

Emlak Katılım
2020
Annual Report

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Scan the QR code to visit Emlak Katılım's website.

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Trade Registry Number	241701-0

From EmlakBank To Emlak Katılım...

Our vision

To become Turkey's leading and innovative participation bank.

Our mission

With the strength we derive from our deep-rooted history, to contribute to Turkey's economy by providing Islamic Banking compliant financial solutions to support the real sector, real estate sector being one of the major focus areas.

Corporate values

TRUST: We establish responsive business relationship based on trust with our clients, stakeholders and employees.

ACCOUNTABILITY: We try to do our best and hold ourselves responsible to fulfil our commitments.

RESPECT: We consider the respect to our clients, employees, stakeholders and to environment as our base and unchanging priority.

INNOVATIVENESS: With our innovative products and services, we become a solution partner to satisfy today's and future financial needs of the real sector.



new and enduring solutions

Having made a powerful debut in the sector, Emlak Katılım developed novel and durable solution suggestions within the frame of its vision and strategies for a number of sectors and for the construction industry, in particular, which is the Bank's area of expertise.

93 years

Emlak Katılım entered operation on 21 March 2019 - for the second time after 3 June 1926.

The first in history

For the first time in the history, a conventional bank which was in receivership came into operation again as a participation bank.

strategic targets

Emlak Katılım has created strategic targets which are primarily to contribute to the efforts to bring down the current account deficit, supporting exports and local production and to take steps which will support growth and employment.

Chairman's assessment of the reporting period



By correctly positioning ourselves in the economic climate that prevailed during most of 2020, we continued to maintain stable, consistent growth.

a major role

In its efforts to contend with a game-changing global pandemic, the Turkish banking industry played a major role in supporting the country's people and its real sector in 2020.

2020, a year now at last behind us, was a period during which both our country and the whole world underwent far-reaching changes. The coronavirus outbreak that first appeared in late 2019 in the city of Wuhan, one of China's most important economic centers, quickly spread throughout the world, becoming a global pandemic that has affected all of us profoundly. By transforming every aspect of our lives from how and where we live to how and where we work, the pandemic's economic impact at both the global and national levels has been deep indeed.

Our country paid close attention to developments in the novel coronavirus epidemic from the very beginning of its outbreak. Thanks to well-placed measures and to correct and quickly-taken action, the epidemic was kept relatively under control after it first

appeared in our country in March 2020. The course that has been followed in both health services and on the economic front has enabled our country to manage, with the least possible impact, a crisis from which the whole world is suffering.

At a time when the world's agenda was already fraught with a host of issues ranging from the US-China trade war and the Brexit process to presidential and congressional elections in the United States, the Covid-19 epidemic quickly overshadowed them all as it leapt to first place. The situation was such as to make it necessary for national monetary authorities to have recourse once again to expansionist policies of the sort that they first made use of during the global economic crisis of 2008. The Chinese economy suffered a 6.8% first-quarter contraction and

registered its worst performance witnessed in 28 years; during the second quarter, when the effects of the epidemic were felt the most severely, the US economy shrank by 31.7% with contractions of 28.1% and 15% registered in Japan and in the euro area respectively. Although the Chinese economy showed signs of recovery with a 3.2% twelve-month rate of growth in the second quarter, other countries' economies did not begin to rebound until the third quarter, when 33.4%, 22.9%, and 12.5% rates of growth were registered in the US, Japan, and the euro area respectively.

Having grown by 4.5% in the first quarter of 2020, the Turkish economy for its part shrank by 9% during the second as the epidemic reached its first peak. Through the well-placed and effective measures that were taken, the brunt of the pandemic was soon overcome and a measure of mobility was restored to the economy. With its vigor benefitting from the renormalization process, Turkey's economy resumed growing in the third quarter, with the growth rate reaching 6.7%.

In its efforts to contend with a game-changing global pandemic, the Turkish banking industry played a major role in supporting the country's people and its real sector in 2020. Measures put in place by CBRT, BRSA, CMB, and Istanbul Stock Exchange quite literally helped keep employment, the real sector, and everyone in general on life support. Through a series of measures and incentives that were introduced, state-owned banks provided support of their own in the form of low-cost credit.

In 2020 the Turkish banking industry as a whole registered growth rates of 35%, 40%, and 35% in total lendings, in consumer loans and credit cards, and total deposits respectively. The industry's total credits amounted to TL 3,575,923 million and its total deposits to TL 3,455,028 million. According to BRSA-published figures, there was a TL 717 billion expansion in the total volume of credit, which closed the year at TL 2.3 trillion.

Turning now to our own bank, it gives me pleasure to say that the picture of Emlak Katılım as of the end of the year is one of success. By correctly positioning ourselves in the economic climate that prevailed during most of 2020, we continued to maintain stable, consistent growth. At the same time we also joined hands in the government's economic-support efforts by coming to the aid of our customers and our country's markets.

Bringing these brief remarks to a close, let me assure you that we will continue to advance confidently towards ever-new objectives, will spare no effort either in supporting Turkey's participation banking industry and strong economic stance, and will keep all of our stakeholders supplied with the very best products and services.

Very truly yours,

Prof. Dr. Mehmet Emin BİRPINAR
Chairman of the Board of Directors

We will spare no effort either in supporting Turkey's participation banking industry and strong economic stance, and will keep all of our stakeholders supplied with the very best products and services.

General Manager's assessment of the reporting period



The successful results that Emlak Katılım achieved and the products and services that it introduced in 2020 are both sources of the utmost pleasure.

120% growth

Our bank's total assets, which amounted to TL 9.3 billion at year-end 2019, grew by 120% in the next twelve months and reached TL 20.3 billion in value.

With a global pandemic affecting the whole world, 2020 was a year that reshaped our habits and the ways in which we live our everyday lives. Both the outbreak of the novel coronavirus epidemic itself and also the measures taken to deal with it had a deep impact both on the world's and on Turkey's economies.

Thanks to steps taken in the areas of economic life and public health, Turkey numbered among the countries whose economies were least affected by pandemic-caused fallout. Close attention was given throughout the year both to measures capable of countering the impact of the epidemic and to the effectiveness of those measures. From the standpoint of new case numbers, the process of renormalization appeared to have got underway after midyear; however a second wave of infections emerged in the third quarter both in Turkey and in other countries. Last-quarter reports of progress in vaccine

development encouraged a more favorable view of the overall global outlook.

Looking at the course of Turkey's economy in 2020, a 4.5% Q1 rate of growth was followed by a 9% Q2 contraction owing to the effects of the pandemic. Once the initial shock of the outbreak was overcome, economic activity regained momentum and the Turkish economy began growing again. The effects of the process of renormalization on economic data were felt more clearly in the indicators published after June, with the economy growing by 6.7% in the third quarter. Turkey's Industrial Production Index rose by 17.6 on a monthly basis in June, a rise that put the country at the top of the European league table on that measure. A further 8.4% one-month rise in the IPI in July pushed the index to above where it had been in March, which was when Turkey's first Covid-19 case was reported.

The start of a new series of reforms on the economic and legislative fronts in November prompted a U-turn in Turkey's markets. International investors began heading towards our country and there were significant foreign-investment inflows. This helped boost the value of the Turkish lira, Borsa İstanbul's performance broke record after record, and Turkey became the country with the world's fastest-diminishing country-risk premium.

During 2020 the Turkish banking industry stood by the country's real sector and its citizenry. Through a series of measures and incentives introduced to mitigate the economic impact of Covid-19, Turkey's state-owned banks supported tradesmen and employers with low-cost credit.

As a result of such well-conceived and well-timed measures, the adverse effects of the pandemic on Turkey were minimized. The consisted environment of confidence also impacted favorably on Emlak Katılım's operations. Our bank's total assets, which amounted to TL 9.3 billion at year-end 2019, grew by more than 120% in the next twelve months and reached TL 20.3 billion in value. As a financial institution that specializes in financing real-sector endeavors, our bank disbursed funds amounting to TL 13,6 billion in total while its total collected funds weighed in at around TL 11,7 billion. Emlak Katılım's capitalization was increased by TL 276 billion in December in a move that also brought the bank's paid-in capital to TL 1,027 million.

In March 2020 we received the Capital Markets Board of Turkey's authorization to issue up to TL 2 billion worth of sukuk; this ceiling was raised again in September to TL 5 billion. Since April of last year we have issued 32 sukuk issuances totaling TL 4.8 billion in value overall. The Bank issued Turkey's first ever mudarabah pools linked wakalah

Sukuk which has a maturity of 369 days and 4 periodic payments on 24 June.

At the outset of 2020 we set ourselves a branch-count target of forty for the year and, despite subsequent developments, we further increased that number to fifty. It gives me pleasure to note that we achieved that target as of year-end.

One of the most important developments that took place last year at Emlak Katılım was the launch of the bank's e-banking branch. While continuing to serve our customers through our physical branches in their own localities, we have also begun to do so through the digital channels that we are developing. Throughout the year we likewise continued to develop and offer other products and services that address customers' different needs. For example we signed an agreement with the General Directorate of Land Registry & Cadastre to ensure that real-estate title transfer formalities are handled seamlessly; we also introduced the Turkish banking industry's first Escrow Account product specifically for transactions involving real estate properties.

The successful results that Emlak Katılım achieved and the products and services that it introduced in 2020 are both sources of the utmost pleasure. As the Emlak Katılım family, we will all continue to make every possible effort in 2021 to go on creating value and to achieve even more successful results for all of our stakeholders. In closing therefore let me extend my thanks to all of my colleagues for the leading roles that they played in making 2020 a successful year.

Very truly yours,

Nevzat BAYRAKTAR
General Manager and Member of the
Board of Directors

As a result of well-conceived and well-timed measures, the adverse effects of the pandemic on Turkey were minimized.



we contribute

Within the scope of our banking operations aligned with the interest-free financing principles of participation banking, we are contributing to the real sector and the economy through our products and services designed on the basis of the commercial cycle.

814 employees

Emlak Katılım had a total of 814 employees at the end of 2020

new products

Our “Prepaid Murabahah System” and “Mudarabah Pools Linked Wakalah Sukuk” are two new products that we have introduced to the sector.

E-Branch

The “E-Branch” project on whose infrastructure we began working in 2019 was commissioned in 2020.

The number of personnel and branches and the bank's service type and business lines; assessment of the bank's position in the sector

Supporting the economy

Focusing especially on real-sector endeavors and industrial production, Türkiye Emlak Katılım Bankası puts all of its resources to work in support of companies whose operations in such areas as construction, logistics, trade, and services make them the engines of our country's economy.

As a result of the Covid-19 pandemic, oil price and exchange rate volatilities, a steady erosion in real-sector production capacity, disruption of long-term funding, trade wars, and geopolitical problems, the global economy shrank in 2020.

Despite all the economic problems faced around the world and in our country however, Emlak Katılım nonetheless continued to grow. Having increased the number of our branches from 11 in 2019 to 50 with new openings in 2020, we now have an operational presence in every region of our country. Meanwhile the Emlak Katılım family also continued to grow last year: the 381 people that the bank had on its payroll at end-2019 reached 814 as of end-2020 with the addition of 383 (up 47%) headquarters and 431 (up 53%) branch personnel.

Focusing especially on real-sector endeavors and industrial production, Türkiye Emlak Katılım Bankası puts all of its resources to work in support of companies whose operations in such areas as construction, logistics, trade, and services make them the engines of our country's economy. Of the bank's cash lendings in 2020, the biggest share (22.8%) went to the manufacturing sector followed in turn by construction (19.8%) and wholesale & retail trade (17.1%).

We registered truly significant gains in our financial realizations and and performance last year: our total assets were up by 119% from TL 9.28 billion to TL 20.39 billion; we increased our collected funds by 96% from TL 5.95 billion to TL 11.68 billion; and we achieved a 137% rate of year-on growth

Having increased the number of our branches from 11 in 2019 to 50 with new openings in 2020, we now have an operational presence in every region of our country.



in our allocated funds, increasing them from TL 5.73 billion in 2019 to TL 13.57 billion in 2020.

The Turkish banking industry as a whole likewise registered significant gains in 2020 despite the pandemic. In so challenging a year as 2020 was indeed, the sector's total assets, which amounted to TL 4.49 trillion at end-2019, were up by 36% and reached TL 6.10 trillion. The momentum achieved in the performance of the sector's total assets was very closely repeated in its total deposits and total lendings, which were both up by 35% year-on. On the deposits side, there was a remarkable 46% increase in FX accounts that is probably attributable both to aggressive upward movements in exchange rates last year and to net losses in real returns caused by depressed interest

rates. Looking at the sector's overall profitability we see that the TL 49 billion in net profit that it showed at end-2019 subsequently grew by 19% and reached TL 58.5 billion as of end-2020.

Looking now at the performance of the country's participation banks, we see that they performed somewhat better than the sector as a whole: their total assets amounted to TL 437 billion, a figure that corresponds to a 53% rate of year-on growth and provides still more evidence of the confidence that people have in the participation banking sector during times of crisis. Turkey's participation banks showed TL215 billion worth of collected funds as of end-2019: in 2020 that figure reached TL 321 billion, a 49% rate of year-on growth that outperformed the sector's overall rate. The strong growth in FX deposits

A successful year

We registered truly significant gains in our financial realization and performance last year.

İstanbul Branches	Ankara Branches	Bursa Branches	Adana Branches	Gaziantep Branches	Kocaeli Branches	Konya Branches	Branches in Other Provinces
Beşyüzevler	Ankara Şube	Bursa Şube	Adana Şube	Gaziantep	İzmit	Konya	Şanlıurfa Şube
Maltepe	OSTİM	Yıldırım	Küçüksaat	Gaziantep Organize Sanayi	Gebze	Büsan	Sivas
Merkez	Sincan						Samsun
İkitelli	Kızılay						Adapazarı
Fatih							Rize
Ümraniye							Mersin
Erenköy							Malatya
Bağcılar							Kayseri
Laleli							Kahramanmaraş
Sultanbeyli							İzmir
Pendik							Isparta
Güneşli							Antakya
Altunizade							Diyarbakır
Beykent							Batman
Merter							Antalya
İmes							Aksaray
Üsküdar							
Metrokent							
Avcılar							
Maslak							
Kavacık							
Esenyurt							
Kaynarca							
Mecidiyeköy							
Sultanhamam							
Levent Sanayi							

The number of personnel and branches and the bank's service type and business lines; assessment of the bank's position in the sector

New projects become operational

Last year we undertook and carried out many projects as Türkiye Emlak Katılım Bankası.

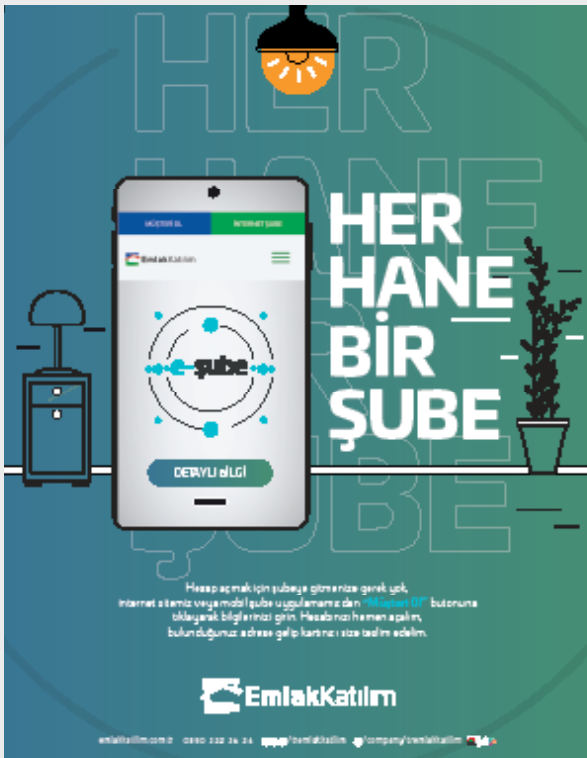
witnessed throughout the sector last year was also observed among its participation banks. The TL 219 billion which they reported having in such accounts at end-2020 corresponds to a year-on rise of 76%.

Last year we undertook and carried out many projects here at Türkiye Emlak Katılım Bankası, foremost among which was the commissioning of the "Emlak Katılım E-Branch" project on whose infrastructure we began working in 2019. Emlak Katılım E-Branch is a digital banking platform that makes it possible for someone to become a customer of our bank without having to come into a branch but instead by signing an agreement brought to them by courier. Emlak Katılım E-Branch users can also access more than 20 thousand ATMs

belonging to state-owned banks to take care of their banking business.

A new product that we introduced to the sector is our "Prepaid Murabahah System" in which Emlak Katılım assumes all responsibility on behalf of the seller. This system ensures that all goods involved in the murabahah transaction are delivered in full to the buyer while also guaranteeing payment to the seller upon their delivery. Under the terms of the "Full-Delivery Insurance" policy incorporated into this product, the bank's customers, sellers, and Emlak Katılım itself are provided with all-risk coverage.

Another new product that we introduced in 2020 is the "Emlak Katılım Pooled Funds-Indexed Sukuk". This is a TL 100 million sukuk issue that was floated on



E-Branch is a digital banking platform that makes it possible to become an Emlak Katılım customer just by signing an agreement brought to them by courier. E-Branch users can also access more than 20 thousand ATMs belonging to state-owned banks to carry out their banking business.

25 June 2020. The issue's 369-day instruments pay a variable yield at three-month intervals. This is the first lease certificate issue ever undertaken in Turkey whose returns are indexed to a specific pooled-funds portfolio.

"Emlak Katılım Tapu Güvenilir Hesap" is an escrow account which helps ensure that the interests of all parties in the sale of real estate properties are safeguarded. "Emlak Katılım CepPos" is an app that makes it easy to accept payments by transforming a regular smart mobile phone into a point-of-sale (POS) device. Both these products were designed to save customers time and money.

For customers who want to invest in precious metals, we introduced "Emlak Katılım Altın Çatı Hesabı" for those who

prefer gold and "Emlak Katılım Platin Hesap" for those who prefer platinum. It is also possible to trade in these metals through our online banking and mobile banking channels.

Other products that were launched in 2020 are associated with various projects in which Emlak Katılım has been involved and which were brought to completion last year: Credit Bureau of Turkey E-Collateral Integration Project, Emlak Katılım-Halk Yatırım Integration Project, Legal Document Automation System Project, E-Collections System, Customs Duty Collection System, Social Security Corporation Collection System, Exchange Rate Management System, and Rate Publisher Integration Project.

Precious metal accounts

For customers who want to invest in precious metals, we introduced "Emlak Katılım Altın Çatı Hesabı" for those who prefer gold and "Emlak Katılım Platin Hesap" for those who prefer platinum.



"Emlak Katılım Tapu Güvenilir Hesap" is an escrow account which helps ensure that the interests of all parties in the sale of real estate properties are safeguarded. "Emlak Katılım CepPos" is an app that makes it easy to accept payments by transforming a regular smart mobile phone into a point-of-sale (POS) device. Both these products were designed to save customers time and money.

Information related to new services and activities concerning research and development activities

In keeping with the mission to support the country's construction industry that it inherited from its predecessors, Türkiye Emlak Katılım Bankası has formulated strategies capable of contributing to its sustainable growth by supporting manufacturing projects, especially projects that will lead to the domestic production of goods that replace imports. These strategies also focus on developing centralized and traceable digitalization and fintech-based processes. New product and service infrastructure and feasibility studies have been initiated in light of these strategies.

Since the day that it commenced operation, Türkiye Emlak Katılım Bankası has been exploring and developing both basic and advanced banking products and services in line with its customers' needs. Such efforts have led to the introduction not only of essential features such as treasury product and banknote trading, EFT system integration, and the bank's membership in the Credit Bureau of Turkey and the Central Registry Agency systems but also of services capable of contributing to the bank's profitability such as precious-metals trading, lease certificate flotations, Emlak Katılım E-Branch, and Emlak Katılım CepPos.

In addition to basic banking operations and services, during 2020 we also continued working on the development of new products compatible with our avowed mission. Work on the development of a Building-Savings System that we began in 2019 continued in 2020 as well and important progress was made in that direction. Another construction-industry project on which we have begun working is a profit & loss partnership involved in the production of volumetric modular

construction elements and structures that can quickly be put together and installed on site wherever and whenever they may be needed, thus making them particularly useful in emergencies and natural disasters when shelter and accommodations are urgently needed. A product on whose development we began working in 2020 and which we believe will also contribute to the real estate industry is the Emlak Katılım Rent Deposit Guarantee Account. This account addresses a serious issue confronting Turkey's real estate industry by providing a sound basis for the regulation of tenant-landlord relationships. It has the additional benefit of helping to prevent tax loss by bringing hitherto unrecorded rent payments into the formal economy.

In addition to the products that it offers to the construction and real estate industries, Emlak Katılım also continues to develop products and services capable of addressing the needs of other sectors. Work on the development of an Emlak Katılım Silver Participation Account designed for customers who want to invest in silver or who are looking for alternative investment vehicles was completed last year; this product will be put into service in 2021. Last year we also began working on the development of an FX trading platform for corporate customers who are on the lookout for the most advantageous exchange rates; this too will become operational in the period ahead.

We have reached the final stage in the development of a cashflow-generating direct-debiting system and of supplier-financing products which we believe will not only provide a sounder basis for regulating buyer-seller relationships but will also lead to the bank's gaining new customers.

As we continue to come to terms with the implications of the social-distancing requirements made necessary by the Covid-19 pandemic, the ability to acquire customers remotely has become a very important issue. Under the Remote Identity Verification & Customer Acquisition Project, it will be possible for new customers to open accounts with the bank without having to be physically present at a branch. In a similar vein, Emlak Katılım Online Home-Ownership Financing is a product that allows a customer to take out a housing finance without having to come to a branch while the Emlak Katılım Escrow Account makes it unnecessary to go to a land registry office to transfer a title deed.

Customer-oriented

Since the day that we commenced operation, we have been exploring and developing both basic and advanced banking products and services in line with our customers' needs.

Summary financial information for the fiscal year

Information on investments made in 2020

During 2020 Emlak Katılım undertook investments in infrastructure services essential to the sustainable conduct of operations as well as investments related to the integration of the bank's operations with extramural agencies and organizations. These investments included renewal of the Active Directory and DB Admin control license; renewal of security-testing software licenses; rehosting the bank's primary and secondary data centers from Architech company to Turkcell's Gebze/Kocaeli and Söğütözü/Ankara facilities; installation of Cisco, Webex, and Meeting video-conferencing software for use at the bank; renewal of network-based load balancing hardware; installation and configuration of Qlik Sense and HSM software infrastructure.

Whether prior period targets were achieved or not, whether General Assembly resolutions were fulfilled and in the event the targets were not achieved and the resolutions were not fulfilled, information and assessments regarding the reasons

Emlak Katılım Bankası achieved all of the 2020 strategic targets which it had set for itself. The year's initial branch-count target of 40 was subsequently upped to 50 and was achieved. With the inclusion of the Emlak Katılım E-Branch, the number of branches in the bank's network has reached 51. The bank's TL 20.3 billion in total assets at end-2020 correspond to a 101% outperformance of its TL 20.1 billion target for the year. A similar outperformance was achieved in allocated funds/ used funds (except bank's murabahah: TL 13.2 billion was lent as compared with the year's TL 13.1 billion target.

Last year Emlak Katılım reorganized its personnel and paygrade structures; new employees were taken on and departmental structures were created as needed; newly-hired personnel were given orientation training; a 2020 internal-customer satisfaction survey was carried out.

Türkiye Emlak Katılım Bankası A.Ş.'s 2019 general meeting was held on 26 June 2020 at the company's headquarters. All items on the meeting's agenda were unanimously approved by those attending the meeting and all resolutions which were passed were carried out.

TL 20.3 billion

The bank's TL 20.3 billion in total assets at end-2020 correspond to a 101% outperformance of its TL 20.1 billion target for the year.

Summary financial information for the fiscal year

7.1%

Outperforming the industry as a whole, Turkey's participation banks increased their industry share to 7.1%.

Information on the sector of activity and position within this sector, characteristics of the production units of the company, general explanations on sales quantities and prices, sales terms and changes to these terms during the reporting year, productivity rates and the grounds for major differences thereof in comparison with prior years

Despite all of the adversities created by the Covid-19 pandemic, the Turkish banking industry's total assets were up by 36% year-on and surpassed the TL 6 trillion threshold. The sector's total deposits and total credits grew by similar rates and were up by about 35% in both cases. The two biggest contributors to this expansion, which was especially noticeable in the first nine months of the year, appear to have been (1) strong demand for commercial credit fueled by CBRT's low interest rates and (2) strong household interest in long-term, low-cost to home-ownership loans driven by campaigns during the summer. Another significant contributor to the expansion in the sector's total assets was substantial growth in their FX deposits, which was nourished by investors who, in response to rising exchange rates, pulled out of equity and bond markets and put their money into foreign currencies instead.

Having entered our lives beginning in early 2020 and still afflicting us, the Covid-19 pandemic has impacted deeply on many sectors but none more so than the real sector. Thus two other factors contributing to last year's substantial growth in the banking industry's total assets were (1) approximately TL 100 billion in economic support packages which were initiated under the leadership of Presidency of the Republic of Turkey and which were channeled through state-owned banks and (2) supportive programs and practices introduced by privately-owned banks.

Outperforming the industry as a whole, Turkey's participation banks completed 2020 having achieved a more than 50% increase in their total assets, which reached TL 437 billion in value. This growth also brought these banks' share to 7.1% of the sector's total. Owing to their inherent nature, participation banks finance real-sector endeavors and the returns they pay are not subject to changes in interest or dividend rates. This increases the banks' appeal and makes them especially successful during times of crisis.

Emlak Katılım Bankası for its part had a successful year in 2020. We achieved an approximately 120% rate of year-on growth in our total assets and increased the number of branches in our network to 50. Last year we also began working on projects to achieve one of the goals (“Increasing the share of participation banking in the financial system and improving its current situation”) that were set out in the Ministry of Treasury and Finance’s New Economic Program.

Last year we also continued to add, to our existing lineup of banking products and services, new ones that are emerging in our increasingly more digital world. The Emlak Katılım E-Branch that we launched in 2020 makes it possible for a new customer to open their account with the bank without having to be present at a branch. The Emlak Katılım Escrow Account is a product in which the bank’s role as a guarantor for both buyer and seller speeds up real estate transactions and makes them more secure. The Emlak Katılım Prepaid Murabahah System, which minimizes the potential for disputes when goods are sold in trade, is an innovative first in the Turkish banking industry.

The Bank’s shareholding structure, changes in the capital and shareholding structure during the reporting period, titles and shareholding of real persons or legal entities with qualified shares

Emlak Katılım’s principal shareholder is the Ministry of Treasury and Finance. 99.99% of the Bank’s TL 1,026,915 in capital is owned by the Treasury. A minority stake (worth TL 80.57) in the Bank is held by its predecessor bank’s employee pension fund (T. Emlak Bankası Emekli ve Yardım Sandığı Vakfı), which was renamed “T.C. Ziraat Bankası ve T. Halk Bankası Emekli ve Yardım Sandığı Vakfı” after that bank’s liquidation. Other minority stakes (worth a total of TL 3.38) belong to 33 private individuals.

TL 1,026,915 thousand of the Bank’s TL 1,026,915 thousand in capitalization has been fully paid; TL 2.82 owed by 33 private individuals has not been paid. The Bank’s TL 1,026,915 thousand capital is divided into 102,691,549,916 shares, each with a nominal value of TL 0.01. The Ministry of Treasury and Finance’s stake is represented by the Ministry of Environment and Urbanization. Neither the Bank’s chairman of the board nor its board members, member of audit committee,, general manager, or assistant general managers are shareholders in the Bank.

NEP

Last year we also began working on projects to achieve one of the goals (“Increasing the share of participation banking in the financial system and improving its current situation”) that were set out in the Ministry of Treasury and Finance’s New Economic Program.

Key Financial Indicators

2020 was a year in which Emlak Katılım Bankası achieved its strategic objectives and registered successful results.

Total assets

We increased our total assets by 119% from TL 9.28 billion to TL 20.39 billion.

Equity

At TL 1,539 million, Emlak Katılım's preserved its solid equity structure in 2020.

Capital adequacy ratio

At 28.30%, Emlak Katılım's capital adequacy ratio is well above the legally-mandated ratio

Net profit

Emlak Katılım Bankası continues to increase its profitability by making effective and productive use of its resources. In 2020 the bank posted a net profit of TL 81 million.

Funds collected

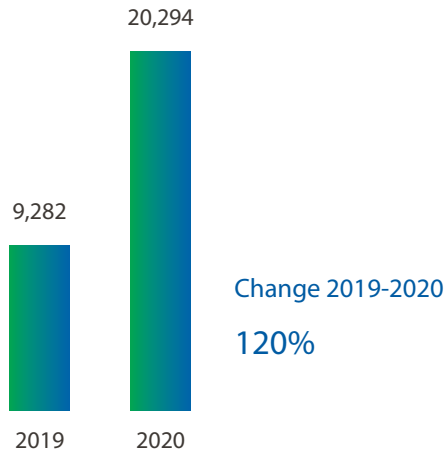
In 2020 Emlak Katılım's collected funds increased by 96% from TL 5.95 billion to TL 11.68 billion.

Funds allocated

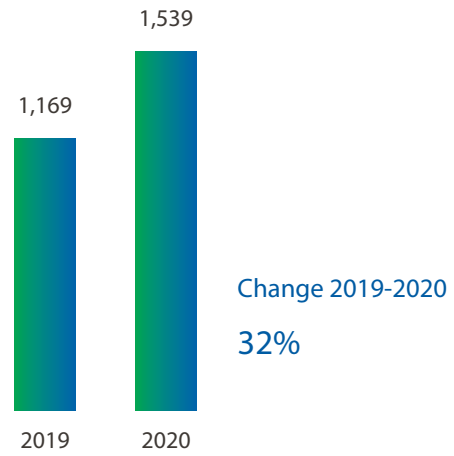
Last year Emlak Katılım Bankası registered a 137% rate of year-on growth in its allocated funds, increasing them from TL 5.73 billion in 2019 to TL 13.57 in 2020.

(TL million)	2020	2019	2018
Total Assets	20.294	9.282	1.139
Liquid Assets and Banks	3.177	946	658
Shareholders' Equity	1.539	1.169	1.101
Profit Share Income	998	430	212
Profit Share Expenses	627	212	0
Profit before Taxation	104	46	440
Net Period Profit/Loss	81	45	544

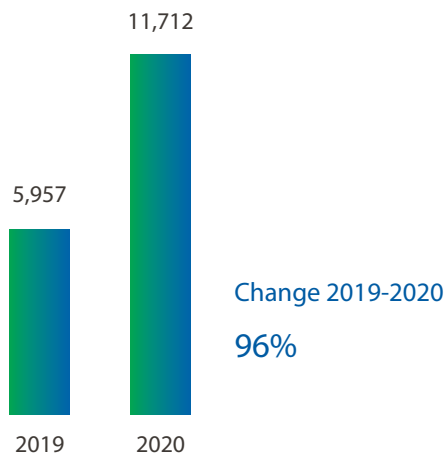
Total Assets (TL million)



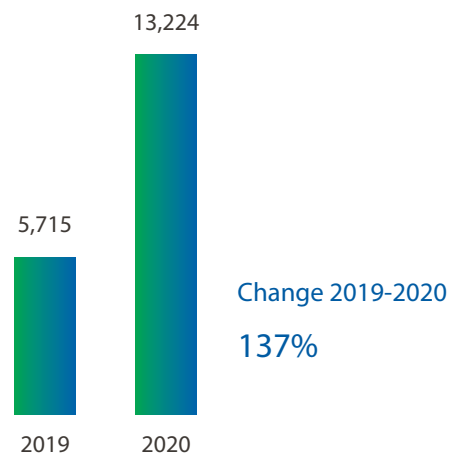
Shareholders' Equity (TL million)



Funds Collected (TL million)



Loans Allocated (TL million)



The historical development of Emlak Katılım



1926

After years of national struggle with the aim of building the Turkish Republic, supporting construction enterprise, protecting the rights of orphans and providing the necessary credit, our bank was established with the signature of Mustafa Kemal Atatürk in 1926 with the name of Emlak and Eytam Bankası.

The bank's roots reach back to Emlak ve Eytam Bankası, which was established in Ankara on 3 June 1926 at the instructions of President Mustafa Kemal Atatürk and which was set up to undertake the building of public works, to support construction enterprises, and to manage the rights and entitlements of orphans as well as to supply credit in order to achieve such aims. On 1 September 1946, the bank was reconstituted as "Türkiye Emlak Kredi Bankası" (Real Estate & Credit Bank of Turkey). On 6 January 1988, Anadolu Bankası and Türkiye Emlak Kredi Bankası were merged into a new bank operating under the name "Türkiye Emlak Bankası" (Real Estate Bank of Turkey).

Denizcilik Bankası A.Ş. had transferred to Türkiye Emlak Bankası A.Ş. with the all of its assets and liabilities on 29 November 1992 and maritime loans were also collected at this Parent Bank.

During the period in which the Türkiye Emlak Bankası A.Ş. operates, in addition to its banking activities has become serious brand in the construction of qualified housing projects in line with the its establishment purpose, and has produced important housing projects in many provinces of Turkey, especially in İstanbul, Ankara and İzmir. İstanbul-Ataköy, Ataşehir, Bahçeşehir, Mimaroba, Sinanoba, Ankara-Bilkent, Elvankent, Konutkent, İzmir-Gaziemir and Mavişehir projects are included in the Parent Bank's important projects.

The Bank has entered into a restructuring process with the Law about Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bankası A.Ş. no. 4603 dated 21 November 2000, and the transition from the public law status to the status of private law has achieved.



On 6 July 2001, the Banking Regulation and Supervision Agency ordered that Türkiye Emlak Bankası A.Ş. be turned over to Türkiye Cumhuriyeti Ziraat Bankası A.Ş. along with all of its assets and liabilities. Pursuant to this order and as required by article 2 of Statute 4684 ("An act amending some laws and statutory decrees") and of paragraph 3 of interim article 3 added to Statute 4603 ("An act concerning Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş., and Türkiye Emlak Bankası A.Ş."), Türkiye Emlak Bankası A.Ş.'s license to accept deposits and operate as a bank was terminated as of the same date.

Under a protocol agreement that went into effect on 7 July 2001, all (the sole exception was the bank's claims under loans concerning which legal action had been initiated before 7 July 2001.) of Türkiye Emlak Bankası A.Ş.'s assets—specifically "its banking services, its branches, its liabilities and commitments

arising from banking services, and its banking-related property holdings—were turned over to the Ziraat and Halk banks. As of this date, the protocol also decided the termination of the bank's operational and deposit-acceptance license.

On 14 September 2001 an extraordinary general meeting of the bank was called, during which new boards of directors and statutory auditors were elected and a board of liquidators was formed. These bodies, whose members were all seconded Ziraat Bank personnel charged with the duty, initiated liquidation proceedings. Those proceedings— which involved repaying what the bank owed first to the Treasury and then, in order of priority, to other claimants and finally the resolution of all debt-related disputes—took sixteen years to complete. Pursuant to Statute 7020 ("An act restructuring a number of claims and amending a number of laws and one statutory decree") and to a regulatory change

in Statute 4603 ("An act concerning Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş., and Türkiye Emlak Bankası A.Ş."), the bank officially emerged from liquidation on 27 May 2017.

After the liquidation of the Bank, on 3 September 2018, another bank general meeting was called during which new articles of association were approved and the bank's status as a participation bank was formally declared. The bank's legal name ("Türkiye Emlak Katılım Bankası A.Ş.") was registered on 10 September 2018.

On 27 February 2019 the bank received its operating license and opened its main branch on 21 March 2019. As of end-2019 the bank was conducting its operations through eleven branches, which number reached fifty as of end-2020.

Extraordinary general meetings held during the reporting period, the date(s) thereof, the resolutions passed thereat, the actions taken pursuant thereto, and other pertinent information

An extraordinary general meeting of Türkiye Emlak Katılım Bankası Anonim Şirketi was held at the company's headquarters address of Barbaros Mahallesi, Begonya Sokak No: 9/A Ataşehir, İstanbul at 10:00 on 7 December 2020 under the supervision of Mahmut Gündoğdu, a trade ministry representative charged with that duty pursuant to TR Ministry of Trade, İstanbul Provincial Directorate of Trade letter number E-90726394-431.03 dated 3 December 2020.

- Pursuant to agenda item 1: A motion submitted in writing by the representative of TR Ministry of Environment and Urbanization concerning the formation of a presiding committee was unanimously approved by those in attendance.

- Pursuant to agenda item 2: The presiding committee was authorized to sign the general meeting's minutes.
- Pursuant to agenda item 3: The election of Professor Doctor Servet Bayındır to a seat on the Türkiye Emlak Katılım Bankası A.Ş. Advisory Committee pursuant to Türkiye Emlak Katılım Bankası A.Ş. Board of Directors resolution 575 dated 21 September 2020 was unanimously approved by those in attendance, on condition that his election not be objected to by the Banking Regulation and Supervision Agency.
- Pursuant to agenda item 4: (1) Banking Regulation and Supervision Agency authorizing letter number 43890421-101.01.04-E.10625 dated 4 November 2020 concerning a TL 276,915,499.16 cash increase

in the bank's share capital to be made by TR Ministry of Treasury and Finance, Türkiye Emlak Katılım Bankası A.Ş.'s principal shareholder, in response to Türkiye Emlak Katılım Bankası A.Ş. Board of Directors resolution 674 dated 30 October 2020, (2) TR Ministry of Commerce authorizing letter number 50035491-431.02 dated 13 November 2020, and (3) draft articles of association were deliberated, as a result of which deliberation an amendment in article 6 of the bank's articles of association increasing the bank's nominal capitalization from TL 750,000,000.00 to TL 1,026,915,499.16 was unanimously approved by those in attendance. The old and new texts of article 6 are presented below.

OLD FORM	NEW FORM
<p>6. CAPITAL</p>	<p>6. CAPITAL</p>
<p>The company's capital amounts to TL 750,000,000.00 and is divided into 75,000,000,000 shares each with a par value of 0.01 Turkish liras. Of these shares, a total of 74,999,991,604.80 belong to the Ministry of Treasury and Finance; the ministry's share of the bank's capital is 99.99%. Of the shares owned by the Ministry of Treasury and Finance, 74,730,000,000.00 are designated "Group A" and 269,991,604.80 are designated "Group B". A sum of TL 749,999,916.05 corresponding to the 74,999,991,604.80 shares subscribed to by the Ministry of Treasury and Finance has been paid in full, in cash, and non-collusively. TL 8,395.20 shares of the company's capital corresponding to TL 83.95 in value are held by other natural persons and legal entities. A sum of TL 81.13 corresponding to the 8,113 shares held by these natural persons and legal entities has been paid in full, in cash, and non-collusively; a TL 2.82 portion of this capital corresponding to 282,20 shares has not yet been paid.</p> <p>The bank's shares are registered in the name of their owners. The governing provisions of the Turkish Commercial Code, of the Banking Law, and of other laws and regulations apply to matters pertaining to shareholders' obligations, shareholders' rights, share transfers, and share indivisibility.</p>	<p>The company's capital amounts to TL 1,026,915,499.16 and is divided into 102,691,549,916.00 shares each with a par value of 0.01 Turkish liras. Of these shares, a total of 102,691,541,520.80 belong to the Ministry of Treasury and Finance; the ministry's share of the bank's capital is 99.99%. Of the shares owned by the Ministry of Treasury and Finance, 102,321,863,424.83 are designated "Group A" and 369,678,095.97 are designated "Group B". A sum of TL 1,026,915,415.21 corresponding to the 102,691,541,520.80 shares subscribed to by the Ministry of Treasury and Finance has been paid in full, in cash, and non-collusively. TL 8,395.20 shares of the company's capital corresponding to TL 83.95 in value are held by other natural persons and legal entities. A sum of TL 81.13 corresponding to the 8,113 shares held by these natural persons and legal entities has been paid in full, in cash, and non-collusively; a TL 2.82 portion of this capital corresponding to 282,20 shares has not yet been paid.</p> <p>The bank's shares are registered in the name of their owners. The governing provisions of the Turkish Commercial Code, of the Banking Law, and of other laws and regulations apply to matters pertaining to shareholders' obligations, shareholders' rights, share transfers, and share indivisibility.</p>

- Pursuant to agenda item 5: The appointment, pursuant to Türkiye Emlak Katılım Bankası A.Ş. Board of Directors resolution 688 dated 23 November 2020, of Mehmet Ali Kahraman to serve out the term of office (until 26 June 2023) of his predecessor was unanimously approved by those in attendance.
- Pursuant to agenda item 6: Following expressions of the earnest wishes of the presiding committee and of shareholders for the successful and beneficial conduct of the bank's 2020 operations, the meeting was ended.

Amendments in the articles of association during the reporting period and the reasons for them

The articles of association of Türkiye Emlak Katılım Bankası A.Ş. were amended at an ordinary general meeting held on 26 June 2020 and at an extraordinary general meeting held on 7 December 2020. The changes made on 26 June 2020 are mainly concerned with achieving cohesion

throughout the articles, with relocating the company's headquarters, with a short form of the company's legal name, with clarifying the company's object and scope, and with determining and apportioning profits. The changes that were made are shown below.

