

## **Türkiye Emlak Katılım Bankası Anonim Şirketi**

**Publicly announced consolidated financial statements  
and related disclosures at June 30, 2020 together with  
independent auditor's limited review report**

**(Convenience translation of publicly announced consolidated financial  
statements, related disclosures and audit report originally issued in  
Turkish - see section three Note I.a)**

**Convenience translation of the auditor’s report originally issued in Turkish, See Note I of Section three)**

**Review Report on Interim consolidated Financial Information**

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

***Introduction***

We have reviewed the consolidated statement of financial position of Türkiye Emlak Katılım Bankası A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “The Group”) at June 30, 2020 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated of interim financial information in accordance with the “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”) and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by BRSA Legislation; together referred as “BRSA Accounting and Financial Reporting Legislation”. Our responsibility is to express a conclusion on these consolidated interim financial information based on our review.

***Scope of Review***

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

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the consolidated financial position of the Bank and its subsidiaries (“Group”) at June 30, 2020, and the results of its operations and its consolidated cash flows for the six-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

***Report on other regulatory requirements arising from legislation***

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

***Other Matter***

The consolidated financial statements of the Bank and its subsidiaries (“Group”) at December 31, 2019 and June 30, 2019 were audited and reviewed by another audit firm, which expressed an unqualified opinion and unqualified conclusion in their reports on March 11, 2020 and August 7, 2019, respectively.

***Additional paragraph for convenience translation to English***

As explained in detail in Note I.a. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation and the 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  
Associate Partner

August 19, 2020  
Istanbul, Turkey

**CONSOLIDATED FINANCIAL REPORT OF  
TÜRKİYE EMLAK KATILIM BANKASI A.Ş. AS OF JUNE 30, 2020**

Parent Bank's headquarter address : Barbaros Mahallesi, Begonya Sk. No:9A,  
34746 Ataşehir/İstanbul  
Parent Bank's phone number and facsimile : 0 (216) 266 26 26 - 0 (216) 275 25 25  
Parent Bank's website : www.emlakkatilim.com.tr  
Electronic mail contact info : bilgi@emlakbank.com.tr

The interim consolidated report, designed by the Banking Regulation and Supervision Agency in line with the Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE PARENT BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS
- AUDITORS' INTERIM REPORT
- INTERIM ACTIVITY REPORT

Subsidiaries financial statements have been consolidated in this annual consolidated financial report are as follows:

**Subsidiaries**

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

The consolidated financial statements and related disclosures and footnotes for the six month period; presented in **thousands of Turkish Lira** unless otherwise indicated; have been prepared in accordance with the Communiqué on Accounting Applications of Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related appendices and interpretations and in compliance with the records of our Bank, have been independently reviewed and presented as attached.

**Prof. Dr. Mehmet Emin BİRPINAR**

Chairman of the Board of Directors

**Nevzat BAYRAKTAR**

General Manager

**Tuğba GEDİKLİ**

Budget and Financial  
Reporting Director

**Kazim ŞİMŞEK**

Chairman of the Audit  
Committee

**Abdullah Erdem  
CANTİMUR**

Member of the Audit  
Committee

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

Name-Surname / Title : Tuğba GEDİKLİ / Budget and Financial Reporting Director  
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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 JUNE 30, 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 3 June 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 1 September 1946 and after this date the title of the Bank had changed as Türkiye Emlak Kredi Bankası Anonim Ortaklığı. The Bank had merged with Anadolu Bankası A.Ş. and assumed the title of Türkiye Emlak Bankası A.Ş. as of 6 January 1988.

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 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 21 November 2000, and the transition from the public law status to the status of private law has achieved.

According to BRSA's decision dated 6 July 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.

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 7 July 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 14 September 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 27 May 2017.

After the liquidation of the Parent Bank, in the General Assembly held on 3 September 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 10 September 2018.

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

The Parent Bank together with its consolidated ownerships is referred to as the "Group" in the accompanying consolidated financial statements.

The Parent Bank's head office is located in İstanbul and there are 15 branches of the Bank as of 30 June 2020. (31 December 2019: 11). The Parent Bank is operating with 504 staff as of 30 June 2020 (31 December 2019: 381).

