment Insurance- Employee	11	9
Unemployment Insurance- Employer	22	18
Other	-	-
Total	373	305

8.3. Explanations on deferred tax liabilities

None (December 31, 2020: None).

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (Continued)

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

None (December 31, 2020: None).

10. Explanations on Subordinated loans

None (December 31, 2020: None).

11. Information on Shareholders' equity

11.1. Paid in Capital

The Bank's paid-in capital is TL 1,051,230 as of June 30, 2021 (December 31, 2020: TL 1,051,230). The capital does not have a share certificate.

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

Registered share capital system is not applied.

11.3. Capital increases and sources in the current period and other information based on increased capital shares

None (December 31, 2020: None).

11.4. Information on share capital increases from capital reserves during the current period

None (December 31, 2020: None).

11.5. Information on capital commitments, the purpose and the sources until the end of the fiscal year and the subsequent interim period

None (December 31, 2020: None).

11.6. The effects of anticipations based on the financial figures for prior periods regarding the Bank's income, profitability and liquidity, and possible effects of these future assumptions on the Bank's equity due to uncertainties at these indicators

Forecasts are made taking into account the prior period indicators of the Bank's income, profitability and liquidity and the uncertainties in these indicators, and their estimated effects on equity are prepared by the Finance Department and reported to the top management.

11.7. Information on privileges given to shares representing the capital

None (December 31, 2020: None).

11.8. Information on marketable securities value increase fund

None (December 31, 2020: None).

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND DISCLOSURES RELATED TO LIABILITIES (Continued)

11. Information on Shareholders' equity (Continued)

11.9. Information on profit distribution

It was decided to distribute unconsolidated net profit of TL 118,941 as of December 31, 2020, in accordance with the General Assembly dated March 30, 2021 as follows: TL 7,783 to be transferred to legal reserves, TL 100,042 to be transferred to undistributed profits and TL 11,116 to be distributed as cash dividend. On March 31, 2021, TL 118,941 was transferred to reserves and dividend payable accounts. Dividends are fully paid to shareholders in April and May 2021.

11.10. Information on minority interest

None (December 31, 2020: None).

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

1. Information on off-balance sheet commitments

1.1. Nature and amount of irrevocable loan commitments

None (December 31, 2020: None).

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

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

	Current Period	Prior Period
Guarantees	1,466,519	1,120,291
Bills of Exchange and Acceptances	-	-
Letters of Credit	-	-
Total	1,466,519	1,120,291

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

	Current Period	Prior Period
Temporary letter of guarantees	50,208	124,966
Revocable letters of guarantee	794	794
Letters of guarantee given in advance	267,770	252,961
Other letter of guarantees	51,910	26,877
Total	370,682	405,598

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET
CONTINGENCIES AND COMMITMENTS (Continued)****1. Information on off-balance sheet commitments (Continued)****1.3. Explanation on Non-cash loans****1.3.1. Total amount of non-cash loans**

	Current Period	Prior Period
Non-Cash Loans Given against Cash Loans	1,466,519	1,120,291
With Original Maturity of 1 Year or Less Than 1 Year	80,202	-
With Original Maturity of More Than 1 Year	1,386,317	1,120,291
Other Non-Cash Loans	370,682	405,598
Total	1,837,201	1,525,889

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

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at End of Prior Period	6,339	-	-	6,339
Additions during the Period	5,848	-	-	5,848
Disposal	(2,507)	-	-	(2,507)
Sold Credits	-	-	-	-
Deleted from Active	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	413	-	-	413
Balances at End of Period	10,093	-	-	10,093

2. Explanations on financial derivatives

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

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

None (December 31, 2020: None).

4. Explanation on contingent liabilities and assets

None (December 31, 2020: None).

5. Information on services in the name and account of others

None (December 31, 2020: None).

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AS OF JUNE 30, 2021**

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT****1. Information on interest income****1.1. Information on interest on loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income on Loans				
Short-term Loans	-	-	-	-
Medium/Long-term Loans	6,570	5,627	12,630	6,018
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource				
Utilization Support Fund	-	-	-	-
Total	6,570	5,627	12,630	6,018

1.2. Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	585	-	171	-
Domestic Banks	63,571	-	32,556	50
Foreign Banks	-	3	-	35
Branches and Head Office Abroad	-	-	-	-
Total	64,156	3	32,727	85

1.3 Interest received from marketable securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Financial Assets Measured at Amortized Cost	47,805	-	24,446	-
Total	47,805	-	24,446	-

1.4. Information on interest income received from associates and subsidiaries

None (December 31, 2020: None).