ARTICLE NUMBER	OLD FORM	NEW FORM
1	Türkiye Emlak Katılım Bankası A.Ş., while in liquidation, emerged from liquidation pursuant to Statute 7020 article 12 published in issue 30078 of Resmi Gazete dated 27 May 2017 and to Statute 4603 annex article 1, after which the company's articles of association were amended as shown below by means of a General Assembly of shareholders resolution.	Türkiye Emlak Katılım Bankası A.Ş., while in liquidation, emerged from liquidation pursuant to Statute 7020 article 12 published in issue 30078 of Resmi Gazete dated 27 May 2017 and to Statute 4603 annex article 1, after which the company's articles of association were amended as shown below by means of a General Assembly of shareholders resolution.
2	The company's legal name is TÜRKİYE EMLAK KATILIM BANKASI ANONİM ŞİRKETİ. In the provisions of these articles of association this company is hereinafter referred to as "Emlak Bank" and the name "Emlak Bank" may be used in all publicly-made announcements, advertisements, statements, etc.	The company's legal name is TÜRKİYE EMLAK KATILIM BANKASI ANONİM ŞİRKETİ. In the provisions of these articles of association this company is hereinafter referred to as "Emlak Katılım" and the name "Emlak Katılım" may be used in all publicly-made announcements, advertisements, statements, etc.
3.28	Providing social aid within the scope of company principles and relevant legislation for the order and benefit of the public;	Pursuant to a resolution by the bank's Board of Directors and on condition that it shall not contravene the Banking Law, the Capital Markets Law, the Turkish Commercial Code, the Turkish Civil Code, or other relevant laws or regulations: establish foundations for beneficial and charitable purposes; assign assets to such foundations, join such foundations; provide assistance and make donations to socially-beneficial foundations, associations, universities, and similar institutions; become a member of associations;
4	The company's headquarters are located in BEYOĞLU township in the province of İSTANBUL. Its address is ASMALI MESCİT MAHALLESİ MÜEYYET SK. T.C. ZİRAAT BANKASI Apt. NO: 1/2 BEYOĞLU, İSTANBUL. Within the framework of relevant laws and regulations, the company may establish, open, and operate branches, offices, liaison offices, and representative offices at home and/or abroad. The bank's internal organization shall consist of headquarters, domestic-service, and foreign-service units. The Board of Directors has the authority to specify the nature of service units, their duties and authorities, and their legal status. The Board of Directors may decide that the branches of another bank may be used as a correspondent.	The company's headquarters are located in ATAŞEHİR township in the province of İSTANBUL. Its address is BARBAROS MAHALLESİ BEGONYA SOKAK NO:9/A ATAŞEHİR, İSTANBUL. Within the framework of relevant laws and regulations, the company may establish, open, and operate branches, offices, liaison offices, and representative offices at home and/or abroad. The bank's internal organization shall consist of headquarters, domestic-service, and foreign-service units. The Board of Directors has the authority to specify the nature of service units, their duties and authorities, and their legal status. The Board of Directors may decide that the branches of another bank may be used as a correspondent.

ARTICLE NUMBER	OLD FORM	NEW FORM
9	<p>The authorized bodies of the bank are its General Assembly and its Board of Directors. The Board of Directors shall appoint one of its members to serve as a general manager. The Board of Directors may set up committees for the purpose of fulfilling its duties and responsibilities effectively.</p> <p>The bank's internal organization shall consist of headquarters, domestic-service, and foreign-service units. The Board of Directors has the authority to specify the nature of service units, their duties and authorities, and their legal status. The Board of Directors may decide that the branches of another bank may be used as a correspondent.</p>	<p>The authorized bodies of the bank are its General Assembly and its Board of Directors. The Board of Directors shall appoint one of its own members or someone from outside the company to be a general manager. As required by the Banking Law (Statute 5411), a general manager chosen from outside is an ex officio member of the Board of Directors. Decisions concerning the appointment of outside general managers, the nature and terms of their employment, and their dismissal shall be made by the Board of Directors. The Board of Directors may set up committees for the purpose of fulfilling its duties and responsibilities effectively.</p> <p>The bank's internal organization shall consist of headquarters, domestic-service, and foreign-service units. The Board of Directors has the authority to specify the nature of service units, their duties and authorities, and their legal status. The Board of Directors may decide that the branches of another bank may be used as a correspondent.</p>
17	<p>A corporate governance committee shall be established to monitor the bank's compliance with corporate governance principles, to endeavor to improve such compliance, and to make recommendations to the Board of Directors.</p> <p>The head of this committee shall be selected from among the Board of Directors' non-executive members. The committee shall make and keep a written record of all of its activities and operations.</p>	<p>A corporate governance committee shall be established to monitor the bank's compliance with corporate governance principles, to endeavor to improve such compliance, and to make recommendations to the Board of Directors.</p> <p>The head of this committee shall be selected from among the Board of Directors' non-executive members. The committee shall make and keep a written record of all of its activities and operations.</p>
19	<p>With the exception of such matters as may be specified in these articles of association, the General Assembly shall perform such duties, exercise such authorities, and take such decisions as are prescribed in the Banking Law, the Turkish Commercial Code, and other relevant laws and regulations.</p> <p>The Board of Directors shall prepare an internal directive setting out rules governing the working principles and procedures of the General Assembly. This directive shall go into effect after it has been approved by the General Assembly and then shall be registered and announced.</p>	<p>With the exception of such matters as may be specified in these articles of association, the General Assembly shall perform such duties, exercise such authorities, and take such decisions as are prescribed in the Banking Law, the Turkish Commercial Code, and other relevant laws and regulations.</p> <p>The Board of Directors shall prepare an internal directive setting out rules governing the working principles and procedures of the General Assembly. This directive shall go into effect after it has been approved by the General Assembly and then shall be registered and announced.</p>
26	<p>The provisions of the Turkish Commercial Code and other relevant laws and regulations shall apply in matters pertaining to General Assembly meeting and decision quora.</p> <p>Except in situations where a larger quorum is stipulated in the Turkish Commercial Code, in relevant laws and regulations, or in these articles of association, the General Assembly shall convene with the presence of shareholders (or their representatives) who control at least 25% of the bank's capital. This quorum must be maintained throughout the meeting. If the quorum specified in paragraph 1 cannot be achieved at one attempt to hold a meeting, the same quorum shall be required at the next.</p> <p>Decisions shall be taken by a majority of the votes present at the meeting.</p>	<p>The provisions of the Turkish Commercial Code and other relevant laws and regulations shall apply in matters pertaining to General Assembly meeting and decision quora.</p> <p>Except in situations where a larger quorum is stipulated in the Turkish Commercial Code, in relevant laws and regulations, or in these articles of association, the General Assembly shall convene with the presence of shareholders (or their representatives) who control at least 25% of the bank's capital. This quorum must be maintained throughout the meeting. If the quorum specified in paragraph 1 cannot be achieved at one attempt to hold a meeting, the same quorum shall be required at the next.</p> <p>Decisions shall be taken by a majority of the votes present at the meeting.</p>

Amendments in the articles of association during the reporting period and the reasons for them

ARTICLE NUMBER	OLD FORM	NEW FORM
29	<p>From the bank's net profit for the year:</p> <p>a) five percent shall be set aside as a statutory general reserve, until the reserve has become equal to paid-in capital;</p> <p>b) five percent shall be set aside as a first extraordinary reserve;</p> <p>c) nine percent shall be set aside as a dividend bonus for employees, which amount shall not exceed an employee's three-month gross salary and shall be paid out in accordance with principles to be specified by the Board of Directors;</p> <p>ç) and from the remainder, a second extraordinary reserve shall be set aside at such rates and in such amounts as the General Assembly shall determine in accordance with article 523/3 of the Turkish Commercial Code; after which the remaining amount shall be distributed among shareholders.</p> <p>The governing provisions of the Banking Law and of other relevant laws and regulations are reserved.</p>	<p>From the bank's net profit for the year:</p> <p>a) five percent shall be set aside as a statutory general reserve, until the reserve has become equal to paid-in capital;</p> <p>b) five percent shall be set aside as a first extraordinary reserve;</p> <p>c) nine percent may be distributed to employees as a dividend bonus, which amount shall not exceed an employee's three-month gross salary and shall be paid out in accordance with principles to be specified by the Board of Directors;</p> <p>ç) and from the remainder, a second extraordinary reserve shall be set aside at such rates and in such amounts as the General Assembly shall determine in accordance with article 523/3 of the Turkish Commercial Code; after which the remaining amount may be distributed among shareholders.</p> <p>The governing provisions of the Banking Law and of other relevant laws and regulations are reserved.</p>
34	<p>The provisions of the Banking Law, the Capital Markets Law, the Turkish Commercial Code, and other relevant laws and regulations shall apply in matters not covered by these articles of association.</p>	<p>The provisions of the Banking Law, the Capital Markets Law, the Turkish Commercial Code, and other relevant laws and regulations shall apply in matters not covered by these articles of association.</p>

The changes that were made on 7 December 2020 were a consequence of the increase in share capital. These changes are shown below:

OLD FORM	NEW FORM
<p>6. CAPITAL</p> <p>The company's capital amounts to TL 750,000,000.00 and is divided into 75,000,000,000 shares each with a par value of 0.01 Turkish liras. Of these shares, a total of 74,999,991,604.80 belong to the Ministry of Treasury and Finance; the ministry's share of the bank's capital is 99.99%. Of the shares owned by the Ministry of Treasury and Finance, 74,730,000,000.00 are designated "Group A" and 269,991,604.80 are designated "Group B". A sum of TL 749,999,916.05 corresponding to the 74,999,991,604.80 shares subscribed to by the Ministry of Treasury and Finance has been paid in full, in cash, and non-collusively. TL 8,395.20 shares of the company's capital corresponding to TL 83.95 in value are held by other natural persons and legal entities. A sum of TL 81.13 corresponding to the 8,113 shares held by these natural persons and legal entities has been paid in full, in cash, and non-collusively; a TL 2.82 portion of this capital corresponding to 282,20 shares has not yet been paid.</p> <p>The bank's shares are registered in the name of their owners. The governing provisions of the Turkish Commercial Code, of the Banking Law, and of other laws and regulations apply to matters pertaining to shareholders' obligations, shareholders' rights, share transfers, and share indivisibility.</p>	<p>6. CAPITAL</p> <p>The company's capital amounts to TL 1,026,915,499.16 and is divided into 102,691,549,916.00 shares each with a par value of 0.01 Turkish liras. Of these shares, a total of 102,691,541,520.80 belong to the Ministry of Treasury and Finance; the ministry's share of the bank's capital is 99.99%. Of the shares owned by the Ministry of Treasury and Finance, 102,321,863,424.83 are designated "Group A" and 369,678,095.97 are designated "Group B". A sum of TL 1,026,915,415.21 corresponding to the 102,691,541,520.80 shares subscribed to by the Ministry of Treasury and Finance has been paid in full, in cash, and non-collusively. TL 8,395.20 shares of the company's capital corresponding to TL 83.95 in value are held by other natural persons and legal entities. A sum of TL 81.13 corresponding to the 8,113 shares held by these natural persons and legal entities has been paid in full, in cash, and non-collusively; a TL 2.82 portion of this capital corresponding to 282,20 shares has not yet been paid.</p> <p>The bank's shares are registered in the name of their owners. The governing provisions of the Turkish Commercial Code, of the Banking Law, and of other laws and regulations apply to matters pertaining to shareholders' obligations, shareholders' rights, share transfers, and share indivisibility.</p>

INDEPENDENT AUDIT REPORT OF THE ANNUAL REPORT BY THE BOARD OF DIRECTORS

(Convenience translation of a report originally issued in Turkish)



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To the Shareholders of Türkiye Emlak Katılım Bankası A.Ş.

1) Opinion

We have audited the annual report of Türkiye Emlak Katılım Bankası A.Ş. ("the Bank") and its subsidiaries ("the Group") for the period of 1 January 2020-31 December 2020.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Group are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 published by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Consolidated and Unconsolidated Financial Statements

We have expressed unqualified opinions in our auditor's reports dated February 26, 2021 on the full set consolidated and unconsolidated financial statements of the Group and the Bank for the period of 1 January 2020-31 December 2020.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Group is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the Board of Directors is also included in this report.

INDEPENDENT AUDIT REPORT OF THE ANNUAL REPORT BY THE BOARD OF DIRECTORS

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Group,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006, "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 (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Group's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Emre Çelik.

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



Emre Çelik, SMMM
Partner

February 26, 2021
İstanbul, Turkey

INFORMATION ON MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

Names & surnames, terms of office, areas of responsibility, academic backgrounds and professional experience of the chairman and members of the Board of Directors, members of the audit committee, general manager and assistant general managers, and departments' managers under internal systems

BOARD OF DIRECTORS



Prof. Mehmet Emin BİRPINAR
Chairman of the Board of Directors

Mr. Birpinar graduated from İstanbul Yıldız Technical University Faculty of Engineering in 1988 and received his masters and doctoral degree at the same faculty. He further completed masters degree from Italian University in 1991 and Netherlands Delft Technology University in 1994 in Civil Engineering. He assume the title of Professor in 2009 and he is currently a faculty member of Yıldız Technical University. Birpinar started to work as İstanbul Provincial Environment and Forestry Manager in 2003, as İstanbul Provincial Environment and Urbanization Manager in 2011 and appointed as Deputy Secretary of Ministry of Environment and Urbanization in 2013. Prof. Birpinar was elected as the Office Director of Convention for the Protection of the Mediterranean Sea against Pollution, known as Barcelona Convention, for 2014-2015 period at the 18th Meeting of the Contracting Parties which took place in İstanbul in December 2013. He was appointed as Chief Negotiator on 9 April 2015 to represent Turkey at international climate change negotiations realized in accordance with the United Nations Framework Convention on Climate Change. Prof. Birpinar is a member of Water Engineering Research and Development Center (WERDEC), Association for International Water Engineering and Research (AR), The American Society of Civil Engineers (ASCE) and serves as a member of the Board of Directors of various non-profit organizations. He has over a hundred articles and papers published in scientific journals, national or international congresses and he is a columnist in various newspapers. He is a member of the Board of Directors of Emlak Katılım since 3 September 2018.



Abdullah Erdem CANTİMUR
Deputy Chairman of the Board of Directors

Having graduated from Kütahya Administrative Sciences School Department of Business, Abdullah Erdem Cantimur completed his postgraduate education in Department of Business. He worked as Independent Financial Advisor between January 1980 and November 2002. He served in Anadolu University Kütahya Administrative Sciences School between September 1982 and September 1986; served as Board Member in Chamber of Certified Public Accountants of Kütahya between April 1996 and November 2002; served as lecturer and taught Financial Statement Analysis, Taxes on Income, Computer and Computerized Accounting Applications at THK University Master in Business between January 2013 and April 2014 and at Dumlupınar University Simav Vocational School between September 2001 and October 2002. He served as member of parliament of Kütahya in 22nd period of Grand National Assembly of Turkey between November 2002 and July 2007. He also served as Deputy Chairman at Committee on Public Enterprises (KIT) of Halkbank, Ziraat Bank and İller Bank and spokesperson of Committee on Public Enterprises between the same period. He continues to work as sworn-certified public accountant since October 2007 and as independent auditor since May 2013. Having been appointed as Deputy Finance Minister between May 2012 and September 2015, Abdullah Erdem Cantimur served as the Chairman of the Board of Karadeniz Bakır İşl. A.Ş. in liquidation between August 2014 and June 2016, as Board Member of Emlak Bank in liquidation between April 2016 and September 2018 and Board Member of Türkiye Emlak Bankası between September 2018 and August 2019. He has been serving as the Member and Deputy Chairman of the Board of Directors of Türkiye Emlak Katılım Bankası since 3 September 2018.



Nevzat BAYRAKTAR
Member of the Board of Directors / CEO

Nevzat Bayraktar graduated from Business Administration Department at Faculty of Economics and Administrative Sciences in Eskişehir Anadolu University in 1993. He studied English in Leeds Metropolitan University, England in 1993-1994. He started his professional career in Foreign Transactions Department at Esbank in 1995. He carried on with his business life in Albaraka Türk, first as Assistant Specialist in Projects and Marketing Department in 1996, then Second Manager in Main Branch as of 2003 until he was appointed as the Manager of the Main Branch in 2010. Mr. Bayraktar was assigned as the Assistant General Manager responsible from Corporate, Commercial and Retail Sales, Regional Offices and Branches as of January 2017. Nevzat Bayraktar acts as the General Manager and Member of the Board of Directors of Emlak Katılım since 11 February 2020.



Mehmet Ali KAHRAMAN
Member of the Board of Directors

Graduated from METU Department of Urban and Regional Planning, Mr. Kahraman completed his graduate studies on planning in METU. He started his career as a Specialist at TOKİ (Housing Development Administration) in 1997 and promoted to President's Advisor and Head of Strategy Development Department. He acted as Deputy Secretary of Ministry of Environment and Urbanization and Spatial Planning General Manager between 2011 and 2014. Mr. Kahraman served as a Member of the Board of Directors of TOBAŞ A.Ş. between 2009 and 2011, Member of the Board of Directors of Emlak Konut GYO A.Ş. between 2011 and 2015 and Member of Industrial Zones Coordination Board and Cultural Assets Preservation Board between 2011 and 2014. Mr. Kahraman was the Secretary of the Minister and worked as a half-time faculty member at Çankaya University between 2014 and 2018. He currently acts as General Manager of Ministry of Environment and Urbanization Preservation of Natural Resources. Mr. Kahraman serves as a member of the Board of Directors of Emlak Katılım since 23 November 2020.



Mehmet Nuri YAZICI
Member of the Board of Directors

Mr. Yazıcı, who has graduated from Economics and Commercial Sciences Academy at İstanbul University in 1974, started his Professional career at D.B. Deniz Nakliyat T.A.Ş. in 1978. Mr. Yazıcı served as a manager in Atlas General Partnership between 1986-1990, and worked in Turkish Republic Ministry of Foreign Affairs Consulate General of Brussels between 1990-1991. He acted as Managing Partner in Denizati Turizm İşletmeciliği Ltd. Şti. during 1991-1994 period, after which he joined İstanbul Metropolitan Municipality and worked as Member of the Municipal Council and Advisor to the Chairman between 1994-2009. He took up responsibilities of Member of the Board of Directors at Yazıcılar A.Ş. between 2009-2013 and Member of the Board of Directors at Türk Havayolları A.O. between 2013-2015. Mr. Yazıcı is a Member of the Board of Directors of Emlak Katılım since 19 June 2019.



Prof. Dr. Murat BALCI
Member of the Board of Directors

Graduated from Marmara University Faculty of Law in 2002, Mr. Balci received his master's degree on Public Law from Marmara University Institute of Social Sciences in 2004 and doctoral degree from the same institute in 2009. He was a faculty member of Doğuş University Faculty of Law between 2009 and 2013. He became an Associate Professor in 2014 and he is a faculty member of Fatih Sultan Mehmet Foundation University Faculty of Law since 2014. He is an independent attorney-at-law at his own practice, Batu Hukuk Avukatlık-Danışmanlık since 2004. In 2021, he completed his thesis on "A Comparative Analysis of İstanbul Finance Center with London and Frankfurt Financial Centers" and received his master's degree from İstanbul Commerce University International Banking and Finance Master's Program. His publications in the field of banking law include "Banking Law and Related Legislation with Reasons and Case Laws," "Commentary on the Capital Market Law" and "Fundamentals and Theories of Banking" in the field of Banking Law. He received the title of Professor in 2019. He serves as a member of the Board of Directors of Emlak Katılım since 3 September 2018.



Mustafa GÜLEN
Member of the Board of Directors

Graduated from İstanbul Technical University Department of Management Engineering, Mustafa Gülen started to work at Kuveyt Türk Evkaf ve Finans Kurumu in 1994. He continued to work as Chief at the Financial Analysis and Intelligence Department in 1999. He served at Türkiye Finans Katılım Bankası between 2000-2005; as Assistant Manager at the Financial Analysis and Intelligence Department, between 2005-2009; as Founding Manager at Individual Evaluation and Allocation Department, between 2009-2012; as Manager at the Credit Monitoring and Collections Department, and between 2012-2013; as Manager at the Collections Department. Having offered Corporate Governance and Financial Consultancy services since 2013, Mr. Gülen has been serving as Board Member at Türkiye Emlak Katılım Bankası since 26 June 2020.

Names & surnames, terms of office, areas of responsibility, academic backgrounds and professional experience of the chairman and members of the Board of Directors, members of the audit committee, general manager and assistant general managers, and departments' managers under internal systems

EXECUTIVE MANAGEMENT



Nevzat BAYRAKTAR

**Member of the Board of Directors
/ CEO**

Nevzat Bayraktar graduated from Business Administration Department at Faculty of Economics and Administrative Sciences in Eskişehir Anadolu University in 1993. He studied English in Leeds Metropolitan University, England in 1993-1994. He started his professional career in Foreign Transactions Department at Esbank in 1995. He carried on with his business life in Albaraka Türk, first as Assistant Specialist in Projects and Marketing Department in 1996, then Second Manager in Main Branch as of 2003 until he was appointed as the Manager of the Main Branch in 2010. Mr. Bayraktar was assigned as the Assistant General Manager responsible from Corporate, Commercial and Retail Sales, Regional Offices and Branches as of January 2017.

Nevzat Bayraktar acts as the General Manager of Emlak Katılım since 11 February 2020.



Nihat BULUT

Assistant General Manager

Nihat Bulut graduated from Faculty of Economics and Administrative Sciences (English) at Marmara University in 1996. He started to work as Assistant Specialist in Projects and Marketing Department at Albaraka Türk Katılım Bank in 1998, served as Assistant Manager in Corporate Banking and Commercial Loans Department between 2006-2013, took over manager positions in different operational units in the same company between 2013 and 2017, and finally acted as Manager of the Corporate Credits Department starting at February 2017. Mr. Bulut has been serving the Assistant General Manager in charge of Loans at Emlak Katılım since 2 March 2020.



Yusuf OKUR

Assistant General Manager

Mr. Okur graduated from Boğaziçi University Faculty of Economics and Administrative Sciences in 1997 and started his professional career at Assistant Specialist position in Albaraka Türk Katılım Bank at the same year. As of 2000, Mr. Okur worked in Kadıköy Branch at positions of Chief, Second Manager and Assistant Manager. He continued to serve at as the Branch Manager of the Merter, Kavacık and Sultanbeyli branches by 2005 after which he transferred to the General Directorate of the same bank as Department Manager starting at January 2017. Yusuf Okur continued his career as Retail and Private Banking Sales Manager until 29 February 2020. Mr. Okur has been serving the Assistant General Manager in charge of Operations at Emlak Katılım since 2 March 2020.



Uğur KARA

Assistant General Manager

Graduated from Business Administration Department of Faculty of Economics and Administrative Sciences at Pamukkale University, Uğur Kara completed his masters degree in Department of Labor Economics and Industrial Relations at Marmara University. Mr. Kara started his Professional career at İSTAÇ A.Ş. in 2003, and acted as Human Resources Manager at the same company between 2012 and 2018. After serving as the General Manager of İSPARK A.Ş. starting at 2018, he currently acts as the Assistant General Manager in charge of Human Resources at Emlak Katılım since 14 October 2019.

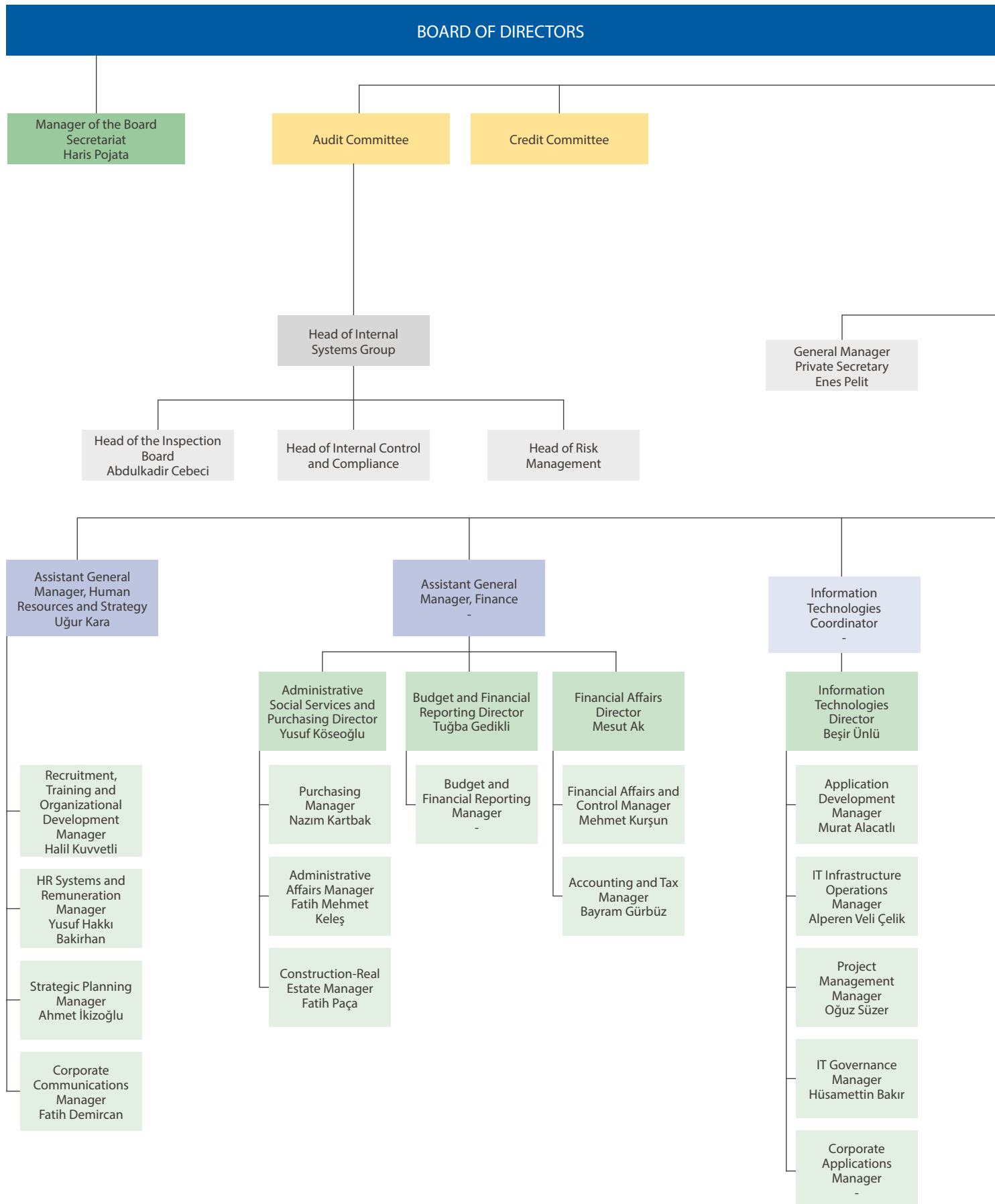
EXECUTIVES OF INTERNAL SYSTEMS

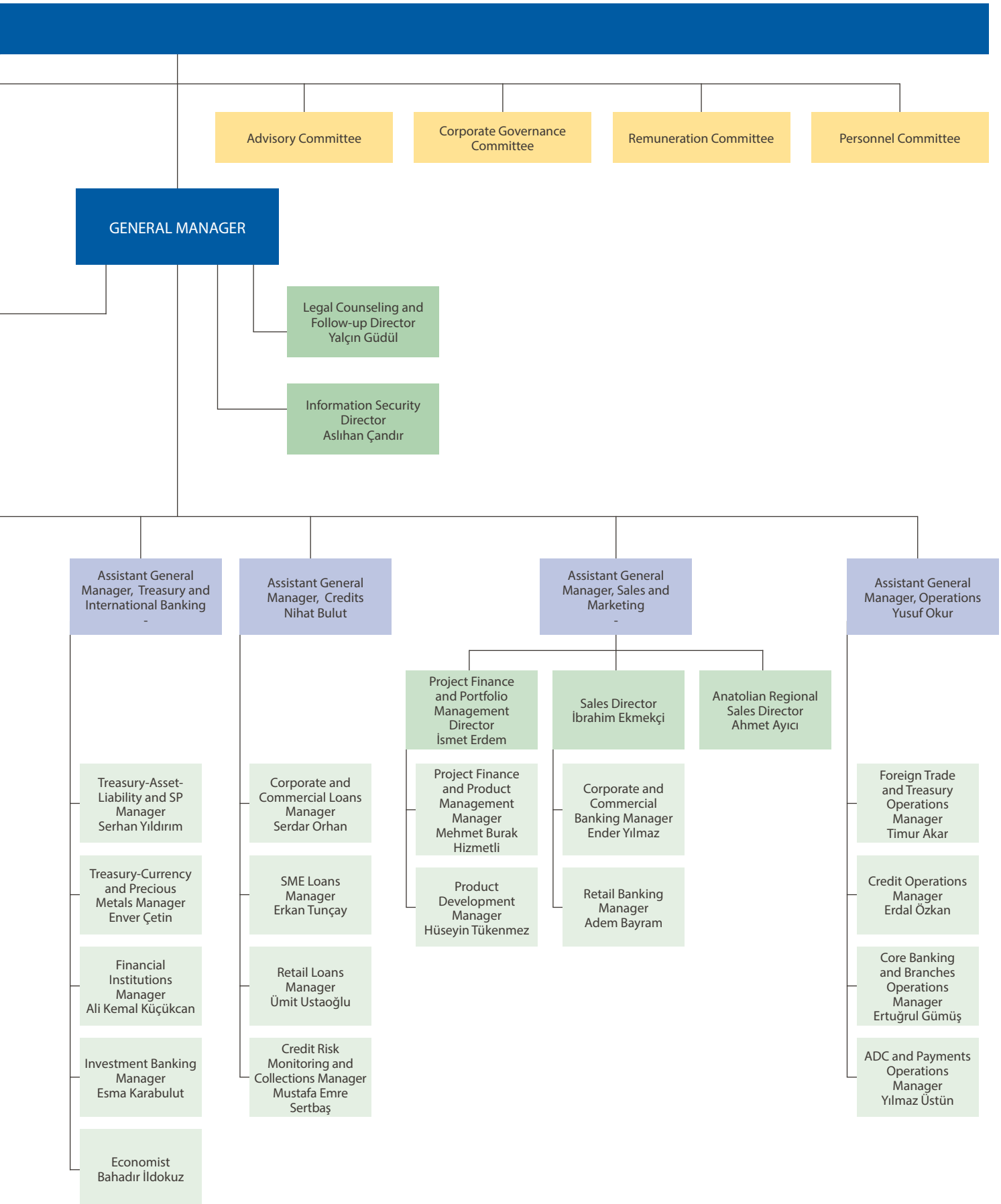
Abdulkadir CEBECİ

Head of Internal Audit Department

Mr. Cebeci graduated from Marmara University Department of Business Administration Management at Faculty of Economics and Administrative Sciences in 2004, Mr. Cebeci completed his masters degree in Financial Economics Department at İstanbul Bilgi University. Owning Independent Accountant and Financial Advisor Certificate, Mr. Cebeci embarked upon his banking career at Kuveyt Türk Katılım Bank as an assistant internal auditor in 2005, from 2006 until 2018 took over several responsibilities at Türkiye Finans Katılım Bank Department of Inspection Board, respectively as assistant inspector, inspector, senior inspector and audit supervisor. In 2018, Abdulkadir Cebeci assumed responsibility as the Vice President of Inspection Board at Emlak Katılım, and acts as the President of the Inspection Board since 11 November 2019.

Organization Chart





Information on human resources policies and practices

468 new employees

During 2020, 468 people were newly hired from among 35 thousand job applicants.

Human Resources Operations

For the purpose of developing human resources practices and extending them throughout the company in line with Emlak Katılım's strategic objectives, efforts continued to be made to improve the bank's recruitment & hiring processes, its career-progression & appointment processes, and its training & development, performance & talent management, and organizational development processes.

Recruitment & hiring

During 2020, 468 people were newly hired from among 35 thousand job applicants.

Personality tests, competency inventories, and general aptitude tests are used to evaluate job applicants. In this context, 1,100 job applicants were shortlisted for Evaluation-Center assessment.

It is Emlak Katılım's policy to recruit branch managers from among its existing personnel. In 2020 twelve of the bank's employees were promoted to branch manager. Of the bank's newly hired personnel, 285 were employed for branch positions, 100 for headquarters positions, and 47 for information-technology positions. In last year's first round of promotions during the month of July, 76 employees, one of them a department manager, were promoted to an immediately senior position.

"Young Katılım" is a program that Emlak Katılım runs to support the recruitment of young adults and train its own staff who are at the outset of their careers.. Last year 360 applicants were assessed under this program and 84 of them were hired.

Of the candidates who sat for the Board of Inspectors' and the Internal Control Department's bank inspector/assistant bank inspector exams in 2020, 318 are at the evaluation stage. The successful candidates' evaluation and recruitment processes will be finalized in 2021.

An employer-brand project that was initiated at Emlak Katılım was completed with the selection of the slogan "Under The Same Roof" for use by the bank.

A project was initiated in 2020 in order to make full use of the human resources modules built into the BOA Banking Platform that is in use at Emlak Katılım. The modules' screens are gradually being made operational at this time.

In 2021 Emlak Katılım will be undertaking various projects aimed at improving its HR system and processes so as to make them more quantifiable and digitalized and more focused on talent-development.

Organizational development

In line with the bank's objectives and changing needs, Emlak Katılım's organizational structure was revised in 2020, organizational charts were updated, organizational process flows & task assignments were determined accordingly, and a job description was composed for each position.

The infrastructure of the Document Management System was developed in line with the Quality Standards and a Document Access Matrix was created. The bank's policies, instructions, processes, and forms were reviewed and updated.

A project was carried out to quantify the work being done through the BOA Banking Platform (BOA). "Service-Level Agreement" (SLA) was added to the list of performance-evaluation criteria.

A project was carried out to allow staffing standards (norm staffing) information to be tracked and reported through BOA. This feature is now in use.

During 2020, a total of 400 suggestions were received through a suggestion system that was set up as a channel for Emlak Katılım employees to submit any suggestions they might have about the conduct of the bank's business and operations. These suggestions were reviewed by the Suggestions Committee and merit awards were given for eighteen of them.

Performance management

Work on the development of a performance management system that was initiated at the beginning of 2020 was completed as of year-end. The result of this project, in whose competency-analysis processes employees were actively involved, was the creation of an "Emlak Katılım Competency Model" consisting of nine core competencies under three separate headings: "Basic", "Interaction", and "Leadership".

The Emlak Katılım Performance Management System is a twin-pillared (competency-based and goal-based) system, a fundamental element of which is the use of feedback to keep the system effective, productive, and dynamic.

To support the system's goal-based pillar, second-stage work has begun on the development of an Individual Goal-Setting process which is compatible with the bank's strategic objectives and which will enable and encourage each employee to play an effective and productive role in their fulfillment. Three Individual Goal-Setting practices have been conducted with the each department manager working in bank headquarters'. Based on the results of these inventories, a SMART (Specific, Measurable, Achievable, Relevant, Time-Bound) goals-achievement scorecard has been created for each employee.

Goal-setting practices have also been carried out for operational personnel working in the bank's branches. The practices conducted through the Core Banking and Branch Operations Unit, 3-individual scorecards were created for each branch operations staff and addressed to title-positions.

Sales units were also provided with support in conducting goal-setting inventories for sales & marketing personnel employed in branches.

A draft set of "Shared Corporate Goals" based on the bank's strategic objectives has also been created for personnel to support organizational development and to contribute to the goals of the bank as a whole by encouraging employees to think beyond their individual department's goals. These goals have been addressed to personnel by department managers and cluster around five themes: Individual Training, Personal Development, Quality Management, Digital Transformation, and Communication & Interaction.

The Target and Target-Assessment screens in the BOA system have been analyzed. The work of adapting them to our own system is currently in progress.

In the conduct of all performance and talent management operations in 2020, participation banking-industry analyses and benchmarks were made.. These operations were conducted by bank's own resources and personnel.

Training & development

Employee training & development programs based on various analyses of the bank's needs were planned and carried out in line with Emlak Katılım's vision, strategies, and commitment to participation banking principles.

While making sure that newly-hired employees, employees whose duties have changed, and employees who are to be promoted are given whatever training they may require, all bank personnel take part in corporate-performance training and in training made necessary by particular strategy, innovation, and performance requirements.

Emlak Katılım Academy is a program that was set up to conduct and manage employee training & development processes systematically, in line with the bank's needs, and in such a way as to support business results. In 2020, two schools—"Bank Operations School" and "Leadership School"—began providing training on these subjects. Design work for a "Sales School", a "Loans School", and a "Manager Development School" has been completed and these schools will also be started up as needs present themselves.

Information on human resources policies and practices

40 hours

Average training time per employee in 2020 amounted to 40 hours. 30% of all training was provided by the bank's own personnel.

Under the bank's "Orientation Guidance Counselor" program that was set up to provide one-on-one support on theoretical and practical job-related issues, 388 newly-hired personnel were given individualized assistance that helped accelerate their adaptation to the bank's processes, products, and system.

Emlak Katılım conducts an "onboarding" program for new branch and department managers as they settle into their new positions in order to help them interact positively with the stakeholders with whom they will be dealing the most. New counter and operations personnel have completed their first-module training with training on legal-process issues and bank practices through the Operations School of Emlak Katılım. This training contributes significantly to reducing the bank's operational risk exposure while also increasing operational productivity.

The Emlak Katılım Leadership School currently conducts a "Holistic Leadership" program that manager and executive-level personnel are invited to attend in order both to refresh their knowledge about leadership methods and practices and to foster a shared perspective on such matters through the bank.

Employees were provided with information about new products and processes through "New murabahah methods from the standpoint of the participation banking industry", "Financial analysis practices", "Remote customer acquisition", "Personal Data Protection Act processes", "Project finance" and similar training programs.

An Emlak Katılım E-Academy program has been designed and launched for the purpose of deploying distance-

learning resources in employee training & development processes. Through this program, employees are given unrestricted access to a host of digital-content resources dealing with such matters as banking, personal development, leadership, competencies, sales, legal framework, and so on.

In order to introduce Emlak Katılım's "Core Banking Screens" to newly-hired employees, thirteen training videos were produced for use in conjunction with the BOA system's Retail Banking screens. These training screens are designed to help employees learn about the operations screens that they will be using as quickly as possible. Digital-training solutions on such topics as "Collected-funds products", "Data security", "Business continuity management", and "Dealing with the differently-abled correctly" are now being provided to employees as e-training.

Through tuition-fee discount agreements that Emlak Katılım has entered into with twelve universities and five foreign-language training centers, the bank contributes to the academic and personal development of its employees.

Emlak Katılım employees were provided with a total of 4,390 instances of face-to-face and virtual-classroom training on 152 different subjects during 2020. Total virtual-classroom training time amounted to 1,268 hours.

Average training time per employee in 2020 amounted to 40 hours. 30% of all training was provided by the bank's own personnel.

62% of training consisted of distance learning; 13% of it was on-the-job.

KEY HR INDICATORS

Recruitment & hiring

- 35,000 applications
- Interviews conducted in 17 cities
- 3,705 prospective employees interviewed
- 1,100 personal inventories practices
- 475 new hires
- 84 “Young Katılım” program participants
- 13 employees promoted to managerial positions
- 76 employees promoted to senior position at first promotion term

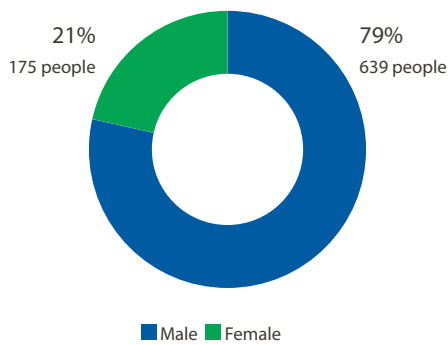
Training

- 40 hours average training time/ employee
- Training on 152 different subjects
- Participation Banks Association of Turkey, Banks Association of Turkey, and Interbank Card Center training
- 30% of training provided by Emlak Katılım personnel
- 1,268 hours of virtual-classroom training
- Tuition-fee discount agreements with 12 universities and 5 foreign-language centers

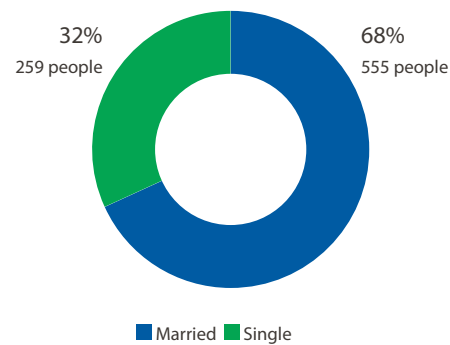
Organizational development

- 234 organizational structure (business group, executive, managerial, service) and 602 job positions defined
- 1,700 documents updated
- 9,600 screens reviewed
- Emlak Katılım Request Call Management Setup

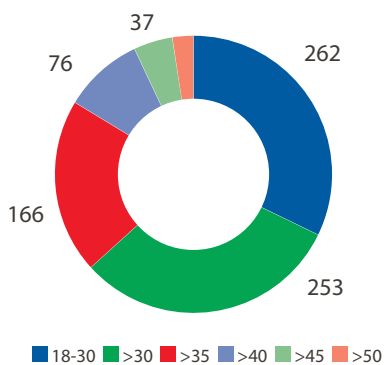
Gender Distribution (number of people, %)



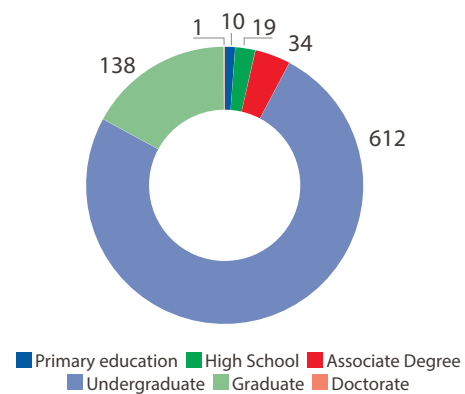
Marital Status Distribution (number of people, %)



Age Distribution (number of people, %)



Educational Status Distribution (number of people, %)



Information on Transactions Carried out with Risk Group Emlak Katılım Involved

The amount of transactions made by the risk group that Emlak Katılım Bankası A.Ş. involved in 2020 and the explanations on this issue are included in the footnote number VII of the fifth part of the financial report in the independent audit report dated 31 December 2020.