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 JUNE 30, 2020**

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

**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 750.000 and 99,99% of the 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 749.999 portion of the capital amounting to TL 750.000 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 Member of the Audit Committee	Master	-
Kazim ŞİMŞEK (*)	Chairman of BOD and Chairman of the Audit Committee	Bachelor	-
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	-

(\*) Kazim ŞİMŞEK took a position as a Member of the Board of Directors of our Bank as of June 26, 2020.

(\*) Mustafa GÜLEN took a position as a Member of the Board of Directors of our Bank as of June 26, 2020.

**IV. Information on the Parent Bank's qualified shareholders**

The Parent Bank's paid in capital amounting to TL 750.000 consists of 75.000.000.000 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	750.000	99,99%	750.000	-
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,

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 JUNE 30, 2020**

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

**V. Summary on the Parent Bank's service activities and field of operations (continued)**

- Within the principles of interest-free banking; to allocate funds to the economy, to use loans in cash and non- Cash in all 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.

**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

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 JUNE 30, 2020**

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

ASSETS	Note (5 - I)	Reviewed		
		Current Period		
		30 June 2020		
		TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>1.111.937</b>	<b>1.705.617</b>	<b>2.817.554</b>
<b>1.1 Cash and cash equivalents</b>		<b>179.294</b>	<b>1.246.414</b>	<b>1.425.708</b>
1.1.1 Cash and Balances with Central Bank	(1)	178.395	1.100.393	1.278.788
1.1.2 Banks	(2)	968	146.492	147.460
1.1.3 Money Market Placements		-	-	-
1.1.4 Expected Loss Provisions (-)		69	471	540
<b>1.2 Financial Assets Measured at Fair Value Through Profit/Loss (FVTPL)</b>	(3)	<b>221.703</b>	<b>243.331</b>	<b>465.034</b>
1.2.1 Government Debt Securities		221.703	243.331	465.034
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		-	-	-
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b>	(4)	<b>710.704</b>	<b>215.872</b>	<b>926.576</b>
1.3.1 Government Debt Securities		703.045	215.872	918.917
1.3.2 Equity Securities		7.659	-	7.659
1.3.3 Other Financial Assets		-	-	-
<b>1.4 Derivative Financial Assets</b>	(5)	<b>236</b>	<b>-</b>	<b>236</b>
1.4.1 Derivative Financial Assets Measured at FVTPL		236	-	236
1.4.2 Derivative Financial Assets Measured at FVOCI		-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>4.815.115</b>	<b>4.765.339</b>	<b>9.580.454</b>
<b>2.1 Loans</b>	(6)	<b>5.021.668</b>	<b>3.503.870</b>	<b>8.525.538</b>
<b>2.2 Lease Receivables</b>	(8)	<b>5.282</b>	<b>239</b>	<b>5.521</b>
<b>2.3 Other Financial Assets Measured at Amortized Cost</b>	(7)	<b>-</b>	<b>1.293.659</b>	<b>1.293.659</b>
2.3.1 Government Debt Securities		-	1.293.659	1.293.659
2.3.2 Other Financial Assets		-	-	-
<b>2.4 Expected Loss Provisions(-)</b>	(6)	<b>211.835</b>	<b>32.429</b>	<b>244.264</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(9)	<b>31.040</b>	<b>-</b>	<b>31.040</b>
3.1 Asset Held for Sale		31.040	-	31.040
3.2 Assets of Discontinued Operations		-	-	-
<b>IV. OWNERSHIP INVESTMENT IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>	(10)	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1 Associates (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
<b>4.2 Subsidiaries (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-
<b>4.3 Joint Ventures (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-
<b>V. TANGIBLE ASSETS (NET)</b>	(11)	<b>133.236</b>	<b>-</b>	<b>133.236</b>
<b>VI. INTANGIBLE ASSETS (NET)</b>	(12)	<b>37.956</b>	<b>-</b>	<b>37.956</b>
6.1 Goodwill		-	-	-
6.2 Other		37.956	-	37.956
<b>VII. INVESTMENT PROPERTY (NET)</b>	(13)	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	(14)	<b>88.281</b>	<b>-</b>	<b>88.281</b>
<b>X. OTHER ASSETS</b>	(15)	<b>236.404</b>	<b>80</b>	<b>236.484</b>
<b>TOTAL ASSETS</b>		<b>6.453.969</b>	<b>6.471.036</b>	<b>12.925.005</b>