BANK OF CHINA TURKEY A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****IV. EXPLANATIONS AND DISCLOSURES RELATED TO THE INCOME STATEMENT
(Continued)****2. Information on Interest Expense****2.1. Information on interest on funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	451	-	817
TR Central Bank	-	-	-	-
Domestic Banks	-	-	-	-
Foreign Banks	-	451	-	817
Foreign Headquarters and Branches	-	-	-	-
Other Institutions	-	-	-	-
Total	-	451	-	817

2.2. Information on interest expenses to associates and subsidiaries

None (December 31, 2020: None).

2.3. Information on interest expenses to marketable securities

None (December 31, 2020: None).

2.4. Information on interest expense to maturity structure of deposits

Current Period 30.06.2021								
Time Deposit								
Account Name	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Month	Up to 1 Year	Over 1 Year	Accum. Deposit	Total
Turkish Currency								
Bank Deposits	-	162	-	-	-	-	-	162
Savings Deposits	-	-	-	-	-	-	-	-
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	1,448	13,319	-	-	-	-	14,767
Other Deposits	-	-	-	-	-	-	-	-
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	1,610	13,319	-	-	-	-	14,929
Foreign Currency								
Foreign Currency Account	-	-	-	-	-	-	-	-
Bank Deposits	-	-	-	-	-	-	-	-
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
Grand Total	-	1,610	13,319	-	-	-	-	14,929

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on Interest Expense (Continued)

Prior Period 30.06.2020								
Time Deposit								
Account Name	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Month	Up to 1 Year	Over 1 Year	Accum. Deposit	Total
Turkish Currency								
Bank Deposits	-	-	-	-	-	-	-	-
Savings Deposits	-	-	-	-	-	-	-	-
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	3,504	1,008	-	-	-	-	4,512
Other Deposits	-	-	-	-	-	-	-	-
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	3,504	1,008	-	-	-	-	4,512
Foreign Currency								
Foreign Currency Account	-	-	512	-	-	-	-	512
Bank Deposits	-	-	-	-	-	-	-	-
7 Day Notice Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	-	512	-	-	-	-	512
Grand Total	-	3,504	1,520	-	-	-	-	5,024

2.5. Interest expense on lease liabilities

	Current Period	Prior Period
Lease Interest Expenses	450	527
Total	450	527

3. Information on dividend income

None (December 31, 2020: None).

4. Information on net trading income / loss

	Current Period	Prior Period
Income	354,063	187,650
Gains on Capital Market Operations	-	-
Gains on Derivative Financial Instruments	18,523	24,429
Foreign Exchange Gains	335,540	163,221
Loss (-)	341,177	173,378
Losses on Capital Market Operations	-	-
Losses on Derivative Financial Instruments	45,070	53,945
Foreign Exchange Losses	296,107	119,433
Total	12,886	14,272

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on other operating income

	Current Period	Prior Period
Adjustment to previous years expenses	-	341
Other	562	8
Total	562	349

6. Impairment provisions on loans and other receivables

	Current Period	Prior Period
Expected Credit Losses	5,285	1,116
12 Month Expected Credit Loss (Stage 1)	5,285	1,116
Significant increase in credit risk (Stage 2)	-	-
Non-Performing Loans (Stage 3)	-	-
Marketable Securities Impairment Provision	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets At Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	5,285	1,116

7. Information related to other operational expenses

	Current Period	Prior Period
Provision for Employee Termination Benefits	73	59
Provision for Bank's Social Aid Fund Deficit	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Charges of Tangible Assets	2,010	2,418
Impairment Losses on Intangible Assets	-	-
Impairment losses on goodwill	-	-
Amortization Charges of Intangible Assets	772	980
Impairment Losses on Investment Accounted for under Equity Method	-	-
Impairment of Assets to be Disposed	-	-
Depreciation of Assets to be Disposed	-	-
Impairment of Assets Held for Sale	-	-
Other Operating Expenses	5,105	4,078
<i>Operational Leases Expenses</i>	-	-
<i>Repair and Maintenance Expenses</i>	46	69
<i>Advertisement Expenses</i>	-	-
<i>Other Expenses (*)</i>	5,059	4,009
<i>Losses on Sale of Assets</i>	-	-
Taxes	1,169	769
Other (**)	6,714	3,510
Total	15,843	11,814

(*) The amount of TL 5,059 in the "Other Expenses" title consists of TL 2,556 IT services expenses, TL 853 outsource services, TL 926 data line service expenses, TL 724 other operating expenses.