Activities of the credit committee and of the committees reporting to, or set up to assist, the Board of Directors under risk management systems pursuant to the Regulation on Banks' Internal Systems, and the names, surnames and principal duties of the heads and members serving on these committees

Credit Committee

Member	Position
Prof. Dr. Murat Balcı	Member of the Board of Directors
Prof. Dr. Mehmet Emin Birpınar	Chairman of the Board of Directors
Mustafa Gülen	Member of the Board of Directors
Nevzat Bayraktar	Member of the Board of Directors/General Manager
Mehmet Ali Kahraman	Member of the Board of Directors

The committee is responsible for finalizing the credit decisions using the authority of the Board of Directors on extending credits within the framework of methods and principles specified by the Banking Regulation and Supervision Agency and limitations delegated to them.

The Credit Committee convened 44 times in 2020.

Audit Committee

Member	Position
Abdullah Erdem Cantimur	Deputy Chairman of the Board of Directors
Mehmet Nuri Yazıcı	Member of the Board of Directors

Audit Committee, on behalf of the Board of Directors, is commissioned and responsible for overseeing the effectiveness and adequacy of the Bank's internal systems, operation of those systems along with accounting and reporting systems in line with the regulations specified by the Banking Law and integrity of the information generated; regularly monitoring the activities of companies selected by the Board of Directors which provide independent audit, rating, valuation and support services; and coordinating consolidated internal audit services for subsidiaries subject to consolidation based on regulations specified by the Banking Law.

The Audit Committee convened 16 times in 2020.

Remuneration Committee

Member	Position
Mehmet Nuri Yazıcı	Member of the Board of Directors
Abdullah Erdem Cantimur	Deputy Chairman of the Board of Directors
Nevzat Bayraktar	Member of the Board of Directors/General Manager

Responsible for establishing a remuneration policy to prevent extensive risk taking, supporting an effective risk management in line with the scope of the Bank's operations, structure, strategy, long term goals and risk management structure; reporting on these to the Board of Directors; determining its advices considering long term targets; providing a balanced allocation and ensuring a reward system.

The Remuneration Committee convened once in 2020.

Executive Committee

Member	Position
Prof. Dr. Mehmet Emin Birpınar	Chairman of the Board of Directors
Prof. Dr. Murat Balcı	Member of the Board of Directors
Nevzat Bayraktar	Member of the Board of Directors/General Manager

The Executive Committee is responsible for providing suggestions for general topics such as the Bank's strategy, business plans, policies and practice directions, preparing reports, making announcements and supporting other units of the Bank on specified areas.

The Executive Committee convened 10 times in 2020.

Corporate Governance Committee

Member	Position
Abdullah Erdem Cantimur	Deputy Chairman of the Board of Directors
Prof. Dr. Murat Balcı	Member of the Board of Directors
Mustafa Gülen	Member of the Board of Directors
Mehmet Ali Kahraman	Member of the Board of Directors

In accordance with the "Communique on Corporate Governance Principles for Banks" issued by Banking Regulation and Supervision Agency and "Corporate Governance Principles" issued by the Capital Markets Board, the Committee's responsibilities include monitoring the Bank's compliance with the corporate governance principles, making improvements in this area and providing suggestions to the Board of Directors.

The Corporate Governance Committee convened four times in 2020.

Summary of the Board of Directors Report Presented to the General Assembly

US-China relations, which were turbulent enough in 2019, got off to a troubled start in 2020 as the intensifying trade war between the two countries led to successive announcements of newly-imposed tariffs and sanctions. Just as an agreement that was reached on a Phase One trade deal began to soothe and even encourage both sides and markets however, the outbreak of a novel coronavirus in China quickly put paid to that when US President Donald Trump put the blame for the epidemic directly on China.

Another US-related development that kept the world on edge in 2020 was the country's contentious presidential and congressional elections in November. The results of the bitterly-contested elections in some states were challenged in court. After a lengthy process that took months to resolve, Joe Biden, the Democratic Party's candidate, emerged the victor. Refusing to accept the results however, Trump and his allies relentlessly continued to litigate them. In the course of that resulted with an insurrection at the US Capitol, Joe Biden was sworn in as president. An impeachment case was addressed to the former President Donald Trump who was held responsible for events occurred.

With the world spending most of 2020 contending with the spread of Covid-19, countries began having recourse to monetary expansion in order to overcome the economic problems that the pandemic was leading to. The world's leading monetary authorities, the Fed and ECB foremost among them, reduced interest rates to nearly zero. In the US, a second-quarter 31.4% contraction was the worst on record since the darkest days of the second world war. Japan formally entered recession with its announcement of three successive quarters of contraction. China for its part closed 2020 registering positive growth though it was only after experiencing a severe contraction in the first half-year. Due to the collapse in production and demand caused by the pandemic, the price of US oil turned negative for the first time in history and Brent crude was trading around USD 20/barrel at the same time.

The "Brexit process" that began in 2016 and seemed to get increasingly more fraught and convoluted as the years progressed finally ended at midnight on 31 December 2020 with the departure of the United Kingdom and its territories from the European Union. With the departure of the UK one of the founders of the European Union and one of the world's largest economies, signaling the beginning of a new era in its

foreign trade relations, the UK quickly completed preliminary negotiations covering new trade agreements with a number of countries, Turkey being one of them.

As was true elsewhere in the world, the impact of the novel coronavirus outbreak here at home was severe indeed. In the first quarter of 2020, at which time the effects of the epidemic had yet to be felt, the Turkish economy grew by 4.5% but that reversed completely and turned into a 9.9% second-quarter contraction as reported infections surged and economic activity began to shut down. In addition to the challenges posed by the epidemic, an eastern Mediterranean natural-gas fields dispute in summer and an armed conflict between Azerbaijan and Armenia that ended with a ceasefire in November pushed Turkey's credit default swap (CDS) risk premium to over 600 points. CBRT, whose overnight lending rate was 11.25% at the beginning of 2020, reduced the rate in a series of steps to 8.2% over the ensuing months. On the exchange-rate front, the country's international problems combined with a surge in domestic demand pushed the dollar/lira parity to over 8.50, higher than it had been at any time since the lira's 2005 revaluation.

With the beginnings of a process of economic and legal reforms in November, markets made a U-turn of sorts. A reshuffling of the people in charge of various aspects of the economy prompted improvements in market expectations. This in turn led to CBRT interest rate hikes and to CDS premium declines, with the result that the USD closed the year at TL 7.50. Subsequent to the replacement of CBRT's head, the bank raised rates at each of the year's last three meetings while the one-week repo rate was increased from 8.25% to 17%.

Despite the generally unfavorable outlook as Turkey's pandemic process continues to unfold, quick action on the part of authorities appears to have kept losses as low as could be expected. As of end-2020, Emlak Katılım Bankası showed TL 20.3 billion in total assets, up by 120% as compared with their TL 9.3 billion level twelve months earlier. The bank's funded credits, which are allocated primarily to real-sector firms, reached TL 11.7 billion. In late 2020 Emlak Katılım Bankası undertook a share capital increase that brought its paid-in capital to TL 1,027 million.

In 2020, we got approvals of two sukuk-issuance programs from Capital Markets Board of Turkey: the first for TL 2 billion and the second for up to

TL 5 billion. Pursuant to these sukuk-issuance programs, we floated 32 sukuk issuances whose overall value amounted to TL 4.8 billion. In June we issued Turkey's first ever mudarabah pools linked wakalah sukuk which has a maturity of 369 days and 4 periodic payments. At the outset 2020 we set ourselves a branch-count target of forty for the year and, despite all the pandemic-related unfavorable developments, we increased that target to fifty and achieved it by year-end.

One of the most important developments that took place last year from the standpoint of Emlak Katılım's future was the launch of its e-banking branch. While continuing to serve our customers through our physical branches in their own localities, we have also begun to do so through the digital channels that we are developing. Throughout the year we likewise continued to develop and offer other products and services that address customers' different needs. For example we signed an agreement with the General Directorate of Land Registry & Cadastre to ensure that real-estate title transfer formalities are handled seamlessly; we also introduced the Turkish banking industry's first escrow account product designed specifically for real estate transactions. A new product that we introduced to the sector

last year is our "Prepaid Murabahah System" in which Emlak Katılım assumes all responsibility on behalf of the seller. This system ensures that all goods involved in the murabahah transaction are delivered in full to the buyer while also guaranteeing payment to the seller upon their delivery. Additionally, for customers who want to invest in precious metals, we introduced "Emlak Katılım Altın Çatı Hesabı" for those who prefer gold and "Emlak Katılım Platin Hesap" for those who prefer platinum.

We extend our wishes for a successful year for our country first of all, and for our bank, and wish a fruitful new year for everyone.

Very truly yours,

Information on persons and companies from which support services were obtained

SERVICE PROVIDER COMPANY	SERVICES OBTAINED
ARCHİTECHT BİLİŞİM SİSTEMLERİ VE PAZARLAMA TİC. A.Ş.	Main Banking System and Technology Platform License Agreement
BİNSAT GÜVENLİK	Security Services Procurement
BEP HOLOGRAM	Letter of Guarantee and Hologram Print
TFM GÜVENLİK	Building Technical Maintenance Repair and Technical Operation Service Procurement
BARİKAT BİLİŞİM GÜVENLİĞİ A.Ş.	Information Security Service Procurement
MAVİ GÜVENLİK ELEKTRONİK SAN.TİC.LTD. ŞTİ.	Burglar and Fire Alarm Systems Service Procurement
PTT PARA LOJİSTİK VE ÖZEL GÜVENLİK A.Ş.	Service Procurement for Transferring Transactions Between Bank, Branch, Headquarters, CBRT
AGT HIZLI KURYE HİZMETLERİ A.Ş.	Obtaining and Delivery of Documents Required within the Scope of Branchless Banking Services
NCR BİLİŞİM SİSTEMLERİ LTD. ŞTİ.	Service Procurement for Withdrawing Money, Depositing, and Paying Bills etc. from ATM Devices of Customers
NEBULA BİLİŞİM SİSTEMLERİ SAN. TİC. LTD. ŞTİ.	Penetration Testing On All Devices With Operating System
İYİZİ ÖDEME VE ELEKTRONİK PARA HİZMETLERİ A.Ş.	POS Services Enabling Customers to Make E-Commerce Over the Internet
TÜRK ELEKTRONİK PARA A.Ş.	POS Services Enabling Customers to Make E-Commerce Over the Internet
FİNEKSUS BİLİŞİM ÇÖZÜMLERİ TİC. A.Ş.	Black List Control Module SWIFT Interface Correspondent Account Confirmation Module
GÜZEL SANATLAR ÇEK BASIM LTD. ŞTİ.	Cheque Print
MİBA ELEKTRONİK GÜV. SİST. SAN. TİC. LTD. ŞTİ.	Main Branch Alarm Installation Service Procurement
İPOTEKA GAYRİMENKUL DANIŞMANLIK A.Ş.	Mortgage Services Rendered by the Firm's Lawyers on Behalf of Our Bank
DESMER GÜVENLİK HİZMETLERİ A.Ş.	Transfer Service for Cash and Valuables
HOBİM BİLGİ İŞLEM HİZM. A.Ş.	Archiving Service Procurement
LOOMİS GÜVENLİK HİZM. A.Ş. / LOOMİS INTERNATIONAL	Foreign Currency and Precious Metals
BRİNK'S GÜVENLİK HİZMETLERİ A.Ş.	Foreign Currency and Precious Metals
POSTA VE TELGRAF TEŞKİLATI A.Ş (PTT)	Corresponding Banking
TURKCELL İLETİŞİM HİZMETLERİ A.Ş.	Gebze-Söğütözü Infrastructure Hosting Service

Emlak Katılım Credit Ratings

Fitch Ratings has updated Emlak Katılım's international rates on 1 September 2020 as follows:

Long Term Local Currency Credit Rating	"BB-"
Long Term Foreign Currency Credit Rating	"B"
Short Term Local Currency Credit Rating	"B"
Short Term Foreign Currency Credit Rating	"B"
Support Rating (SR)	"4"
Support Rating Floor (SRF)	"B"

FINANCIAL INFORMATION AND ASSESSMENT ON RISK MANAGEMENT

Information on Risk Management Policies Implemented Based on Risk Types

Information on Risk Management Policies Implemented Based on Risk Types and Risk Management Disclosures

Risk Management at Emlak Katılım

The objective of the Bank's risk management process is to ensure the definition, measurement, monitoring and control of the risks, to which the Bank is exposed, through the policies and limits determined to monitor, control, and when necessary change the operations' nature and level in relation to the risk-return structure that the future cash flows will include.

The activity of monitoring and control of the risks to which the Bank is exposed as a result of its banking operations is realized by the Board of Directors through establishing internal control, risk management and internal audit systems in accordance with the related legislation, articles of association, corporate governance principles and banking practices and ensuring their functionality.

Board of Directors monitors and evaluates risk management policies, strategies and various other documents periodically in accordance with changing market conditions.

The Bank is exposed to following risks as a result of its operations:

Credit Risk

Credit Risk Management is executed in line with the policies and practice directions prepared in accordance with legal legislation by the Board of Directors. The following activities are realized within the scope of the Credit Risk Policy:

- Assignment and Monitoring of Credit Risk Management Process
- Monitoring Credit Limits,
- Follow-up of Limit Allocation Principles,
- Monitoring, Control and Improvement of Risk,
- Establishment of Significant Risk Points,
- Implementation of Risk Mitigation Measures for Risk Points,
- Prevention of Sectoral Concentration,

Credit Risk is the potential risk that the Bank may be exposed to as a result of a situation where the counterparty obligation cannot be fulfilled partially or fully on maturity as affirmed in the agreement. This risk also includes market value loss due to deterioration of the financial position of the counterparty. The definition of credit risk includes both balance sheet and off balance sheet portfolio.

Market Risk

Market risk is defined as the possibility of loss that the Bank may be exposed to on account of its on- or off-balance sheet position/portfolios due to changes in dividend rates, exchange rates and stock prices.

Market risk, for our Bank, consists of the possibility of loss that the Bank may be exposed to due to dividend rate risk, exchange rate risk, commodity risk and exchange risk.

The Bank conducts its activities on risk management in accordance with banking law, related regulations, articles of association, corporate governance principles and banking practices under the Board of Directors' responsibility.

The Bank monitors the compliance of market risk with limits defined by the legal regulations and indicators identified within the frame of its risk appetite.

Liquidity Risk

The Bank funds transactions in various terms using the customers' funds and conducts financial intermediary operations. Variable maturity structure of the Bank's various assets and liabilities cause potential maturity disagreement between cash collections and payments; and this generates a liquidity risk.

Liquidity risk consists of funding liquidity risk and market liquidity risk.

Information on Risk Management Policies Implemented Based on Risk Types

Funding Liquidity Risk is the likelihood of the Bank being unable to satisfy all of its foreseeable/unforeseeable cash flow requirements effectively without impairing its day-to-day operations and/or financial structure.

Market Liquidity Risk is the likelihood of the Bank being unable to close or cover a particular position at the market price due to insufficient market depth or to excessive market volatility.

Operational Risk

Operational risk is defined as the likelihood of the Bank's suffering a loss due to external factors, failures in internal processes, systems and employees.

Operational risk arises from all of the Bank's operations. Employee errors, errors resulting from the system, transactions based on inadequate or inaccurate information and documents, failures in information flow in the organization, unclear authority levels, changes in structures and/or processes, natural disasters, terrorism and fraudulent acts may cause operational risk.

The Bank takes precautions to keep operational risk at an acceptable level.

Other Risks

Other risks that the Bank may be exposed to are strategic risk, reputation risk, counterparty credit risk, country risk and concentration risk.

Strategic Risk

Strategic risk may be considered business risk. In this context, it is an expression of likelihood of earning less due to inappropriate commercial choices, wrong implementation of commercial choices or not analyzing or not interpreting the industrial changes and decisions, actions not in line with opportunities and threats that may arise from these changes.

The Bank manages the strategic risk based on volume, quality and complexity of its transactions, overseeing the strategic risk management policy prepared in accordance with BRSA regulations and common view of the senior management and approved by the Bank's Board of Directors.

The Bank aims to make rational business decisions and transform based on developments, closely monitoring the national and international economic conjuncture, technological, financial and social developments, legal regulations and the banking industry.

Reputational Risk

Reputational risk is defined as the likelihood of the Bank incurring a loss due to loss of trust to the Bank or reputation impairment as a result of non-compliance with existing legal regulations or negative view of parties such as current or potential customers, partners, competitors and auditing authorities.

In addition, conducting business in line with the principles of participation banking is considered a component of the Bank's specific reputational risk management.

Counterparty Credit Risk

Counterparty Credit Risk is defined as the likelihood of counterparty of a transaction creating obligations for both parties, failing to meet its obligation before the maturity of the transaction and/or settlement risk (failing to meet its obligation before the settlement date of the transaction).

The Bank manages the counterparty credit risk by identifying and monitoring the risks creating these possibilities.

Country Risk

Country risk is defined as the likelihood of loss the Bank may be exposed to due to debtors' failure or avoidance to pay their obligations due to uncertainties in economic, social and political conditions of a country.

The Bank manages the country risk based on the volume, quality and complexity of its transactions, overseeing the strategic risk management policy prepared in accordance with BRSA regulations. It establishes its commercial connections with foreign financial institutions and countries as a result of feasibility studies which take into account the economic conditions of the country, overseeing the legal limitations, market conditions and customer satisfaction.

Concentration Risk

Concentration risk is an expression of likelihood of losses resulting from a risk or risk group amount so large (relative to the Bank's capital, total assets or total risk level) that it may threaten the Bank's health and ability to continue its main operations.

Concentration risk, in respect of the health of credit portfolio, is monitored on the basis of measurement of country, region, sector and counterparty. Additionally, legal credit limits in the Banking Law are also used in the measurement of risk concentration. Risk limits created in order to prevent the increase of concentration risk are regularly monitored in our Bank. In case of a risk type getting closer to the limit, actions are taken and frequency of monitoring is increased.

Conclusion

Meeting the requirements of Risk Management Strategy, Policy and Practice Directions which are approved by the Bank's Board of Directors, reporting on significant risks the Bank faces to the Board of Directors timely and in a reliable manner, evaluating the risk reports, taking precautions and contributing to the process of defining risk limits are under the responsibility of the executive management.

Summary Balance Sheet and Income Statement

Assets (TL million)	2020	2019	2018
Liquid Assets	3,177	946	658
Securities	1,687	1,003	-
Loans	13,334	5,730	-
Other Assets	2,097	1,610	481
Total Assets	20,294	9,282	1,139

Liabilities (TL million)	2020	2019	2018
Funds Collected	11,677	5,953	-
Funds Borrowed	949	864	-
Shareholders' Equity	1,539	1,169	1,101
Total Liabilities	20,294	9,282	1,139

Income Statement (TL million)	2020	2019	2018
Profit Share Income	998	430	212
Profit Share Expenses	627	212	-
Net Profit Share Income/ Expenses	372	218	212
Net Fees and Commission Income/Expenses	21	(1)	-
Trading Profit/Less (Net)	22	33	261
Other Operating Income	122	24	30
Other Operating Expenses	119	72	35
Provision for Loans and Other Receivables	124	81	15
Profit/Loss before Taxation	104	46	440
Tax Provisions	24	1	(104)
Net Profit/Loss	81	45	544

Assessments on Financial Standing, Profitability and Solvency

As of end 2020, Emlak Katılım has total assets worth of TL billion 20.3 and shareholders' equity of TL 1.5 billion. Concordantly, the Bank's capital adequacy ratio is above the legal requirement at 28.30%. Emlak Katılım continues to increase its profit

by utilizing its resources efficiently and productively. Detailed information on the financial standing and solvency can be seen in the financial statements and independent audit report.

Disclosures on Special and Public Audits Conducted in the Reporting Period

The Bank is subject to audit of State Audit Court and evaluated by Turkish Grand National Assembly Committees for State Economic Enterprises based on the reports of the State Audit Court.

2020 yearly independent audit was conducted by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Information on Consolidated Subsidiaries

Emlak Varlık Kiralama A.Ş.

Emlak Varlık Kiralama A.Ş. was established on 5 August 2019 with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board of Turkey (CMB) and registered in the trade registry in order to issue all kinds of lease certificates (sukuk) within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013. Emlak Varlık Kiralama A.Ş. has adopted the principle of bringing its lease certificates together with investors, informing investors on lease certificates as an investment instrument, ensuring the conformity of the returns of the lease certificates with participation banking principles, and enhancing its investment base. A wholly-owned subsidiary of Emlak Katılım, Emlak Varlık Kiralama A.Ş. is an asset leasing company which was established in 2019 with the purpose of issuing domestic and international sukuk of corporate customers.

Emlak Katılım Varlık Kiralama A.Ş.

Emlak Katılım Varlık Kiralama A.Ş. was incorporated and registered on 20 January 2020 pursuant to its Banking Regulation and Supervision Agency (BRSA) and Capital Markets Board (CMB) licenses. The company is authorized to issue “any and all manner of lease certificates within the framework of CMB Lease Certificates Communiqué III/61.1 as published in issue 28670 of Resmi Gazete dated 7 June 2013”.

Emlak Katılım Varlık Kiralama A.Ş. is a wholly-owned subsidiary of Türkiye Emlak Katılım Bankası A.Ş. Its sole object is to issue sukuk that comply with participation banking principles. It may issue such certificates for sale both in Turkey and in other countries. The company conducts these operations within the framework of statutory and regulatory requirements acting as a security-issuing agent for investors from which it has accepted funds.

The goal of Emlak Katılım Varlık Kiralama A.Ş. is to provide top-notch service to customers in line with the interest-free finance principles and values that Emlak Katılım espouses.

Between 20 January 2020 and 31 December 2020, Emlak Katılım Varlık Kiralama A.Ş. issued TL 4,804,198,000 worth of sukuk with the sales method of private placement and qualified investors in Turkey.

Audit committee's assessments on the operation of internal control, internal audit, compliance and risk management systems and the activities during the reporting period

Audit Committee was established by the Board of Directors in accordance with the Banking Law no. 5411 and Regulation on Banks' Internal Systems and Internal Capital Evaluation Process (ISEDES) to help conduct monitoring and auditing activities, pursuant to the Board of Directors meeting dated 8 October 2018. Primary responsibilities of the committee are as follows:

- Overseeing the effectiveness and adequacy of internal audit, internal control, compliance and risk management systems, operation of these systems along with accounting and reporting systems in line with respective regulations and integrity of the information,
- Making preliminary assessments of independent audit, valuation, rating and support firms and monitoring their activities,
- Establishing an audit and control process to provide assurance in adequacy and accuracy of ISEDES,
- Monitoring the need to update documents that are in its area of responsibility such as policies, practice directions, business flows, etc. and taking actions to provide their updates.

Members of the Audit Committee are selected from among the members of our Bank's Board of Directors. Abdullah Erdem Cantimur is the chairman and Mehmet Nuri Yazıcı is the member of the committee.

In addition, within the frame of Banking Law no.5411, Internal Audit Department, Internal Control and Compliance, Risk Management Departments were established and approved by the Board of Directors at their meeting on 5 November 2018 within the Internal Systems organization structure to identify, measure, monitor and control the risks that the Bank may be exposed in respect to its strategy and operations. These departments were structured in a way that they are subject to the Audit Committee and Board of Directors through Head of Internal Systems Group.

Activities of units under Internal Systems in 2020 are presented below.

Internal Audit Department

Emlak Katılım's Department of Inspection Board aims to independently, objectively and reasonably assure the Bank's Board of Directors that activities of Bank's Headquarters' units, branches and subsidiaries subject to consolidation are performed in accordance with the Banking Law and other relevant regulations, and internal legislations, policies, strategies, and targets of the bank, and that the financials of the bank are correct, practices for protection of its assets are competent, and the internal control and risk management systems are efficient and sufficient.

Within the framework of the annual audit planning that was prepared based on a risk-based audit approach, audits and in case of need, examination and investigations are carried out on behalf of the Bank's Board of Directors at units, branches, affiliates and support service providers, by taking the laws, legislative regulations in relation to these laws and

international internal audit standards including especially the Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes into consideration. The follow-ups of the findings regarding the nonconformities found as a result of the carried out audits, examinations and inspections are being performed, and additionally, in order to avoid recurrence of these deficit, error and risks, mutual assessments are made with the related Bank managers and consultancy is being provided in terms of measures to be taken and process improvements to be made

This way, it provides solutions to increase service quality through dialogs with business units to ensure a more effective control and risk management structure.

Internal Control and Compliance Department

There are two main functions of the Internal Control and Compliance Department.

Internal Control is responsible for establishing and coordinating a healthy internal control environment, conducting daily activities in an effective and efficient manner in line with laws, regulations, internal policies, rules and general banking practices, ensuring reliability, integrity and timeliness of accounting and financial reporting systems. This responsibility is achieved by second level on-site or remote control activities at Headquarter Units and Branches. Recommendations are developed with respect to the internal controlling activity findings and it is ensured that the necessary actions are taken.

Audit committee's assessments on the operation of internal control, internal audit, compliance and risk management systems and the activities during the reporting period

Compliance is responsible from maintaining the conformity with national and international regulations introduced pursuant to prevention of laundering proceeds of crime and financing of terrorism. Automated and manual control activities are conducted with the purpose of discharging this responsibility. Communication and coordination with the Financial Crimes Investigation Board (MASAK) is maintained, and training program prepared is provided to all Emlak Katılım employees as in-class trainings.

Furthermore, regulations within the context of banking legislation are monitored and announcements and instructions are made to the relevant units of the Bank. Additionally, consulting activities to prevent potential financial and reputational losses as a result of non-compliance with Laws, regulations and the Bank's processes and directions are carried out.

Risk Management Department

A risk management process is built under the supervision of Board of Directors to establish an effective, independent, robust and sustainable risk management system and ensure its implementation within the corporate risk culture.

Various activities such as defining, measuring, monitoring, control and reporting of the risks, the Bank is exposed to, are under the responsibility of Risk Management Department.

Risk Management Department conducts operations defined by the Board of Directors to actively monitor the risk management process and related activities; to provide internal documents such as strategy, policies and practice directions to enable the management of different aspects of risks originating from operations; to ensure adequate and consistent risk measurement, analyses and monitoring activities by recruiting sufficient number of qualified employees within the Risk Management Department; to provide opportunity to access secure technology and management information system; and to guarantee accurate and complete data.

The Bank anticipates that it will have a more complex structure as a result of growing process and the risks will be diversified. Despite different measurement techniques involved, the Bank implements an integrated approach to handle credit risk, market risk, liquidity risk, operational risk and all other significant risks. Measurements of credit risk, market risk, liquidity risk

and dividend rate risk stemming from banking calculations are being made and reported to the Banking Regulation and Supervision Agency (BRSA), scenario analysis and stress tests are being carried out.

Risk limits and, scenario analysis and stress test results are being monitored by the Board of Directors.

Besides monitoring and reporting of operational risk, which is one of the other risks that the Bank is exposed to, leakage and losses stemmed from operational activities are followed up and recorded. Banking processes and processual works on information technologies are also followed up, risks posed and measures taken are being monitored. Risk analysis of support service provider firms are being conducted in accordance with the Regulation on the Support Services and the results are being presented to the Board of Directors through the Audit Committee. Risk assessments of new products to be introduced are made in order to identify any possible risks.

Other Matters

Explanations pertaining to subsequent events occurred after the end of the fiscal year which have significant importance and has the potential to have an impact on rights of the shareholders, creditors and other person and institutions.

None.

Financial benefits provided to the members of the management body and top management

Sum of financial benefits such as daily allowances, salaries, premiums, bonuses or dividends provided to the top management in 2020 amounts TL 5.442 million.

Information on Emlak Katılım's dividend distribution policy

Distribution of dividends is effected in consideration of Bank's Articles of Association, provisions of the Turkish Code of Commerce, and Banking Regulation and Supervision Agency (BRSA) regulations

Calculation and Distribution of the Dividends:

From the bank's net profit for the year:

- a) five percent shall be set aside as a statutory general reserve, until the reserve has become equal to paid-in capital;
- b) five percent shall be set aside as a first extraordinary reserve;
- c) nine percent may be distributed to employees as a dividend bonus, which amount shall not exceed an employee's three-month gross salary and shall be paid out in accordance with principles to be specified by the Board of Directors;
- ç) and from the remainder, a second extraordinary reserve shall be set aside at such rates and in such amounts as the General Assembly shall determine in accordance with article 523/3 of the Turkish Commercial Code; after which the remaining amount may be distributed among shareholders.

Information on the donations and charities and expenses within the framework of Social Responsibility Projects made by Emlak Katılım during the year

Donations in the amounts of TL 1,000,000.00 to the National Solidarity Campaign, TL 10,000.00 TL to the Turkish Martyrs' Relatives and Veterans Solidarity Foundation, and TL 7,906.00 TL to the OGEM-VAK Foundation were made in 2020.

Explanations with respect to administrative or legal sanctions imposed on the bank, members of the Board or top management in connection with acts or procedures in violation of the codes

None.

Information concerning legal actions taken against the bank which may affect the financial status or operations of the bank and their possible results

None.

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AT DECEMBER 31, 2020 TOGETHER
WITH AUDIT REPORT**

AUDIT REPORT



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To the Board of Directors of Türkiye Emlak Katılım Bankası A.Ş.

Opinion

We have audited the accompanying consolidated financial statements of Türkiye Emlak Katılım Bankası A.Ş. (the “Bank”) and its subsidiaries (together will be referred as “the Group”), which comprise the statement of consolidated statement of financial position as at December 31, 2020, consolidated statement of profit and loss and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and “BRSA Accounting and Financial Reporting Legislation” which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

Basis for Opinion

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as at December 31, 2019 was audited by another audit firm, which expressed an unqualified opinion in their report issued on March 11, 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

AUDIT REPORT

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<p><i>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of impairment on financial assets and related important disclosures</i></p> <p>As disclosed in footnote VII of Section 3; the Group measures expected credit losses for financial instruments by TFRS 9 “Financial Instruments Standards”. The rationale reasons for selecting TFRS 9 implementation and impairment of financial assets as key audit subject are as follows;</p> <ul style="list-style-type: none"> - Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements - The effect of TFRS 9 transition on Group’s Shareholders’ Equity - The applications TFRS 9 are complex and comprehensive - The classification of financial instruments based on the Group’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows - Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses - The complexity and intensity of the control environment in the processes designed or reorganized with the transition to TFRS 9 - The complexity and intensity of the control environment in the processes for TFRS 9 - Estimations and assumptions used in expected credit losses are new, important and complex - Complex and comprehensive disclosure requirements of TFRS 9. 	<p>Our audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> - Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Group’s past performance, and local and global practices - Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Process Audit specialists - Evaluating the impact of Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses calculation and fair value calculations together with forward-looking estimates and significant assumptions. - Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices - Testing criteria used for determining the contractual cash flows including profit share payments with regard to solely principal and principal balance of financial assets on a sample basis and evaluation of Group’s business model - Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the Group’s historical performance, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis - Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses - Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis - Evaluating the necessity and accuracy of the updates made or required updates after the modeling process - Auditing of disclosures related to TFRS 9.

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

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

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

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

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

In an independent audit, the responsibilities of us as independent auditors are:

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

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- In order to provide an opinion on consolidated financial statements, adequate and appropriate audit evidence is obtained about the financial information of the operating segments and entities in the Group. We are responsible for directing, supervising and conducting the Group audit. We are also responsible for the audit opinion that we provide by ourselves.

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

AUDIT REPORT

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

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

Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2020 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Emre Çelik.

Additional paragraph for convenience translation to English

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

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

Emre Çelik, SMMM
Partner

February 26, 2021
Istanbul, Turkey

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.'NİN

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

THE CONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2020

Parent Bank's headquarter address	: Barbaros Mahallesi, Begonya Sk. No:9A, 34746 Ataşehir/İstanbul
Parent Bank's phone number and facsimile	: 00 90 (216) 266 26 26 - 00 90 (216) 275 25 25
Parent Bank's website	: www.emlakkatilim.com.tr
Electronic mail contact info	: bilgi@emlakbank.com.tr

The consolidated financial report for the 31 December 2020 year-end prepared in accordance with the "Communiqué on Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, consists of the following sections.

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE PARENT BANK
- DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

Subsidiaries

- Emlak Varlık Kiralama Şirketi A.Ş.
- Emlak Katılım Varlık Kiralama Şirketi A.Ş.

The consolidated financial statements and related disclosures and notes included in this report are prepared, unless otherwise stated, in **Thousand Turkish Liras**, in accordance with the Procedures And Principles Regarding Banks' Accounting Practices and Maintaining Documents, Turkish Financial Reporting Standards and the related appendices and interpretations and our Bank's financial records, and they have been independently audited and enclosed.

Prof. Dr. Mehmet Emin BİRPINAR
Chairman of the Board of Directors

Nevzat BAYRAKTAR
General Manager

Mesut AK
Financial Affairs Director

Abdullah Erdem CANTİMUR
Chairman of the Audit Committee

Mehmet Nuri YAZICI
Member of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title : Mustafa BEDİR/Financial Reporting Supervisor
Telephone : 00 90 (216) 275 24 73
Facsimile : 00 90 (216) 275 25 25

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Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

SECTION ONE

General information

I. History of the Parent Bank Including Its Incorporation Date, Initial Legal Status and Amendments to Legal Status

Türkiye Emlak Katılım Bankası A.Ş. ("The Parent Bank") was incorporated in Ankara June 3, 1926 with the name of Emlak ve Eytam Bankası, in accordance with instructions of Mustafa Kemal Atatürk. The aim of establishment of the Parent Bank is to support public construction, to provide necessary loan and to protect orphan's right. The Parent Bank had restructured on September 1, 1946 and after this date the title of the Parent Bank had changed as Türkiye Emlak Kredi Bankası Anonim Ortaklığı. The Parent Bank had merged with Anadolu Bankası A.Ş. and assumed the title of Türkiye Emlak Bankası A.Ş. as of January 6, 1988.

Denizcilik Bankası A.Ş. had transferred to Türkiye Emlak Bankası A.Ş. with the all of its assets and liabilities on November 29, 1992 and maritime loans were also collected at this Parent Bank.

During the period in which the Türkiye Emlak Bankası A.Ş. operates, in addition to its banking activities has become serious brand in the construction of qualified housing projects in line with the its establishment purpose, and has produced important housing projects in many provinces of Turkey, especially in İstanbul, Ankara and İzmir. İstanbul-Ataköy, Ataşehir, Bahçeşehir, Mimaroba, Sinanoba, Ankara-Bilkent, Elvankent, Konutkent, İzmir-Gaziemir and Mavişehir projects are included in the Parent Bank's important projects.

The Parent Bank has entered into a restructuring process with the Law about Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bankası A.Ş. no. 4603 dated November 21 2000, and the transition from the public law status to the status of private law has achieved.

According to BRSA's decision dated July 6, 2001, Türkiye Emlak Bankası A.Ş. was transferred to Türkiye Cumhuriyeti Ziraat Bankası A.Ş. with its assets and liabilities. In this regard, No. 4684 Certain Laws and Delegated Legislation Law Amending the Law No. 4603 and Article 2 of the Law about Türkiye Cumhuriyeti Ziraat Bank, Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bank A.Ş. attached Provisional Article 3 of the Law (3) In accordance with the provisions of paragraph, the permission of Türkiye Emlak Katılım Bankası A.Ş. to accept deposits and perform banking operations came to an end on July 6, 2001.

The Parent Bank's all assets including banking services, branches, deposits, and commitments and liabilities arising from and banking services were transferred to Ziraat and Halk Bank with the protocol held on July 7, 2001. From this date, the Parent Bank's permission for banking activities and collection of deposit removed.

Board of Liquidation, Board of Directors and Board of Supervisors of the Parent Bank had established with the extraordinary general assembly held on September 14, 2001, and liquidation process had actually started with the personnel on temporary duty sent by Türkiye Cumhuriyeti Ziraat Bankası A.Ş. As a result of the Parent Bank's repayment of its debts to the Treasury Department and all other debts after the end of 16 years with the Law of "Some Receivables and Re-Structuring and Certain Laws and Decree Law Amending No. 7020 with the following regulation made in the Law of Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bank A.Ş. No. 4603, the liquidation of the Parent Bank has been removed, as of May 27, 2017.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

I. History of the Parent Bank Including Its Incorporation Date, Initial Legal Status and Amendments to Legal Status (continued)

After the liquidation of the Parent Bank, in the General Assembly held on September 3, 2018, the new Articles of Association approved and the status was determined as participation bank. The title of the Parent Bank was registered as Türkiye Emlak Katılım Bankası A.Ş. on September 10, 2018.

The Parent Bank has obtained the operating permission with the decision of the Banking Regulation and Supervision Board dated February 26, 2019 and numbered 8262 published in the Official Gazette dated February 27, 2019 and numbered 30699 and commenced operations as of March 21, 2019.

The Parent Bank and its subsidiaries consolidated with the Parent Bank, as a whole, are called the "Group"

The Parent Bank's head office is located in İstanbul and there are 50 branches of the Parent Bank as of December 30, 2020. (December 31, 2019: 11). The Parent Bank is operating with 814 staff as of December 30, 2020 (December 31, 2019: 381).

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management of the Parent Bank and disclosures on related changes in the current year, if any

The Parent Bank's share is TL 1.026.915 and 99,99% of the Parent Bank's share are owned by Ministry of Treasury and Finance. Except by Ministry of Treasury and Finance, T. Emlak Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı and 33 real person have shares amounting to TL 80,57 (full) and TL 3,38 (full), respectively.

TL 1.026.915 portion of the capital amounting to TL 1.026.915 has been paid, and TL 2.82 (full) portion has not been paid by the 33 real person.

The part of the capital belonging to the Ministry of Treasury and Finance is represented by the Ministry of Environment and Urbanization.

III. Explanation on the chairman and members of board of directors, members of audit committee, general manager and assistant general managers, their areas of responsibility and their shares in the Parent Bank, if any:

Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage (%)
Prof. Dr. Mehmet Emin BİRPINAR	Chairman of BOD	Doctorate	-
Abdullah Erdem CANTİMUR	Vice Chairman of BOD and Chairman of the Audit Committee	Master	-
Mehmet Ali KAHRAMAN ^(*)	Member of BOD	Master	-
Mustafa GÜLEN	Member of BOD	Bachelor	-
Mehmet Nuri YAZICI	Member of BOD	Bachelor	-
Prof. Dr. Murat BALCI	Member of BOD	Doctorate	-
Nevzat BAYRAKTAR	Member of BOD/General Manager	Bachelor	-
Nihat BULUT	Assistant General Manager Responsible for Credits	Bachelor	-
Yusuf OKUR	Assistant General Manager Responsible for Operations	Bachelor	-
Uğur KARA	Assistant General Manager Responsible for Human Resources	Master	-

^(*) Mehmet Ali KAHRAMAN was elected as a member of the board of directors and a member of the audit committee by the board of directors decision dated 23 November 2020.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

IV. Information on the Parent Bank's qualified shareholders

The Parent Bank's paid in capital amounting to TL 1.026.915 consists of 102.691.549916 number of shares with a nominal value of TL 0,01 (full) for each share.

Name/commercial name	Share amount	Share ratio	Paid shares	Unpaid shares
Ministry of Treasury and Finance	1.026.915	99,99%	1.026.915	-
Other	-	0,00001%	-	-

V. Summary on the Parent Bank's service activities and field of operations

The Parent Bank operates in accordance with the principles of interest-free banking as a participation bank. The Parent Bank mainly collects funds through current accounts and through profit sharing accounts based on profit/loss sharing agreement, lends such funds through corporate finance support, retail finance support, finance lease, financing commodity against document and joint investments.

Briefly, the fields of activity of the Parent Bank are specified in the Articles of Association as follows;

- To buy or sell money or capital market instruments on the spot or in the term according to the legislation and interest-free banking principles, and to mediate their purchase and sale, to operate in stock exchanges,
- Within the principles of interest-free banking; to allocate funds to the economy, to provide loans in cash, non-cash types and forms,
- To make financial leasing transactions, to make operational leasing transactions,
- To make all kinds of payment and collection transactions, payment such as travel checks, credit cards the activities of the vehicles, to provide merchant services (POS), consultancy and advising, providing safe deposit services,
- Buying, acquiring, building any kind of real estate and transferring, renting them to other people when necessary and making all kinds of savings on them,
- For Companies and organizations (including insurance companies); giving services of representation, substitution and being agentship,
- To support Agricultural Credit Cooperatives and SMEs, to carry out activities to support urban transformation,
- To carry out portfolio management and management operations,
- Providing custody services,
- The Parent Bank, extends non-cash funds in the type of letter of guarantee, loan of acceptance, letter of credit.

The field of activity of the Parent Bank is not limited to the transactions written in the articles above. If it is deemed beneficial for the Parent Bank to carry out any other transaction than these transactions, it will depend on the decision of the Board of Directors upon the proposal of the Board of Directors, the approval of the necessary legal authorities and the approval of the decision by the Ministry of Customs and Trade. In this way, the approved decision is added to the Articles of Association.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

VI. Differences Between The Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About The Institutions Subject To Line-By-Line Method or Proportional Consolidation and Institutions Which Are Deducted From Equity or Not Included in These Three Methods

The Parent Bank and its subsidiaries Emlak Varlık Kiralama A.Ş. and Emlak Katılım Varlık Kiralama A.Ş. consolidated financial statements with full consolidation method.

VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the Parent Bank and its subsidiaries

There is no immediate transfer of equity between the Parent Bank and its subsidiaries. There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries.