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 statement

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
<b>I. FINANCIAL ASSETS (NET)</b>		<b>307.709</b>	<b>1.642.769</b>	<b>1.950.478</b>
<b>1.1 Cash and cash equivalents</b>		<b>75.841</b>	<b>870.291</b>	<b>946.132</b>
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		-	-	-
<b>1.2 Financial Assets Measured at Fair Value Through Profit/Loss (FVTPL)</b>	(3)	<b>223.799</b>	<b>772.478</b>	<b>996.277</b>
1.2.1 Government Debt Securities		223.799	772.478	996.277
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		-	-	-
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b>	(4)	<b>7.659</b>	-	<b>7.659</b>
1.3.1 Government Debt Securities		-	-	-
1.3.2 Equity Securities		7.659	-	7.659
1.3.3 Other Financial Assets		-	-	-
<b>1.4 Derivative Financial Assets</b>	(5)	<b>410</b>	-	<b>410</b>
1.4.1 Derivative Financial Assets Measured at FVTPL		410	-	410
1.4.2 Derivative Financial Assets Measured at FVOCI		-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>3.275.613</b>	<b>3.552.249</b>	<b>6.827.862</b>
<b>2.1 Loans</b>	(6)	<b>3.275.613</b>	<b>2.454.720</b>	<b>5.730.333</b>
<b>2.2 Lease Receivables</b>	(8)	-	-	-
<b>2.3 Other Financial Assets Measured at Amortized Cost</b>	(7)	-	<b>1.097.529</b>	<b>1.097.529</b>
2.3.1 Government Debt Securities		-	1.097.529	1.097.529
2.3.2 Other Financial Assets		-	-	-
<b>2.4 Non-Performing Loans</b>	(6)	<b>188.322</b>	-	<b>188.322</b>
<b>2.5 Specific Provisions (-)</b>	(6)	<b>188.322</b>	-	<b>188.322</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(9)	<b>35.200</b>	-	<b>35.200</b>
3.1 Asset Held for Sale		35.200	-	35.200
3.2 Assets of Discontinued Operations		-	-	-
<b>IV. OWNERSHIP INVESTMENT IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>	(10)	-	-	-
<b>4.1 Associates (Net)</b>		-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-
4.1.2 Unconsolidated associates		-	-	-
<b>4.2 Subsidiaries (Net)</b>		-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-
<b>4.3 Joint Ventures (Net)</b>		-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-
<b>V. TANGIBLE ASSETS (NET)</b>	(11)	<b>101.710</b>	-	<b>101.710</b>
<b>VI. INTANGIBLE ASSETS (NET)</b>	(12)	<b>39.802</b>	-	<b>39.802</b>
6.1 Goodwill		-	-	-
6.2 Other		39.802	-	39.802
<b>VII. INVESTMENT PROPERTY (NET)</b>	(13)	-	-	-
<b>VIII. CURRENT TAX ASSET</b>		-	-	-
<b>IX. DEFERRED TAX ASSETS</b>	(14)	<b>102.414</b>	-	<b>102.414</b>
<b>X. OTHER ASSETS</b>	(15)	<b>224.695</b>	<b>63</b>	<b>224.758</b>
<b>TOTAL ASSETS</b>		<b>4.087.143</b>	<b>5.195.081</b>	<b>9.282.224</b>

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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 JUNE 30, 2020**