(**) The amount of TL 6,714 in the "Other" title consists of TL 5,946 employee benefits provisions, TL 585 auditing services and advisory services, TL 183 operational costs.

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of June 30, 2021, Profit before tax from continued operations is TL 106,313 (June 30, 2020: TL 75,883).

9. Explanations on tax provision for continued and discontinued operations

The tax expense for the Period ended June 30, 2021 is TL 24,383 (June 30, 2020: TL 16,724).

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

As of June 30, 2021, operating profit after-tax is TL 81,930 (June 30, 2020: TL 59,159).

11. Information on net profit/loss for the Period

Interest income from ordinary banking transactions amounted to TL 124,161 (June 30, 2020: TL 75,906). Interest expenses arising from ordinary banking transactions are TL 15,865 (June 30, 2020: TL 6,414). As of June 30, 2021, operating profit after-tax is TL 81,930 (June 30, 2020: TL 59,159).

There is no profit or loss related to minority shares.

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

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

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

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

a) Explanations and disclosures on the risk group of the Bank

June 30, 2021:

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash (**)	Non-Cash	Cash (**)	Non-Cash	Cash (**)	Non-Cash
Current Period						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	35,988	405,598	-	-
Balance at the End of the Period	-	-	46,152	370,682	-	-
Interest and Commission Income Received	-	-	3	17,503	-	-

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

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

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Cash (**)	Non-Cash	Cash (**)	Non-Cash	Cash (**)	Non-Cash
Prior Period						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	8,768	271,883	-	-
Balance at the End of the Period	-	-	35,988	256,461	-	-
Interest and Commission Income Received	-	-	35	16,118	-	-

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

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

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

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit (**)						
Balance at the Beginning of the Period	-	-	74,203	59,423	-	-
Balance at the End of the Period	-	-	86,820	74,203	-	-
Interest Paid	-	-	451	817	-	-

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

(**) As of June 30, 2021, the above table consists of the borrowings, foreign banks deposits and the interest paid to them. As of December 31, 2020, there is no deposit accepted by the Bank from the risk group, the balance consists entirely of loans received.

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

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholder		Other Real Persons and Legal Entities in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets at Fair Value Through Profit and Loss:						
Balance at the Beginning of the Period	-	-	505,220	564,546	-	-
Balance at the End of the Period	-	-	454,586	533,253	-	-
Total Income/Loss	-	-	(26,547)	(29,516)	-	-
Transactions for Hedging Purposes:						
Balance at the Beginning of the Period	-	-	-	-	-	-
Balance at the End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

BANK OF CHINA TURKEY A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****V. EXPLANATIONS AND DISCLOSURES ON THE RISK GROUP OF THE BANK (Continued)****1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period (Continued)****d) Information on the benefits provided to the Bank's top management**

As of June 30, 2021, TL 3,699 (June 30, 2020: TL 2,668) was paid to the top management of the Bank.

e) Other transactions with the Bank's risk group

As of June 30, 2021, the Bank has no other liabilities to the risk group arising from banking transactions (June 30, 2020: None).

VI. EXPLANATIONS ON THE BANK'S DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR INVESTMENTS IN ASSOCIATES AND FOREIGN REPRESENTATIVE OFFICES

	Number	Number of Employees	Country of Incorporations	Total Assets	Statutory Share Capital
Domestic Branch	-	44			
Foreign Representation Office					
Foreign Branch					
Off-shore Banking Region Branches					

BANK OF CHINA TURKEY A.Ş.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE OPERATIONS OF THE BANK

None.

II. EVENTS AFTER THE BALANCE SHEET DATE

None.

BANK OF CHINA TURKEY A.Ş.