SECTION TWO

The consolidated financial statements

- I. Consolidated Balance sheet (Statement of financial position)
- II. Consolidated Statement of off-balance sheet
- III. Consolidated Statement of profit or loss
- IV. Consolidated Statement of profit or loss and other comprehensive income
- V. Consolidated Statement of changes in shareholders' equity
- VI. Consolidated Statement of cash flows
- VII. Consolidated Statement of profit distribution

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF BALANCE SHEET (FINANCIAL POSITION) AS OF DECEMBER 31, 2020

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

ASSETS	Note (5 - I)	Audited		
		Current Period		
		31 December 2020		
		TL	FC	Total
I. FINANCIAL ASSETS (NET)		1400487	3465407	4.865.894
1.1 Cash and cash equivalents		259407	2.917.315	3.176.722
1.1.1 Cash and Balances with Central Bank	(1)	255.369	2.011.728	2.267.097
1.1.2 Banks	(2)	4.130	906.712	910.842
1.1.3 Money Market Placements		-	-	-
1.1.4 Expected Loss Provisions (-)		92	1.125	1.217
1.2 Financial Assets Measured at Fair Value Through Profit/Loss (FVTPL)	(3)	216.844	306.207	523.051
1.2.1 Government Debt Securities		216.844	306.207	523.051
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)	(4)	922.824	241.566	1.164.390
1.3.1 Government Debt Securities		915.165	241.566	1.156.731
1.3.2 Equity Securities		7659	-	7659
1.3.3 Other Financial Assets		-	-	-
1.4 Derivative Financial Assets	(5)	1.412	319	1.731
1.4.1 Derivative Financial Assets Measured at FVTPL		1.412	319	1.731
1.4.2 Derivative Financial Assets Measured at FVOCI		-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		9939.118	4.963.488	14.902.606
2.1 Loans	(6)	10.148.747	3.421.877	13.570.624
2.2 Lease Receivables	(8)	25.623	2.786	28.409
2.3 Other Financial Assets Measured at Amortized Cost	(7)	-	1.568.929	1.568.929
2.3.1 Government Debt Securities		-	1.568.929	1.568.929
2.3.2 Other Financial Assets		-	-	-
2.4 Expected Loss Provisions (-)	(6)	235.252	30.104	265.356
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(9)	23.797	-	23.797
3.1 Asset Held for Sale		23.797	-	23.797
3.2 Assets of Discontinued Operations		-	-	-
IV. OWNERSHIP INVESTMENT IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	(10)	-	-	-
4.1 Associates (Net)		-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Subsidiaries (Net)		-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-
4.3 Joint Ventures (Net)		-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-
V. TANGIBLE ASSETS (NET)	(11)	251.229	-	251.229
VI. INTANGIBLE ASSETS (NET)	(12)	34.559	-	34.559
6.1 Goodwill		-	-	-
6.2 Other		34.559	-	34.559
VII. INVESTMENT PROPERTY (NET)	(13)	-	-	-
VIII. CURRENT TAX ASSET		-	-	-
IX. DEFERRED TAX ASSETS	(14)	73.853	-	73.853
X. OTHER ASSETS	(15)	142.437	73	142.510
TOTAL ASSETS		11.865.480	8.428.968	20.294.448

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Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF BALANCE SHEET (FINANCIAL POSITION) AS OF DECEMBER 31, 2019

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

ASSETS	Note (5 - I)	Audited Prior Period 31 December 2019		
		TL	FC	Total
I. FINANCIAL ASSETS (NET)		307709	1.642.769	1.950.478
1.1 Cash and cash equivalents		75.841	870.291	946.132
1.1.1 Cash and Balances with Central Bank	(1)	75.593	708.482	784.075
1.1.2 Banks	(2)	248	161.809	162.057
1.1.3 Money Market Placements		-	-	-
1.2 Financial Assets Measured at Fair Value Through Profit/Loss (FVTPL)	(3)	223.799	772.478	996.277
1.2.1 Government Debt Securities		223.799	772.478	996.277
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)	(4)	7.659	-	7.659
1.3.1 Government Debt Securities		-	-	-
1.3.2 Equity Securities		7.659	-	7.659
1.3.3 Other Financial Assets		-	-	-
1.4 Derivative Financial Assets	(5)	410	-	410
1.4.1 Derivative Financial Assets Measured at FVTPL		410	-	410
1.4.2 Derivative Financial Assets Measured at FVOCI		-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		3.275.613	3.552.249	6.827.862
2.1 Loans	(6)	3.275.613	2.454.720	5.730.333
2.2 Lease Receivables	(8)	-	-	-
2.3 Other Financial Assets Measured at Amortized Cost	(7)	-	1.097.529	1.097.529
2.3.1 Government Debt Securities		-	1.097.529	1.097.529
2.3.2 Other Financial Assets		-	-	-
2.4 Non-Performing Loans	(6)	188.322	-	188.322
2.5 Specific Provisions (-)	(6)	188.322	-	188.322
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(9)	35.200	-	35.200
3.1 Asset Held for Sale		35.200	-	35.200
3.2 Assets of Discontinued Operations		-	-	-
IV. OWNERSHIP INVESTMENT IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	(10)	-	-	-
4.1 Associates (Net)		-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-
4.1.2 Unconsolidated associates		-	-	-
4.2 Subsidiaries (Net)		-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-
4.3 Joint Ventures (Net)		-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-
V. TANGIBLE ASSETS (NET)	(11)	101.710	-	101.710
VI. INTANGIBLE ASSETS (NET)	(12)	39.802	-	39.802
6.1 Goodwill		-	-	-
6.2 Other		39.802	-	39.802
VII. INVESTMENT PROPERTY (NET)	(13)	-	-	-
VIII. CURRENT TAX ASSET		-	-	-
IX. DEFERRED TAX ASSETS	(14)	102.414	-	102.414
X. OTHER ASSETS	(15)	224.695	63	224.758
TOTAL ASSETS		4.087.143	5.195.081	9.282.224

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Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF BALANCE SHEET (FINANCIAL POSITION) AS OF DECEMBER 31, 2020

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

LIABILITIES	Note (5 - II)	Audited		
		Current Period		
		31 December 2020		
		TL	FC	Total
I. FUNDS COLLECTED	(1)	5.332.642	6.344.661	11.677.303
II. FUNDS BORROWED	(2)	21.889	926.868	948.757
III. MONEY MARKET FUNDS		1.069.349	-	1.069.349
IV. SECURITIES ISSUED (Net)		3.028.652	-	3.028.652
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES		43.279	7	43.286
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(3)	43.279	7	43.286
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5)	-	-	-
VII. LEASE PAYABLES	(4)	119.338	-	119.338
VIII. PROVISIONS	(6)	48.188	46.035	94.223
8.1 General Provisions		-	-	-
8.2 Reserve for Employee Benefits		14.482	-	14.482
8.3 Insurance Technical Provisions (Net)		-	-	-
8.4 Other Provisions		33.706	46.035	79.741
IX. CURRENT TAX LIABILITY	(7)	20.900	-	20.900
X. DEFERRED TAX LIABILITY		-	-	-
XI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	-	-	-
11.1 Held for Sale Purpose		-	-	-
11.2 Related to Discontinued Operations		-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(9)	-	1.545.981	1.545.981
12.1 Loans		-	1.545.981	1.545.981
12.2 Other Debt Instruments		-	-	-
XIII. OTHER LIABILITIES		205.779	1.585	207.364
XIV. SHAREHOLDERS' EQUITY	(11)	1.538.186	1.109	1.539.295
14.1 Paid-in capital		1.026.915	-	1.026.915
14.2 Capital Reserves		274.50	1.141	28.591
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Other Capital Reserve		274.50	1.141	28.591
14.3 Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(1.255)	-	(1.255)
14.4 Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		(952)	(32)	(984)
14.5 Profit Reserves		396.085	-	396.085
14.5.1 Legal Reserves		275.857	-	275.857
14.5.2 Status Reserves		-	-	-
14.5.3 Extraordinary Reserves		120.228	-	120.228
14.5.4 Other Profit Reserves		-	-	-
14.6 Income or (Loss)		89.943	-	89.943
14.6.1 Prior Periods' Income or (Loss)		9.317	-	9.317
14.6.2 Current Period Income or (Loss)		80.626	-	80.626
TOTAL LIABILITIES		11.428.202	8.866.246	20.294.448

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF BALANCE SHEET (FINANCIAL POSITION) AS OF DECEMBER 31, 2019

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

LIABILITIES	Note (5 - II)	Audited		
		Prior Period		
		31 December 2019		
		TL	FC	Total
I. FUNDS COLLECTED	(1)	2.746.761	3.205.868	5.952.629
II. FUNDS BORROWED	(2)	-	864.292	864.292
III. MONEY MARKET FUNDS		-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES		34	5.857	5.891
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(3)	34	5.857	5.891
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5)	-	-	-
VII. LEASE PAYABLES	(4)	30.567	-	30.567
VIII. PROVISIONS	(6)	60.924	37.653	98.577
8.1 General Provisions		51.281	37.637	88.918
8.2 Restructuring Provisions		-	-	-
8.3 Reserve for Employee Benefits		7.325	-	7.325
8.4 Insurance Technical Provisions (Net)		-	-	-
8.5 Other Provisions		2.318	16	2.334
IX. CURRENT TAX LIABILITY	(7)	10.698	-	10.698
X. DEFERRED TAX LIABILITY		-	-	-
XI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	-	-	-
11.1 Held for Sale Purpose		-	-	-
11.2 Related to Discontinued Operations		-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(9)	-	1.076.666	1.076.666
12.1 Loans		-	1.076.666	1.076.666
12.2 Other Debt Instruments		-	-	-
XIII. OTHER LIABILITIES		73.704	27	73.731
XIV. SHAREHOLDERS' EQUITY	(11)	1.169.173	-	1.169.173
14.1 Paid-in capital		750.000	-	750.000
14.2 Capital Reserves		23.088	-	23.088
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Other Capital Reserve		23.088	-	23.088
14.3 Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		-	-	-
14.4 Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		-	-	-
14.5 Profit Reserves		351.106	-	351.106
14.5.1 Legal Reserves		351.106	-	351.106
14.5.2 Status Reserves		-	-	-
14.5.3 Extraordinary Reserves		-	-	-
14.5.4 Other Profit Reserves		-	-	-
14.6 Income or (Loss)		44.979	-	44.979
14.6.1 Prior Periods' Income or (Loss)		-	-	-
14.6.2 Current Period Income or (Loss)		44.979	-	44.979
TOTAL LIABILITIES		4.091.861	5.190.363	9.282.224

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2020

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

STATEMENT OF OFF BALANCE SHEET	Note (5 - III)	Audited		
		Current Period		Total
		31 December 2020		
		TL	FC	
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		2.523.491	2.774.656	5.298.147
I. GUARANTEES AND SURETIES	(1)	1.402.281	1.759.081	3.161.362
1.1 Letters of Guarantees		1.298.020	889.899	2.187.919
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		1.298.020	889.899	2.187.919
1.2 Bank Loans		31.000	819.386	850.386
1.2.1 Import Letter of Acceptances		-	-	-
1.2.2 Other Bank Acceptances		31.000	819.386	850.386
1.3 Letter of Credits		73.261	49.796	123.057
1.3.1 Documentary Letter of Credits		73.261	49.796	123.057
1.3.2 Other Letter of Credits		-	-	-
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 Other Guarantees		-	-	-
1.7 Other Collaterals		-	-	-
II. COMMITMENTS	(1)	419.983	242.514	662.497
2.1 Irrevocable Commitments		419.983	242.514	662.497
2.1.1 Asset Purchase and Sale Commitments		64.799	110.655	175.454
2.1.2 Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		323.542	-	323.542
2.1.4 Securities Underwriting Commitments		-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-
2.1.6 Payment Commitment for Cheques		31.642	-	31.642
2.1.7 Tax And Fund Liabilities from Export Commitments		-	-	-
2.1.8 Commitments for Credit Card Expenditure Limits		-	-	-
2.1.9 Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-
2.1.10 Receivables From Short Sale Commitments of Marketable Securities		-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Other Irrevocable Commitments		-	131.859	131.859
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		701.227	773.061	1.474.288
3.1 Derivative Financial Instruments for Hedging Purposes		-	-	-
3.1.1 Fair Value Hedge		-	-	-
3.1.2 Cash Flow Hedge		-	-	-
3.1.3 Hedge of Net Investment in Foreign Operations		-	-	-
3.2 Held for Trading Transactions		701.227	773.061	1.474.288
3.2.1 Forward Foreign Currency Buy/Sell Transactions		107.624	106.721	214.345
3.2.1.1 Forward Foreign Currency Transactions-Buy		91.612	15.356	106.968
3.2.1.2 Forward Foreign Currency Transactions-Sell		16.012	91.365	107.377
3.2.2 Other Forward Buy/Sell Transactions		593.603	666.340	1.259.943
3.3 Other		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		67.873.182	6.078.363	73.951.545
IV. ITEMS HELD IN CUSTODY		4.600.441	2.112.045	6.712.486
4.1 Assets Under Management		-	-	-
4.2 Investment Securities Held in Custody		2.593.321	-	2.593.321
4.3 Cheques Received for Collection		803.612	72.891	876.503
4.4 Commercial Notes Received for Collection		234.22	-	234.22
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		894	-	894
4.8 Custodians		1.179.192	2.039.154	3.218.346
V. PLEDGED ITEMS		63.272.741	3.966.318	67.239.059
5.1 Marketable Securities		61.650	-	61.650
5.2 Guarantee Notes		-	-	-
5.3 Commodity		760.269	-	760.269
5.4 Warranty		-	-	-
5.5 Properties		4.366.808	-	4.366.808
5.6 Other Pledged Items		58.084.014	3.966.318	62.050.332
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		70.396.673	8.853.019	79.249.692

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CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2019

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

STATEMENT OF OFF BALANCE SHEET		Audited			
		Prior Period			
		31 December 2019			
	Note (5 - III)	TL	FC	Total	
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)			355.345	921.952	1.277.297
I. GUARANTEES AND SURETIES		(1)	321.052	105.671	426.723
1.1	Letters of Guarantees		299.305	97.282	396.587
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		299.305	97.282	396.587
1.2	Bank Loans		-	-	-
1.2.1	Import Letter of Acceptances		-	-	-
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letter of Credits		21.747	8.389	30.136
1.3.1	Documentary Letter of Credits		-	-	-
1.3.2	Other Letter of Credits		21.747	8.389	30.136
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	Other Guarantees		-	-	-
1.7	Other Collaterals		-	-	-
II. COMMITMENTS		(1)	6.636	40.836	47.472
2.1	Irrevocable Commitments		6.636	40.836	47.472
2.1.1	Asset Purchase and Sale Commitments		1436	40.836	42.272
2.1.2	Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.3	Loan Granting Commitments		3970	-	3970
2.1.4	Securities Underwriting Commitments		-	-	-
2.1.5	Commitments for Reserve Deposit Requirements		-	-	-
2.1.6	Payment Commitment for Cheques		1.230	-	1.230
2.1.7	Tax And Fund Liabilities from Export Commitments		-	-	-
2.1.8	Commitments for Credit Card Expenditure Limits		-	-	-
2.1.9	Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-
2.1.10	Receivables From Short Sale Commitments of Marketable Securities		-	-	-
2.1.11	Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12	Other Irrevocable Commitments		-	-	-
2.2	Revocable Commitments		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS			27.657	775.445	803.102
3.1	Derivative Financial Instruments for Hedging Purposes		-	-	-
3.1.1	Fair Value Hedge		-	-	-
3.1.2	Cash Flow Hedge		-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-
3.2	Held for Trading Transactions		27.657	775.445	803.102
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	Other Forward Buy/Sell Transactions		27.657	775.445	803.102
3.3	Other		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			15.524.852	4.008.298	19.533.150
IV. ITEMS HELD IN CUSTODY			316.275	2.098.143	2.414.418
4.1	Assets Under Management		-	-	-
4.2	Investment Securities Held in Custody		1468	-	1468
4.3	Cheques Received for Collection		106.159	4.130	110.289
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		989	-	989
4.8	Custodians		207.659	2.094.013	2.301.672
V. PLEDGED ITEMS			15.208.577	1.910.155	17.118.732
5.1	Marketable Securities		-	-	-
5.2	Guarantee Notes		-	-	-
5.3	Commodity		155.058	-	155.058
5.4	Warranty		-	-	-
5.5	Properties		760.300	-	760.300
5.6	Other Pledged Items		14.293.219	1.910.155	16.203.374
5.7	Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES			-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			15.880.197	4.930.250	20.810.447

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF DECEMBER 31, 2020

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

STATEMENT OF PROFIT AND LOSS		Audited	
		Note	Current Period
		(5 - IV)	1 January- 31 December 2020
I.	PROFIT SHARE INCOME	(1)	998.379
1.1	Profit Share on Loans		791.913
1.2	Income Received from Reserve Deposits		10.681
1.3	Income Received from Banks		535
1.4	Income Received from Money Market Placements		-
1.5	Income Received from Marketable Securities Portfolio		192.912
1.5.1	Financial Assets at Fair Value Through Profit and Loss		54.797
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		75.993
1.5.3	Financial Assets Measured at Amortised Cost		62.122
1.6	Finance Lease Income		14.52
1.7	Other Profit Share Income		886
II.	PROFIT SHARE EXPENSE (-)	(2)	626.766
2.1	Expense on Profit Sharing Accounts		402.227
2.2	Profit Share Expense on Funds Borrowed		75.441
2.3	Profit Share Expense on Money Market Borrowings		28.367
2.4	Expense on Securities Issued		109.871
2.5	Lease Profit Share Expense		10.860
2.6	Other Profit Share Expenses		-
III.	NET PROFIT SHARE INCOME (I - II)		371.613
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		21.113
4.1	Fees and Commissions Received		33.655
4.1.1	Non-Cash Loans		8.602
4.1.2	Other	(3)	25.053
4.2	Fees and Commissions Paid (-)		12.542
4.2.1	Non-Cash Loans		50
4.2.2	Other	(3)	12.492
V.	DIVIDEND INCOME	(4)	-
VI.	NET TRADING INCOME	(5)	22.261
6.1	Capital Market Transaction Gains/(Losses)		7.005
6.2	Gains/(Losses) from Derivative Financial Instruments		(191.289)
6.3	Foreign Exchange Gains/(Losses)		206.545
VII.	OTHER OPERATING INCOME	(6)	85.390
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		500.377
IX.	LOAN PROVISIONS (-)	(7)	87.148
X.	PERSONNEL EXPENSES (-)	(7)	39.691
XI.	OTHER OPERATING EXPENSES (-)		149.880
XII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)	(8)	119.178
XIII.	INCOME RESULTED FROM MERGERS		104.480
XIV.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-
XV.	GAIN AFTER MERGER		-
XVI.	GAIN/LOSS ON NET MONETARY POSITION		-
XVII.	PROFIT/LOSS BEFORE TAXES (XIII+...+XV)		104.480
XVIII.	PROVISION FOR TAXES (±)	(9)	23.854
18.1	Current Tax Provision		
18.2	Deferred Tax Expense (+)		94.719
18.3	Deferred Tax Income (-)		70.865
XIX.	NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)		80.626
XX.	INCOME FROM DISCONTINUED OPERATIONS		-
20.1	Income from Assets Held for Sale		-
20.2	Income from Sale of Associates, Subsidiaries and Joint-Ventures		-
20.3	Income from Other Discontinued Operations		-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
21.1	Expenses on Assets Held for Sale		-
21.2	Expenses on Sale of Associates, Subsidiaries and Joint-Ventures		-
21.3	Expenses from Other Discontinued Operations		-
XXII.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)		-
XXIII.	PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	(9)	-
23.1	Current Tax Provision		-
23.2	Deferred Tax Expense (+)		-
23.3	Deferred Tax Income (-)		-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXV.	NET PROFIT/LOSS (XVIII+XXIII)		80.626
25.1	Group's Income/Loss (-)		80.626
25.2	Minority Shares Profit/Loss (-)		-
	Earnings Per Share		0,00079

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF DECEMBER 31, 2019

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

STATEMENT OF PROFIT AND LOSS		Audited Prior Period	
	Note (5 - IV)	1 January- 31 December 2019	
I. PROFIT SHARE INCOME	(1)	429.813	
11 Profit Share on Loans		326.494	
12 Income Received from Reserve Deposits		2.847	
13 Income Received from Banks		34.222	
14 Income Received from Money Market Placements		-	
15 Income Received from Marketable Securities Portfolio		64.812	
15.1 Financial Assets at Fair Value Through Profit and Loss		32.606	
15.2 Financial Assets at Fair Value through Other Comprehensive Income		-	
15.3 Financial Assets Measured at Amortised Cost		32.206	
16 Finance Lease Income		-	
17 Other Profit Share Income		14.38	
II. PROFIT SHARE EXPENSE (-)	(2)	212.161	
2.1 Expense on Profit Sharing Accounts		173.797	
2.2 Profit Share Expense on Funds Borrowed		36.247	
2.3 Profit Share Expense on Money Market Borrowings		3	
2.4 Expense on Securities Issued		-	
2.5 Lease Profit Share Expense		2.114	
2.6 Other Profit Share Expenses		-	
III. NET PROFIT SHARE INCOME (I - II)		217.652	
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		(1.365)	
4.1 Fees and Commissions Received		1.292	
4.1.1 Non-Cash Loans		424	
4.1.2 Other	(3)	868	
4.2 Fees and Commissions Paid (-)		2.657	
4.2.1 Non-Cash Loans		37	
4.2.2 Other	(3)	2.620	
V. DIVIDEND INCOME	(4)	-	
VI. NET TRADING INCOME	(5)	32.514	
6.1 Capital Market Transaction Gains/(Losses)		27.015	
6.2 Gains/(Losses) from Derivative Financial Instruments		(59)	
6.3 Foreign Exchange Gains/(Losses)		5.558	
VII. OTHER OPERATING INCOME	(6)	24.115	
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		272.916	
IX. LOAN PROVISIONS (-)	(7)	81.432	
X. PERSONNEL EXPENSES (-)		73.875	
XI. OTHER OPERATING EXPENSES (-)	(8)	71.506	
XII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		46.103	
XIII. INCOME RESULTED FROM MERGERS		-	
XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	
XV. GAIN AFTER MERGER		-	
XVI. GAIN/LOSS ON NET MONETARY POSITION		46.103	
XVII. PROFIT/LOSS BEFORE TAXES (XIII+...+XV)	(9)	1.124	
17.1 Current Tax Provision		-	
17.2 Deferred Tax Expense (+)	(10)	16.921	
17.3 Deferred Tax Income (-)	(10)	15.797	
XVIII. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)		44.979	
XIX. INCOME FROM DISCONTINUED OPERATIONS		-	
19.1 Income from Assets Held for Sale		-	
19.2 Income from Sale of Associates, Subsidiaries and Joint-Ventures		-	
19.3 Income from Other Discontinued Operations		-	
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	
20.1 Expenses on Assets Held for Sale		-	
20.2 Expenses on Sale of Associates, Subsidiaries and Joint-Ventures		-	
20.3 Expenses from Other Discontinued Operations		-	
XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)		-	
XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	(9)	-	
22.1 Current Tax Provision		-	
22.2 Deferred Tax Expense (+)		-	
22.3 Deferred Tax Income (-)		-	
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	
XXIV. NET PROFIT/LOSS (XVIII+XXIII)		44.979	
24.1 Group's Income/Loss (-)		44.979	
24.2 Minority Shares Profit/Loss (-)		-	
Earnings Per Share		0,00044	

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Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF DECEMBER 31, 2020

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited Current Period 1 January- 31 December 2020
I.	CURRENT PERIOD PROFIT/LOSS	80.626
II.	OTHER COMPREHENSIVE INCOME	(2.239)
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	(1.255)
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(1.568)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	313
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	(984)
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Financial Assets Measured at Fair Value through Other Comprehensive Income	1.408
2.2.3	Gains/losses from Cash Flow Hedges	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	(2.392)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	78.387

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Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF DECEMBER 31, 2020

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited Prior Period 1 January- 31 December 2019
I.	CURRENT PERIOD PROFIT/LOSS	44.979
II.	OTHER COMPREHENSIVE INCOME	-
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	-
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	-
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Financial Assets Measured at Fair Value through Other Comprehensive Income	-
2.2.3	Gains/losses from Cash Flow Hedges	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	44.979

Note: The prior period financial statements and related disclosures are not presented comperatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2020

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

						Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		
						1	2	3
Audited								
Paid-in Capital								
Share Premium								
Share Cancellation Profits								
Other Capital Reserves								
Current Period								
31 December 2020								
I.	Balances at Beginning Period	750.000	-	-	23.088	-	-	-
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 Period (I+II)	750.000	-	-	23.088	-	-	-
IV.	Total Comprehensive Income	-	-	-	-	-	(1.255)	-
V.	Capital Increase in Cash	276.915	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources	-	-	-	-	-	-	-
VII.	Adjustments to Paid-in Capital	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-
IX.	Subordinated Liabilities ^(*)	-	-	-	-	-	-	-
X.	Other Changes	-	-	-	5.503	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-
11.1	Dividends	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-
11.3	Others	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)	1.026.915	-	-	28.591	-	(1.255)	-

Note: The prior period financial statements and related disclosures are not presented comparatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

1. Revaluation surplus on tangible and intangible assets.

2. Defined Benefit Plans' Actuarial Gains/Losses.

3. Other (Accumulated amounts of share of investments accounted for by the equity method that can not be classified as profit/loss from other comprehensive income with other comprehensive income that will not be reclassified to other profit or loss).

4. Foreign Currency Translation Differences.

5. Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI.

6. Other (Accumulated amount of cash flow hedge gains/losses, equity attributable to equity holders of the Parent Bank for profit or loss from other comprehensive income and other comprehensive income to be reclassified to other profit or loss).

^(*) Includes the initial recognition effects (23.088) of the subordinated loan provided by Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu with the approval of BRSA dated April 22, 2019, on April 24, 2019 amounting to 200 million Euros within the scope of additional main capital and financial assets and liabilities measured at amortized costs (Section 3 Note 6).

^(*) Transition to the calculation of expected credit loss in TFRS 9 and the impact of changes in accounting policies explained in Section Three Note xxiii.

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

Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
4	5	6	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
-	-	-	351.106	-	44.979	1.169.173
-	-	-	-	9.317	-	9.317
-	-	-	-	-	-	-
-	-	-	-	9.317	-	9.317
-	-	-	351.106	9.317	44.979	1.178.490
-	(984)	-	-	-	80.626	78.387
-	-	-	-	-	-	276.915
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	5.503
-	-	-	44.979	-	(44.979)	-
-	-	-	-	-	-	-
-	-	-	44.979	(44.979)	-	-
-	-	-	-	44.979	(44.979)	-
-	(984)	-	396.085	9.317	80.626	1.539.295

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2019

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

						Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		
Audited						1	2	3
Paid-in Capital						Share Cancellation Profits	Other Capital Reserves	
Share Premium								
Prior Period								
31 December 2019								
I.	Balances at Beginning Period	750.000	-	-	-	-	-	-
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 Period (I+II)	750.000	-	-	-	-	-	-
IV.	Total Comprehensive Income	-	-	-	-	-	-	-
V.	Capital Increase in Cash	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources	-	-	-	-	-	-	-
VII.	Adjustments to Paid-in Capital	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-
IX.	Subordinated Liabilities	-	-	-	-	-	-	-
X.	Other Changes	-	-	-	23.088	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-
11.1	Dividends	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-
11.3	Others	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)	750.000	-	-	23.088	-	-	-

Note: The prior period financial statements and related disclosures are not presented comperatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
4	5	6	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
-	-	-	2.631.991	(2.824.581)	543.696	1.101.106
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2.631.991	(2.824.581)	543.696	1.101.106
-	-	-	-	-	44.979	44.979
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	23.088
-	-	-	(2.280.885)	2.824.581	(543.696)	-
-	-	-	-	-	-	-
-	-	-	(2.280.885)	2.280.885	-	-
-	-	-	-	543.696	(543.696)	-
-	-	-	351.106	-	44.979	1.169.173

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS AS OF DECEMBER 31, 2020

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

STATEMENT OF CASH FLOWS		Audited Current Period 1 January - 31 December 2020
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit Before Changes In Operating Assets And Liabilities	149.170
1.1.1	Profit Share Income Received	757.007
1.1.2	Profit Share Expense Paid	(481.129)
1.1.3	Dividend Received	-
1.1.4	Fees and Commissions Received	33.655
1.1.5	Other Income	109.978
1.1.6	Collections from Previously Written off Loans	-
1.1.7	Payments to Personnel and Service Suppliers	(199.473)
1.1.8	Taxes Paid	(34.056)
1.1.9	Others	(36.812)
1.2	Changes in Operating Assets and Liabilities	(1.043.239)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	449.419
1.2.2	Net (Increase) Decrease in Due From Banks and Other Financial Institutions	(763.690)
1.2.3	Net (Increase) Decrease in Loans	(6.510.476)
1.2.4	Net (Increase) Decrease in Other Assets	137.202
1.2.5	Net Increase (Decrease) in Bank Deposits	(61.992)
1.2.6	Net Increase (Decrease) in Other Deposits	44.514.20
1.2.7	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	-
1.2.8	Net Increase (Decrease) in Funds Borrowed	-
1.2.9	Net Increase (Decrease) in Matured Payables	-
1.2.10	Net Increase (Decrease) in Other Liabilities	1.254.878
I.	Net Cash Flows from Banking Operations	(894.069)
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net Cash Flow from Investing Activities	(1.102.030)
2.1	Cash Paid For Acquisition of Investments, Associates and Subsidiaries	-
2.2	Cash Obtained From Disposal of Investments, Associates and Subsidiaries	-
2.3	Purchases of Property and Equipment	(137.769)
2.4	Disposals of Property and Equipment	43.567
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(1.089.896)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	60.980
2.7	Purchase of Financial Assets Measured at Amortised Cost	-
2.8	Sale of Financial Assets Measured at Amortised Cost	-
2.9	Other	21.088
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Flows from Financing Activities	3.092.220
3.1	Cash Obtained from Funds Borrowed and Securities Issued	269.123.538
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(266.010.422)
3.3	Issued Capital Instruments	-
3.4	Dividends Paid	-
3.5	Payments for Finance Leases	(20.896)
3.6	Other	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	375.279
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	1.471.400
VI.	Net (Decrease) Increase in Cash and Cash Equivalents	251.608
VII.	Cash and Cash Equivalents at the End of the Period	1.723.008

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Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS AS OF DECEMBER 31, 2019

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

STATEMENT OF CASH FLOWS		Audited Prior Period 1 January - 31 December 2019
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating Profit Before Changes In Operating Assets And Liabilities	(714.548)
1.1.1	Profit Share Income Received	429.813
1.1.2	Profit Share Expense Paid	(212.161)
1.1.3	Dividend Received	-
1.1.4	Fees and Commissions Received	1.292
1.1.5	Other Income	51.982
1.1.6	Collections from Previously Written off Loans	111
1.1.7	Payments to Personnel and Service Suppliers	(147.599)
1.1.8	Taxes Paid	-
1.1.9	Others	(837.986)
1.2	Changes in Operating Assets and Liabilities	(1.249.078)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(958.868)
1.2.2	Net (Increase) Decrease in Due From Banks and Other Financial Institutions	(696.739)
1.2.3	Net (Increase) Decrease in Loans	(5.713.047)
1.2.4	Net (Increase) Decrease in Other Assets	86.076
1.2.5	Net Increase (Decrease) in Bank Deposits	153.533
1.2.6	Net Increase (Decrease) in Other Deposits	5.775.220
1.2.7	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	89
1.2.8	Net Increase (Decrease) in Funds Borrowed	-
1.2.9	Net Increase (Decrease) in Matured Payables	-
1.2.10	Net Increase (Decrease) in Other Liabilities	104.658
I.	Net Cash Flows from Banking Operations	(1.963.626)
B.	CASH FLOWS FROM INVESTING ACTIVITIES	
II.	Net Cash Flow from Investing Activities	(1.211.686)
2.1	Cash Paid For Acquisition of Investments, Associates and Subsidiaries	-
2.2	Cash Obtained From Disposal of Investments, Associates and Subsidiaries	-
2.3	Purchases of Property and Equipment	(117.273)
2.4	Disposals of Property and Equipment	28.839
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(7.659)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	-
2.7	Purchase of Financial Assets Measured at Amortised Cost	(1.125.484)
2.8	Sale of Financial Assets Measured at Amortised Cost	-
2.9	Other	9.891
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net Cash Flows from Financing Activities	2.764.964
3.1	Cash Obtained from Funds Borrowed and Securities Issued	5.733.959
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(2.964.750)
3.3	Issued Capital Instruments	-
3.4	Dividends Paid	-
3.5	Payments for Finance Leases	(4.245)
3.6	Other	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	7.869
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	(402.479)
VI.	Net (Decrease) Increase in Cash and Cash Equivalents	654.087
VII.	Cash and Cash Equivalents at the End of the Period	251.608

Note: The prior period financial statements and related disclosures are not presented comperatively with the current period financial statements as they are not restated as permitted by TFRS 9 transition rules. The prior period financial statements are presented with their prior reported versions.

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

Convenience Translation of the Independent Auditor's Report originally issued in Turkish (See Note 1.a of Section Three)

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF DECEMBER 31, 2020

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

STATEMENT OF PROFIT DISTRIBUTION	Prior Period ^(*) 31 December 2020
I. DISTRIBUTION OF CURRENT YEAR INCOME	
1.1. CURRENT YEAR INCOME	104,480
1.2. TAX AND DUTIES PAYABLE (-)	23,854
1.2.1. Corporate tax (Income tax)	-
1.2.2. Income withholding tax	-
1.2.3. Other taxes and legal liabilities ^(*)	23,854
A. NET INCOME FOR THE YEAR (1.1-1.2)	80,626
1.3. PRIOR YEAR LOSSES (-)	-
1.4. First legal reserves (-)	-
1.5. Other statutory reserves (-)	-
B. DISTRIBUTABLE NET PERIOD INCOME [(A-(1.3+1.4+1.5))]^(*)	-
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1. To owners of ordinary shares	-
1.6.2. To owners of preferred shares	-
1.6.3. To owners of preferred shares (Preemptive rights)	-
1.6.4. To Profit sharing bonds	-
1.6.5. To owners of the profit/loss sharing certificates	-
1.7. DIVIDEND TO PERSONNEL (-)	-
1.8. DIVIDEND TO BOARD OF DIRECTIONS (-)	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1. To owners of ordinary shares	-
1.9.2. To owners of preferred shares	-
1.9.3. To owners of preferred shares (Preemptive rights)	-
1.9.4. To profit sharing bonds	-
1.9.5. To owners of the profit/loss sharing Certificates	-
1.10. SECOND LEGAL RESERVE (-)	-
1.11. STATUS RESERVE (-)	-
1.12. EXTRAORDINARY RESERVE	-
1.13. OTHER RESERVE	-
1.14. SPECIAL FUNDS	-
II. DISTRIBUTION FROM RESERVES	
2.1. DISTRIBUTED RESERVES	-
2.2. SECOND LEGAL RESERVES (-)	-
2.3. SHARE TO SHAREHOLDERS (-)	-
2.3.1. To owners of ordinary shares	-
2.3.2. To owners of preferred shares	-
2.3.3. To owners of preferred shares (Preemptive rights)	-
2.3.4. To profit sharing bonds	-
2.3.5. To owners of the profit/loss sharing certificates	-
2.4. SHARED TO PERSONNEL (-)	-
2.5. SHARE TO BOARD OF DIRECTIONS (-)	-
III. EARNINGS PER SHARE	
3.1. TO OWNERS OF ORDINARY SHARES ^(**) (Full TL)	0,00079
3.2. TO OWNERS OF ORDINARY SHARES (%)	8
3.3. TO OWNERS OF PREFERRED SHARES	-
3.4. TO OWNERS OF PREFERRED SHARES (%)	-
IV. DIVIDEND PER SHARE	
4.1. TO OWNERS OF ORDINARY SHARES ^(**) (Full TL)	-
4.2. TO OWNERS OF ORDINARY SHARES (%)	-
4.3. TO OWNERS OF PREFERRED SHARES	-
4.4. TO OWNERS OF PREFERRED SHARES (%)	-

^(*) General Assembly of the Parent Bank is the authorized body for the profit appropriation decisions. The Ordinary General Assembly Meeting has not been held as of the date of the preparation of these financial statements.

^(**) Deferred tax income has not been subjected to profit distribution.

^(***) Calculated by using the number of share certificates as of year-end.

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

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

STATEMENT OF PROFIT DISTRIBUTION	Prior Period ^(*) 31 December 2019
I. DISTRIBUTION OF CURRENT YEAR INCOME	
1.1. CURRENT YEAR INCOME	46.103
1.2. TAX AND DUTIES PAYABLE (-)	1.124
1.2.1. Corporate tax (Income tax)	-
1.2.2. Income withholding tax	-
1.2.3. Other taxes and legal liabilities ^(*)	1.124
A. NET INCOME FOR THE YEAR (1.1-1.2)	44.979
1.3. PRIOR YEAR LOSSES (-)	-
1.4. First legal reserves (-)	2.249
1.5. Other statutory reserves (-)	-
B. DISTRIBUTABLE NET PERIOD INCOME [(A-(1.3+1.4+1.5))]^(*)	42.730
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1. To owners of ordinary shares	-
1.6.2. To owners of preferred shares	-
1.6.3. To owners of preferred shares (Preemptive rights)	-
1.6.4. To Profit sharing bonds	-
1.6.5. To owners of the profit/loss sharing certificates	-
1.7. DIVIDEND TO PERSONNEL (-)	-
1.8. DIVIDEND TO BOARD OF DIRECTIONS (-)	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1. To owners of ordinary shares	-
1.9.2. To owners of preferred shares	-
1.9.3. To owners of preferred shares (Preemptive rights)	-
1.9.4. To profit sharing bonds	-
1.9.5. To owners of the profit/loss sharing Certificates	-
1.10. SECOND LEGAL RESERVE (-)	-
1.11. STATUS RESERVE (-)	-
1.12. EXTRAORDINARY RESERVE	40.481
1.13. OTHER RESERVE	2.249
1.14. SPECIAL FUNDS	-
II. DISTRIBUTION FROM RESERVES	
2.1. DISTRIBUTED RESERVES	-
2.2. SECOND LEGAL RESERVES (-)	-
2.3. SHARE TO SHAREHOLDERS (-)	-
2.3.1. To owners of ordinary shares	-
2.3.2. To owners of preferred shares	-
2.3.3. To owners of preferred shares (Preemptive rights)	-
2.3.4. To profit sharing bonds	-
2.3.5. To owners of the profit/loss sharing certificates	-
2.4. SHARED TO PERSONNEL (-)	-
2.5. SHARE TO BOARD OF DIRECTIONS (-)	-
III. EARNINGS PER SHARE	
3.1. TO OWNERS OF ORDINARY SHARES ^(**) (Full TL)	0,00060
3.2. TO OWNERS OF ORDINARY SHARES (%)	6
3.3. TO OWNERS OF PREFERRED SHARES	-
3.4. TO OWNERS OF PREFERRED SHARES (%)	-
IV. DIVIDEND PER SHARE	
4.1. TO OWNERS OF ORDINARY SHARES ^(**) (Full TL)	-
4.2. TO OWNERS OF ORDINARY SHARES (%)	-
4.3. TO OWNERS OF PREFERRED SHARES	-
4.4. TO OWNERS OF PREFERRED SHARES (%)	-

^(*) Deferred tax income has not been subjected to profit distribution.

^(**) Calculated by using the number of share certificates as of year-end.

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

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SECTION THREE

Accounting policies

I. Explanations on basis of presentation

a. The preparation of the financial statements and related notes and explanations in accordance with the "Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks" Accounting Application and Safeguarding of Documents

The consolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Act numbered 5411 published in the Official Gazette numbered 26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency ("BRSA"), and in case where a specific regulation is not made "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA"). The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements" and "Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks" and amendments to this Communiqué. The Parent Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain accounting estimates by the Group management to exercise its judgement on the assets and liabilities on the balance sheet and contingent assets and liabilities as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated 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 the preparation of consolidated financial statements

The accounting policies and valuation principles applied in the preparation of consolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS.

"The accounting policies and valuation principles used in the preparation of year-end financial statements have been determined and applied in accordance with the principles included in the "BRSA Accounting and Financial Reporting Legislation", and the accounting policies applied in the annual financial statements prepared for the year ended December 31, 2019 is consistent except for the application of the and "TFRS 9 Financial Instruments" expected credit loss calculation.

The Group has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated January 19, 2017 in lieu of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2020. TFRS 9 sets out the new principles for the classification and measurement of financial instruments and expected credit loss which will be calculated for financial assets.

The Group has not reorganized comparative information on financial instruments within the scope of TFRS 9 for 2019, and the total effect on the initial application of the expected credit loss of the standard has been included in Prior Periods' Profit or Loss as of January 1, 2020 in the current period statement of changes in shareholders' equity. In this framework, the attached consolidated

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

I. Explanations on basis of presentation (continued)

b. Accounting policies and valuation principles applied in the preparation of consolidated financial statements (continued)

financial statements are not presented comparatively, and the disclosures and footnotes of the previous period financial statements and the previous consolidated financial statements are included in the following sections. As of January 1, 2020, regarding to the transition effects on the financial statements for the initial application of TFRS 9 excepted credit loss, are presented in footnote XXIII.

The accounting policies and valuation principles related with current period are explained in Notes II to XXIII below.

The preparation of consolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Parent Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

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

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

c. Comparative information and classifications

The changes in accounting policies are applied retrospectively and previous term financial statements are restated. The financial statements of the Parent Bank are prepared comparative to the previous term in order to determine its financial position and performance trends. If appropriate, the comparative information are restated in order to provide comparativeness to the statements of current term financial statements. The Parent Bank has restated previous term statement of cash flows in order to provide comparativeness to the current term financial statements.

II. Explanations on strategy of using financial instruments and foreign currency transactions

The Group creates its strategies regarding financial instruments by considering its resource structure. The Parent Bank's funding structure mainly consists of funds collected as "private current accounts", "participation accounts" and "participation accounts investment proxy pools". Apart from the funds collected, the Parent Bank's most important funding sources are equity and funds from domestic/foreign financial institutions.