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

LIABILITIES	Note (5 - II)	Reviewed		
		Current Period 30 June 2020		
		TL	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	<b>4.308.670</b>	<b>4.338.937</b>	<b>8.647.607</b>
<b>II. FUNDS BORROWED</b>	(2)	<b>54.190</b>	<b>785.818</b>	<b>840.008</b>
<b>III. MONEY MARKET FUNDS</b>		<b>423.162</b>	-	<b>423.162</b>
<b>IV. SECURITIES ISSUED (Net)</b>		<b>303.278</b>	-	<b>303.278</b>
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>		<b>219</b>	<b>1.166</b>	<b>1.385</b>
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(3)	219	1.166	1.385
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5)	-	-	-
<b>VII. LEASE PAYABLES</b>	(4)	<b>52.506</b>	-	<b>52.506</b>
<b>VIII. PROVISIONS</b>	(6)	<b>47.022</b>	<b>38.075</b>	<b>85.097</b>
8.1 General Provisions		-	-	-
8.2 Reserve for Employee Benefits		4.449	-	4.449
8.3 Insurance Technical Provisions (Net)		-	-	-
8.4 Other Provisions		42.573	38.075	80.648
<b>IX. CURRENT TAX LIABILITY</b>	(7)	<b>16.602</b>	-	<b>16.602</b>
<b>X. DEFERRED TAX LIABILITY</b>		-	-	-
<b>XI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(8)	-	-	-
11.1 Held for Sale Purpose		-	-	-
11.2 Related to Discontinued Operations		-	-	-
<b>XII. SUBORDINATED DEBT INSTRUMENTS</b>	(9)	-	<b>1.271.884</b>	<b>1.271.884</b>
12.1 Loans		-	1.271.884	1.271.884
12.2 Other Debt Instruments		-	-	-
<b>XIII. OTHER LIABILITIES</b>		<b>86.042</b>	<b>52</b>	<b>86.094</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	(11)	<b>1.196.374</b>	<b>1.008</b>	<b>1.197.382</b>
14.1 Paid-in capital		750.000	-	750.000
14.2 Capital Reserves		26.479	1.019	27.498
14.2.1 Share Premium		-	-	-
14.2.2 Share Cancellation Profits		-	-	-
14.2.3 Other Capital Reserve		26.479	1.019	27.498
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		4.821	(11)	4.810
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)		18.989	-	18.989
14.6.1 Prior Periods' Income or (Loss)		9.317	-	9.317
14.6.2 Current Period Income or (Loss)		9.672	-	9.672
<b>TOTAL LIABILITIES</b>		<b>6.488.065</b>	<b>6.436.940</b>	<b>12.925.005</b>

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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.)

LIABILITIES	Dipnot (5 - II)	Audited		
		Prior Period		
		31 December 2019		
		TL	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	2.746.761	3.205.868	5.952.629
<b>II. FUNDS BORROWED</b>	(2)	-	864.292	864.292
<b>III. MONEY MARKET FUNDS</b>		-	-	-
<b>IV. SECURITIES ISSUED (Net)</b>		-	-	-
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>		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)	-	-	-
<b>VII. LEASE PAYABLES</b>	(4)	30.567	-	30.567
<b>VIII. PROVISIONS</b>	(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
<b>IX. CURRENT TAX LIABILITY</b>	(7)	10.698	-	10.698
<b>X. DEFERRED TAX LIABILITY</b>		-	-	-
<b>XI. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(8)	-	-	-
11.1 Held for Sale Purpose		-	-	-
11.2 Related to Discontinued Operations		-	-	-
<b>XII. SUBORDINATED DEBT INSTRUMENTS</b>	(9)	-	1.076.666	1.076.666
12.1 Loans		-	1.076.666	1.076.666
12.2 Other Debt Instruments		-	-	-
<b>XIII. OTHER LIABILITIES</b>		73.704	27	73.731
<b>XIV. SHAREHOLDERS' EQUITY</b>	(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
<b>TOTAL LIABILITIES</b>		<b>4.091.861</b>	<b>5.190.363</b>	<b>9.282.224</b>

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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 OFF-BALANCE SHEET AS OF JUNE 30, 2020**