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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

SECTION SEVEN

EXPLANATIONS ON AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON AUDITOR’S REVIEW REPORT

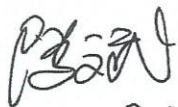
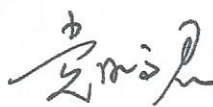

The unconsolidated financial statements as of June 30, 2021 have been audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the auditor’s review report has been presented prior to the unconsolidated financial statements

II. OTHER FOOTNOTES AND EXPLANATIONS PREPARED BY INDEPENDENT AUDITORS’

None.

BANK OF CHINA TURKEY A.Ş.
STATEMENT REGARDING INTERIM ACTIVITY REPORT AS AT JUNE 30, 2021

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


Bin CHEN

DANG Pengjun

Xiaoyu LIU

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



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



Dalei DING
Member of the
Board of Directors
and Acting
General Manager



Fang LONG
Head of Financial and
Operational Control
Department

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

SECTION EIGHT

REMARKS REGARDING INTERIM ACTIVITY REPORT

I. THE INTERIM ACTIVITY REPORT CONTAINING EVALUATIONS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER REGARDING INTERIM PERIOD OPERATIONS

A. Summary Information on Bank of China Turkey A.Ş.

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

B. Shareholding Structure

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

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

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

Members of the board of directors, members of the audit committee, general manager and assistant general managers of the Bank as of June 30, 2021 are listed below: None of the members of the Board of Directors (including the General Manager) has shareholding in the Bank.

Chairman and Members of the Board of Directors:

Name Surname	Title	Assigned Date	Education
Bin CHEN	Chairman of the Board of Directors	January 10,2017	PHD Degree
Dalei DING	Member of the Board of Directors and Deputy General Manager	July 26,2021	Bachelor Degree
Xiaoyu LIU	Member of the Board of Directors	January 10,2017	Master Degree
Pengjun DANG	Deputy Chairman of the Board of Directors and Chairman of the Audit Committee	January 10,2017	Master Degree
Özgür DALGIÇ	Member of the Board of Directors	January 10,2017	Master Degree

(1)Ruojie Li, General Manager and Member of the Board of Directors, resigned from his duties as General Manager and Member of the Board of Directors as of July 25, 2021, and Deputy General Manager Dalei Ding began to carry out these duties as of July 26, 2021.

Members of the Audit Committee:

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

Assistant General Managers:

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

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

THE INTERIM ACTIVITY REPORT CONTAINING EVALUATIONS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE GENERAL MANAGER REGARDING INTERIM PERIOD OPERATIONS (Continued)

D. Information on Branches and Personnel

As of June 30, 2021, Bank of China Turkey A.Ş. has 44 employees and no branch. The Bank runs its operations at its head office (December 31, 2020: 44 employees).

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

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

Our Bank started its banking operations on May 9, 2018.

Total assets of the Bank as of June 30, 2021 are TL 2,103,733 (December 31, 2020: TL 2,004,474). While our equity amounts to TL 1,662,426 (December 31, 2020: TL 1,591,612) our capital adequacy ratio is at the level of 58.10% (December 31, 2020: 62.71%). As of June 30, 2021, the profit after tax of the Bank for the Period is TL 81,930 (June 30, 2020: TL 59,159). The majority of such profit is the interest income derived from banks placements and loans.

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

I. ECONOMIC DEVELOPMENTS AND BANKING SECTOR OVERVIEW

Concerns over inflation became prominent all over the world during second quarter of 2021. U.S. inflation data and monetary policy expectations had considerable impacts on financial markets of emerging markets. Although FED takes prudent stance for tapering its monetary stimulus, economic recovery over the world, especially supply problems of some sectors show that inflation worries will prevail during next periods.

During second quarter, number of coronavirus cases diminished in Turkey. Fast vaccination programs played the most important role on this decrease. Geopolitical developments remained in the background while monetary policy actions were stable during the quarter in Turkey.

Turkish Lira depreciated gradually amid concerns about increasing inflation expectations whereas monetary policy remained tight and benchmark rate was kept unchanged. Inflation estimations have been revised upwards by CBRT. Turkish Lira assets and liquidity stayed weak during the period as well.