The Parent Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates ruling at the balance sheet date announced by Central Bank of Republic of Turkey "CBRT". Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of risk belonging to the profit sharing accounts for foreign currency non-performing loans which were funded from these accounts is evaluated at current foreign exchange rates.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

Precious metals accounted under assets and liabilities which do not have fixed maturity are converted into Turkish Lira by using the weighted average price at the balance sheet date announced by the Parent Bank and resulting evaluation differences are reflected as foreign exchange gain or loss.

There are no foreign currency differences capitalized by the Group.

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

III. Explanations on forward, option contracts and derivative instruments

The derivative financial instruments of the Parent Bank consist of forward foreign currency, forward precious metal and swap agreements. The Group records the spot foreign currency transactions in asset purchase and sale commitments.

The Parent Bank's derivative instruments are classified, measured and accounted in accordance with "IFRS 9 Financial Instruments". Derivative instruments are initially recognized at fair value and subsequently measured at fair value.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit or Loss", "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" or "Derivative Financial Liabilities at Fair Value Through Profit or Loss" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts on the balance sheet present the fair values of derivative transactions. The differences that occur in the fair value as a result of the valuation are accounted in the "Income/loss from derivative financial transactions" in the income statement.

IV. Information on consolidated associates

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated 8 November 2006 and the "Consolidated Financial Statements" ("IFRS 10"). The Parent Bank and its subsidiary within the scope of consolidation are named as the "Group" in this report.

a. Consolidation principles for subsidiaries

Subsidiaries The Parent Bank can either (a) use more than 50% of the voting right regarding the shares in companies as a result of the shares owned directly and/or indirectly, or (b) using more than 50% of the voting right. It refers to companies that have the authority and power to control financial and operating policies in line with the interests of the Group by using the effect of de facto control over financial and operating policies.

Control If the Parent Bank directly or indirectly owns the majority of the capital in a legal entity or holds the privileged shares although it does not have this majority, or disposes of the majority of the voting rights based on agreements with other shareholders, or by any means to appoint or dismiss the majority of the members of the board of directors. It was accepted as having the power to buy.

Subsidiaries are consolidated by using the full consolidation method in line with the principle of materiality based on asset and equity sizes.

Subsidiaries have been included in the scope of consolidation as of the date the control over their activities is transferred to the Group and will be excluded from the scope of consolidation when the control ceases. When deemed necessary, the accounting policies applied for subsidiaries may be changed in order to ensure consistency with the accounting policies applied by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been 100% consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority shares in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary.

Emlak Varlık Kiralama A.Ş. was established and registered to the trade registry in 5 August 2019 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Emlak Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. Emlak Varlık Kiralama A.Ş. was established on 5 August 2019 with TL 50 capital amount paid by the Parent Bank. It began to operate after the registration on 5 August 2019.

Emlak Katılım Varlık Kiralama A.Ş., a subsidiary of the Parent Bank, was established on 20 January 2020 and registered in the trade registry in line with the permission obtained from the Banking Regulation and Supervision Board and the Capital Markets Board. Emlak Katılım Varlık Kiralama A.Ş. was established and started its activities.

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

IV. Information on consolidated associates (continued)

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Operation Center (City/Country)	Main Activities	Effective Rates (%)	Direct and Indirect Rates (%)
Emlak Varlık Kiralama A.Ş.	İstanbul/Türkiye	Lease Certificate Issue	100	100
Emlak Katılım Varlık Kiralama A.Ş.	İstanbul/Türkiye	Lease Certificate Issue	100	100

b. Presentation of unconsolidated subsidiaries, associates and joint ventures in consolidated financial statements

The Group has no unconsolidated subsidiaries, associates or joint ventures.

V. Explanations on forward, option contracts and derivative instruments

The derivative financial instruments of the Group consist of forward foreign currency, forward precious metal and swap agreements. The Group records the spot foreign currency transactions in asset purchase and sale commitments.

The Group derivative instruments are classified, measured and accounted in accordance with "TFRS 9 Financial Instruments". Derivative instruments are initially recognized at fair value and subsequently measured at fair value.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contractual values. The derivative transactions are accounted for at fair value subsequent to initial recognition and are presented in the "Derivative Financial Assets at Fair Value Through Profit or Loss", "Derivative Financial Assets at Fair Value Through Other Comprehensive Income" or "Derivative Financial Liabilities at Fair Value Through Profit or Loss" and "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income" items of the balance sheet depending on the resulting positive or negative amounts of the computed value. These amounts on the balance sheet present the fair values of derivative transactions. The differences that occur in the fair value as a result of the valuation are accounted in the "Income/loss from derivative financial transactions" in the income statement.

VI. Explanations on profit share income and expenses

Profit share income

Profit share income is accounted in accordance with the internal rate of return method, which is equal to the net present value of the future cash flows of the financial asset determined in TFRS 9 and reflected to the accrual basis.

Profit share expense

The Group records profit share expenses on accrual basis. The profit share expense accrual calculated in accordance with the unit value method on profit sharing accounts has been included under the account 'Funds Collected' in the balance sheet.

VII. Explanations on fees, commission income and expenses

Fees and commissions are accounted for in accordance with "TFRS 15 Revenue from Contracts with Customers" except for fees and commissions that are integral part of the effective profit share rates of financial instruments measured at amortized costs.

In accordance with provisions of TFRS, the portion of the commission and fees which are related to the reporting period and collected in advance for cash and non-cash loans granted is reflected to the income statement by using the internal rate of return method and straight-line methods, respectively over the commission period of the related loan, respectively. Fees and commissions collected in advance, which are related to the future periods are recorded under the account 'Unearned Revenues' and included in 'Other Liabilities' in the balance sheet. The commission received from cash loans corresponding to the current period is presented in "Profit Share on Loans" in the income statement.

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VII. Explanations on fees, commission income and expenses (continued)

Related to financial liabilities; loan fees and commission expenses which constitute the transaction cost and which are paid to other institutions and organizations are accounted under the prepaid expense account and reflected in the expense accounts according to the internal rate of return method.

VIII. Explanations on financial assets and liabilities

The Group categorizes its financial assets as "Fair Value Through Profit or Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part three Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated January 19, 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

The Group recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by the Group management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Group's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments is made to earnings, losses or profit share that were previously recorded in the financial statements.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss classified under two main categories as "Derivative Financial Assets" and "Financial assets at fair value through profit or loss". Financial assets classified in this group are taken into the financial statements with cost values that reflect their fair values and are shown in the financial statements at fair value in the following periods. The resulting valuation gain and loss are included in the profit/loss accounts.

Financial assets valued at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, financial assets valued at fair value through other comprehensive income are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "accumulated other comprehensive income or expense to be reclassified through profit or loss" under equity.

In case of a disposal of financial assets valued at fair value through profit and loss, increases/decreases which have been recorded in the Accumulated other comprehensive income or expense to be reclassified through profit or loss under the equity is transferred to income statement. Financial assets at fair value through other comprehensive income which do not have a quoted market price in an active market and whose fair values can not be reliably measured are carried at cost, less impairment, if any.

Financial assets and liabilities 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 profit share are classified as financial assets measured at amortized cost. Financial assets and liabilities measured at amortized cost are initially recognized at cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using the internal rate of return. Profit share income and profit share expense obtained from financial assets and liabilities measured at amortized cost are accounted in the income statement.

As of December 31, 2020 the Group has an subordinated debt that the creditor is Türkiye Varlık Fonu Yönetimi A.Ş., with TRT240424F22 ISIN code, with initial date April 24, 2019, with at least five-year repayment option and with no fixed term, amounting to EUR 200.000.000, the financial liability is recorded at fair value and the difference between cost value and fair value is accounted under "Other Capital Reserves" in shareholders' equity at the date of initial acquisition (Section 5 Part 2 Note 9 and Note 11).

In addition, government securities with no fixed term and with 0% return are classified as 'financial assets carried at amortized cost' and recorded to the balance sheet with the reduced amount of government securities' rate of return, in accordance with the decision taken by the Parent Bank's Management. The difference between the initial acquisition date cost value and the reduced amount is recorded under 'Other Capital Reserves' account in shareholders' equity (Section 5 Part 1 Note 7).

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IX. Explanations on expected credit losses

As of January 1, 2020, the Group recognizes a loss allowance for expected credit losses on financial assets based on TFRS 9 "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" and the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with "Procedures and Principles regarding Classification of Loans and Allowances Allocated for Such Loans. In this context, as of December 31, 2019, the method of reserving credit provisions within the framework of the relevant legislation of the BRSA has changed by applying the expected credit losses model with the implementation of TFRS 9. The expected credit loss estimate contains unbiased, supportable information about current and future economic conditions.

The Group classifies the financial asset as stage 1 if the credit risk of a financial instrument does not materially increase since initial recognition to the financial statements and measures the amount of the impairment on the financial asset equal to 12-month expected credit losses at each reporting date. The purpose of impairment is to recognize lifetime expected credit losses in the financial statement for the credit risk of all financial instruments those materially increase since initial recognition to the financial statements with considering all supportable information individually or collectively including reasonable and prospective information.

Calculation of expected credit losses

The Group measures expected credit losses with the reasonable, objective and supportable information based on a probability-weighted including estimations about past events, current conditions as of the reporting date, without undue cost or effort. The Parent Bank has not developed an internal model for estimating these risk parameters due to insufficient historical data for modeling. In ECL calculations, the Parent Bank consider sectoral average NPL ratio as PD with reasonable approach and the ratio of non-performing loans to gross loans, in line with the projection of the next year. For LGD, the Parent Bank uses a 45% ratio in compliance with the basic IDD approach in Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach published by the BRSA with a reasonable approach. The calculation of expected credit losses consists of three main parameters: Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

Parameters used in calculating expected loss provisions

Probability of Default (PD)

PD represents the likelihood of a default over a specified time period. The Group uses two different default probability values when calculating the expected credit loss in accordance with TFRS 9:

- 12-Month default probability: Estimate the probability of default in 12 months after the reporting date
- Lifetime default probability: Estimation of the probability that the financial instrument will default to its expected lifetime

Loss Given Default (LGD)

LGD represents an estimate of the loss at the time of a potential default occurring during the life of a financial instrument. It is expressed as a ratio.

Exposure at Default (EAD)

In cash loans, it refers to the balance as of the report date. In non-cash loans and commitments, it is the value calculated by applying the conversion ratio to the loan. The loan conversion rate corresponds to the loan conversion rate used in the adjustment of possible risk increases between the current date and the default date.

The expected credit loss estimate contains unbiased, supportable information about current and future economic conditions. These financial assets are divided into the following three categories depending on the increase in credit risks observed since they were first included in the financial statements:

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IX. Explanations on expected credit losses (continued)

12-Month Expected Loss Provision (Stage 1)

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. The number of delay days does not exceed 30 days. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. It is valid for all assets unless there is a significant deterioration in credit quality. The 12-month expected loss values are part of the expected lifetime loss calculation (within 12 months after the reporting date or less if the life of a financial instrument is less than 12 months).

Significant Increase in Credit Risk (Stage 2)

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

The Group classifies financial assets as stage 2 by considering the following criteria:

- Loans with overdue days exceeding 30 days but not exceeding 90 days,
- Data received from the early warning system and the evaluation of the Parent Bank in this case,
- In order to determine whether the default risk of the customer has increased significantly since the first definition of the loan, the Parent Bank's management concludes that there is a significant increase in credit risk as a result of comparison with the risk of default in the loan,
- Loans whose reimbursement is totally collateralized and whose loans are below the net realizable value receivable amount.

Default (3rd Stage/Special Provision)

According to the internal procedures of the Group, if the following conditions exist, the relevant financial asset is included in the default:

- Credits with a delay of 90 days from the date of the last installment (In this case, the customer is monitored as default on the 91st day).
- Restructured loans and classified as a performing loan and overdue more than 30 days during the one-year monitoring period. installment (In this case, the customer is monitored as default on the 31st day).
- Restructured loans and classified as performing loan and that have been structured at least once more during the one-year monitoring period.

As mentioned in the important estimates and judgments note used in the preparation of the financial statements, the Group reflected the possible effects of the COVID-19 outbreak on the financial statements with the best estimation method as of December 31, 2020. In this context, the Parent Bank estimates the probability of default for loans in the Transportation and Storage, Accommodation and Food Service Activities, Human Health and Social Work Activities sectors, due to the possible effects of the epidemic on the economy, as of December 31, 2020, the possible effects of the COVID-19 epidemic used in calculating expected credit losses and reflected the data obtained with the principle of maximum effort to judgment in the financial statements with the best estimation method. There has been an increase in the default rates for the above mentioned sectors and as a result, an additional provision of TL 2.608 has been allocated. This approach, which is preferred in expected credit loss calculation for the first three quarters of 2020, will be revised by taking into consideration the impact of the epidemic, credit portfolio and future expectations in the following reporting periods.

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IX. Explanations on expected credit losses (continued)

Due to the disruptions in economic and commercial activities as a result of the COVID-19 outbreak, based on the BRSA's resolutions of March 17, 2020, numbered 8948 and March 27, 2020, numbered 8970, as of March 17, 2020, within the scope of the 4th and 5th articles of the "Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to Be Allocated for Them", 30 days delay period envisaged for classification of loans in the second group is applied as 90 days until December 31, 2020 for the loans monitored in the first group, 90 days delay period envisaged for the classification of loans in non performing loans, is provided to be applied as 180 days until December 31, 2020 for the loans monitored in the first and second groups. In this context;

- Temporarily, the practice of the classifying receivables which cannot be collected up to 90 days in the first group, classifying receivables which cannot be collected up to 180 days in the second group has been established.
- For customer who do not want to be delayed in overdue installments, the installment of installments has started within the framework of these deadlines without breaking the existing configuration contracts.
- IX. In the completion of the "Garam" banks protocols, the time to be given to time-consuming operations was extended with a joint agreement.

Ultimately, it was concluded that the provisions to be set aside for such receivables will continue according to their own risk models used by banks to calculate expected loan losses under TFRS 9.

As of December 31, 2020 within the scope of the aforementioned flexibility, the Group has a total of TL 2,373 cash loans with a delay of 30 days or more and a total amount of 422 TL with a delay of 90 days or more, and these loans are followed in the first group and the second group, respectively. For these loans, 12 TL and 190 TL expected loss provision has been allocated, respectively.

X. Explanations on offsetting of financial instruments

Financial instruments are offset when the Group has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The Group has no such offset of financial assets and liabilities.

XI. Explanations on sale and repurchase agreements and lending of securities

Securities subject to repurchase agreement are classified as at "fair value through profit or loss", "fair value through other comprehensive income" or "amortised cost" according to the investment purposes of the Group and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under "Borrowings from Money Markets" in liabilities and the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under "Profit Share Expense on Money Market Borrowings" in the income statement. The Group has no securities lending transactions.

XII. Explanations on assets held for sale and discontinued operations and liabilities related to these assets

Assets held for sale (or disposal group) in accordance with TFRS 5 ("Assets Held for Sale and Discontinued Operations") are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

A discontinued operation is a part of the Group's business which has been disposed of or classified as held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.

The Group has no discontinued operations.

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XIII. Explanations on goodwill and other intangible assets

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 "Turkish Accounting Standards for Intangible Assets".

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

The Group's intangible assets consist of softwares and intangible rights. The costs of the intangible assets purchased before December 31, 2004 have been restated from the purchasing dates to December 31, 2004 the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Group over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Group's software have been determined as 3 to 4 years and other intangible assets' useful lives have been determined as 15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the TAS 36 "Turkish Accounting Standard for Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

XIV. Explanations on tangible assets

The cost of the tangible assets purchased before December 31, 2004 have been restated by inflationary index from the purchasing dates to December 31, 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 "Turkish Accounting Standards for Tangible Assets" in the financial statements.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate (%)
Computers	10-33
Furniture and equipment	20
Other moveables	7-33
Vehicles	20
Intangible assets (Rights)	7-33

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year-end.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset, other repair and maintenance costs are expensed.

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XV. Explanations on leasing transactions

The Group applies the TFRS 16 Leases standard.

The Group recognizes the right of use and the rent obligation on the financial statements at the effective date of the lease. The right of use is measured initially at cost value and subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for the re-measurement of the lease obligation. TAS 36 Impairment of Assets is applied in order to determine whether the real estates that are entitled to use have been impaired and to recognize the impairment loss.

With the TFRS 16 Leases Standard effective from January 1, 2019, the difference between operating leases and financial leases is eliminated and leases are presented as assets by the lessees under Tangible Assets and as liabilities under Liabilities from Leasing Transactions.

TFRS 16 introduces a single leasing accounting model for lessees. As a result, the Group, as a lessee, has acquired the lease rights representing the lease rights representing the right to use the underlying asset and the lease payments to the financial statements. Accounting for the lessor is similar to the previous accounting policies.

The Group when valuing its leasing obligations, discounted its leasing payments using an alternative borrowing rate. The weighted-average rate applied is 17% for leasing agreements denominated in Turkish liras.

Existence of right to use

The right to use asset is first recognized by cost method and includes:

- The initial measurement amount of the lease obligation,
- The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- All initial direct costs incurred by the Group.
- When The Group applying the cost method, the existence of the right to use:
- Accumulated depreciation and accumulated impairment losses are deducted and measures the restatement of the lease obligation at the restated cost.

The Group applies depreciation provisions in TAS 16 Property, Plant and Equipment while depreciating the right to use assets.

The lease obligations

At the effective date of the lease, the Group measures its leasing liability at the present value of the lease payments not paid at that time. If this rate can be determined easily, lease payments are discounted using the rate of profit implied in the lease. Lease payments are discounted using the Group's average borrowing interest rates.

The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

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

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

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

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XVI. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Group; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

XVII. Explanations on liabilities regarding employee rights

i) Defined benefit plans:

Provision for the Group's employee severance benefits has been accounted for in accordance with TAS 19 "Employee Benefits".

Provision for employee termination benefits is calculated at net present value of the estimated future probable obligation arising from the retirement of the employees in accordance with the Turkish Labor Law or the termination of the employee relationship by completing at least one year service, calling for military service, or in case of death.

Provision for the Group's employees' unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

Some of the Group employees are members of T.C. Ziraat Bankası A.Ş. ve T. Halk Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı.

The Group has no liabilities to these foundations (December 31, 2019: None).

ii) Defined contribution plans:

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

iii) Short term benefits to employees:

The Group measures the expected costs of cumulative paid leave as part of TAS 19 as additional amounts that it expects to pay due to accumulated unused rights as of the end of the reporting period.

XVIII. Explanations on taxation

Current tax

The Group is subject to tax laws and legislation effective in Turkey.

While the corporate tax rate was at the rate of 20% since January 1, 2006, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

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XVIII. Explanations on taxation (continued)

Current tax (continued)

Dividends paid to the resident institutions are not subject to withholding tax. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Group using current rate which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and a 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns to their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings and carry out sectorial investigations.

The Group calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Turkish Accounting Standard for Income Taxes". Deferred tax asset is calculated on all temporary differences other than general loan loss provisions to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly likely to benefit from these differences by obtaining taxable profit in the future.

Deferred tax

Deferred tax is calculated on the basis of the tax rates that are applicable to or are certain to have effect on the income statement for the period in which the asset is realized or the liability is settled and recorded as income or expense in the income statement. However, deferred tax is recognized directly in equity if the tax asset relates directly to equity in the same or different period. In accordance with the Clause 91 of Corporate Tax Law numbered 7061 published in the Official Gazette numbered 30261 dated December 5, 2017, current tax rate is increased from 20% to 22% for corporations in 2018, 2019 and 2020 taxation periods. The tax rate which is %22 for 3 years beginning from 1 January 2018, will be applied as %20 beginning from 1 January 2021. Therefore, the rate of %20 was used in the deferred tax calculation as of December 31, 2020 (December 31, 2019: %22 for the temporary differences expected to be realized/closed within 2020, the corporate tax rate applicable after 2020 is %20). The Group has calculated its deferred tax assets or liabilities over %20, which is the tax rate that will be rate that will be effective as of 2021, in accordance with the tax law effective as of December 31, 2020 within the scope of TAS 12.

Transfer pricing

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled "Disguised Profit Distribution by way of Transfer Pricing". Detailed information for the practice regarding the subject is found in the "General Communiqué on Disguised Profit Distribution by way of Transfer Pricing".

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/ corporations at a price that is determined against "the arm's length principle", the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

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XIX. Additional explanations on borrowings

The Parent Bank generates funds from debt certificates issued by the asset leasing company and these funds have been presented under "Funds Borrowed". Borrowings, except for funds collected, are recognized at amortized cost using the effective internal rate of return method in the following periods after the initial recognition.

XX. Explanations on issued share certificates

None.

XXI. Explanations on acceptances and availed drafts

Aval and acceptances are carried out simultaneously with customers' payments and are shown in off-balance sheet transactions as possible debts and commitments.

XXII. Explanations on government grants

As of the balance sheet date, there are no government grants received by the Group.

XXIII. Explanations on segment reporting

Business segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, which and for discrete financial available.

Segment reporting is disclosed in Section Four, Note X.

XXIV. Explanations on investments in associates, subsidiaries and joint ventures

Non-financial subsidiaries and associates (in Turkish Lira) are accounted at cost in the consolidated financial statements and if any, provisions for impairment losses are deducted in accordance with TAS 27.

XXV. Information on other issues

The Group has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated January 19, 2017 instead of TAS 39 Financial Instruments: "Accounting and Measurement" starting from January 1, 2020 expect calculations of expected credit losses. This transition caused editing of the amounts previously recognized in the financial statements and changes in accounting policies.

As of January 1, 2020, the Group recognizes a loss allowance for expected credit losses on financial assets and loans measured at amortized cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from January 1, 2020.

In accordance with the transition rules option provided by the TFRS 9 "Financial Instruments", the Group is not restated the prior period financial statements and recognized the transition effect of the standard as of January 1, 2020 under equity's "Prior Periods' Profit or (Loss)" accounts.

The Group meets the balance sheet classification and measurement criteria by applying the procedures described above for all financial assets.

The explanations about the effect of the Group's implementation of TFRS 9 are stated below:

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XXV. Information on other issues (continued)

1. Classification and measurement of financial assets and reconciliation of statement of financial position balances with TFRS 9 transition

ASSETS	31.12.2019	TFRS 9 Classification effect	TFRS 9 Valuation effect	01.01.2020
FINANCIAL ASSETS (Net)	1950.478	-	(4.637)	1945.841
Cash and Cash Equivalents	946.132	-	(4.637)	941.495
Cash and balances with central bank	784.075	-	-	784.075
Banks	162.057	-	(4.637)	157.420
Money market placements	-	-	-	-
Financial Assets Valued at Fair Value Through Profit or Loss	996.277	-	-	996.277
Financial Assets Valued at Fair Value Through Other Comprehensive Income	7.659	-	-	7.659
Derivative Financial Assets	410	-	-	410
FINANCIAL ASSETS VALUED AT AMORTISED COST (Net)	6.827.862	(85.763)	58.890	6.800.989
Loans	5.730.333	-	-	5.730.333
Financial Assets Valued at Amortised Cost	1.097.529	-	-	1.097.529
Non-Performing Loans	188.322	-	-	188.322
Expected Loss Provisions (-)	188.322	(85.763)	58.890	215.195
DEFERRED TAX ASSET	102.414	-	(2.628)	99.786
OTHER ASSETS	401.470	-	(2.415)	399.055
TOTAL ASSETS	9.282.224	(85.763)	49.210	9.245.671

2. Opening balance of impairment provisions for TFRS 9 transition period

LIABILITIES	31.12.2019	TFRS 9 Classification effect	TFRS 9 Valuation effect	01.01.2020
FUNDS COLLECTED	5.952.629	-	-	5.952.629
FUNDS BORROWED	864.292	-	-	864.292
DERIVATIVE FINANCIAL LIABILITIES	5.891	-	-	5.891
LEASE LIABILITIES (Net)	30.567	-	-	30.567
PROVISIONS	98.577	(85.763)	39.893	52.707
CURRENT TAX LIABILITIES	10.698	-	-	10.698
SUBORDINATED DEBT INSTRUMENTS	1.076.666	-	-	1.076.666
OTHER LIABILITIES	73.731	-	-	73.731
SHAREHOLDERS' EQUITY	1.169.173	-	9.317	1.178.490
TOTAL LIABILITIES	9.282.224	(85.763)	49.210	9.245.671

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XXV. Information on other issues (continued)

The table below shows the reconciliation of the provision for impairment of the Group as of December 31, 2019 and the provision for the expected loss as measured in accordance with TFRS 9 loss model as of January 1, 2020.

	Book value before TFRS 9 31 December 2019	Re-measurements	TFRS 9 book values 1 January 2020
Loans and other receivables	274.085	(58.890)	215.195
Stage 1	85.763	(58.890)	26.873
Stage 2	-	-	-
Stage 3	188.322	-	188.322
Financial Assets (*)	-	7.052	7.052
Non-cash Loans (**)	3.155	(699)	2.456
Stage 1 and 2	3.155	(699)	2.456
Stage 3	-	-	-
Total	277.240	(52.537)	224.703

(*) Includes provisions for Cash and Cash Equivalents and Other Assets under TFRS 9.

(**) Before TFRS 9, the expected credit loss for stage 1, 2 and 3 non-cash loans is classified "8.1 General Provision" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "8.4 Other Provisions" column in the liabilities.

3. TFRS 9 transition effects on liability

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

Income difference of TL 9.317 between the provision for impairment of the previous period of the Group and the provision for expected credit loss that is measured in accordance with TFRS 9 as of January 1, 2020 is classified as "Prior periods Profit/Loss" while income difference of TL 40.592 is classified as "Other Provision" in provision line of liabilities.

As stated in the "Communiqué on Uniform Account Plan and Prospectus to be Applied by Participation Banks" published on September 20, 2017, deferred tax assets can be calculated for general provisions (expected loss provisions of TFRS 9 for loans in the first and second stages). In this context, TL 2.628 deferred tax asset is reflected in the opening financials of January 1, 2020, and the mentioned amount is classified under of Prior Periods Profit/Loss in Equity.

4. Explanations on prior period accounting policies not valid for the current period

TFRS 9 standard came into effect instead of TAS 39 standard as of January 1, 2020. Accounting policies that have lost their validity with the transition of TFRS 9 are given below.

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XXV. Information on other issues (continued)

Explanations on impairment of financial assets

Loans are financial assets other than those held for the purpose of trading or holding in the short term, obtained by providing money to the debtor.

The Group recognizes loans and receivables at initial recognition costs and is subsequently measured at amortized cost using the effective profit share rate method.

In case of the loan portfolio is monitored at regular intervals and there are suspicions that the loans cannot be collected by the Parent Bank's management, loans which have been considered to be problematic reclassified in accordance with the amendments to the "Communique Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" (Provisions Regulation). The Parent Bank realizes classification and provision transactions in accordance with the provisions of the Provisions Regulation on the banks that apply TFRS 9. For the cash loans classified as non-performing, expected loss provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. Provisions released in same year are recognized as a credit under the "Provision Expenses", released portion of the previous period provisions are recognized under "Other Operating Income" account Collections are accounted for under "Non-performing Loans (including collections from Doubtful Receivables)" and "Interest on Uncollectible Loans and Other Receivables" accounts. Besides the specific provisions, the Parent Bank provided general loan loss provision for loans and other receivables in accordance with the relevant regulations. The amount of the provision is recognized by reversing the provision for the current period and the remaining amount is recorded as income from the previous year's expenses in the collection accounts.

The amount of the provision is recognized by reversing the provision for the current period and the remaining amount is recorded as income from the previous year's expenses in the collection accounts.

The profit sharing accounts' portion of general and expected loss provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

SECTION FOUR

Information on consolidated financial structure and risk management

I. Explanations on consolidated capital adequacy standard ratio

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio", and "Regulation Regarding Banks' Shareholders' Equity". The Group's common Equity Tier 1 Capital is TL 2.885.649 (December 31, 2019: TL 2.168.964) which calculated as of December 31, 2020 and the capital adequacy ratio is 28,30% (December 31, 2019: 63,64%). The capital adequacy standard ratio of the Group is above the minimum rate determined by the relevant legislation.

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I. Explanations on consolidated capital adequacy standard ratio (continued)

a) Information on consolidated about total capital items

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.026.915	750.000
Share issue premiums	-	-
Reserves	396.085	351.106
Gains recognized in equity as per TAS	-	-
Profit	899.43	44.979
Current Period Profit	80.626	44.979
Prior Period Profit	9.317	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	1.512.943	1.146.085
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	2.239	-
Leasehold improvements	66.716	22.866
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	34.559	39.802
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	103.514	62.668
Total Common Equity Tier 1 Capital	1.409.429	1.083.417

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I. Explanations on consolidated capital adequacy standard ratio (continued)

a) Information on consolidated about total capital items (continued)

ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	1.444.940	1.063.712
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	1.444.940	1.063.712
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
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	-	-
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	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 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 which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
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)	2.854.369	2.147.129
TIER 2 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)	54.655	21.835
	54.655	21.835
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	54.655	21.835
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.909.024	2.168.964
Deductions from Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables 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	23.375	-

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I. Explanations on consolidated capital adequacy standard ratio (continued)

a) Information on consolidated about total capital items (continued)

In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
Total Capital (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital)	2.885.649	2.168.964
Total Risk Weighted Amounts	10.195.970	3.408.327
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	13,82	31,79
Tier 1 Capital Adequacy Ratio (%)	28,00	63,00
Capital Adequacy Ratio (%)	28,30	63,64
BUFFERS		
Total buffer requirement (a+b+c)	2,5	2,5
a) Capital conservation buffer requirement (%)	2,5	2,5
b) Bank specific counter-cyclical buffer requirement (%)	-	-
c) Systemic important bank buffer ratio (%)	-	-
The ratio of Additional Common Equity Tier 1 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 (%)	9,32	27,29
Amounts Lower Than Excesses as per Deduction Rules		
Portion of the total of net long positions of 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	-	-
Portion of the total of 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	-	-
Limits related to provisions considered in Tier II calculation	-	-
Amount arising from deferred tax assets based on temporary differences	88.555	106.605
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	54.655	21.835
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	54.655	21.835
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(*) The Group, provided loan from Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu with the approval of BRSB dated 22 April 2019, on 24 April 2019 amounting to 200 million Euros with no fixed term and no profit share within the scope of additional main capital.

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I. Explanations on consolidated capital adequacy standard ratio (continued)

The Banking Regulatory and Supervisory Authority ("BRSA") issued a press release on March 23, 2020 announcing certain measures due to financial market fluctuations caused by the COVID-19 pandemic. The Banks are entitled to use the year-end buying exchange rate of December 31, 2019 in calculating the amount subject to credit risk as per the Regulation on the Calculation and the Evaluation of Banks' Capital Adequacy for the valuated amounts as per the Turkish Accounting Standards; and the relevant reserves to set aside related to its monetary and non-monetary assets, excluding the assets in foreign currency measured in historical cost. In addition, negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" which is acquired before March 23, 2020 may not be included in capital adequacy ratio calculations in accordance with the Regulation on Banks' Equity. However, for the Financial Assets Measured at Fair Value through Other Comprehensive Income acquired after March 23, 2020, the implementation of the existing provisions of the Regulation continues. As of December 31, 2020, the Group has not used these aforementioned measures.

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b) Information on consolidated debt instruments to be included in the equity calculation

Issuer	Türkiye Varlık Fonu Piyasa İstikrar Ve Denge Alt Fonu
Unique Identifier (CUSIP, ISIN etc.)	TRT240424F22
Governing Law(s) of the Instrument	Regulation on Banks' Equity Communique on Principles Regarding Borrowing Instruments to be Included in Bank' Equity Calculation
Special Consideration in the Calculation of Equity	
As of 1 January 2015 consideration to be subject to a 10% reduction application status	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Subordinated Loan
Amount recognized in regulatory capital (as of most recent reporting date)	1444.940
Par Value of Instrument	1.730.666
Accounting Classification	Subordinated Loan
Original date of Issuance	24.04.2019
Perpetual or dated	Undated
Maturity date	24.04.2019
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: 24.05.2024 Total Repayment Amount: EUR 200 million (full)
Subsequent call dates	-
Profit Share/Dividends	
Fixed or floating profit share/dividend	-
Profit share rate and any related index	-
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Fully optional
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	Noncumulative
Convertible or Non-convertible	
If convertible, conversion trigger	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case of the ratio of core capital adequacy ratio falls below 5.125 %
If write-down, full or partial	At least to ensure that the core capital ratio exceeds 5.125 %
If write down, permanent or temporary	Permanent and Temporary
If temporary write-down, description of write-up mechanism	There is write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners
In compliance with article number 7 and 8 of "Own fund regulation"	In compliance with article number 7
Details of incompliance with article number 7 and 8 of "Own fund regulation"	In compliance with article number 7

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I. Explanations on consolidated capital adequacy standard ratio (continued)

c. Explanations on consolidated reconciliation of equity items and balance sheet amounts

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from Stage 1 and Stage 2 expected credit losses, debt instruments, and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, Stage 1 and Stage 2 expected credit losses up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. Explanations on consolidated credit risk

1. Credit risk is defined as the probability of loss that the Group may be exposed to due to the failure of the loan customer to fulfill its obligations partially or completely on time by not complying with the contractual requirements.

Credit allocation authority is mainly in the Board of Directors, and this authority can be delegated to subcommittees in accordance with the Banking Law. The Board of Directors determines the loan policies and loan extension limits at the macro level. It establishes policies regarding loan issuance, approval and other administrative principles. Monitors compliance with policies, concentrations and limits and takes the necessary measures. It creates a suitable environment for the healthy and efficient functioning of the credit function. Sufficient personnel and software are provided, authorities, roles and limits are clearly determined and necessary controls are established. Credit risk is measured periodically analyzed and reported.

Preparations are made to use rating scores and scoring and rating models that generate default probability in order to measure the credit risk of customers according to their segments. The rating grades produced are used in making the decision to work with the customer and in determining working conditions. Credit limit allocations are made separately for the customer or credit group according to financial analysis and intelligence reports, customer ratings and segment. The allocated limits are reviewed in the periods specified in the commercial and individual loan policies, and the customer's intelligence and rating report is renewed. Attention is paid to sectoral balanced distribution of loans and the use of TL resources as TL and FX resources as FX without any currency mismatch. Credit restrictions specified in the Banking Law and relevant legislation are complied with. Although the credibility of the customer is essential, attention is paid to collateralization for risk reduction. Maximum care is taken to ensure that the loan and collateral maturity, currency type and independent value appraisal are made. Guarantees received are periodically evaluated and insured.

Provision is made for loan receivables that are in default in accordance with TFRS 9 "Regulation on the Determination of the Qualifications of Loans and Other Receivables by Banks and the Procedures and Principles Regarding the Provisions to be Allocated for These".

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II. Explanations on consolidated credit risk (continued)

The amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Risk Categories	Current Period Risk Amount	Average Risk Amount ^(*)
1 Receivables from central governments or central banks	4.083.539	3.087.328
2 Receivables from regional or local governments	57.742	19.667
3 Receivables from administrative units and non-commercial enterprises	61.548	29.858
4 Receivables from multilateral development banks	-	-
5 Receivables from international organizations	-	-
6 Receivables from banks and brokerage houses	1.928.845	937.340
7 Receivables from corporates	10.218.999	5.520.804
8 Retail receivables	-	1
9 Receivables secured by mortgages on property	415.088	255.758
10 Past due receivables	7	1
11 Receivables defined in high risk category by BRSA	-	-
12 Securities collateralized by mortgages	-	-
13 Short-term receivables from banks, brokerage houses and corporates	-	-
14 Investments similar to collective investment funds	-	-
15 Other receivables	-	-
16 Equity share investments	-	-
17 Receivables from central governments or central banks	1.014.133	678.254
Total^(*)	17.779.901	10.529.011

^(*)Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2020.

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II. Explanations on consolidated credit risk (continued)

Risk Categories	Prior Period Risk Amount	Average Risk Amount ^(*)
1 Receivables from central governments or central banks	1.864.099	1.021.476
2 Receivables from regional or local governments	-	-
3 Receivables from administrative units and non-commercial enterprises	-	-
4 Receivables from multilateral development banks	-	-
5 Receivables from international organizations	-	-
6 Receivables from banks and brokerage houses	1.832.926	1.349.494
7 Receivables from corporates	1.913.752	1.077.867
8 Retail receivables	-	2.858
9 Receivables secured by mortgages on property	132.217	44.563
10 Past due receivables	-	-
11 Receivables defined in high risk category by BRSA	-	-
12 Securities collateralized by mortgages	-	-
13 Short-term receivables from banks, brokerage houses and corporates	-	-
14 Investments similar to collective investment funds	-	-
15 Other receivables	-	-
16 Equity share investments	-	-
17 Receivables from central governments or central banks	529.048	489.470
Total^(*)	6.272.042	3.985.728

^(*)Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2019.

The Group considers that long-term commitments are exposed to more credit risk than short-term commitments, and matters such as defining risk limits and obtaining collateral for long-term risks are addressed more extensively as compared to short-term risks.

The Group has credit lines in different countries within the scope of its banking activity and due inquiries (economic, cyclical, etc.) are carried out during the allocation and revision of such credit lines.

For the banks where correspondent activity and international commodity transactions are intended to be carried out, credit limits are allocated by the related credit committees taking into account the size of the correspondent bank and the size of Group itself and concentration of risk is avoided. The Group does not carry any serious risk in this respect.

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II. Explanations on consolidated credit risk (continued)

Geographical distribution of risk amounts disaggregated by significant risk classes in important regions; Distribution of risks, disaggregated by risk classes, by sectors or counterparties, and distribution of all risks by remaining maturities

Profile on significant risks in significant regions

		Risk Categories*								
		1	2	3	4	5	6	7	8	9
Current Period										
1	Domestic	4.083.539	57742	61.548	-	-	1.752.951	10.199.886	-	415.088
2	EU Countries	-	-	-	-	-	52.005	-	-	-
3	OECD Countries (**)	-	-	-	-	-	106.843	-	-	-
4	Off-shore Banking Regions	-	-	-	-	-	-	19.113	-	-
5	USA, Canada	-	-	-	-	-	-	-	-	-
6	Other Countries	-	-	-	-	-	170.46	-	-	-
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-
8	Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-
Total		4.083.539	57742	61.548	-	-	1.928.845	10.218.999	-	415.088
Prior Period										
1	Domestic	1.864.099	-	-	-	-	1.811.280	1.913.752	-	132.217
2	EU Countries	-	-	-	-	-	9.820	-	-	-
3	OECD Countries (**)	-	-	-	-	-	-	-	-	-
4	Off-shore Banking Regions	-	-	-	-	-	-	-	-	-
5	USA, Canada	-	-	-	-	-	-	-	-	-
6	Other Countries	-	-	-	-	-	11.826	-	-	-
7	Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-
8	Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-
Total		1.864.099	-	-	-	-	1.832.926	1.913.752	-	132.217

(*) Risk classifications in the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" will be used.

1	Conditional and unconditional receivables from central government or central banks	10	Past due receivables
2	Conditional and unconditional receivables from regional or local governments	11	Receivables determined as high risk by the Board
3	Conditional and unconditional receivables from administrative units and non-commercial enterprises	12	Mortgage-backed securities
4	Conditional and unconditional receivables from multilateral development banks	13	Securitization positions
5	Conditional and unconditional receivables from international organizations	14	Short-term receivables and short-term corporate receivables from banks and brokerage houses
6	Conditional and unconditional receivables from banks and brokerage houses	15	Investments as collective investment enterprises
7	Conditional and unconditional receivables from corporates	16	Equity share investments
8	Conditional and unconditional retail receivables	17	Other receivables
9	Receivables secured by mortgages on property		

(**) OECD countries other than EU countries, USA and Canada.

(***) Assets and liabilities are not allocated on a consistent basis.

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Risk Categories*								
10	11	12	13	14	15	16	17	Total
7	-	-	-	-	-	-	1.014.133	17584.894
-	-	-	-	-	-	-	-	52.005
-	-	-	-	-	-	-	-	106.843
-	-	-	-	-	-	-	-	19.113
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	17046
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
7	-	-	-	-	-	-	1.014.133	17779901
-	-	-	-	-	-	-	529048	6.250.396
-	-	-	-	-	-	-	-	9.820
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	11.826
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	529048	6.272.042

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II. Explanations on consolidated credit risk (continued)

Profile on significant risks in significant regions

		Risk Categories*								
Current Period		1	2	3	4	5	6	7	8	9
1	Agriculture	-	-	-	-	-	-	30.843	-	77
1.1	Farming and stockbreeding	-	-	-	-	-	-	-	-	-
1.2	Forestry	-	-	-	-	-	-	30.843	-	77
1.3	Fishery	-	-	-	-	-	-	-	-	-
2	Manufacturing	-	-	10.277	-	-	-	3.257.154	-	40.282
2.1	Mining and quarrying	-	-	-	-	-	-	206.331	-	-
2.2	Production	-	-	10.277	-	-	-	2.956.909	-	39.693
2.3	Electricity, gas, water	-	-	-	-	-	-	93.914	-	589
3	Construction	-	-	-	-	-	-	1.980.290	-	143.777
4	Services	4.071.297	41.119	50	-	-	1.928.317	4.411.285	-	176.687
4.1	Wholesale and retail trade	-	-	-	-	-	-	2.080.973	-	62.032
4.2	Hotel, food and beverage services	-	-	-	-	-	-	140.158	-	2.553
4.3	Transportation and telecommunication	-	-	-	-	-	-	768.121	-	3.035
4.4	Financial institutions	232.403	-	-	-	-	1.928.317	719.173	-	-
4.5	Real estate and renting services	-	-	-	-	-	-	61.600	-	482
4.6	Self-employment services	-	-	-	-	-	-	626.498	-	108.585
4.7	Education services	-	-	-	-	-	-	207	-	-
4.8	Health and social services	3.838.894	41.119	50	-	-	-	14.555	-	-
5	Other	12.242	16.623	51.221	-	-	528	539.427	-	54.265
Total		4.083.539	57.742	61.548	-	-	1.928.845	10.218.999	-	415.088

(*) It refers to the risk classes included in the Regulation on Measurement and Assessment of Capital Adequacy of Banks.