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

STATEMENT OF OFF BALANCE SHEET	Note (5 - III)	Reviewed		
		Current Period 30 June 2020		
		TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>1.022.386</b>	<b>872.496</b>	<b>1.894.882</b>
<b>I. GUARANTEES AND SURETIES</b>	(1)	<b>811.409</b>	<b>756.865</b>	<b>1.568.274</b>
1.1 Letters of Guarantees		769.060	339.412	1.108.472
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		769.060	339.412	1.108.472
1.2 Bank Loans		31.000	301.853	332.853
1.2.1 Import Letter of Acceptances		-	-	-
1.2.2 Other Bank Acceptances		31.000	301.853	332.853
1.3 Letter of Credits		11.349	115.600	126.949
1.3.1 Documentary Letter of Credits		-	-	-
1.3.2 Other Letter of Credits		11.349	115.600	126.949
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		-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>203.145</b>	<b>17.529</b>	<b>220.674</b>
2.1 Irrevocable Commitments		203.145	17.529	220.674
2.1.1 Asset Purchase and Sale Commitments		12.056	17.529	29.585
2.1.2 Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		184.933	-	184.933
2.1.4 Securities Underwriting Commitments		-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-
2.1.6 Payment Commitment for Cheques		6.156	-	6.156
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		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>7.832</b>	<b>98.102</b>	<b>105.934</b>
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		7.832	98.102	105.934
3.2.1 Forward Foreign Currency Buy/Sell Transactions		7.832	8.224	16.056
3.2.1.1 Forward Foreign Currency Transactions-Buy		3.926	4.112	8.038
3.2.1.2 Forward Foreign Currency Transactions-Sell		3.906	4.112	8.018
3.2.2 Other Forward Buy/Sell Transactions		-	89.878	89.878
3.3 Other		-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>37.934.927</b>	<b>4.734.612</b>	<b>42.669.539</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>1.351.402</b>	<b>1.737.960</b>	<b>3.089.362</b>
4.1 Assets Under Management		-	-	-
4.2 Investment Securities Held in Custody		164.061	-	164.061
4.3 Cheques Received for Collection		272.799	20.306	293.105
4.4 Commercial Notes Received for Collection		13.048	-	13.048
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		900.600	1.717.654	2.618.254
<b>V. PLEDGED ITEMS</b>		<b>36.583.525</b>	<b>2.996.652</b>	<b>39.580.177</b>
5.1 Marketable Securities		-	-	-
5.2 Guarantee Notes		-	-	-
5.3 Commodity		228.929	-	228.929
5.4 Warranty		-	-	-
5.5 Properties		1.821.853	-	1.821.853
5.6 Other Pledged Items		34.532.743	2.996.652	37.529.395
5.7 Pledged Items-Depository		-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>38.957.313</b>	<b>5.607.108</b>	<b>44.564.421</b>

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**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	Note (5 - III)	Audited		
		Prior Period		
		31 December 2019		
		TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>355.345</b>	<b>921.952</b>	<b>1.277.297</b>
<b>I. GUARANTEES AND SURETIES</b>	(1)	<b>321.052</b>	<b>105.671</b>	<b>426.723</b>
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		-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>6.636</b>	<b>40.836</b>	<b>47.472</b>
2.1 Irrevocable Commitments		6.636	40.836	47.472
2.1.1 Asset Purchase and Sale Commitments		1.436	40.836	42.272
2.1.2 Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		3.970	-	3.970
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		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>27.657</b>	<b>775.445</b>	<b>803.102</b>
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>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>15.524.852</b>	<b>4.008.298</b>	<b>19.533.150</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>316.275</b>	<b>2.098.143</b>	<b>2.414.418</b>
4.1 Assets Under Management		-	-	-
4.2 Investment Securities Held in Custody		1.468	-	1.468
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
<b>V. PLEDGED ITEMS</b>		<b>15.208.577</b>	<b>1.910.155</b>	<b>17.118.732</b>
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		-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>15.880.197</b>	<b>4.930.250</b>	<b>20.810.447</b>

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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 AS OF JUNE 30, 2020**