As of June, 2021, CPI occurred at 17.50% while PPI was 42.90% y/y. New Economic Program forecasts inflation to occur 8.00% at the end of 2021. New Economic Program also forecasts 2021-year end Current Account Deficit to GDP to occur at -1.9% and estimates GDP growth as 5.8%. Latest indicators and market forecasts are showing that year end growth rate and inflation rate will occur above expectations while current account deficit to converge to zero gradually.

Loan to Deposit ratio of the sector is at 105.71% according to 2021 May BRSA data. Sectors' NPL ratio is at 3.69% while CAR is at 18%. Sectors' total asset size is 6.671 trillion Turkish Lira while deposits size is at 3.804 trillion Turkish Lira.

BANK OF CHINA TURKEY A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2021**

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

II. FINANCIAL INFORMATION AND EVALUATIONS REGARDING BANK OF CHINA TURKEY A.Ş.**A. Financial Summary Information Regarding the Interim Period**

Total assets of Bank of China Turkey A.Ş. are TL 2,103,733 (December 31, 2020: TL 2,004,474) as of the Period that ended on June 30, 2021. 40% of the assets are composed of Government debt securities measured at amortized cost whereas 27% is loans. The balance sheet's biggest source of funding is the equity.

	30.06.2021	31.12.2020	31.12.2019	31.12.2018
Total assets	2,103,733	2,004,474	1,676,970	1,291,801
Cash Assets and Central Bank	51,652	43,398	42,859	16,421
Banks	574,696	712,785	677,701	949,969
Loans	578,003	589,720	568,012	306,590
Government debt securities measured at amortized cost	845,639	614,303	329,421	-
Other Assets	53,743	44,268	58,977	18,821
Total liabilities and equities	2,103,733	2,004,474	1,676,970	1,291,801
Deposits	169,187	204,189	75,685	4
Provisions	17,000	12,974	40,626	23,549
Financial Derivative Liabilities	107,282	79,019	-	-
Loan Received	86,810	74,203	59,423	-
Other Liabilities	61,028	42,477	54,801	16,202
Shareholders' Equity	1,662,426	1,591,612	1,446,435	1,252,046
Letter of Guarantees	370,682	405,598	271,883	2,577
Other Guarantees	1,466,519	1,120,291	973,594	81,827
Derivatives	454,586	505,220	564,546	604,120

	01.01.2021	01.01.2020	01.01.2019	01.01.2018
	-	-	-	-
	30.06.2021	30.06.2020	30.06.2019	30.06.2018
Net Interest Income	108,296	69,492	118,338	78,709
Non-Interest Income	20,918	16,524	7,146	218
Trading Income/Loss	12,886	14,272	26,702	2,733
Total Operating Income/(Expense)	142,100	100,288	152,186	81,660
Other Total Operating Income/(Expense)	30,502	23,289	20,354	15,824
Loan Provisions	5,285	1,116	11,305	18,484
Net Operating Profit/(loss)	106,313	75,883	120,527	47,352
Tax Provision (-)	24,383	16,724	29,139	14,429
Net Profit / Loss for the Period	81,930	59,159	91,388	32,923

Financial Ratios

	30.06.2021	31.12.2020	31.12.2019	31.12.2018
Capital Adequacy Ratio (%)	58.10	62.71	63.32	190.7
Equity/ Assets (%)	79.02	79.40	86.25	96.92

BANK OF CHINA TURKEY A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2021

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

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

B. Information Regarding Distribution of Profit

The legal reserves are allocated to the first and second reserves in accordance with Turkish Commercial Code (TTK). First legal reserves are allocated as 5% of the profit until the total reserves reach 20% of the paid-in capital. Second legal reserves are allocated as 10% of excess amount on profit distribution which is more than 5% of capital.

The Bank's Ordinary General Assembly Meeting was held on JUNE 30, 2021. At the Ordinary General Assembly Meeting, it was decided to transfer the unconsolidated net profit amounting to 118,941 TL from the activities of 2020, 7,783 TL to general legal reserves, 100,042 TL to undistributed profits as extraordinary reserves and 10% of distributable profit which is 11,116 TL to payables to shareholder's dividend according to BRSA decision. On JUNE 30, 2021, 118,941 TL was transferred to reserve funds and payables to shareholder's dividend accounts. Dividends are fully paid to shareholders in April and May 2021.

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