1	Conditional and unconditional receivables from central government and Central Banks	10	Past due receivables
2	Conditional and unconditional receivables from regional or local governments	11	Receivables defined under high risk category by BRSA
3	Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	12	Mortgage-backed securities
4	Conditional and unconditional claims from multilateral development banks	13	Securitization positions
5	Contingent and unconditional receivables from international organizations	14	Short-term receivables and short-term corporate receivables from banks and brokerage houses
6	Conditional and unconditional receivables from banks and brokerage houses	15	Investments that qualify as a collective investment institution
7	Conditional and unconditional receivables from corporates	16	Equity share investments
8	Conditional and unconditional receivables from retail portfolios	17	Other receivables
9	Receivables secured by real estate mortgages		

** Before Credit Risk Mitigation, risk amounts after loan conversion rate are given.

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Risk Categories*										
10	11	12	13	14	15	16	17	TL	FC	Total
-	-	-	-	-	-	-	-	30920	-	30920
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	30920	-	30920
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	18	1.835.370	1.472.361	3.307.731
-	-	-	-	-	-	-	-	16.734	189.597	206.331
-	-	-	-	-	-	-	1	1.724.116	1.282.764	3.006.880
-	-	-	-	-	-	-	17	94.520	-	94.520
-	-	-	-	-	-	-	6	1.759.855	364.218	2.124.073
-	-	-	-	-	-	-	33.196	5.540.648	5.121.303	10.661.951
-	-	-	-	-	-	-	16	1.594.276	548.745	2.143.021
-	-	-	-	-	-	-	-	62908	79.803	142.711
-	-	-	-	-	-	-	74	483.510	287.720	771.230
-	-	-	-	-	-	-	33.105	1.896.219	1.016.779	2.912.998
-	-	-	-	-	-	-	-	16.561	45.521	62.082
-	-	-	-	-	-	-	1	519.408	215.676	735.084
-	-	-	-	-	-	-	-	207	-	207
-	-	-	-	-	-	-	-	967.559	2.927.059	3.894.618
7	-	-	-	-	-	-	980.913	1.172.698	482.528	1.655.226
7	-	-	-	-	-	-	1.014.133	10.339.491	744.0410	17.779.901

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II. Explanations on consolidated credit risk (continued)

Profile on significant risks in significant regions

		Risk Categories ^(*)								
Prior Period		1	2	3	4	5	6	7	8	9
1 Agriculture		-	-	-	-	-	-	150	-	-
1.1 Farming and stockbreeding		-	-	-	-	-	-	-	-	-
1.2 Forestry		-	-	-	-	-	-	150	-	-
1.3 Fishery		-	-	-	-	-	-	-	-	-
2 Manufacturing		-	-	-	-	-	-	508.109	-	10.907
2.1 Mining and quarrying		-	-	-	-	-	-	101.320	-	-
2.2 Production		-	-	-	-	-	-	344.836	-	10.907
2.3 Electricity, gas, water		-	-	-	-	-	-	61.953	-	-
3 Construction		-	-	-	-	-	-	655.909	-	97.835
4 Services	1.864.099	-	-	-	-	-	1.832.926	743.303	-	23.250
4.1 Wholesale and retail trade		-	-	-	-	-	-	284.729	-	688
4.2 Hotel, food and beverage services		-	-	-	-	-	-	186	-	-
4.3 Transportation and telecommunication		-	-	-	-	-	-	110.761	-	877
4.4 Financial institutions		-	-	-	-	-	1.832.926	68.972	-	-
4.5 Real estate and renting services		-	-	-	-	-	-	27.377	-	21.685
4.6 Self-employment services		-	-	-	-	-	-	251.278	-	-
4.7 Education services		-	-	-	-	-	-	-	-	-
4.8 Health and social services	1.864.099	-	-	-	-	-	-	-	-	-
5 Other		-	-	-	-	-	-	6.281	-	225
Total	1.864.099	-	-	-	-	-	1.832.926	1.913.752	-	132.217

^(*) It refers to the risk classes included in the Regulation on Measurement and Assessment of Capital Adequacy of Banks.

- | | |
|---|--|
| 1 Conditional and unconditional receivables from central government and Central Banks | 10 Past due receivables |
| 2 Conditional and unconditional receivables from regional or local governments | 11 Receivables defined under high risk category by BRSA |
| 3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises | 12 Mortgage-backed securities |
| 4 Conditional and unconditional claims from multilateral development banks | 13 Securitization positions |
| 5 Contingent and unconditional receivables from international organizations | 14 Short-term receivables and short-term corporate receivables from banks and brokerage houses |
| 6 Conditional and unconditional receivables from banks and brokerage houses | 15 Investments that qualify as a collective investment institution |
| 7 Conditional and unconditional receivables from corporates | 16 Equity share investments |
| 8 Conditional and unconditional receivables from retail portfolios | 17 Other receivables |
| 9 Receivables secured by real estate mortgages | |

^{**} Before Credit Risk Mitigation, risk amounts after loan conversion rate are given.

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Risk Categories ⁽¹⁾										
10	11	12	13	14	15	16	17	TL	FC	Total
-	-	-	-	-	-	-	-	150	-	150
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	150	-	150
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	58.516	460.500	519.016
-	-	-	-	-	-	-	-	-	101.320	101.320
-	-	-	-	-	-	-	-	33.096	322.647	355.743
-	-	-	-	-	-	-	-	25.420	36.533	61.953
-	-	-	-	-	-	-	-	482.089	271.655	753.744
-	-	-	-	-	-	-	134.121	2.039.780	2.557.919	4.597.699
-	-	-	-	-	-	-	-	120.866	164.551	285.417
-	-	-	-	-	-	-	-	186	-	186
-	-	-	-	-	-	-	3	1.605	110.036	111.641
-	-	-	-	-	-	-	10.915	1.650.919	261.894	1.912.813
-	-	-	-	-	-	-	-	-	49.062	49.062
-	-	-	-	-	-	-	52	69.779	181.551	251.330
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	123.151	196.425	1.790.825	1.987.250
-	-	-	-	-	-	-	394.927	389.087	12.346	401.433
-	-	-	-	-	-	-	529.048	2.969.622	3.302.420	6.272.042

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II. Explanations on consolidated credit risk (continued)

Distribution of risks with term structure according to remaining maturities

Risk Categories – Current Period	Time to Maturity					Undistributable
	1 month	1–3 months	3–6 month	6–12 month	1 year and over	
1 Conditional and unconditional receivables from central governments or central banks	2,442,189	86,621	-	-	1,554,729	-
2 Conditional and unconditional receivables from regional or local governments	-	-	-	-	57,742	-
3 Conditional and unconditional receivables from administrative units and non-commercial enterprises	61,498	-	-	50	-	-
4 Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-
5 Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
6 Conditional and unconditional receivables from banks and brokerage houses	1928,730	115	-	-	-	-
7 Conditional and unconditional receivables from corporates	1,261,230	518,990	1,804,840	1,537,155	5,096,784	-
8 Conditional and unconditional retail receivables	-	-	-	-	-	-
9 Receivables secured by mortgages on property	25,073	10,220	17,548	74,538	287,709	-
10 Past due receivables	-	-	-	-	-	7
11 Receivables defined in high risk category by BRSA	-	-	-	-	-	-
12 Securities collateralized by mortgages	-	-	-	-	-	-
13 Subject to the securitisation framework	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-
16 Equity share investments	-	-	-	-	-	-
17 Other receivables	1,014,133	-	-	-	-	-
Total	6,732,853	615,946	1,822,388	1,611,743	6,996,964	7

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II. Explanations on consolidated credit risk (continued)

Risk Categories – Prior Period	Time to Maturity					Undistributable
	1 month	1–3 months	3–6 month	6–12 month	1 year and over	
1 Conditional and unconditional receivables from central governments or central banks	-	-	-	-	1.097.529	-
2 Conditional and unconditional receivables from regional or local governments	-	-	-	-	-	-
3 Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4 Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-
5 Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
6 Conditional and unconditional receivables from banks and brokerage houses	2.573.608	-	-	-	-	-
7 Conditional and unconditional receivables from corporates	159.895	295.474	273.881	502.564	1.710.094	-
8 Conditional and unconditional retail receivables	-	-	-	-	-	-
9 Receivables secured by mortgages on property	9.652	13.110	22.704	39.706	129.645	-
10 Past due receivables	-	-	-	-	-	-
11 Receivables defined in high risk category by BRSA	-	-	-	-	-	-
12 Securities collateralized by mortgages	-	-	-	-	-	-
13 Securitization positions	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-
16 Equity share investments	-	-	-	-	-	-
17 Other receivables	-	-	-	-	-	-
Total	2.743.155	308.584	296.585	542.270	2.937.268	-

Explanations for risk classes specified in Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks;

For the entire risk class of receivables from central administrations or central banks, the ratings given by the International credit rating agency Islamic International Rating Agency (IIRA) are taken into consideration. Turkey's long-term foreign currency credit rating (BBB-), T.C. Foreign currency securities issued by the Treasury and T.C. It is also used for other foreign currency risks associated with the Central Management.

According to the capital adequacy regulations, in determining the risk weights of the risk classes of receivables from banks and intermediary institutions, the ratings given by the rating agencies authorized by the Board or directly recognized by the Board are used for the receivables whose counterparty is resident abroad.

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II. Explanations on consolidated credit risk (continued)

Receivables whose counterparty is domiciled are considered unrated and included in the capital adequacy calculation. The "Credit Quality Levels" corresponding to the ratings assigned by rating institutions authorized or directly recognized by the Board are given in the table below.

Risk amounts according to risk weights

	Risk Weights– Current Period	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	Deductions from Shareholders' Equity
1	Amount before credit risk mitigation	4.384.122	-	2.342.366	87.664	252.855	-	10.712.894	-	-	-	126.889
2	Amount after credit risk mitigation	4.550.540	-	2.824.973	82.631	220.186	-	10.101.571	-	-	-	126.889
	Risk Weights – Prior Period	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	Deductions from Shareholders' Equity
1	Amount before credit risk mitigation	949.085	-	1.650.917	214.00	1.381.736	-	2.125.382	-	-	-	62.668
2	Amount after credit risk mitigation	959.059	-	1.650.987	214.00	1.381.736	-	2.115.341	-	-	-	62.668

Amounts of impaired loans and past due receivables, value adjustments and provisions, current period value adjustments and provisions according to sectors or counterparties individually

Loans that are delayed more than 90 days as of December 31, 2020 or that are deemed to be impaired based on the risk assessment are evaluated as impaired loans and a "Specific Provision" has been calculated for these loans.

Non-Performing Loans are loans that have overdue up to 90 days as of December 31, 2020 but not impaired. "General Provision" calculation is made for these loans.

		Loans ^(*)		Provisions ^(*)
		Impaired Credits (IFRS 9)		
Current Period Important Sectors/Counterparties		Significant increase in credit risk (Stage 2)	Non-performing (Stage 3)	Expected Loss Provisions (IFRS9)
1	Agriculture	-	-	-
1.1	Farming and stockbreeding	-	-	-
1.2	Forestry	-	-	-
1.3	Fishery	-	-	-
2	Manufacturing	-	32.892	32.892
2.1	Mining and quarrying	-	32.892	32.892
2.2	Production	-	-	-
2.3	Electricity, gas, water	-	-	-
3	Construction	422	118.969	119.159
4	Services	-	12	5
4.1	Wholesale and retail trade	-	-	-
4.2	Hotel, food and beverage services	-	-	-
4.3	Transportation and telecommunication	-	12	5
4.4	Financial institutions	-	-	-
4.5	Real estate and renting services	-	-	-
4.6	Self-employment services	-	-	-
4.7	Education services	-	-	-
4.8	Health and social services	-	-	-
5	Other	-	20.824	20.824
Total		422	172.697	172.880

^(*) The breakdown of cash loans is given.

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II. Explanations on consolidated credit risk (continued)

Prior Period Important Sectors/Counterparties	Loans (*)		Value Adjustments	Provisions
	Impaired	Past Due		
1 Agriculture	-	-	-	-
1.1 Farming and stockbreeding	-	-	-	-
1.2 Forestry	-	-	-	-
1.3 Fishery	-	-	-	-
2 Manufacturing	-	32.892	-	32.892
2.1 Mining and quarrying	-	32.892	-	32.892
2.2 Production	-	-	-	-
2.3 Electricity, gas, water	-	-	-	-
3 Construction	-	118.969	-	118.969
4 Services	-	-	-	-
4.1 Wholesale and retail trade	-	-	-	-
4.2 Hotel, food and beverage services	-	-	-	-
4.3 Transportation and telecommunication	-	-	-	-
4.4 Financial institutions	-	-	-	-
4.5 Real estate and renting services	-	-	-	-
4.6 Self-employment services	-	-	-	-
4.7 Education services	-	-	-	-
4.8 Health and social services	-	-	-	-
5 Other	-	36.461	-	36.461
Total	-	188.322	-	188.322

(*) The distribution of cash loans is given.

Information about value adjustment and change in provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals(**)	Other Adjustments	Closing Balance
1 Third Stage	188.322	111	(15.743)	-	172.690
2 First and Second Stage(*)	26.873	65.793	-	-	92.666

(*) Due to the transition to TFRS 9 on January 1, 2020, the opening balance was 36,382 TL.

(**) The Group has canceled the provision for the loans it has deleted from its assets in 2020.

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1 Specific Provisions	188.343	90	111	-	188.322
2 General Provisions	9.777	79.141	-	-	88.918

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II. Explanations on consolidated credit risk (continued)

Risk involved in counter-cyclical capital buffer calculation

Current Period Country where risk is ultimately taken	Private sector loans in banking books	Risk weighted amount calculated within trading book	Total
Turkey	15.187.955	357.285	15.545.240
Other Countries	19.113	-	19.113
Prior Period Country where risk is ultimately taken	Private sector loans in banking books	Risk weighted amount calculated within trading book	Total
Turkey	6.172.413	14.065	6.186.478
Bosnia Herzegovina	23.336	-	23.336

III. Explanations on consolidated currency risk

Foreign currency risk arises from the Group's possible exposure to the changes in foreign currencies.

a) The Group is exposed to currency risks as a market risk and pay attention to keep at a minimum level by avoiding to keep any positions. The currency risk and the calculation of value at risk method are monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled daily. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and value at market risk is calculated on a monthly basis.

b) The Group does not have any derivative financial instruments held for hedging purposes.

c) As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Group takes necessary measures to keep the currency risk at a minimum level.

d) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Group are as follows:

	USD	EUR
As of December 31, 2020 - Balance sheet evaluation rate	7,4149	9,1088
As of December 30, 2020	7,3422	9,0107
As of December 29, 2020	7,3963	9,0582
As of December 28, 2020	7,4785	9,1324
As of December 25, 2020	7,5592	9,1641
As of December 24, 2020	7,6096	9,2801

e. The simple arithmetical average of the major foreign exchange buying rates of the Group for the thirty days before the balance sheet date is full TL 7,7172 for 1 USD (December 2019: full TL 5.8469), full TL 9,3855 for 1 Euro (December 2019: full TL 6.4973).

The Group is mainly exposed to USD and Euro currency risks.

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III. Explanations on consolidated currency risk (continued)

Information on the Group's Currency Risk

	EURO	USD	Other FC	Total
Current Period				
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	1.290.198	547.812	173.718	2.011.728
Banks ^(****)	994.18	643.585	162.584	905.587
Financial assets at fair value through profit and loss	-	192.687	113.520	306.207
Money market placements	-	-	-	-
Financial Assets Valued At Fair Value Through Profit And Loss	91.504	150.062	-	241.566
Loans ^(*)	2.878.719	515.840	-	3.394.559
Subsidiaries, associates and joint ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	1.568.929	-	-	1.568.929
Derivative financial assets for hedging purposes ^(*****)	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	-	73	-	73
Total Assets	5.928.768	2.050.059	449.822	8.428.649
Liabilities				
Current account and funds collected from banks via participation accounts	-	-	-	-
Other current and profit sharing accounts ^(**)	3.828.155	1.983.558	532.948	6.344.661
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.999.260	473.589	-	2.472.849
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes ^(*****)	-	-	-	-
Other liabilities	28.292	19.717	720	48.729
Total liabilities	5.855.707	2.476.864	533.668	8.866.239
Net balance sheet position	73.061	(426.805)	(83.846)	(437.590)
Net balance sheet position	-	381.423	85.669	467.092
Derivative financial instruments assets	-	534.408	85.669	620.077
Derivative financial instruments liabilities	-	152.985	-	152.985
Non-cash loans ^(**)	1.021.487	737.594	-	1.759.081
Prior Period				
Total assets	4.448.267	605.430	141.384	5.195.081
Total liabilities	4.143.281	1.002.604	44.478	5.190.363
Net balance sheet position	304.986	(397.174)	96.906	4.718
Net off balance sheet position	-	-	-	-
Derivative financial instruments assets	320.369	391.467	104.445	816.281
Derivative financial instruments liabilities	320.369	391.467	104.445	816.281
Non-cash loans	55.820	49.851	-	105.671

^(*) The balance sheet includes the expected loss provisions amounting to TL 30.104.

^(**) Non-cash loans are not taken into account in foreign currency position calculation.

^(***) Precious metals are also shown in the "Other FC" column.

^(****) Includes provisions for expected losses amounting to TL 1.125 in the balance sheet.

^(*****) Derivative financial assets and liabilities for hedging purposes are not taken into account.

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IV. Explanations on consolidated position risk of equity securities in banking book

None (December 31, 2019: None).

V. Explanations on consolidated liquidity risk

Liquidity Risk is managed by Asset and Liability Committee ("ALCO") in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Group. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Group's risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Group in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Parent Bank is exposed to and considering the Parent Bank's strategy and conditions of competition and pursues the implementations.

The liquidity structure is evaluated in the framework of ALCO decisions for liquidity management and a placement strategy is developed. Liquidity risk management strategy is determined by considering both normal economic conditions and stress conditions.

Risk Management Presidency, liquidity risk; periodically reports to the relevant unit, the relevant committee and the senior management with the methods of measurement of liquidity risk in compliance with the standards. It manages liquidity risk in accordance with the Group's portfolio, strategic plans and policies and legal limits, and informs and coordinates the relevant parties on time. In accordance with the market conditions and the Group's structure, the relevant liquidity risk measurement methods establish, assumptions and parameters used in liquidity risk analyzes are reviewed. Liquidity risk analyzes and important liquidity indicators are regularly reported to senior management. In the stress conditions are carried out in the framework of "Emergency Funding Plan".

The Group's high level management to determine management strategies for liquidity risk;

- follows obligations arising from domestic and foreign currencies,
- determine the concentration risks of placements,
- actively follows funding sources,
- consider the portfolio diversity,
- follow up the fund flows related to assets and liabilities depending on the maturities.

Market conditions are continuously follow and access problems for the Parent Bank's fund requirements are analyzed and the impact of sudden changes in fund sources is evaluated. Liquidity adequacy is measured by applying stress test to the factors affecting liquidity. Liquidity Risk Stress Test analyzes the compliance of the Group's cash flow capacity to the cash flow capacity within the framework of the specified scenarios. The scenarios needed for stress tests are based on the changing balance sheet structure. The results are taken into consideration in determining the policies related to liquidity risk and in the preparation of an emergency action plan.

For the purpose of reducing the liquidity risk that the Group may be exposed to compliance with the strategies implemented (monitoring of concentration, diversification of funding sources, high quality liquid assets, etc.) is monitored effectively by the senior management of the Group taking into account legal and prudential limits. For non-mitigation risks, acceptance of the current risk level, reducing or terminating the risk-causing activity are evaluated.

The level of spread of Covid-19 virus worldwide and the negative effects (country risks and foreign bank limits/correspondent bank relations etc.) in areas such as real sector and banking sector are carefully monitored. In this regard, liquidity adequacy is constantly monitored by stress tests and scenario analyzes among risk management activities.

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V. Explanations on consolidated liquidity risk (continued)

Liquidity on Consolidated Coverage Ratio

Current Period	Rate of "Percentage to be taken into account " not Implemented Total value ⁽¹⁾		Rate of "Percentage to be taken into account " Implemented Total value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 HIGH QUALITY LIQUID ASSETS			5.696.669	3.804.332
CASH OUTFLOWS				
2 Retail and Real Person Funds Collected	1.368.430	905.390	132.318	90.539
3 Stable Funds Collected	904.86	-	4.524	-
4 Less stable Funds Collected	1.277.944	905.390	127.794	90.539
5 Unsecured Funding other than Retail and Real Person	2.330.059	1.528.565	1.342.954	902.562
6 Customers Deposits	-	-	-	-
7 Operational Funds Collected	2.167.553	1.527.434	1.180.448	901.431
8 Non-Operational Funds Collected	162.506	1.131	162.506	1.131
9 Other Unsecured Funding	-	-	-	-
10 Secured funding	1.271.532	341.033	1.271.532	341.033
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	624.336	341.033	624.336	341.033
12 Debts related to the structured financial products	647.196	-	647.196	-
13 Commitment related to the structured financial markets and other off balance sheet liabilities	-	-	-	-
14 Unconditionally revocable off-balance sheet other liabilities and other contractual obligations	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	2.982.159	1.635.490	419.367	148.020
16 TOTAL CASH OUTFLOWS			3.166.171	1.482.154
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	1.844.678	744.007	1.562.796	674.515
19 Other contractual cash inflows	528.201	475.135	528.201	475.135
20 TOTAL CASH INFLOWS	2.372.879	1.219.142	2.090.997	1.149.650
Upper limit applied amounts				
21 TOTAL HQLA			5.696.669	3.804.332
22 TOTAL NET CASH OUTFLOWS			1.075.174	332.504
23 LIQUIDITY COVERAGE RATIO (%)			529,84	1144,15

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated March 21, 2014, the weeks on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

Liquidity Coverage Ratio (%)	Current Period	
	TL+FC	FC
Lowest	54,75	87,15
Date	9 November 2020	9 November 2020
Highest	1.560,35	1.116,98
Date	October 30, 2020	October 13, 2020
Average	807,55	602,07

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V. Explanations on consolidated liquidity risk (continued)

Liquidity on consolidated coverage ratio (continued)

Prior Period	Rate of "Percentage to be taken into account " not Implemented Total value ⁽¹⁾		Rate of "Percentage to be taken into account " Implemented Total value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS (HQLA)				
1 HIGH QUALITY LIQUID ASSETS			2.379.764	2.126.028
CASH OUTFLOWS				
2 Retail and Real Person Funds Collected	158.070	45.555	15.003	4.555
3 Stable Funds Collected	16.080	-	804	-
4 Less stable Funds Collected	141.990	45.555	14.199	4.555
5 Unsecured Funding other than Retail and Real Person	1.178.972	673.570	656.475	427.962
6 Customers Deposits	-	-	-	-
7 Operational Funds Collected	1.143.461	673.475	620.964	427.867
8 Non-Operational Funds Collected	35.511	95	35.511	95
9 Other Unsecured Funding				
10 Secured funding	223.285	208.936	223.285	208.936
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	223.285	208.936	223.285	208.936
12 Debts related to the structured financial products	-	-	-	-
13 Commitment related to the structured financial markets and other off balance sheet liabilities	-	-	-	-
14 Unconditionally revocable off-balance sheet other liabilities and other contractual obligations	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	779.115	53.742	542.972	2.805
16 TOTAL CASH OUTFLOWS			1.437.735	644.258
CASH INFLOWS				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	2.984.261	169.393	2.905.506	153.316
19 Other contractual cash inflows	201.370	178.190	201.370	178.190
20 TOTAL CASH INFLOWS	3.185.631	347.583	3.106.876	331.506
Upper limit applied amounts				
21 TOTAL HQLA			2.379.764	2.126.028
22 TOTAL NET CASH OUTFLOWS			359.434	312.752
23 LIQUIDITY COVERAGE RATIO (%)			662,09	679,78

⁽¹⁾ It is the average of the liquidity coverage ratio calculated by taking the simple weekly arithmetic average for the last three months.

Liquidity Coverage Ratio (%)	Prior Period	
	TL+FC	FC
Lowest	282,08	158,59
Date	December 29, 2019	December 23, 2019
Highest	1.148,45	3.790,71
Date	November 16, 2019	December 3, 2019
Average	731,37	1.235,42

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V. Explanations on consolidated liquidity risk (continued)

Liquidity on consolidated coverage ratio (continued)

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Group to net cash outflow in 30 days maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, banks receivables, funds collected, funds borrowed. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Parent Bank's high quality liquid assets are composed of 5,96% cash, 31,28% deposits in central banks and 62,76% securities considered as high quality liquid assets.

The Parent Bank's main funding sources are funds collected, funds borrowed, borrowings from money market and subordinated loans. Funding source composition in report date is 63,92% funds collected, 27,62% funds borrowed and 8,46% subordinated debt instruments.

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V. Explanations on consolidated liquidity risk (continued)

Liquidity on consolidated coverage ratio (continued)

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated	Total
Current Period								
Assets								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	585.172	1.681.265	-	-	-	-	-	2.266.437
Banks	910.285	-	-	-	-	-	-	910.285
Financial Assets at Fair Value Through Profit and Loss	-	193.303	10.063	92.383	227.302	-	-	523.051
Money Market Placements	-	-	-	-	-	-	-	-
Financial assets valued at fair value through other comprehensive income	-	910.908	91.505	-	161.977	-	-	1.164.390
Loans	-	1.530.765	696.987	3.063.316	754.7666	494.943	-	13.333.677
Financial assets valued at amortised cost	-	-	-	-	1.568.929	-	-	1.568.929
Other Assets ⁽¹⁾	-	-	-	-	-	-	527.679	527.679
Total Assets	1.495.457	4.316.241	798.555	3.155.699	9.505.874	494.943	527.679	20.294.448
Liabilities								
Current account and funds collected from banks via participation accounts	-	-	-	-	-	-	-	-
Other current and profit sharing accounts	2.548.351	736.903	1.680.822	84.165	62	-	-	11.677.303
Funds provided from other financial institutions and subordinated loans	-	723.957	167.044	55.927	1.547.810	-	-	2.494.738
Money market borrowings	-	1.069.349	-	-	-	-	-	1.069.349
Marketable securities issued	-	867.662	1.628.878	481.862	50.250	-	-	3.028.652
Other liabilities ⁽²⁾	-	79.741	-	-	-	-	1.944.665	2.024.406
Total Liabilities	2.548.351	10.104.612	3.476.744	621.954	1.598.122	-	1.944.665	20.294.448
Liquidity Gap	(1.052.894)	(5.788.371)	(2.678.189)	2.533.745	7.907.752	494.943	(1.416.986)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	145.589	565.389	-	-	-	-	710.978
Financial Derivative Liabilities	-	145.747	617.563	-	-	-	-	763.310
Non-cash Loans	779.036	356.020	54.857	730.917	267.089	-	-	2.187.919
Prior Period								
Total Assets	946.132	2.635.567	115.908	952.263	4.115.440	2.952	513.962	9.282.224
Total Liabilities	501.337	5.174.314	1.019.149	124.455	1.076.666	-	1.386.303	9.282.224
Liquidity Gap	444.795	(2.538.747)	(903.241)	827.808	3.038.774	2.952	(872.341)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	378.818	20.000	-	-	-	-	398.818
Financial Derivative Liabilities	-	384.433	19.851	-	-	-	-	404.284
Non-cash Loans	333.487	-	16.765	20.163	26.172	-	-	396.587

⁽¹⁾ Other non-distributable assets column consists of assets held for sale, partnership investments, tangible and intangible assets, current and deferred tax assets and other assets.

⁽²⁾ Other non-distributable liabilities column consists of equity and provision balances.

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VI. Explanations on consolidated leverage ratio

As of December 31, 2020, leverage ratio of the Group calculated from the arithmetic average of the last 3 months is 11,70%. Leverage ratio is required to remain minimum 3% as per "Communiqué on Measurement and Evaluation for Leverage Ratios of Banks".

	Current Period December 31, 2020 ^(*)	Prior Period December 31, 2019 ^(*)
Balance sheet assets		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	19.077.462	8.310.963
2 (Assets deducted from Core capital)	979.04	52.968
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	18.979.558	8.257.995
Derivative financial assets and credit derivatives		
4 Cost of replenishment for derivative financial assets and credit derivatives	-	-
5 Potential credit risk amount of derivative financial assets and credit derivatives	8.808	34.77
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	8.808	34.77
Financing transactions secured by marketable security or commodity		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	697.047	-
8 Risk amount arising from intermediary transactions	-	-
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	697.047	-
Off-balance sheet transactions		
10 Gross notional amount of off-balance sheet transactions	3.449.490	712.994
11 (Correction amount due to multiplication with credit conversion rates)	-	-
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	3.449.490	712.994
Capital and total risk		
13 Core Capital	2.706.097	2.115.410
14 Total risk amount (sum of lines 3, 6, 9 and 12)	23.134.903	8.974.466
Leverage ratio		
15 Leverage ratio	11,70	23,57

^(*) Amounts in the table show quarterly averages.

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VII. Explanations on consolidated regarding the fair value of financial assets and liabilities

a. Information on consolidated regarding the fair value of financial assets and liabilities

	Book Value		Fair Value	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Financial Assets				
Due from Interbank Money Market	-	-	-	-
Banks	910.842	162.057	910.842	162.057
Financial Assets at Fair Value through Profit or Loss	618.680	996.277	618.680	996.277
Financial Assets at Fair Value Through Other Comprehensive Income	1.164.390	7.659	1.164.390	7.659
Financial Assets Valued Over Amortized Cost	1.568.929	1.097.529	1.575.410	1.080.479
Loans and financial lease receivables	13.599.033	5.730.333	14.674.682	5.773.891
Financial Liabilities				
Funds collected from banks through current accounts and participation accounts	-	287.079	-	287.079
Other current accounts and participation accounts	11.677.303	5.665.550	11.677.303	5.665.550
Funds from other financial institutions	948.757	864.292	976.856	864.148
Debts to Money Markets	1.069.349	-	1.069.356	-
Other Liabilities	207.364	73.731	207.364	73.731

b. Information on consolidated fair value measurements recognized in the financial statements

According to TFRS 7 "Financial Instruments: Explanations" Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes.

- a. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values,
- b. At level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators,
- c. At level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered.

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VII. Explanations on consolidated regarding the fair value of financial assets and liabilities (continued)

The financial instruments which are recognized with their fair values at the Group's balance sheet, are presented with respect to such basis of classification in the table below:

Current Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial Assets at Fair Value Through Profit or (Loss)	182.021	341.030	-	523.051
Government Debt Securities	182.021	341.030	-	523.051
Share Certificates	-	-	-	-
Other financial assets	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	378.858	777.873	-	1.156.731
Equity Securities ^(*)	-	-	-	-
Government Debt Securities	378.858	777.873	-	1.156.731
Other financial assets	-	-	-	-
Derivative Financial Assets	-	1.731	-	1.731
Financial liabilities				
Derivative financial liabilities	-	43.286	-	43.286

^(*) The financial assets whose fair value difference is reflected in other comprehensive income, the realization price has been reflected in the financial statements for the securities worth 7659 TL not being traded in an active market, and the related securities are not shown in this table.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets				
Financial Assets at Fair Value Through Profit or (Loss)	749.043	247.234	-	996.277
Government Debt Securities	749.043	247.234	-	996.277
Share Certificates	-	-	-	-
Other financial assets	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Equity Securities	-	-	7.659	7.659
Government Debt Securities	-	-	7.659	7.659
Other financial assets	-	-	-	-
Derivative Financial Assets	-	-	-	-
	-	410	-	410
Financial liabilities				
Derivative financial liabilities	-	5.891	-	5.891

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VIII. Explanations Regarding the Activities Carried Out on Behalf and Account of Other Persons

The Group does not perform purchases, sales and custody services on behalf of its customers. The Group has no fiduciary transactions.

IX. Explanations on consolidated risk management

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been published in Official Gazette numbered 29511 on October 23, 2015 and became effective as of June 30, 2016. The tables related to 'Internal Rating-Based (IRB) Approach' are not presented due to the usage of standard approach for the calculation of capital adequacy.

a. Consolidated risk management strategy and weighted amounts

a.1. Explanations on group's risk management

The aim of the Group's Risk management system is basically to ensure identification, measurement, monitoring and controlling of risks exposed, through establishment of policies, implementation procedure and limits for monitoring, controlling and in case of need changing the risk/return structure of future cash flows, and accordingly nature and level of operations.

The Board of Directors has a responsibility of establishing and providing compatible, adequate and effective system on internal control, risk management and internal auditing as anticipated by the Banking Law for the purpose of monitoring and controlling risks emerging from operations.

The Board of Directors is responsible for establishing risk management policies and strategies. These policies are revised and evaluated periodically according to prevailing market conditions.

The general manager is responsible from ensuring that departments of the Group operate in accordance with the specified policies and strategies about risk management as determined by the Board of Directors.

The Board of Directors of the Parent Bank takes an important part in the processes of risk management by following policies and strategies on consolidated and unconsolidated basis, setting up limit systems and procedures in the Parent Bank.

The related limits are monitored, reported and maintained within the set limits by the units under the internal systems and the related departments in the Group. Risk Management Department, organized within the frame of Risk Management regulations, undertakes activities for measuring, monitoring, controlling and reporting of risks.

Ultimate goal of the Group's risk management system is to allocate capital in accordance with risks that functional activities have (economical capital), to maximize return on capital adjusted according to risk and to increase added value created.

In Asset and Liability Committee, asset-liability structure is managed via evaluating fund collection activities in line with risk management policies and domestic and foreign conditions regarding the group's fund lending.

The risks that the Group is exposed to or may be exposed to in the future are determined and the definition of these risks is made. Defined risks are measured and prioritized as far as possible. It is provided that all important risks are in the risk appetite considering the potential impact of the risks and the strategy arising from the group's strategies to risk profile. The group's strategies are integrated with risk profile and risk appetite. If it is expected that the risk profile is going to change in the future, this change is assessed with the degree of capital impact.

The Group's risk tolerance is the most comprehensive calculated risk amount which may be accepted in accordance with the determined mission and vision. In other words, before deciding on the necessity of taking measures, it is the group's readiness to exposure of any risk amount. In this respect, the risk tolerance, in connection with the variety of services offered by the Group, is the level of risk it identifies as acceptable.

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IX. Explanations on consolidated risk management (continued)

a. Consolidated risk management strategy and weighted amounts (continued)

a.1. Explanations on consolidated risk management (continued)

The common feature of the group's risk appetite and risk tolerance is to drive the lines regarding risk acceptance. However, risk tolerance is more comprehensive.

By means of "Risk Appetite Policy" approved by the board of directors, risk levels can be taken to implement risk strategies and to achieve the objectives of the Parent Banks were identified. Limits, which are determined within the framework of risk profile of the Parent Bank in accordance with the Parent Bank's risk appetite and risk tolerance, and triggering functions, were described in detail.

Considering the group's financial position, activity profile and the growth expectations of the future, the amount of capital needed for the strategic targets to be met have been calculated by the basis of static and dynamic stress tests and scenario analyses.

Considering the factors that may affect the group operates market today and in the future, stress tests and scenario analysis studies on the financial structure of the Parent Bank have been assessed together with the other financial indicators; in this context, a coordination based on harmony was created between prepared capital plans and processes of the Parent Bank.

Aiming to ensure capital allocation compatible with the risks of its functional operations and increase the capital yield set according to these risks to the maximum level, the group evaluates risks by classifying them as market risks, liquidity risk, credit risk, operational risk, strategic risk and credibility risk.

Market Risk

The Parent Bank's market risk; refers to the probability of loss may be exposed to exchange rate risk, equity position risk, profit rate risk and commodity risk.

The Group measures its market risks by using the standard method in accordance with the provisions of the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

Whether the market risk of our Group is in conformity with legal regulations and the determined limits is constantly monitored. Our foreign currency risk is discussed and evaluated at every Assets/Liabilities Committee meeting and our foreign currency strategy is based on holding this risk constant by holding to square foreign currency position (i.e. no short or long positions are taken).

Liquidity risk

The Group's liquidity risk, consists of funding related liquidity risk and market-related liquidity risk.

The liquidity risk is the situation whereby, as a result of any imbalances in the cash flows, there is a potential for not being able to meet the Participation Funds which have matured or other due liabilities in a timely manner due to shortage of liquid funds.

Market liquidity risk is an expression of the likelihood of the Parent Bank's suffering a loss because the Parent Bank is unable to close or cover a particular position at the market price owing to insufficient market depth or to excessive market volatility.

Liquidity risk could be caused by such factors as maturity mismatch, deterioration in the quality of assets, unexpected funding outflows, erosion in profitability levels and economic crisis.

In order to manage liquidity risk, the Group monitors the cash flows on a daily basis and takes preventive and improving measures taken so that commitments are met duly in time. The Liquidity risk is also evaluated by ALCO on a weekly basis.

The Group applies a policy whereby liquid assets are kept in sufficient volumes and qualities in consideration of the minimum liquidity coverage ratios determined by the related regulations and the liquidity experiences of the past in order to meet any liquidity requirement that could arise with unexpected volatilities in the markets.

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IX. Explanations on consolidated risk management (continued)

a. Consolidated risk management strategy and weighted amounts (continued)

a.1. Explanations on consolidated risk management (continued)

Credit risk

Credit risk is defined as the probability of losses to the Group due to customers failing to partially or completely pay their commitments to the Group in a timely manner, in violation of the provisions of their credit contracts. This risk also contains any losses in the market value of the customers due to any deterioration in the financial position of the customer. The definition of credit risk includes not just the portfolios within the balance sheet, but also those kept off balance sheet.

The authority to approve credits belongs to the Board of Directors at our Group. The Board of Directors determines the policies concerning the utilization, approval, risk management of the credits and other related management principles. It then ensures the implementation and supervision of these policies, taking required measures when necessary. The Board of Directors has transferred some of its authority in approving credit lines to the Credit Committee and General Management within the framework of the procedures and principles determined by the legal provisions. The General Management uses that authority to utilize credits by means of the credit departments and Bank branches. At our Group, credit allocations are realized within those limits that are determined on the basis of each debtor and group of debtors.

It is systematically not possible for customers to exceed the predetermined and approved limit. Close attention is paid to prevent any sector concentration that might impair the health of the credit portfolio. Utmost care is given to the prevention of risks concentrating on a small number of customers. Credit risks are constantly monitored and reported by the internal systems units and risk management bodies. Credit risks are ensured to be in conformity to "Regulation on Credit Policies and Implementation Procedures".

Operational risk

Operational risk is a risk of loss caused by insufficient or unsuccessful internal processes, by persons and systems or external events, wherein the legal risks and compliance risks are included while the strategic (making wrong decisions at the wrong time) and reputational risk are excluded.

Operational risk is a type of risk present in all activities of the Group. It could arise from errors of the staff or the system, from such transactions as may have been made based on insufficient or incorrect legal information or documents, due to impediments in the flow of information between the divisions in the organizational structure of the Group, due to uncertainties in the definition of limits of authorities or from structural and/or operational changes, natural disasters, terror and frauds.

The Group, classifies operational risks into five groups according to their sources: staff risks, technological risks, organizational risks, legal and compliance risks and external risks.

The Group also takes required measures to maintain operational risks at acceptable levels.

Other risks

The other risks that the Group could encounter include strategic and reputational risk, counterparty credit risk, country risk, and concentration risk.

For the management of strategic risk, the Group keeps a close watch on the domestic and international situation, on technological, financial, and social developments, on the legal and regulatory frameworks, and on the banking industry as a whole in order to make rational decisions and to change them as circumstances warrant.

The Group regards reputational risk as anything that might lead to the Group's suffering a loss on account of adverse developments such as a reduction in the confidence that is had in it or any impairment in its good standing due to unfavorable opinions that existing or potential customers, shareholders, competitors, regulatory agencies, or other outside or associated parties may have about it or due to any breach of existing laws and regulations. For the risk of reputation to be avoided and/or controlled by the Group's Risk Management System, a proactive communication mechanism that gives the customer priority is established any time a condition that could detriment the Group's reputation or image is detected.

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IX. Explanations on consolidated risk management (continued)

a. Consolidated risk management strategy and weighted amounts (continued)

a.1. Explanations on consolidated risk management (continued)

In addition, the Group's operations in accordance with the principles of participation banking are also considered as a component of the Group's specific reputation risk management.

Counterparty credit risk is an expression of the likelihood that the counterparty in any transaction that imposes an obligation on two parties will default on the obligation before the final payment in the transaction's cash flow sequence. The Group manages its counterparty credit risk exposure as required by laws and regulations, taking best practices into consideration, and compatibly with the volume, nature, and complexity of its operations.

Country risk is an expression of the likelihood that the Group will suffer a loss because debtors in another country fail to fulfill or avoid fulfilling their obligations owing to uncertainties in the economic, social, and/or political conditions of that country. The Group enters into business relationships with foreign financial institutions and/or the agencies of foreign countries taking legal and regulatory restrictions, market conditions, and customer satisfaction into consideration and on the basis of feasibility studies that take the country's economic conditions into account.