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

STATEMENT OF PROFIT AND LOSS		Note (5 - IV)	Reviewed	Reviewed
			Current Period 1 January- 30 June 2020	Current Period 1 April- 30 June 2020
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	(1)	<b>382.532</b>	<b>213.797</b>
1.1	Profit Share on Loans		298.906	163.558
1.2	Income Received from Reserve Deposits		3.929	2.340
1.3	Income Received from Banks		-	-
1.4	Income Received from Money Market Placements		-	-
1.5	Income Received from Marketable Securities Portfolio		78.997	47.495
1.5.1	Financial Assets at Fair Value Through Profit and Loss		30.283	14.117
1.5.2	Financial Assets at Fair Value through Other Comprehensive Income		21.561	19.089
1.5.3	Financial Assets Measured at Amortised Cost		27.153	14.289
1.6	Finance Lease Income		210	165
1.7	Other Profit Share Income		490	239
<b>II.</b>	<b>PROFIT SHARE EXPENSE (-)</b>	(2)	<b>211.577</b>	<b>122.843</b>
2.1	Expense on Profit Sharing Accounts		163.434	91.240
2.2	Profit Share Expense on Funds Borrowed		31.560	16.672
2.3	Profit Share Expense on Money Market Borrowings		10.457	9.976
2.4	Expense on Securities Issued		3.233	3.233
2.5	Lease Profit Share Expense		2.893	1.722
2.6	Other Profit Share Expenses		-	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>170.955</b>	<b>90.954</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>6.520</b>	<b>5.404</b>
4.1	Fees and Commissions Received		11.363	8.255
4.1.1	Non-Cash Loans		2.959	1.540
4.1.2	Other	(3)	8.404	6.715
4.2	Fees and Commissions Paid (-)		4.843	2.851
4.2.1	Non-Cash Loans		29	15
4.2.2	Other	(3)	4.814	2.836
<b>V.</b>	<b>DIVIDEND INCOME</b>	(4)	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	(5)	<b>24.477</b>	<b>19.613</b>
6.1	Capital Market Transaction Gains / (Losses)		8.340	8.230
6.2	Gains/ (Losses) from Derivative Financial Instruments		(88.886)	(86.161)
6.3	Foreign Exchange Gains / (Losses)		105.023	97.544
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(6)	<b>53.706</b>	<b>43.244</b>
<b>VIII.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>255.658</b>	<b>159.215</b>
<b>IX.</b>	<b>PROVISION FOR EXPECTED LOSS (-)</b>	(7)	<b>88.748</b>	<b>54.199</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	(7)	<b>37.412</b>	<b>3.800</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>57.548</b>	<b>32.179</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(8)	<b>51.630</b>	<b>29.223</b>
<b>XIII.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>20.320</b>	<b>39.814</b>
<b>XIV.</b>	<b>INCOME RESULTED FROM MERGERS</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>PROFIT/LOSS BEFORE TAXES (XIII+...+XV)</b>		<b>20.320</b>	<b>39.814</b>
<b>XVIII.</b>	<b>PROVISION FOR TAXES (±)</b>	(9)	<b>10.648</b>	<b>8.836</b>
18.1	Current Tax Provision		-	-
18.2	Deferred Tax Expense (+)		30.972	19.275
18.3	Deferred Tax Income (-)		20.324	10.439
<b>XIX.</b>	<b>NET OPERATING PROFIT/LOSS AFTER TAXES(XVI±XVII)</b>		<b>9.672</b>	<b>30.978</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
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		-	-
<b>XXII.</b>	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	(9)	<b>-</b>	<b>-</b>
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Expense (+)		-	-
23.3	Deferred Tax Income (-)		-	-
<b>XXIV.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>	<b>-</b>
<b>XXV.</b>	<b>NET PROFIT/LOSS (XVIII+XXIII)</b>		<b>9.672</b>	<b>30.978</b>
	Earnings Per Share		0,00013	0,00041

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 OR LOSS AS OF JUNE 30, 2019**

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

STATEMENT OF PROFIT AND LOSS		Note (5 - IV)	Reviewed	Reviewed
			Prior Period 1 January- 30 June 2019	Prior Period 1 April- 30 June 2019
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	(1)	<b>123.088</b>	<b>83.650</b>
1.1	Profit Share on Loans		73.289	68.897
1.2	Income Received from Reserve Deposits		452	452
1.3	Income Received from Banks		34.222	-
1.4	Income Received from Money Market Placements		-	-
1.5	Income Received from Marketable Securities Portfolio		14.401	13.937
1.5.1	Financial Assets at Fair Value Through Profit and Loss		5.710	5.246
1.5.2	Financial Assets at Fair Value through Other Comprehensive Income		-	-
1.5.3	Financial Assets Measured at Amortised Cost		8.691	8.691
1.6	Finance Lease Income		-	-
1.7	Other Profit Share Income		724	364
<b>II.</b>	<b>PROFIT SHARE EXPENSE (-)</b>	(2)	<b>36.037</b>	<b>35.697</b>
2.1	Expense on Profit Sharing Accounts		25.715	25.391
2.2	Profit Share Expense on Funds Borrowed		9.779	9.763
2.3	Profit Share Expense on Money Market Borrowings		2	2
2.4	Expense on Securities Issued		-	-
2.5	Lease Profit Share Expense		541	541
2.6	Other Profit Share Expenses		-	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>87.051</b>	<b>47.953</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>(714)</b>	<b>449</b>
4.1	Fees and Commissions Received		45	45
4.1.1	Non-Cash Loans		11	11
4.1.2	Other	(3)	34	34
4.2	Fees and Commissions Paid (-)		759	(404)
4.2.1	Non-Cash Loans		-	-
4.2.2	Other	(3)	759	(404)
<b>V.</b>	<b>DIVIDEND INCOME</b>	(4)	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	(5)	<b>5.352</b>	<b>5.340</b>
6.1	Capital Market Transaction Gains / (Losses)		4.538	4.563
6.2	Gains/ (Losses) from Derivative Financial Instruments		2.214	2.214
6.3	Foreign Exchange Gains / (Losses)		(1.400)	(1.437)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(6)	<b>3.278</b>	<b>3.091</b>
<b>VIII.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>94.967</b>	<b>56.833</b>
<b>IX.</b>	<b>LOAN PROVISIONS (-)</b>	(7)	<b>17.248</b>	<b>14.549</b>
<b>X.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>29.347</b>	<b>18.749</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(8)	<b>20.045</b>	<b>13.674</b>
<b>XII.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>28.327</b>	<b>9.861</b>
<b>XIII.</b>	<b>INCOME RESULTED FROM MERGERS</b>		<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>PROFIT/LOSS BEFORE TAXES (XIII+...+XV)</b>		<b>28.327</b>	<b>9.861</b>
<b>XVII.</b>	<b>PROVISION FOR TAXES (±)</b>	(9)	<b>5.297</b>	<b>1.460</b>
<b>XVIII.</b>	Current Tax Provision		-	-
18.1	Deferred Tax Expense (+)	(10)	7.080	2.984
18.2	Deferred Tax Income (-)	(10)	1.783	1.524
18.3	<b>NET OPERATING PROFIT/LOSS AFTER TAXES(XVI±XVII)</b>		<b>23.030</b>	<b>8.401</b>
<b>XIX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
<b>XX.</b>	Income from Assets Held for Sale		-	-
20.1	Income from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
20.2	Income from Other Discontinued Operations		-	-
20.3	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
<b>XXI.</b>	Expenses on Assets Held for Sale		-	-
21.1	Expenses on Sale of Associates, Subsidiaries and Joint-Ventures		-	-
21.2	Expenses from Other Discontinued Operations		-	-
21.3	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>	<b>-</b>
<b>XXII.</b>	<b>PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	(9)	<b>-</b>	<b>-</b>
<b>XXIII.</b>	Current Tax Provision		-	-
23.1	Deferred Tax Expense (+)		-	-
23.2	Deferred Tax Income (-)		-	-
23.3	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>	<b>-</b>
<b>XXIV.</b>	<b>NET PROFIT/LOSS (XVIII+XXIII)</b>		<b>23.030</b>	<b>8.401</b>
<b>XXV.</b>	Earnings Per Share		0,00031	0,00011

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 OR LOSS AND OTHER COMPREHENSIVE INCOME**

**AS OF JUNE 30, 2020**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed
		Current Period
		1 January- 30 June 2020
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>9.672</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>4.810</b>
2.1	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	-
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	<b>Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>4.810</b>
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	<b>6.167</b>
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	(1.357)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>14.482</b>

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed
		Prior Period
		1 January- 30 June 2019
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>23.030</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	-
2.1	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	-
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	<b>Other Income/Expense Items to be Recycled to Profit or Loss</b>	-
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	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>23.030</b>

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 CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2020**

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

Reviewed	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity	
					1	2	3	4					5
<b>Current Period</b>													
<b>30 June 2020</b>													
I. Balances at Beginning Period	750.000	-	-	23.088	-	-	-	-	-	351.106	-	44.979	1.169.173
II. Correction made as per TAS 8 (**)	-	-	-	-	-	-	-	-	-	-	9.317	-	9.317
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	9.317	-	9.317
III. Adjusted Balances at Beginning of Period (I+II)	750.000	-	-	23.088	-	-	-	-	-	351.106	9.317	44.979	1.178.490
IV. Total Comprehensive Income	-	-	-	-	-	-	-	4.810	-	-	-	9.672	14.482
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities <sup>(*)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Other Changes	-	-	-	4.410	-	-	-	-	-	-	-	-	4.410
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	44.979	-	(44.979)	-
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	44.979	-	(44.979)	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (III+IV...+X+XI)</b>	<b>750.000</b>	<b>-</b>	<b>-</b>	<b>27.498</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4.810</b>	<b>-</b>	<b>396.085</b>	<b>9.317</b>	<b>9.672</b>	<b>1.197.382</b>

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.