Concentration risk is defined as the likelihood that a single risk or several risks that have some attribute in common may, if realized, cause losses that are capable of endangering the Group itself or its ability to carry out its essential activities. Policies aimed at managing concentration risk are formulated so as to deal with particular aspects of it such as sectoral concentration, collateral concentration, market risk concentration, types of loss concentration, and creditor concentration.

a.2 General overview of risk weighted amounts

		Risk weighted assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	9415.352	3.069.221	753.228
2	Of which standardised approach (SA)	9415.352	3.069.221	753.228
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	2.747	738	220
5	Of which standardised approach for counterparty credit risk (SA-CCR)	2.747	738	220
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach (1250% risk weight)	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	266.153	338.368	28.583
17	Of which standardised approach (SA)	266.153	338.368	28.583
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	511.718	-	40937
20	Of which Basic Indicator Approach	511.718	-	40937
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	10.195.970	3.408.327	822.968

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IX. Explanations on consolidated risk management (continued)

b. Financial statements and regulatory exposures reconciliation

b.1. Differences and matching between accounting-related consolidation and legal consolidation

Current Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securatization positions	Subject to market risk ^(*)	Not subject to capital requirements or deducted from capital
Assets						
Cash and balances at central bank	2.267.097	2.267.097	-	-	-	-
Banks	910.842	910.842	-	-	-	-
Receivables from Money markets	-	-	-	-	-	-
Expected Loss Provisions (-)	1.217	1.217	-	-	-	-
Financial assets at fair value through profit or Loss	523.051	-	-	-	523.051	-
Financial assets at fair value through other comprehensive income	1.164.390	1.164.390	-	-	-	-
Derivative financial assets	1.731	-	1.731	-	1.731	-
Loans	13.570.624	13.570.624	-	-	-	-
Leasing receivables	284.09	284.09	-	-	-	-
Financial assets mausured at amortized cost	1.568.929	1.568.929	-	-	-	-
Expected loss provisions	265.356	172.690	-	-	-	-
Assets held for sale and discontinued operations (net)	23.797	23.797	-	-	-	-
Partnership inverstmnts	-	-	-	-	-	-
Tangible fixed asset (net)	251.229	251.229	-	-	-	-
Intangible asset (net)	34.559	34.559	-	-	-	34.559
Investment properties (net)	-	-	-	-	-	-
Current tax asset	-	-	-	-	-	-
Deffered tax assets	73.853	73.853	-	-	-	-
Other assets	142.510	142.510	-	-	-	92.330
Total Assests	20.294.448	19.862.332	1.731	-	524.782	126.889
Liabilities						
Funds collected	11.677.303	-	-	-	-	-
Funds borrowed	948.757	-	-	-	-	-
Debt to Money markets	1.069.349	-	-	-	-	-
Debt securities in issue	3.028.652	-	-	-	-	3.028.652
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Derivative financial liabilities	43.286	-	43.286	-	43.286	-
Liavilities from leases	119.338	-	-	-	-	-
Provisions	94.223	-	-	-	-	-
Current tax liability	-	-	-	-	-	-
Deferred tax liability	20.900	-	-	-	-	-
Non-current assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated debt	1.545.981	-	-	-	-	-
Other liabilities	207.364	-	-	-	-	-
Equity	1.539.295	-	-	-	-	-
Total Liabilities	20.294.448	-	43.286	-	43.286	3.028.652

^(*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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IX. Explanations on consolidated risk management (continued)

b.1. Differences and matching between accounting-related consolidation and legal consolidation (continued)

Prior Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with (TAS)				Not subject to capital requirements or deducted from capital
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk ^(*)	
Assets						
Cash and balances at central bank	946.132	946.132	-	-	-	-
Financial assets at fair value through profit or Loss	996.277	-	-	-	996.277	-
Financial assets at fair value through other comprehensive income	7.659	7.659	-	-	-	-
Financial assets measured at amortized cost	1.097.529	1.097.529	-	-	-	-
Derivative financial assets	410	-	410	-	410	-
Non performing financial assets	-	-	-	-	-	-
Expected loss provisions (-)	-	-	-	-	-	-
Loans (net)	5.730.333	5.730.333	-	-	-	-
Loans	5.730.333	5.730.333	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Non performing loan	188.322	188.322	-	-	-	-
Expected loss provisions (-)	188.322	188.322	-	-	-	-
Assets held for sale and discontinued operations (net)	35.200	35.200	-	-	-	-
Partnership investments	-	-	-	-	-	-
Tangible fixed asset (net)	101.710	101.710	-	-	-	-
Intangible asset (net)	39.802	39.802	-	-	-	-
Investment properties (net)	-	-	-	-	-	-
Current tax asset	-	-	-	-	-	-
Deferred tax assets	102.414	102.414	-	-	-	-
Other assets	224.758	162.090	-	-	-	62.668
Total Assets	9.282.224	8.222.869	410	-	996.687	62.668
Liabilities						
Funds collected	5.952.629	-	-	-	-	-
Funds borrowed	864.292	-	-	-	-	-
Debt to Money markets	-	-	-	-	-	-
Debt securities in issue	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Derivative financial liabilities	5.891	-	5.891	-	5.891	-
Liabilities from leases	30.567	-	-	-	-	-
Provisions	98.577	-	-	-	-	-
Current tax liability	10.698	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Non-current assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated debt	1.076.666	-	-	-	-	-
Other liabilities	73.731	-	-	-	-	-
Equity	1.169.173	-	-	-	-	-
Liabilities	9.282.224	-	5.891	-	5.891	-

^(*) Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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IX. Explanations on consolidated risk management (continued)

b.2. Main reasons of the differences between the risk amounts and Carrying Value in accordance with Turkish Accounting Standards (TAS)

	Current Period	Total	Subject to credit risk	Securitisation position	Subject to counterparty credit risk	Subject to market risk ^(*)
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	20.294.448	19.862.332	-	1.731	524.782
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	43.286	-	-	43.286	43.286
3	Total net amount within the scope of legal consolidation	20.294.448	19.862.332	-	1.731	524.782
4	Off balance sheet amounts	5.298.147	5.298.147	-	7.984	7.984
5	Repo and similar transactions ^(**)	-	-	-	-	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	-	-	-	-
10	Risk amounts	25.592.595	25.160.479	-	9.715	532.766

^(*)Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

^(**)In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

	Prior Period	Total	Subject to credit risk	Securitisation position	Subject to counterparty credit risk	Subject to market risk ^(*)
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	9.282.224	8.285.537	-	410	996.277
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	5.891	-	-	5.891	5.891
3	Total net amount within the scope of legal consolidation	9.282.224	8.285.537	-	5.481	996.277
4	Off balance sheet amounts	1.277.297	214.400	-	4.200	41.994.9
5	Repo and similar transactions ^(**)	-	-	-	-	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	-	-	-	-
10	Risk amounts	10.559.521	8.499.937	-	4.610	1416.226

^(*)Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

^(**)In accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Banks", it is counterparty credit risk amount calculated for repurchase agreements and similar transactions.

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IX. Explanations on consolidated risk management (continued)

b.3. Explanations on differences between carrying values in accordance with Turkish Accounting Standards (TAS) and risk amounts

There is no significant difference between the financial statement amounts of assets and liabilities and the amounts included in capital adequacy calculation.

c. Credit risk

c.1. General information on credit risk

c.1.1. General qualitative information on credit risk

This information is already included in (II). Explanations on Credit Risk and (X.a.I) The Group's risk management approach.

c.1.2. Credit quality of assets:

Current Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	172.697	13.570.624	172.690	13.570.631
2 Debt securities	-	1.687.441	-	1.687.441
3 Off-balance sheet exposures	-	3.161.362	-	3.161.362
4 Total	172.697	18.419.427	172.690	18.419.434

Prior Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	188.322	5.730.333	188.322	5.730.333
2 Debt securities	-	1.003.936	-	1.003.936
3 Off-balance sheet exposures	-	426.723	-	426.723
4 Total	188.322	7.160.992	188.322	7.160.992

c.1.3. Changes in stock of default loans and debt securities

	Current Period	Prior Period
1 Defaulted loans and debt securities at end of the previous reporting period	188.322	188.343
2 Loans and debt securities that have defaulted since the last reporting period	111	90
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	(15.707)	-
5 Other changes	(29)	(111)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	172.697	188.322

c.1.4. Additional information on credit quality of assets

The scope and definitions of past due receivables and the methods used by the Group to determine the provisions are mentioned in the Explanations on Credit risk. The Group may restructure not only non-performing credits but also the first and the second stage credits. Restructuring for the first and the second stage credits are made to improve the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk.

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IX. Explanations on consolidated risk management (continued)

c.1.4. Additional information on credit quality of assets (continued)

Restructuring for non-performing credits are made for providing collection possibility by establishing a new payment plan. Breakdowns for receivables in terms of sectors are mentioned in the footnote numbered VIII (Explanations on Credit Risk). Breakdowns according to the remaining maturity for past due receivables and in terms of geographic locations receivables that specific provisions are set are represented below. In accordance with the decision taken by the group management, the amount of 15.707 TL has been canceled.

There are no financial assets that are overdue but not impaired by class of financial instruments. (December 31 2019: None).

Receivables that provisions are set in terms of geographical region

Current Period	Non-performing Loans ^(*)	Specific Provision ^(*)
Domestic	172.690	188.322
Off-shore Banking Countries	-	-
Other Countries	-	-
General Total	172.690	188.322

^(*) Represents amounts for cash loans.

Prior Period	Non-performing Loans ^(*)	Specific Provision ^(*)
Domestic	188.322	188.322
Off-shore Banking Countries	-	-
Other Countries	-	-
General Total	188.322	188.322

^(*) Represents amounts for cash loans.

c.2. Credit risk mitigation

c.2.1. Qualitative disclosure on credit risk mitigation techniques

On and off balance sheet offsetting agreements are not utilized. The risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below:

a) Financial Collaterals (Treasury Bills, Government Bonds, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)

b) Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods. Collaterals obtained by the Group are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

If there are indicators on significant decreases of real estate's value in comparison to general market prices, the real estate's valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

The Group monitors other banks' guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Group and the market fluctuations are considered in credit activities

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IX. Explanations on consolidated risk management (continued)

c.2.2. Credit risk mitigation techniques

Current Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collatera	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	13,426.336	1,036.994	138.049	349.201	176.561	-	-
2	Debt securities	1.687.441	-	-	-	-	-	-
3	Total	15.113.777	1.036.994	138.049	349.201	176.561	-	-
4	Of which defaulted	172.697	-	-	-	-	-	-

Prior Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collatera	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	5.609.842	120.491	10.372	-	-	-	-
2	Debt securities	1.003.936	-	-	-	-	-	-
3	Total	6.613.778	120.491	10.372	-	-	-	-
4	Of which defaulted	188.322	-	-	-	-	-	-

c.3. Credit risk under standardised approach

c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

Explanations on rating grades that the banks use for calculation of credit risk by the standardised approach are mentioned in the footnote numbered (IX) for Explanations on Credit Risk.

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IX. Explanations on consolidated risk management (continued)

c.3.2. Credit risk exposure and credit risk mitigation techniques

Current Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
Risk classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Receivables from central governments or central banks	4.078.126	5413	4.198.798	5.989	-	-
Receivables from regional or local governments	57742	-	24.823	125	12.474	%50,00
Receivables from administrative units and non-commercial enterprises	61467	81	63.295	49	63.318	%99,96
Receivables from multilateral development banks	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-
Receivables from banks and brokerage houses	1.926.699	2.146	1.978.894	2.146	396.208	%20,00
Receivables from corporates	6.905.293	3.313.706	6.766.915	1.912.473	8.319.214	%95,85
Retail receivables	-	-	-	-	-	-
Receivables secured by mortgages on property	69.855	17.809	66.457	7.635	25.687	%34,67
Receivables secured by mortgages on commercial property	291.121	36.303	291.121	18.037	218.295	%70,61
Past due receivables	7	-	7	-	7	%100,00
Receivables defined in high risk category by BRSA	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-
Other receivables	1.014.133	-	1.014.133	-	382.833	%37,75
Equity share investments	-	-	-	-	-	-
Total	14.404.443	3.375.458	14.404.443	1.946.454	9.418.036	%57,60

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IX. Explanations on consolidated risk management (continued)

c.3.2. Credit risk exposure and credit risk mitigation techniques (continued)

Prior Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Risk classes						
Receivables from central governments or central banks	1.864.099	-	1.864.099	-	548.800	%29,44
Receivables from regional or local governments	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-
Receivables from banks and brokerage houses	1.832.926	-	1.832.926	-	421.188	%22,98
Receivables from corporates	14.99.162	414.590	14.99.162	205.759	1.704.920	%100,00
Retail receivables	-	-	-	-	-	-
Receivables secured by mortgages on property	21.400	-	21.400	-	7.490	%35,00
Receivables secured by mortgages on commercial property	93.485	17.332	93.485	8.641	51.064	%50,00
Past due receivables	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-
Other receivables	529.048	-	529.048	-	346.509	%65,49
Equity share investments	-	-	-	-	-	-
Total	5.840.120	431.922	5.840.120	214.400	3.079.971	%50,87

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IX. Explanations on consolidated risk management (continued)

c.3.3. Exposures by asset classes and risk weights

	Risk Classes/Risk Weighted Current Period	%0	%10	%20	35% secured by Property mortgage	%50	%75	%100	%150	%200	Others	Total risk amount (post-CCF and CRM)
1	Receivables from central governments or central banks	4.204.787	-	-	-	-	-	-	-	-	-	4.204.787
2	Receivables from regional or local governments	-	-	-	-	24.948	-	-	-	-	-	24.948
3	Receivables from administrative units and non-commercial enterprises	25	-	-	-	-	-	63.319	-	-	-	63.344
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	1.981.040	-	-	-	-	-	-	-	1.981.040
7	Receivables from corporates	33.158	-	408.769	-	-	-	8.237.461	-	-	-	8.679.388
8	Retail receivables	-	-	-	-	-	-	-	-	-	-	-
9	Receivables secured by mortgages on property	-	-	1.636	72.458	-	-	-	-	-	-	74.094
10	Receivables secured by mortgages on commercial property	-	-	-	-	181.725	-	127.433	-	-	-	309.158
11	Past due receivables	-	-	-	-	-	-	7	-	-	-	7
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	-	-	-	-	-	-	-	-	-	-	-
17	Equity share investments	300.583	-	413.521	-	-	-	300.029	-	-	-	1.014.133
	Total	4.538.553	-	2.804.966	72.458	206.673	-	8.728.249	-	-	-	16.350.899

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IX. Explanations on consolidated risk management (continued)

c.3.3. Exposures by asset classes and risk weights (continued)

Risk Classes/Risk Weighted Current Period	%0	%10	%20	35% secured by Property mortgage	%50	%75	%100	%150	%200	Others	Total risk amount (post- CCF and CRM)
1 Receivables from central governments or central banks	766.499	-	-	-	1.097.600	-	-	-	-	-	1.864.099
2 Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	-	-	1.650.917	-	182.009	-	-	-	-	-	1.832.926
7 Receivables from corporates	99.71	-	70	-	-	-	1.694.879	-	-	-	1.704.920
8 Retail receivables	-	-	-	-	-	-	-	-	-	-	-
9 Receivables secured by mortgages on property	-	-	-	214.00	-	-	-	-	-	-	214.00
10 Receivables secured by mortgages on commercial property	-	-	-	-	102.127	-	-	-	-	-	102.127
11 Past due receivables	-	-	-	-	-	-	-	-	-	-	-
12 Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13 Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
16 Other receivables	-	-	-	-	-	-	-	-	-	-	-
17 Equity share investments	182.586	-	-	-	-	-	346.462	-	-	-	529.048
Total	959.056	-	1.650.987	214.00	1.381.736	-	2.041.341	-	-	-	6.054.520

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IX. Explanations on consolidated risk management (continued)

d. Counterparty credit risk

d.1. Qualitative disclosure on counterparty credit risk

Derivatives and repurchase transactions in the calculation of counterparty credit risk are calculated according to the fair value in accordance with "Appendix-2 of Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette dated October 23, 2015 and numbered 29511. The sum of potential future exposures and positive replacement costs is taken in the calculation of the risk amount related to derivative transactions.

The Group prepared "Charter on the Counterparty Credit Risk Management Policy and Implementation Procedures" in order to determine the basic principles that manage the counterparty credit risk and this regulation was approved by the Board of Directors. The Board of Directors periodically reviews and assesses the related policy.

d.2. Counterparty credit risk (CCR) approach analysis

		Replacement cost	Potential Future exposure	EEPE ^(*)	Alpha used for computing regulatory exposure at default	EAD post- CRM	RWA
1	Standardised Approach - CCR (for derivatives)	(41.790)	7.983		-	9.715	2.585
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
	Total						2.585

^(*) Effective Expected Positive Exposure

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IX. Explanations on consolidated risk management (continued)

d. Counterparty credit risk (continued)

d.2. Counterparty credit risk (CCR) approach analysis (continued)

	Prior Period	Replacement cost	Potential Future exposure	EEPE ^(*)	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	(5497)	4.199		-	1.519	739
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
	Total						739

^(*) Effective Expected Positive Exposure

d.3. Capital requirement for credit valuation adjustment (CVA)

	Current Period		Prior Period	
	EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)		-		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-		-
3 All portfolios subject to the Standardised CVA capital obligation	9.715	2.585	1.519	739
Total subject to the CVA capital obligation	9.715	2.585	1.519	739

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IX. Explanations on consolidated risk management (continued)

d.4. CCR exposures by risk class and risk weights

Current Period									
Risk Classes	Risk Weighted								Total credit exposure ^(*)
	%0	%10	%20	%50	%75	%100	%150	Other	
Receivables from central governments or central banks	5413	-	-	-	-	-	-	-	5413
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	2.146	-	-	-	-	-	2.146
Receivables from corporates	-	-	-	-	-	2.156	-	-	2.156
Retail receivables	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	5.413	-	2.146	-	-	2.156	-	-	9.715

^(*) Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

Prior Period									
Risk Classes	Risk Weighted								Total credit exposure ^(*)
	%0	%10	%20	%50	%75	%100	%150	Other	
Receivables from central governments or central banks	-	-	-	-	-	-	-	-	-
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	193	1.251	-	-	-	-	1.444
Receivables from corporates	-	-	-	-	-	75	-	-	75
Retail receivables	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	193	1.251	-	75	-	-	1.519

^(*) Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

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IX. Explanations on consolidated risk management (continued)

d.5. Used collaterals for counterparty credit risk

None (December 31, 2019:None).

d.6. Information on the risks of the Group arising from purchased or sold credit derivatives

None (December 31, 2019:None).

d.7. Information on risks of the Group arising from central counterparty

None (December 31, 2019:None).

e. Information to be announced to public on Securitization

None (December 31, 2019:None).

f. Market risk

f.1. Qualitative disclosure on market risk

The Group measures market risk by using the standard method in accordance with "Regulation on the Measurement and Assessment of the Capital Adequacy of Banks" dated October 23, 2015 and numbered 29511 and allocates legal capital on this basis. On the other hand, the market risk is also calculated by using the internal model for testing (Value at Risk) and the results found are supported by considering backtesting results. The market risk value (Value at Risk) calculated by using the internal model is calculated on a daily basis by using Variance-Covariance, EWMA, Monte Carlo and Historical Simulation methods and is reported to the top management.

The Board of Directors sets limits for these risks by considering the main risks and revises these limits periodically in line with market conditions and Group's strategies. In addition, the Board of Directors ensures that the risk management unit and senior management take all necessary measures to identify, measure, prioritize, and reduce at an acceptable level and to manage the various risks that the Parent Bank is exposed to.

Risks that positions held by the Group under on-balance sheet and off-balance sheet accounts may occur due to fluctuations in financial markets are measured. Information about the market risk considered in the calculation of legal capital as follows.

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IX. Explanations on consolidated risk management (continued)

f.2. Market risk under standardised approach

	Current Period RWA	Prior Period RWA
Outright products		
1 Profit rate risk (general and specific)	115.971	175.817
2 Equity share (general and specific)	-	-
3 Foreign exchange risk	85.292	162.468
4 Commodity risk	64.890	83
Options		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
Total	266.153	338.368

g. Operational risk

Capital requirement for operational risk is calculated annually by using the Basic Indicator Method in accordance with Article 24 of the Regulation on the Measurement and Assessment of Capital Adequacy of Group.

	2 PP Value	1 PP Tutar	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	-	272.916	536.758	404.837	%15	60.726
Amount subject to Operational Risk (Total*12,5)						759.069

h. Qualitative disclosure on profit rate risk arising from banking books

h.1. Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk

Profit rate risk arising from banking books measures profit rate risk arising from on-balance sheet and offbalance sheet positions in the Group's banking books by standard shock method.

The Group calculates and measures legal ratio for profit rate risk arising from banking books on a monthly basis in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk arising from Banking Books by Standard Shock Method" that have been published in Official Gazette numbered 28034 and dated August 23, 2011.

h.2. Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method

Currency	Applied Shock (+/-x basis point)	Gains/(Losses)	Gains/Equity (Losses/Equity) (%)
TRY	(+) 500bp	(184.891)	(6,41)
TRY	(-) 400bp	170.318	5,90
USD Dolar	(+) 200bp	(9.774)	(0,34)
USD Dolar	(-) 200bp	10.382	0,36
EUR	(+) 200bp	(64.633)	(2,24)
EUR	(-) 200bp	69.251	2,40
Total (For Negative Shocks)	-	(259.299)	(8,99)
Total (For Positive Shocks)	-	24.951	8,66

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X. Explanations on consolidated business segments

The Group has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Current Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	1.278.373	10.700.997	6.235.014	2.080.064	20.294.448
Total Liabilities	3.538.235	8.168.769	6.636.877	411.272	18.755.153
Total Equity	-	-	-	1.539.295	1.539.295
Net profit share income/(expense) ^(*)	36.005	218.316	75.237	42.055	371.613
Net fees and commissions income/(expense)	7.133	22.414	(3.572)	(4.862)	21.113
Other operating income/(expense)	2.416	(2.962)	(16.166)	(184.386)	(201.098)
Loss Provisions	-	-	-	(87.148)	(87.148)
Profit/(loss) before tax	45.554	237.768	55.499	(234.341)	104.480
Provision for tax	-	-	-	(23.854)	(23.854)
Net profit/(loss) for the period	45.554	237.768	55.499	(258.195)	80.626

^(*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Group.

Prior Period	Retail	Commercial and Corporate	Treasury	Undistributed	Total
Total Assets	932	3.155.789	5.621.619	503.884	9.282.224
Total Liabilities	291.278	5.661.350	1.946.849	213.574	8.113.051
Total Equity	-	-	-	1.169.173	1.169.173
Net profit share income/(expense) ^(*)					
Net fees and commissions income/(expense)	(880)	89.096	77.315	52.121	217.652
Other operating income/(expense)	205	912	(113)	(2.369)	(1.365)
Loss Provisions	2.544	1.793	20.687	(113.776)	(88.752)
Profit/(loss) before tax	-	-	-	(81.432)	(81.432)
Provision for tax	1.869	91.801	97.889	(145.456)	46.103
	-	-	-	(1.124)	(1.124)
Net profit/(loss) for the period	1.869	91.801	97.889	(146.580)	44.979

^(*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Group.

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SECTION FIVE

Explanations and notes consolidated financial statements

I. Explanations and notes related to consolidated assets

1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT)

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Foreign currency	23.880	524.310	2.319	12.301
CBRT	231.489	1450.436	73.274	693.296
Other (*)	-	36.982	-	2.885
Total	255.369	2.011.728	75.593	708.482

(*) Other consists of precious metals.

b) Information related to CBRT:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	226.905	89	71.974	71
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Reserve requirements	4.584	1450.347	1.300	693.225
Total	231.489	1450.436	73.274	693.296

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2005/1", banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

In accordance with the CBRT's regulation dated November 19, 2020, a commission payment is made to the CBRT over the foreign exchange amounts kept in the required reserve and denominated foreign currency deposit accounts. As of December 31, 2020, the rates valid for Turkish currency required reserves, participation funds and other liabilities are between 1% and 6% according to the maturity structure; The rates applicable to foreign currency required reserves are between 5% and 21% according to the maturity structure in participation funds and other liabilities.

2. a) Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	4.130	726.458	248	151.830
Abroad	-	180.254	-	9.979
Total	4.130	906.712	248	161.809

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I. Explanations and notes related to consolidated assets (continued)

a. Information on Foreign Bank Accounts

	Current Period		Prior Period	
	Unrestricted Period	Restricted Period	Unrestricted Period	Restricted Period
European Union Countries	9.002	-	9.979	-
USA, Canada	-	-	-	-
OECD Countries ^(*)	-	-	-	-
Off-shore Banking Regions	88	-	-	-
Other	1.477	-	-	-
Total	10.567	-	9.979	-

^(*) OECD countries except EU countries, USA and Canada.

3. Financial assets measured at fair value through profit or loss

a. Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked

As of December 31, 2020, amount subject to repurchase agreements in financial assets at fair value through profit and loss is TL 193.303 (December 31, 2019: None). As of December 31, 2020, amount subject to guaranteed/blocked is TL 167.722 (December 31, 2019: None).

b. Information on financial assets at fair value through profit/loss

	Current Period	Prior Period
Debt securities	524.176	996.572
Quoted on a stock exchange	342.155	749.187
Unquoted on a stock exchange ^(*)	182.021	247.385
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	-	-
Impairment provision (-)	(1.125)	(295)
Total	523.051	996.277

^(*) Includes debt securities that are listed on the stock exchange but are not traded at the end of the relevant period.

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I. Explanations and notes related to consolidated assets (continued)

4. Information on Financial Assets at fair value through other comprehensive income

a. Information on financial assets valued at fair value through other comprehensive income subject to repurchase transactions, given as a guarantee or blocked

Financial assets valued at fair value through other comprehensive income subject to repurchase transactions assets, which are subjected to repurchase agreements as of December 31, 2020: TL 903.249 (December 31, 2019: None). As of December 31, 2020, amount subject to guaranteed/blocked is TL 220.521 (December 31, 2019: None).

b. Financial assets valued at fair value through other comprehensive income

	Current Period	Prior Period
Debt securities	1.172.974	-
Quoted on a stock exchange	794.112	-
Unquoted on a stock exchange ^(*)	378.862	-
Share certificates	7.659	7.659
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7.659	7.659
Impairment provision (-)	(16.243)	-
Total	1.164.390	7.659

^(*) Includes debt securities that are listed on the stock exchange but are not traded at the end of the relevant period.

5. Information on derivative financial assets

a. Positive differences related to the derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Swap Transactions	1412	14	374	-
Forward Transactions	-	305	36	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	1412	319	410	-

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

I. Explanations and notes related to consolidated assets (continued)

6. Information on loans

a. Information on all types of loans and advances given to shareholders and employees of the Group

None (December 31, 2019: None).

b. Information on the first and second group loans including restructured loans

Cash Loans Current Period	Standart Loans	Loans Under Close Monitoring		
		Loans Not subject to restructured loans	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Loans	13.397.505	422	-	-
Export loans	-	-	-	-
Import loans	436.155	-	-	-
Business loans	9.358.930	422	-	-
Consumer loans	575.941	-	-	-
Credit cards	-	-	-	-
Loans given to financial sector	1.814.247	-	-	-
Other (*)	1.212.232	-	-	-
Other receivables	-	-	-	-
Total	13.397.505	422	-	-

(*)The details of other loans are as follows:

Commercial loans with installments	1.148.156
Other investment credits	-
Loans given to abroad	38.318
Other	25.758
Total	1.212.232

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

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I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

b. Information on the first and second group loans including restructured loans (continued)

Cash Loans Current Period	Standart Loans	Loans Under Close Monitoring		
		Loans Not subject to restructured loans	Restructured Loans	
Loans			Loans with Revised Contract Terms	Refinance
Loans	5.730.333	-	-	-
Export loans	-	-	-	-
Import loans	8.323	-	-	-
Business loans	2.814.882	-	-	-
Consumer loans	932	-	-	-
Credit cards	-	-	-	-
Loans given to financial sector	2.573.610	-	-	-
Other (*)	332.586	-	-	-
Other receivables	-	-	-	-
Total	5.730.333	-	-	-

(*)The details of other loans are as follows:

Commercial loans with installments	194.915
Other investment credits	135.660
Loans given to abroad	2.011
Total	332.586

Current Period	Standard Loans	Loans Under Close Monitoring
Expected loss of provision for 12 Months	92.476	-
Substantial increase in credit risk	-	190

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

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

I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

c. Maturity analysis of cash loans

Current Period	Standart Loans and Other receivables		Loans Under Follow-Up and Other receivables	
Cash Loans	Loans and Other receivables	Amendments to terms or contract	Loans and Other receivables	Amendments to terms or contract
Short term loans and other receivables	3.099.571	-	422	-
Loans	3.099.571	-	422	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables ^(*)	10.297.934	-	-	-
Loans	10.297.934	-	-	-
Other receivables	-	-	-	-
Total	13.397.505	-	422	-

^(*) Loans with original maturities of more than 1 year when first granted are classified as "Medium and long term loans".

Prior Period	Standart Loans and Other receivables		Loans Under Follow-Up and Other receivables	
Cash Loans	Loans and Other receivables	Amendments to terms or contract	Loans and Other receivables	Amendments to terms or contract
Short term loans and other receivables	3.204.442	-	-	-
Loans	3.204.442	-	-	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables ^(*)	2.337.569	-	-	-
Loans	2.337.569	-	-	-
Other receivables	-	-	-	-
Total	5.542.011	-	-	-

^(*) Loans with original maturities of more than 1 year when first granted are classified as "Medium and long term loans".

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

d. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards

Current Period	Short-Term	Medium and Long-Term	Total
Consumer loans-TL	867	575.074	575.941
Housing loans	481	536.429	536.910
Vehicle loans	386	17.761	18.147
Consumer loans	-	20.884	20.884
Other	-	-	-
Consumer loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Retail credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel credit cards-FC	-	-	-
With installment	-	-	-
Without-installment	-	-	-
Overdraft account-TL (Real Person)	-	-	-
Overdraft account-FC (Real Person)	-	-	-
Total	867	575.074	575.941

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

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

I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

d. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards (continued)

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer loans-TL	-	932	932
Housing loans	-	451	451
Vehicle loans	-	481	481
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Retail credit cards-TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Retail credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel loans-TL	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC indexed	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Personnel credit cards-FC	-	-	-
With installment	-	-	-
Without-installment	-	-	-
Overdraft account-TL (Real Person)	-	-	-
Overdraft account-FC (Real Person)	-	-	-
Total	-	932	932

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

I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

e. Information on commercial loans with installments and corporate credit cards

Current Period	Short-Term	Medium and Long-term	Total
Commercial installment loans-TL	73.049	1.030.075	1.103.124
Business loans	-	67460	67460
Vehicle loans	70.123	492.855	562.978
Consumer loans	2.926	469.760	472.686
Other	-	-	-
Commercial installment loans-FC indexed	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Commercial installment Loans-FC	-	45.032	45.032
Business loans	-	-	-
Vehicle loans	-	20.062	20.062
Consumer loans	-	24.970	24.970
Other	-	-	-
Corporate credit cards-TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (Legal Entity)	-	-	-
Overdraft account-FC (Legal Entity)	9.109	-	9.109
Total	82.158	1.075.107	1.157.265

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

I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

e. Information on commercial loans with installments and corporate credit cards (continued)

Prior Period	Short-Term	Medium and Long-Term	Total
Commercial installment loans-TL	1.155	189.623	190.778
Business loans	-	-	-
Vehicle loans	1.155	67.283	68.438
Consumer loans	-	122.340	122.340
Other	-	-	-
Commercial installment loans-FC indexed	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Commercial installment Loans-FC	-	4.137	4.137
Business loans	-	4.137	4.137
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TL	-	-	-
With installment	-	-	-
Without installment	-	-	-
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (Legal Entity)	-	-	-
Overdraft account-FC (Legal Entity)	-	-	-
Total	1.155	193.760	194.915

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

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

I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

f. Loans according to types of borrowers

	Current Period	Prior Period
Public	1.560.499	2.794.733
Private	11.837.428	2.747.278
Total	13.397.927	5.542.011

g. International and domestic loans:

The breakdown of loans, excluding non-performing loans, is as follows:

	Current Period	Prior Period
Domestic loans	13.323.170	5.518.674
Foreign loans	74.757	23.337
Total	13.397.927	5.542.011

h. Loans granted to subsidiaries and participations

None (December 31, 2019: None).

h.1 Default provisions for loans (Third Stage) provisions

	Current Period
Loans and Receivables with Limited Collectability	-
Doubtful Loans and Other Receivables	5
Uncollectible Loans and Receivables	172.685
Total	172.690

h.2 Specific provisions for loans

	Prior Period
Loans and Receivables with Limited Collectability	-
Doubtful Loans and Other Receivables	-
Uncollectible Loans and Receivables	188.322
Total	188.322

i. Information on non-performing loans and receivables (net)

i.1. Non-performing loans and receivables which are restructured or rescheduled

None (December 31, 2019: None).

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

i.2. Movements of non-performing loans

	III. Group	IV. Group	V. Group
	Loans an receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Current Period			
Closing balance of prior period	-	-	188.322
Additions in the current period (+)	-	-	111
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	29
Write offs (-)	-	-	15.707
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Closing balance of the current period	-	-	172.697
Provision (-)	-	-	172.690
Net balance at the balance sheet	-	-	7

(*) In 2020, the Parent Bank has removed the non-performing loans of 15,707 TL from its principal balance and provision balance within the scope of the "Regulation on the Amendment to the Procedures and Principles Regarding Classification of Loans and Provisions to be Reserved for Them" published in the Official Gazette on November 27, 2019.

	III. Group	IV. Group	V. Group
	Loans an receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
Prior Period			
Closing balance of prior period	-	-	188.343
Additions in the current period (+)	-	-	90
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Transfers to categories of standard loans (-)	-	-	-
Collections in the current period (-)	-	-	111
Exchange rate valuation	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Closing balance of the current period	-	-	188.322
Provisions (-)	-	-	188.322
Net balance at the balance sheet	-	-	-

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I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

i.3. Non-performing loans and other receivables in foreign currencies

None (December 31, 2019: None).

I. Explanations and notes related to consolidated assets (continued)

i.4. Gross and net non-performing loans and other receivables per customer categories

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (net)	-	-	-
Loans to individuals and corporates (gross)	-	12	172.685
Provision (-)	-	5	172.685
Loans to individuals and corporates (net)	-	-	-
Banks (gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	188.322
Specific provision (-)	-	-	188.322
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

i.5. 5. Information on Interest Accruals, Rediscounts and Valuation Differences Calculated for Non-Performing Loans and Their Provisions

None (December 31, 2019: None).

j. Liquidation policy for uncollectible loans and receivables

The Parent Bank initiates a legal process for the collection of receivables arising from credit transactions. The debtor's and debtor related's assets' together with process of cash conversion of the collaterals which constitute of the Parent Bank receivables will be processed by the Parent Bank and in addition to this process the Parent Bank will try to collect and liquidate its receivables through administrative ways.

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

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I. Explanations and notes related to consolidated assets (continued)

6. Information on loans (continued)

k. Information on "Write-off" policies

In accordance with Article 8 of the "Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Reserved for them", loans classified under "Fifth Group Loans of Loss" and which does not have reasonable expectations regarding the recovery of loans with a lifetime expected due to the default of the debtor or the provision of special provisions can be deducted from the records within the scope of TFRS 9 as of the first reporting period following their classification in this group.

It is an accounting practice to deduct loans that do not have the possibility to collect from the records within the scope of the above provision, does not mean that result in giving up the right to receivable.

The general policy of the Parent Bank is to write-off the receivables which are deemed to be impossible to collect during the legal follow-up process from the assets in accordance with the decision taken by the top management of the Parent Bank. The amount of TL 15.707 for loans deemed impossible to collect in 2020 has been written-off due to the decision taken by the Parent Bank's management (December 31, 2019: None).

7. Information on Financial Assets Measured at Amortized Cost

a. Information on government debt securities measured at amortized cost

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities ^(*)	1.568.929	1.097.529
Total	1.568.929	1.097.529

^(*) Consists of non-profit special category state domestic borrowing notes issued by Ministry of Treasury and Finance and purchased from the Türkiye Varlık Fonu A.Ş. and Piyasa ve İstikrar Denge Alt Fonu A.Ş.

b. Information on investment securities measured at amortized cost

	Current Period	Prior Period
Debt Securities	1.568.929	1.097.529
Quoted on a stock Exchange	-	-
Unquoted ^(*)	1.568.929	1.097.529
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted	-	-
Impairment Provision (-)	-	-
Total	1.568.929	1.097.529

^(*) Consists of non-profit special category state domestic borrowing notes issued by Ministry of Treasury and Finance and purchased from the Türkiye Varlık Fonu A.Ş. and Piyasa ve İstikrar Denge Alt Fonu A.Ş.

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I. Explanations and notes related to consolidated assets (continued)

7. Information on Financial Assets Measured at Amortized Cost (continued)

c. Information on movements of financial assets measured at amortized cost

	Current Period	Prior Period
Balance at beginning of period	1.097.529	-
Foreign currency differences on monetary assets	347.271	394.97
Purchases during period ^(*)	124.129	1.058.032
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
Closing Balance	1.568.929	1.097.529

(*) Rediscounts are shown in the "Purchases During the Year" line.

8. Information on lease receivables (net)

a. Presentation of remaining maturities of funds lent under finance lease method

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
1 to 4 years	34.295	28.409	-	-
More than 4 years	-	-	-	-
Total	34.295	28.409	-	-

b. Information on net investments through finance lease

	Current Period	Prior Period
Finance lease receivables (gross)	34.295	-
Unearned finance lease receivable (-)	5.886	-
Receivable from finance leases (net)	28.409	-

c. General explanation on finance lease contracts

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables

		Leasing Receivables Under Close Monitoring		
		Leasing receivables not subject to restructured loans	Restructured or rescheduled Leasing Receivables with Revised Contract Terms	Refinance
Finance Lease	Standart Loans			
Finance lease receivables (Net)	28.409	-	-	-

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I. Explanations and notes related to consolidated assets (continued)

9. Information on assets held for sale and assets of discontinued operations

Financial assets held for sale consist of tangible assets acquired due to receivables.

	Current Period	Prior Period
Opening balance	35.200	36.722
Additions	5	-
Disposals	(11408)	(1.522)
Transfers	-	-
Impairment Provision (-)	-	-
Closing balance	23.797	35.200

10. Information on associates

a. Associates (net)

a.1 Information on unconsolidated associates

None (December 31, 2019: None).

a.2 Information on consolidated associates

None (December 31, 2019: None).

b. Information on subsidiaries (net)

b.1 Information on unconsolidated subsidiaries

Emlak Menkul Değerler A.Ş., which is owned by the Parent Bank by 50%, has been reported to be bankrupt in the Audit Report prepared by Court of Account dated 31 October 2018. Emlak Menkul Değerler A.Ş. has not been consolidated as of December 31, 2020 and December 31, 2019.

b.2 Information on consolidated subsidiaries

Emlak Varlık Kiralama A.Ş. was established and registered to the trade registry in August 5, 2019 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Emlak Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated June 7, 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. Emlak Varlık Kiralama A.Ş. was established and began to operate on August 5, 2019 with TL 50 capital amount paid by the Main Shareholder Parent Bank.

Emlak Katılım Varlık Kiralama A.Ş., 100% subsidiaries of the Parent Bank was established and registered to the trade registry in January 20, 2020 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Within the framework of the CMB's Communiqué on Lease Certificates (III-61.1) published in the Official Gazette dated June 7, 2013 and numbered 28760, Emlak Katılım Varlık Kiralama A.Ş. was established on December 16, 2019, with a capital of TL 50 and started its activity.

Name	Adress (City/ Country)	Operating Subject	Bank's share percentage (%)	Direct and Indirect Share Percentages (%)
Emlak Varlık Kiralama A.Ş.	Istanbul/TURKEY	Issuance Of Lease Certificate	100	100
Emlak Katılım Varlık Kiralama A.Ş.	Istanbul/TURKEY	Issuance Of Lease Certificate	100	100

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I. Explanations and notes related to consolidated assets (continued)

10. Information on associates (continued)

The values stated in the table below are taken from financial statements in audited report of Emlak Varlık Kiralama A.Ş. and Emlak Katılım Varlık Kiralama A.Ş.'s dated December 31, 2020.

Name	Total Assets	Shareholders' equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income/ loss	Prior period income/ loss	Fair Value
Emlak Varlık Kiralama A.Ş.	51	50	-	-	-	-	-	-
Emlak Katılım Varlık Kiralama A.Ş.	3.124.420	50	-	-	-	-	-	-

b.2.1 Movement information on subsidiaries

	Current Period	Prior Period
Amount at the beginning of the period	50	-
Movements inside the term	50	50
Purchases/new incorporations	50	50
Bonus shares	-	-
Profit received from current year share	-	-
Sales	-	-
Revaluation increases	-	-
Impairments	-	-
Amount at the end of the period	100	50
Capital commitments	-	-
Share of the capital at the end of the period (%)	100	100

c. Information on investments in joint-ventures

None (December 31, 2019: None).

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I. Explanations and notes related to consolidated assets (continued)

11. Information on tangible assets

Current Period	Immovables ^(*)	Leased tangible assets	Vehicles	Other TA	Total
Cost					
Opening Balance: 1 January 2020	32.581	-	11.637	66.392	110.610
Additions	86.689	-	8.676	129.093	224.458
Revaluation differences	-	-	-	-	-
Disposals	(521)	-	(128)	(43.439)	(44.088)
Impairment losses (-)/ Reversal of impairment	-	-	-	-	-
Transfers	-	-	-	-	-
Ending Balance: 31 December 2020	118.749	-	20.185	152.046	290.980
Accumulated depreciation (-)					
Opening balance: 1 January 2020	2.273	-	1.939	4.688	8.900
Depreciation expense	8.986	-	3.320	19.089	31.395
Reversal of depreciation of the disposed assets	(128)	-	(32)	(384)	(544)
Transfers	-	-	-	-	-
Ending balance: 31 December 2020	11.131	-	5.227	23.393	39.751
Total cost at the end of the year	118.749	-	20.185	152.046	290.980
Total accumulated depreciation at the end of the year	(11.131)	-	(5.227)	(23.393)	(39.751)
Closing net book values	107.618	-	14.958	128.653	251.229
Prior Period					
Cost					
Opening Balance: 1 January 2019	-	-	-	12.911	12.911
Additions	32.581	-	11.660	53.627	97.868
Revaluation differences	-	-	-	-	-
Disposals	-	-	(23)	(146)	(169)
Impairment losses (-)/ Reversal of impairment	-	-	-	-	-
Transfers	-	-	-	-	-
Ending Balance: 31 December 2019	32.581	-	11.637	66.392	110.610
Accumulated depreciation (-)					
Opening balance: 1 January 2019	-	-	-	890	890
Depreciation expense	2.273	-	1.962	3.826	8.061
Reversal of depreciation of the disposed assets	-	-	(23)	(28)	(51)
Transfers	-	-	-	-	-
Ending balance: 31 December 2019	2.273	-	1.939	4.688	8.900
Total cost at the end of the year	32.581	-	11.637	66.392	110.610
Total accumulated depreciation at the end of the year	(2.273)	-	(1.939)	(4.688)	(8.900)
Closing net book values	30.308	-	9.698	61.704	101.710

^(*) As of December 31, 2020, the cost of the movable and real estates accounted as right-of-use assets in accordance with the "TFRS 16 Leases" standard under tangible fixed assets in the Parent Bank's balance sheet is TRY 118.749 (December 31, 2019: TRY 32.581) and their depreciation amount is TRY 10.957 (December 31, 2019: 2.099 TL).

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I. Explanations and notes related to consolidated assets (continued)

12. Information on intangible assets

Current Period	Intangible Assests
Cost	
Opening balance: 1 January 2020	39.802
Additions	109.780
Disposals	(50.112)
Ending balance: 31 December 2020	59.668
Accumulated depreciation (-)	
Opening balance: 1 January 2020	(9.265)
Depreciation expense	(15.844)
Reversal of depreciation of the disposed assets	-
Ending balance: 31 December 2020	(25.109)
Total cost at the end of the year	59.668
Total accumulated depreciation at the end of the year	(25.109)
Closing Net Book Value	34.559
Prior Period	Intangible Assests
Cost	
Opening balance: 1 January 2019	20.330
Additions	78.852
Disposals	(50.115)
Ending balance: 31 December 2019	49.067
Accumulated depreciation (-)	
Opening balance: 1 January 2019	-
Depreciation expense	9.245
Reversal of depreciation of the disposed assets	-
Ending balance: 31 December 2019	9.245
Total cost at the end of the year	49.067
Total accumulated depreciation at the end of the year	(9.265)
Closing Net Book Value	39.802

13. Information on investment property:

None (December 31, 2019: None).

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I. Explanations and notes related to consolidated assets (continued)

14. Information related to deferred tax assets

	Current Period	Prior Period
Deferred tax provision for transferred financial loss ^(*)	29.521	90.221
Prepaid wages and commissions and unearned income	28.709	7.866
Expected credit loss	8.953	4.804
Securities valuation differences	4.056	-
Provisions for retirement premium and vacation pay liabilities	2.476	1.612
Derivative transactions	8.649	1.294
IFRS 16 allowance	920	112
Other provisions for devt and expenses	5.180	696
Deferred tax asset	88.464	106.605
Valuation differences on marketable securities	7.786	-
Difference between carrying value and tax base of fixed assets	4.938	3.872
Derivative financial instruments	1.398	89
Other	489	230
Deferred tax liability	14.611	4.191
Deferred tax asset (Net)	73.853	102.414

^(*) All of the deferred tax assets calculated from movable losses are calculated from 2018 financial losses. Since the Parent Bank plans to obtain sufficient taxable income to offset these amounts in the future, it reflected TL 29.521 of deferred tax assets in its records.

The time limits for deferred tax losses are as follows:

	Current period	Prior period
2023	147.606	455.263
Losses brought forward	147.606	455.263

15. Breakdown of items in other assets except commitments presented in off-balance sheet, which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total

	Current period	Prior period
Receivables from Public Institutions and Cooperations ⁽¹⁾	52.549	175.700
Clearing Account	34.708	4.453
Other ⁽²⁾	55.253	44.605
Total	142.510	224.758

⁽¹⁾ It includes receivables from General Directorate of Highways and Mass Housing Administration.

⁽²⁾ Includes receivables and temporary accounts from various institutions other than public institutions and organizations.

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AS OF DECEMBER 31, 2020**

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

II. Explanations and notes related to consolidated liabilities**1. Information on funds collected****a. Information on maturity structure of funds collected**

Current Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts									
Non-Trade TL	59.133	-	-	-	-	-	-	-	59.133
II. Real Persons Participation									
Accounts Non-Trade TL	-	268.498	164.897	10.172	361	33.666	62	-	477.656
III. Current Account other-TL	430.153	-	-	-	-	-	-	-	430.153
Public Sector	19.783	-	-	-	-	-	-	-	19.783
Commercial Institutions	407.457	-	-	-	-	-	-	-	407.457
Other Institutions	-	-	-	-	-	-	-	-	-
Commercial and Other Institutions	2.913	-	-	-	-	-	-	-	2.913
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	3.788.582	573.049	2.164	1.310	594	-	-	4.365.699
Public Sector	-	1.137.437	224.999	-	-	-	-	-	1.362.436
Commercial Institutions	-	2.464.499	218.831	2.164	1.310	594	-	-	2.687.398
Other Institutions	-	186.646	129.219	-	-	-	-	-	315.865
Commercial and Other Institutions	-	-	-	-	-	-	-	-	-
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
V. Real Persons Current Accounts									
Non- Trade FC	204.192	-	-	-	-	-	-	-	204.192
VI. Real Persons Participation									
Accounts Non-Trade FC	-	463.136	92.005	2.025	4.046	5.928	-	-	567.140
VII. Other Current Accounts FC	1.632.745	-	-	-	-	-	-	-	1.632.745
Residents in Turkey-Corporate	1.580.076	-	-	-	-	-	-	-	1.580.076
Residents Abroad-Corporate	52.669	-	-	-	-	-	-	-	52.669
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other-FC	-	2.725.426	699.720	-	-	1.016	-	-	3.426.162
Public sector	-	37	200	-	-	-	-	-	237
Commercial institutions	-	2.698.247	691.232	-	-	1.016	-	-	3.390.495
Other institutions	-	4.854	3.729	-	-	-	-	-	8.583
Commercial and Other Institutions	-	22.288	4.559	-	-	-	-	-	26.847
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
IX. Precious Metals Deposits	222.128	118.261	151.151	19.513	501	2.869	-	-	514.423
X. Participation Accounts Special									
Fund Pools TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation Accounts Special									
Fund Pools – FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	2.548.351	7.363.903	1.680.822	33.874	6.218	44.073	62	-	11.677.303

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II. Explanations and notes related to consolidated liabilities (continued)

1. Information on funds collected (continued)

a. Information on maturity structure of funds collected (continued)

Prior Period	Demand	Up to 1 months	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
I. Real Persons Current Accounts Non-Trade TL	5.216	-	-	-	-	-	-	-	5.216
II. Real Persons Participation Accounts Non-Trade TL	-	5.258	121.181	75.039	-	10.157	1.228	-	212.863
III. Current Account other-TL	100.070	-	-	-	-	-	-	-	100.070
Public Sector	1	-	-	-	-	-	-	-	1
Commercial Institutions	99944	-	-	-	-	-	-	-	99944
Other Institutions	-	-	-	-	-	-	-	-	-
Commercial and Other Institutions	125	-	-	-	-	-	-	-	125
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
IV. Participation Accounts-TL	-	125.909	2.192.791	84.935	-	24.423	555	-	2.428.613
Public Sector	-	52.859	12.584	15.655	-	5.007	-	-	86.105
Commercial Institutions	-	73.050	2.166.409	8.223	-	19.416	555	-	2.267.653
Other Institutions	-	-	13.798	61.057	-	-	-	-	74.855
Commercial and Other Institutions	-	-	-	-	-	-	-	-	-
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
V. Real Persons Current Accounts Non- Trade FC	13.493	-	-	-	-	-	-	-	13.493
VI. Real Persons Participation Accounts Non-Trade FC	-	484	59.221	1	-	-	-	-	59.706
VII. Other Current Accounts FC	382.071	-	-	-	-	-	-	-	382.071
Residents in Turkey-Corporate	378.668	-	-	-	-	-	-	-	378.668
Residents Abroad-Corporate	3403	-	-	-	-	-	-	-	3403
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
VIII. Participation Accounts other-FC	-	333	2.556.945	35.694	-	82.013	31.150	-	2.706.135
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	333	1998.726	35.694	-	68.645	31.150	-	2.134.548
Other institutions	-	-	271.140	-	-	-	-	-	271.140
Commercial and Other Institutions	-	-	-	-	-	13.368	-	-	13.368
Banks and Participation Banks	-	-	287.079	-	-	-	-	-	287.079
IX. Precious Metals Deposits	487	118	9.166	34.691	-	-	-	-	44.462
X. Participation Accounts Special Fund Pools TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation Accounts Special Fund Pools – FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	501.337	132.102	4.939.304	230.360	-	116.593	32.933	-	5.952.629

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II. Explanations and notes related to consolidated liabilities (continued)

1. Information on funds collected

b. Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund

b.1 Exceeding the limit of Insurance Fund

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarantee of Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions	301.009	35.298	1.325.300	261.987
Turkish Lira accounts	119.247	28.417	417.542	189.662
Foreign currency accounts	181.762	6.881	907.758	72.325
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 150 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

b.2 Funds collected which are not under the guarantee of insurance fund

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current Period	Prior Period
Foreign Branches' Profit Sharing Accounts and Other Accounts	-	-
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	-	-
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	2.616	1.426
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Off-Shore Banking Activities	-	-

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II. Explanations and notes related to consolidated liabilities (continued)

2. Information on borrowings

a.1 Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	21.889	735.582	-	864.292
Loans from foreign banks, institutions and funds	-	191.286	-	-
Total	21.889	926.868	-	864.292

a.2 Maturity analysis of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	21.889	926.868	-	864.292
Medium and Long-Term	-	-	-	-
Total	21.889	926.868	-	864.292

b. Additional disclosures on concentration areas of Parent Bank's liabilities

The Parent Bank does not have concentration on customer or sector group providing funds (December 31, 2019: None).

3. Information on securities issues

Emlak Katılım Varlık Kiralama A.Ş., the subsidiary of the Group to raise funds from various investors. The Lease Certificate issuance transactions carried out through the company are as follows:

Date of issues	Amount of issues	Sort of money	Maturity	Share of Profit Rate % ^(*)
August 7, 2020 Friday	100.500	TL	February 3, 2021 Wednesday	Stable
August 19, 2020 Wednesday	200.000	TL	February 16, 2021 Tuesday	Stable
September 8, 2020 Tuesday	80.000	TL	March 5, 2021 Friday	Stable
September 23, 2020 Wednesday	200.040	TL	January 5, 2021 Tuesday	12
September 28, 2020 Monday	62.910	TL	January 5, 2021 Tuesday	12,25
October 6, 2020 Tuesday	200.000	TL	January 12, 2021 Tuesday	12,5
October 14, 2020 Wednesday	145.000	TL	January 29, 2021 Friday	12,5
October 30, 2020 Friday	200.000	TL	February 2, 2021 Tuesday	13
November 3, 2020 Tuesday	250.000	TL	February 2, 2021 Tuesday	14,25
November 11, 2020 Wednesday	80.000	TL	May 2021 20, Thursday	Stable
November 18, 2020 Wednesday	181.976	TL	February 23, 2021 Tuesday	14,5
November 24, 2020 Tuesday	320.000	TL	February 26, 2021 Friday	15,25
November 27, 2020 Friday	75.514	TL	January 29, 2021 Friday	Stable
November 30, 2020 Monday	105.083	TL	January 14, 2021 Thursday	Stable
December 4, 2020 Friday	51.000	TL	February 2, 2021 Tuesday	Stable
December 16, 2020 Wednesday	153.343	TL	January 18, 2021 Monday	Stable
December 31, 2020 Thursday	215.000	TL	February 2, 2021 Tuesday	Stable
December 31, 2020 Thursday	98.532	TL	March 31, 2021 Wednesday	Stable

^(*) The dividend rates of short-term lease certificates with fixed dividends are in the range of 8% - 17.50%.

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II. Explanations and notes related to consolidated liabilities (continued)

3. Information on securities issues (continued)

3.a. Spreadsheet on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Lease Certificate	3.028.652	-	-	-
Total	3.028.652	-	-	-

4. Information on derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	1.710	7	34	-
Swap Transactions	41.569	-	-	5.857
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	43.279	7	34	5.857

4. Lease payables

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than 1 year	17.179	-	4.171	-
Between 1-5 years	67.791	-	17.812	-
Over 5 years	34.368	-	8.584	-
Total	119.338	-	30.567	-

5. Information on hedging derivative financial liabilities

None (December 31, 2019: None).

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II. Explanations and notes related to consolidated liabilities (continued)

6. Information on provisions

a. Information on provisions for employee rights

Provisions for Group's employee benefits consist of reserve for employee termination benefits amounting to TL 4.265 (December 31, 2019: TL 2.282), vacation pay liability amounting to TL 2.400 (December 31, 2019: TL 1.043), 7817 TL (December 31, 2019: 4.000 TL) performance premium provision, The Group's total amount of provisions for employee rights is TL 14.482 (December 31, 2019: TL 7.325).

The Group has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	2,10	3,60
Estimated increase rate of salary ceiling (%)	9,50	9,20

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	2.282	1.284
Change in the period	1.217	998
Actuarial (income)/loss	766	-
Balance at the end of the period	4.265	2.282

b. Other Provisions:

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing accounts	50.792	-
Provisions for cases on trial	5.331	2.334
Impairment provision	236	-
Expected expected credit loss for Stage 1 and Stage 2 for non-cash loans	23.382	-
Total	79.741	2.334

c. Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables

None (December 31, 2019: None).

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II. Explanations and notes related to consolidated liabilities (continued)

6. Information on provisions (continued)

d. Information on general provisions

	Prior period
General provisions	
I. Group Loans and receivables (Total)	85.763
Participation accounts' share	63.928
Bank's share	21.835
Other	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group I	-
Participation accounts' share	-
Bank's share	-
Other	-
II. Group loans and receivables (Total)	-
Participation accounts' share	-
Bank's share	-
Other	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group II	-
Participation accounts' share	-
Bank's share	-
Other	-
Non-cash loans	3.155
Other	-

7. Information on taxes payable

a.1. Explanations on current tax liability

As of December 31, 2020, the Group does not have any tax debt remaining after deducting the corporate taxes paid (December 31, 2019: None).

a.2. Information on taxes payable

	Current Period	Prior Period
Taxation on securities income	4.420	2.856
Banking insurance transaction tax	5.134	2.540
Income tax deducted from wages	4.443	2.306
Value added tax payable	1.173	741
Taxation on real estate income	129	88
Foreign exchange transaction tax	425	8
Other	345	137
Total	16.069	8.676

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II. Explanations and notes related to consolidated liabilities (continued)

7. Information on taxes payable (continued)

a.3. Information on premiums

	Current Period	Prior Period
Social security premiums-employee	1.762	1.026
Social security premiums-employer	2.580	700
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Bank pension fund premium- employees	-	-
Bank pension fund premium- employer	-	-
Pension fund membership fees and provisions-employees	258	100
Pension fund membership fees and provisions- employer	129	50
Other	102	146
Total	4.831	2.022

8. Liabilities for assets held for sale and discontinued operations

None (December 31, 2019: None).

9. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowing Instruments to be Included in Additional				
Capital Calculation	-	1.545.981	-	1.076.666
Subordinated Loans	-	1.545.981	-	1.076.666
Subordinated Debt Instruments	-	-	-	-
Debt Instruments to be Included in the Contribution				
Capital Calculation	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
Total	-	1.545.981	-	1.076.666

As of December 31, 2020 the Group has an subordinated debt that the creditor is Türkiye Varlık Fonu Yönetimi A.Ş., with TRT240424F22 ISIN code, with initial date April 24, 2019, with at least five-year repayment option and with no fixed term, amounting to EUR 200.000.000 The related borrowing instrument has no option to pay dividends and convert to share certificates.

10. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total

None (December 31, 2019: None).

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II. Explanations and notes related to consolidated liabilities (continued)

11. Information on shareholders' equity

a. Presentation of paid-in capital

	Current Period	Prior Period
Common stock	1.026.915	750.000
Preferred stock	-	-

b. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Group and if so, amount of the registered share capital ceiling

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	1.026.915	1.026.915

c. Information on the share capital increases during the period and their sources; other information on increased capital in the current period

In the current period, at the Extraordinary General Assembly held on December 7, 2020, the Group's capital was increased from TL 750.000 to TL 1.026.915 with the proposal of the Board of Directors. The capital increase was realized in cash

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

There is no share capital increase from capital reserves during the current period.

e. Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments

There are no capital commitments (December, 31 2019: None).

f. Estimated effects on the shareholders equity of the Group, of predictions to be made by taking into account previous period indicators regarding the Group's income, profitability and liquidity, and uncertainties regarding such indicators

The Group continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Group's shareholders' equity is invested in liquid and earning assets

g. Information on privileges given to stocks representing the capital

There is no privilege given to stocks representing the capital.

h. Information on marketable securities valuation reserve

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference ^(*)	(3408)	1.109	-	-
Foreign exchange difference	-	-	-	-
Total	(3408)	1.109	-	-

^(*) The amount represents the net balance after deferred tax liability.

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II. Explanations and notes related to consolidated liabilities (continued)

11. Information on shareholders' equity (continued)

i. Information on other capital reserves

The Group has an subordinated debt that the creditor is Türkiye Varlık Fonu Yönetimi A.Ş., with TRT240424F22 ISIN code, with initial date April 24, 2019, with at least five-year repayment option and with no fixed term, amounting to EUR 200.000.000, the financial liability is recorded at fair value and the difference between cost value and fair value is accounted under "Other Capital Reserves" in shareholders' equity at the date of initial acquisition. In addition, government securities with no fixed term and with 0% return are classified as 'financial assets carried at amortized cost' and recorded to the balance sheet with the reduced amount of government securities' rate of return, in accordance with the decision taken by the Parent Bank's Management. The difference between the initial acquisition date cost value and the reduced amount is recorded under 'Other Capital Reserves' account in shareholders' equity.

III. Explanations and notes on the consolidated related to off-balance sheet

1. Explanations on off balance sheet

a. Type and amount of irrevocable loan commitments

	Current Period	Prior Period
Forward Asset Purchase Commitments	323.542	3970
Forward Asset Sale Commitments	175.454	42.272
Payment Commitments for Cheques	31.642	1.230
Tax and Fund Liabilities Arising from Export Commitments	-	-
Credit Cards Limit Commitments	-	-
Other Irrevocable Commitments	131.859	-
Total	662.497	47.472

b. Type and amount of possible losses and commitments arising from off-balance sheet items

b.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:

	Current Period	Prior Period
Letters of Guarantees	2.187.919	396.587
Bank Loans	850.386	-
Letters of Credit	123.057	30.136
Other Guarantees and Sureties	-	-
Total	3.161.362	426.723

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III. Explanations and notes related to consolidated off-balance sheet (continued)

1. Explanations on off balance sheet (continued)

b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies

	Current Period	Prior Period
Temporary letters of guarantees	152.583	2.997
Advance letters of guarantees	93.831	83.945
Letters of guarantees given to customs	18.563	5.735
Long standing letters of guarantees	1.922.942	303.910
Total	2.187.919	396.587

c. Within the Non-cash Loans

c.1. Total amount of non-cash loans

	Current Period	Prior Period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	662.497	474.72
Total	662.497	474.72

c.2. Sectoral risk concentration of non-cash loans

	Current Period			
	TL	(%)	FC	(%)
Agricultural	40.415	2,88	10.822	0,62
Farming and stockbreeding	3.863	0,28	-	-
Forestry	36.552	2,61	10.822	0,62
Fishery	-	-	-	-
Manufacturing	183.692	13,10	727.493	41,36
Mining	300	0,02	-	-
Production	117.125	8,35	727.493	41,36
Electricity, gas and water	66.267	4,73	-	-
Construction	790.882	56,40	39.945	2,26
Services	363.209	25,90	788.415	44,82
Wholesale and retail trade	270.513	19,29	682.734	38,81
Hotel, food and beverage services	26.461	1,89	89.858	5,11
Transportation and telecommunication	30.237	2,16	6.991	0,40
Financial Institutions	-	-	-	-
Real estate and renting services	11.414	0,81	-	-
Self-employment services	-	-	-	-
Education services	22.862	1,63	5.079	0,29
Health and social services	1.722	0,12	3.753	0,21
Other	24.083	1,72	192.406	10,94
Total	1.402.281	100,00	1.759.081	100,00

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III. Explanations and notes related to consolidated off-balance sheet (continued)

1. Explanations on off balance sheet (continued)

c. Within the Non-cash Loans (continued)

c.2. Sectoral risk concentration of non-cash loans (continued)

	Prior Period			
	TL	(%)	FC	(%)
Agricultural	2.319	0,72	-	-
Farming and stockbreeding	2.319	0,72	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	25.721	8,01	5.598	5,30
Mining	-	-	-	-
Production	25.721	8,01	5.598	5,30
Electricity, gas and water	-	-	-	-
Construction	-	-	6.613	6,26
Services	292.285	91,04	93.460	88,44
Wholesale and retail trade	-	-	14.400	13,62
Hotel, food and beverage services	-	-	-	-
Transportation and telecommunication	-	-	-	-
Financial Institutions	272.680	84,93	19.861	18,80
Real estate and renting services	19.605	6,11	59.199	56,02
Self-employment services	-	-	-	-
Education services	-	-	-	-
Health and social services	-	-	-	-
Other	727	0,23	-	-
Total	321.052	100,00	105.671	100,00

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III. Explanations and notes related to consolidated off-balance sheet (continued)

1. Explanations on off balance sheet (continued)

c. Within the Non-cash Loans (continued)

c.3. Information on the non-cash loans classified in Group I and Group II

Current Period	I st Group		II nd Group	
	TL	FC	TL	FC
Non-cash loans	1.402.281	1.759.081	-	-
Letters of guarantee	1.298.020	889.899	-	-
Bank loans	-	-	-	-
Letters of credit	73.261	49.796	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	31.000	819.386	-	-
<hr/>				
Prior Period	I st Group		II nd Group	
	TL	FC	TL	FC
Non-cash loans	321.052	105.671	-	-
Letters of guarantee	299.305	97.282	-	-
Bank loans	-	-	-	-
Letters of credit	21.747	8.389	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	-	-	-	-

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III. Explanations and notes related to consolidated off-balance sheet (continued)

2. Explanations on derivative transactions

	Derivative transactions according to purpose 31 December 2020	Derivative transactions according to purpose 31 December 2019
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	1,474,288	803,102
Currency Forwards-Purchases, sales	214,345	15,622
Currency Swaps-Purchases, sales	1,259,943	787,480
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
Profit share Rate Related Derivative Transactions (II)	-	-
Profit share rates forwards-Purchase, sales	-	-
Profit share rates swaps-Purchases, sales	-	-
Profit share rates options-Purchases, sales	-	-
Profit share rates futures-Purchases, sales	-	-
Other Trading Derivatives (III)	-	-
A. Total Trading Derivatives (I + II + III)	1,474,288	803,102
Hedging Derivatives	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
B. Total Hedging Derivatives	-	-
Total Derivatives Transactions (A+B)	1,474,288	803,102

3. Explanations on credit derivatives and risk beared due to these

4. Explanations on contingent assets and liabilities

The Group has made a provision amounting to TL 5.331 (December 31, 2019: TL 2.334), as presented under "Other Provisions" note in Section Five Note II.6.b, for the lawsuits opened by various real persons and legal entities against the Group with high probability of realization and cash outflows.

5. Explanations on services rendered on behalf of third parties

The Group has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

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IV. Explanations and notes related to the consolidated statement of income or loss

1. Information on profit share income

a. Information on profit share income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share received from loans				
Short Term Loans	279.772	5.673	250.918	1.129
Medium and Long Term Loans	384.051	122.417	52.039	22.408
Profit Share on Non-Performing Loans	-	-	-	-
Total	663.823	128.090	302.957	23.537

b. Information on profit share income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	10.681	-	2.847	-
Domestic Banks	535	-	34.222	-
Foreign Banks	-	-	-	-
Head Offices and Branches Abroad	-	-	-	-
Total	11.216	-	37.069	-

c. Information on profit share income received from marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	35.764	19.033	15.266	17.340
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	70.549	5.444	-	-
Financial Assets Measured at Amortized Cost	-	62.122	-	32.206
Total	106.313	86.599	15.266	49.546

d. Information on profit share income received from associates and subsidiaries

	Current Period		Prior Period	
	TL	FC	TL	FC
Income received from associates and subsidiaries	1.241	-	-	-
Total	1.241	-	-	-

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IV. Explanations and notes related to the consolidated statement of income or loss (continued)

2. Explanations on profit share expenses

a. Distribution of profit share expense on funds collected based on maturity of funds collected

Current Period	Profit Sharing Accounts						Accumulated participation accounts	Total
Account Name	Up to 1 months	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 years		
TL								
Funds collected from banks through current and profit sharing accounts	-	-	-	-	-	-	-	-
Real persons' non-trading profit sharing accounts	2.166	25.195	2.530	-	438	1466	-	31.795
Public sector profit sharing accounts	23.242	32.758	10.766	-	404	-	-	67.170
Commercial sector profit sharing accounts	17.023	196.581	7407	-	1.198	104	-	222.313
Other institutions profit sharing accounts	928	15.020	5.979	-	-	-	-	21.927
Total	43.359	269.554	26.682	-	2.040	1.570	-	343.205
FC								
Banks	-	3.773	-	-	-	-	-	3.773
Real persons' non-trading profit sharing accounts	362	2.849	96	-	54	6	-	3.367
Public sector profit sharing accounts	-	311	-	-	-	-	-	311
Public sector profit sharing accounts	1.094	43.893	1.510	-	705	417	-	47.619
Other institutions profit sharing accounts	17	3.008	-	-	-	-	-	3.025
Precious metals deposits	927	-	-	-	-	-	-	927
Total	2.400	53.834	1.606	-	759	423	-	59.022
Grand Total	45.759	323.388	28.288	-	2.799	1.993	-	402.227

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IV. Explanations and notes related to the consolidated statement of income or loss (continued)

2. Explanations on profit share expenses (continued)

a. Distribution of profit share expense on funds collected based on maturity of funds collected (continued)

Prior Period	Profit Sharing Accounts						Accumulated participation accounts	Total
Account Name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 years		
TL								
Funds collected from banks through current and profit sharing accounts	-	743	-	-	-	-	-	743
Real persons' non-trading profit sharing accounts	217	3.731	1.307	-	236	25	-	5.516
Public sector profit sharing accounts	4.355	2.730	7	-	7	-	-	7.099
Commercial sector profit sharing accounts	3.730	117.593	2.847	68	907	21	-	125.166
Other institutions profit sharing accounts	494	18.735	497	-	-	-	-	19.726
Total	8.796	143.532	4.658	68	1.150	46	-	158.250
FC								
Banks	-	2.137	-	-	-	-	-	2.137
Real persons' non-trading profit sharing accounts	2	190	-	-	-	-	-	192
Public sector profit sharing accounts	-	460	-	-	-	-	-	460
Public sector profit sharing accounts	644	8.576	390	-	345	151	-	10.106
Other institutions profit sharing accounts	36	2.433	-	-	-	-	-	2.469
Precious metals deposits	16	94	73	-	-	-	-	183
Total	698	13.890	463	-	345	151	-	15.547
Grand Total	9494	157422	5.121	68	1.495	197	-	173.797

b. Information on profit share expense paid to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	3.151	5.178	-	1.590
CBRT	-	-	-	-
Domestic banks	3.151	3.506	-	1.120
Foreign banks	-	1.672	-	470
Head offices and branches abroad	-	-	-	-
Other institutions	-	67.112	-	34.657
Total	3.151	72.290	-	36.247

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IV. Explanations and notes related to the consolidated statement of income or loss (continued)

2. Explanations on profit share expenses (continued)

c. Profit share expense paid to associates and subsidiaries

None (December 31, 2019 :None).

d. Profit share expenses paid to marketable securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share expenses given to marketable securities issued	26.374	-	-	-
Total	26.374	-	-	-

3. The Other Items in Net Fees and Commission Income/Expenses, which constitute at least 20% of the total of other items, if the total of other items in income statement exceed 10% of the total of income statement

As of December 31, 2020, other fees and commissions taken are amounting to TL 25.053 (January 1 - December 31, 2019: TL 868). These commissions are consists of in importation commissions amounting to TL 7.649 (January 1 - December 31, 2019: 333), from import commissions to TL 5.819 (January 1 - December 31, 2019: 92), from remittance commissions to TL 2.051 (January 1 - December 31, 2019: 123) from insurance and brokerage commissions TL 9.534 (January 1 - December 31, 2019: TL 320) consists of other commissions.

As of December 31, 2020, other fees and commissions given are amounting to TL 12.492 (January 1 - December 31, 2019: TL 2.620). These commissions are consists of the required reserves paid to the CBRT amounting to TL 6.557 (January 1 - December 31, 2019: None), from interbank card center commissions amounting to TL 2.504 (January 1 - December 31, 2019: TL 99) and other commissions for given amounting to TL 3.411 (January 1 - December 31, 2019: TL 2.521).

4. Information on dividend income

None (December 31, 2019: None).

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IV. Explanations and notes related to the consolidated statement of income or loss (continued)

5. Explanations on trading income/loss (net)

	Current Period	Prior Period
Income	1.151.063	253.103
Income from capital market transactions	7.117	27.276
Income from derivative financial instruments	128.284	29.988
Foreign exchange income	1.015.662	195.839
Loss (-)	1.128.802	220.589
Loss on capital market transactions	112	261
Loss on derivative financial instruments	319.573	30.047
Foreign exchange losses	809.117	190.281
Trading income/loss (net)	22.261	32.514

6. Explanations related to other operating income

	Current Period	Prior Period
Income from provisions made in previous years ^(*)	31.868	-
Income from sales of assets ^(**)	42.499	2.693
Revenues from provisions allocated in previous years	124	18.670
Cancellation of communication expenses provision	-	23
Lease income	8	-
Other income	10.891	2.729
Total	85.390	24.115

^(*) 16,615 TL refers to the amount of the collections of 2020, which were previously deleted from the assets and provided by the Asset Management Company, as per the agreement, the Group's share.

^(**) 42,499 TL consists of the revenues obtained by the Parent Bank from the sale of movable and real estate.

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IV. Explanations and notes related to the consolidated statement of income or loss (continued)

7. Expected loss provision expenses and other provision expenses

	Current Period
Expected Credit Loss	87.148
12-month expected credit loss (stage 1)	86.858
Significant increase in credit risk (stage 2)	191
Non-performing loans (stage 3)	99
Marketable Securities Impairment Expense	25.503
Financial Assets at Fair Value through Profit or Loss	25.503
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	-
Investments Held to Maturity	-
Other^(*)	14.188
Total	126.839

(*) Consist of provisions allocated from profit shares to be distributed to profit sharing accounts amounting to TL 10.419 and TL 3.740 litigation provision expenses.

	Prior Period
Expected Credit Loss	111
12-month expected credit loss (stage 1)	-
Significant increase in credit risk (stage 2)	-
Non-performing loans (stage 3)	111
General Provisions	79.141
Marketable Securities Impairment Expense	-
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	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
Total	79.252

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IV. Explanations and notes related to the consolidated statement of income or loss (continued)

8. Information on other operating expenses

	Current Period	Prior Period
Provision for retirement pay liability	414	847
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	30.916	8.061
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	15.844	9.245
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	-	-
Impairment expenses of assets held for sale and assets of discontinued operations	-	-
Other operating expenses	49.592	35.484
Lease expenses related to TFRS 16 exemptions	14	16
Operating Maintenance expenses	4.521	1.598
Advertisement expenses	13.122	7.166
Other expenses ⁽¹⁾	31.935	26.704
Loss on sale of assets	-	-
Other ⁽²⁾	22.412	17.869
Total	119.178	71.506

⁽¹⁾ Details of "Other Expenses" balance under Other Operating Expenses are as follows:

	Current Period	Prior Period
Communication Expenses	9.264	2.596
Cleaning Expenses	5.000	1.516
Heating, Lighting and Water Expenses	3.372	1.591
Insurance Expenses	1.592	576
Vehicle Expenses	1.319	967
Litigation and court expenses	1.405	14.899
Stationery expenses	1.012	622
Representation and Hospitality expenses	1.307	205
Donations and grants	1.018	77
Participation on common expenses	397	1.853
Other Expenses	6.249	1.802
Total	31.935	26.704

⁽²⁾ Other balance details are as below table:

	Current Period	Prior Period
Taxes, Duties, Charges and Funds	13.750	12.496
Audit and Consultancy Fees	3.563	2.489
Participation Share Expenses	2.649	1.402
Saving Deposit Insurance Fund	1.118	90
Other	1.332	1.392
Total	22.412	17.869

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NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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

IV. Explanations and notes related to the consolidated statement of income or loss (continued)

9. Explanations on income/loss from continued operations before taxes

The portion of the Group's profit before tax amounting to TL 371.613 (December 31, 2019: TL 217.652) consists of net profit share income and TL 21.113 (December 31, 2019: TL 1.365) consists of net fee and commission expenses, and the total of other operating expenses is 119.177 TL (December 31, 2019: TL 71.506).

10. Explanations on tax provision for continued and discontinued operations

As of December 31, 2020, the Group has deferred tax income amounting to TL 94.719 (December 31, 2020: TL 16.921), deferred tax expense amounting to TL 70.865 (December 31, 2019: TL 15.797). As of December 31, 2020, the Group has no current tax provision.

Since the Group does not have any discontinued operations, there is no tax provision for discontinued operations (December 31, 2019: None).

11. Explanations on net income/loss from continued and discontinued operations

The Group has no discontinued operations. The net profit for the period has been recorded as TL 104.480 (December 31, 2019: TL 46.103) as a result of deducting the period tax provision expense from TL 23.854 (December 31, 2019: TL 1.124) to TL 80.626 (December 31, 2019: TL 44.979).

12. Explanations on net income/loss

a. The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period

None.

b. The effect of the change in accounting estimates to the net income/loss; including the effects on the future period

None.

c. Profit/loss attributable to minority shares

None.

V. Explanations and notes related to the consolidated statement of changes in shareholders' equity

The Group has not notified amount of profit shares notified after the balance sheet date but before the announcement of the financial statements.

The dividend distribution will be decided at the General Assembly meeting and the General Assembly has not been held as of the date of the attached financial statements. In the current period, the Group has compensated TL 750.000 of the previous year's loss of TL 1.026.915 from other profit reserves with the decision of the General Assembly dated December 7, 2020.

1. Due to the application of the accounting for financial instruments in the current period information on increases that have occurred

a. Information on the increases that occurred after the revaluation of financial assets at fair value difference is reflected in other comprehensive income

None (December 31, 2019: None).

b. Information on increases in cash flow hedging items

None (December 31, 2019: None).

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V. Explanations and notes related to the consolidated statement of changes in shareholders' equity (continued)

1. Due to the application of the accounting for financial instruments in the current period information on increases that have occurred (continued)

c. Increase after revaluation of tangible assets

None (December 31, 2019: None).

2. Due to the application of the accounting for financial instruments in the current period information about the decreases occurring

a. Information on the decreases occurring after the revaluation of financial assets at fair value difference is reflected in other comprehensive income

In the current period, increase occurring after the revaluation of financial assets at fair value difference in other comprehensive income is TL 10.581 (December 31, 2019: None).

b. Information on decreases in cash flow hedging items

None (December 31, 2019: None).

3. Information about dividends

a. Notified profit shares after the balance sheet date but before the announcement of the financial statements

As of the date of this report, the Parent Bank has not made any dividend notification.

b. Period net profit shares per share proposed to be distributed to shareholders after the balance sheet date

None.

V. Explanations and notes related to the consolidated statement of changes in shareholders' equity (continued)

4. Information on share issuance

a. For all capital share classes of the Parent Bank; Rights, priorities and constraints related to this item, including restrictions on dividend distribution and reimbursement of capital

None (December 31, 2019: None).

b) Explanations on other capital increase items in the statement of changes in equity

None.

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VI. Explanations and notes related to the consolidated statement of cash flows

1. Components of cash and cash equivalents and accounting policy applied in their determination

"Cash" is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. "Cash equivalents" is defined as money market placements and time deposits at banks with original maturities less than three months.

Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
Cash	89.551	6
Cash in TL/foreign currency	17.505	6
Cash in transit	-	-
CBRT	72.046	-
Cash equivalents	162.057	654.081
Domestic banks	152.078	654.081
Foreign banks	9.979	-
Total cash and cash equivalents	251.608	654.087

Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
Cash	812.166	89.551
Cash in TL/foreign currency	585.172	17.505
Cash in transit	-	-
CBRT	226.994	72.046
Cash equivalents	910.842	162.057
Domestic banks	730.588	152.078
Foreign banks	180.254	9.979
Total cash and cash equivalents	1.723.008	251.608

2. Cash and cash equivalent items which are restricted for the usage of the Group by legal or other limitations

Restricted time deposits held at the Central Bank of Turkey and blockaged amount arising from POS are not considered as cash and cash equivalent items.

3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents

Included in "Banking activity subject to assets and liabilities prior to change in operating profit" Other item amounting to TL 12.926 (December 31, 2019: TL 31.845) mainly consists of general provisions expense and other operating expenses.

The "net increase/decrease in other liabilities" item in the "change in assets and liabilities subject to banking activities" amounting to TL 1.338.692 (December 31, 2019: TL 104.658) consists of changes in lease payables, other foreign resources and taxes, duties, fees and premiums.

The effect of the change in foreign exchange rate on cash and cash equivalents was determined to be approximately TL 375.282 (December 31 2019: TL 7.869) in the accounting period ended on December 31, 2019.

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VII. Explanations related to the risk group of the Parent Bank

1. The volume of transactions related to the risk group that the Parent Bank belongs to, credit and fund transactions collected at the end of the period, income and expenses for the period

a. Current Period

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivable						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
Profit Share and Commission Income	-	-	-	-	-	-

b. Prior Period

None.

c.1. Information on current and profit sharing accounts of the Parent Bank's risk group

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
Profit share expense	-	-	-	-	-	-

c.2. Information on forward and option agreements and other similar agreements with related parties

The Parent Bank does not have any forward foreign exchange purchase/sales contracts with the risk group it is included.

d. Information on benefits provided to top management of the Parent Bank

The total amount of wages and benefits provided to the top management of the Parent Bank for the period ended December 31, 2020 is TL 5.442 (December 31, 2019: TL 6.731).

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VIII. Explanations related to domestic, foreign and offshore branches or investments and foreign representative offices

1. Information on the domestic and foreign branches and representative offices of the Parent Bank

	Number	Number of personnel			
Domestic Branches	50	814			
			Country		
Foreign Representation Office	-	-	-		
				Total Assets (Thousand TL)	Statutory Share Capital
Foreign Branches	-	-	-	-	-
Off-Shore Branches	-	-	-	-	-

2. Information on the Parent Bank's branch or representative office openings, closings, significant changes in the organizational structure

The Parent Bank has not open branches abroad in 2020. The Parent Bank has opened 50 branches in different regions in the country.

IX. Explanations related to subsequent events

The Parent Bank will be a resource institution/fund user, and by Emlak Katılım Varlık Kiralama A.Ş., domestically, limited to TL 5.000.000, orderly, in Turkish Lira, Based on the lease certificate structure based on the Management Contract foreseen in the terms of 1-60 months and the Communiqué on Lease Certificates (III-61.1), the application to the Capital Markets Board (CMB) regarding the issuance of lease certificates to be sold to the allocated and/or qualified investor was approved by the CMB's decision dated September 17, 2020 and numbered 59/1169. Within the scope of the relevant lease certificate issue ceiling, by Emlak Katılım Varlık Kiralama A.Ş., in September 17, 2020, within the scope of the approval of a consistent regular issuance of TL 5.000.000 from the CMB for sale to qualified investors,

- On January 14, 2021, TL 400.000 with 75 days maturity, 18% return rate for domestic qualified investors,
- On January 14, 2021, TL 101.500 with 46 days maturity for domestic qualified investors,
- On January 18, 2021, TL 154.962 with 91 days maturity, fixed income for domestic qualified investors,
- On January 29, 2021, TL 150.000 with 138 days maturity, for domestic qualified investors,
- On February 2, 2021, TL 200.000 with 134 days maturity, for domestic qualified investors,
- On February 2, 2021, TL 300.000 with 136 days maturity, for domestic qualified investors,
- On February 4, 2021, TL 100.000 with 180 days maturity, for domestic qualified investors,
- On February 4, 2021, TL 50.000 with 46 days maturity, for domestic qualified investors,
- On February 12, 2021, TL 80.000 with 46 days maturity, for domestic qualified investors,
- On February 23, 2021, TL 205.826 with 86 days maturity, for domestic qualified investors,
- On February 26, 2021 in domestic market for qualified investors with 104 days maturity TL 310,000 worth of lease certificate were issued.

In the issuance of the lease certificates the Parent Bank was involved as the authorized investment institution.

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NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

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SECTION SIX

Other explanations

I. Other explanations on operations of the Group

None.

SECTION SEVEN

Independent Auditor's Report

I. Explanations on the Independent Auditor's Report

The consolidated financial statements of the Group for the year ended December 31, 2020 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) and Auditors' Report dated February 26, 2021 is presented in the introduction of this report.

II. Explanations on the Independent Auditor's Report

None.

TÜRKİYE EMLAK KATILIM BANKASI

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