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 Group 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.

(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.**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF JUNE 30, 2019**

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

Reviewed	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity	
					1	2	3	4	5	6					
<b>Prior Period</b>															
<b>30 June 2019</b>															
I. Balances at Beginning Period	750.000	-	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	543.696	1.101.106
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	-	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	543.696	1.101.106
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	-	23.030	23.030
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	-	-	-	-	-	-	-	-	-	-	23.088
2XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	(2.280.885)	2.824.581	(543.696)	-
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	(2.280.885)	(2.280.885)	-	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	-	-	543.696	(543.696)	-
<b>Balances at end of the period (III+IV...+X+XI)</b>	<b>750.000</b>	<b>-</b>	<b>-</b>	<b>23.088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>351.106</b>	<b>-</b>	<b>23.030</b>	<b>1.147.224</b>

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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 JUNE 30, 2020**

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

STATEMENT OF CASH FLOWS	Reviewed
	Current Period
	1 January - 30 June 2020
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>	<b>(482.659)</b>
1.1.1 Profit Share Income Received	239.572
1.1.2 Profit Share Expense Paid	(170.587)
1.1.3 Dividend Received	-
1.1.4 Fees and Commissions Received	11.363
1.1.5 Other Income	56.654
1.1.6 Collections from Previously Written off Loans	-
1.1.7 Payments to Personnel and Service Suppliers	(57.397)
1.1.8 Taxes Paid	(11.626)
1.1.9 Others	(550.638)
<b>1.2 Changes in Operating Assets and Liabilities</b>	<b>895.623</b>
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	523.118
1.2.2 Net (Increase) Decrease in Due From Banks and Other Financial Institutions	(321.502)
1.2.3 Net (Increase) Decrease in Loans	(2.563.368)
1.2.4 Net (Increase) Decrease in Other Assets	13.421
1.2.5 Net Increase (Decrease) in Bank Deposits	253.658
1.2.6 Net Increase (Decrease) in Other Deposits	2.439.833
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	550.463
<b>I. Net Cash Flows from Banking Operations</b>	<b>412.964</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II. Net cash flow from investing activities</b>	<b>(916.225)</b>
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	(23.985)
2.4 Disposals of Property and Equipment	383
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(890.748)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income	-
2.7 Purchase of Financial Assets Measured at Amortised Cost	-
2.8 Sale of Financial Assets Measured at Amortised Cost	-
2.9 Other	(1.875)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III. Net Cash Flows from Financing Activities</b>	<b>529.470</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued	3.702.055
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(3.168.821)
3.3 Issued Capital Instruments	-
3.4 Dividends Paid	-
3.5 Payments for Finance Leases	(3.764)
3.6 Other	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>132.694</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>	<b>158.903</b>
<b>VI. Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>251.608</b>
<b>VII. Cash and Cash Equivalents at the End of the period</b>	<b>410.511</b>

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.**

**STATEMENT OF CASH FLOWS AS OF JUNE 30, 2019**

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

STATEMENT OF CASH FLOWS	Reviewed
	Prior Period
	1 January - 30 June 2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1 Operating Profit Before Changes In Operating Assets And Liabilities</b>	<b>37.050</b>
1.1.1 Profit Share Income Received	100.951
1.1.2 Profit Share Expense Paid	(19.415)
1.1.3 Dividend Received	-
1.1.4 Fees and Commissions Received	45
1.1.5 Other Income	9.946
1.1.6 Collections from Previously Written off Loans	40
1.1.7 Payments to Personnel and Service Suppliers	(58.543)
1.1.8 Taxes Paid	(11.553)
1.1.9 Others	15.579
<b>1.2 Changes in Operating Assets and Liabilities</b>	<b>(555.764)</b>
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(832.434)
1.2.2 Net (Increase) Decrease in Due From Banks and Other Financial Institutions	-
1.2.3 Net (Increase) Decrease in Loans	(114.309)
1.2.4 Net (Increase) Decrease in Other Assets	(1.732.661)
1.2.5 Net Increase (Decrease) in Bank Deposits	14.223
1.2.6 Net Increase (Decrease) in Other Deposits	330.150
1.2.7 Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	1.736.134
1.2.8 Net Increase (Decrease) in Funds Borrowed	10.439
1.2.9 Net Increase (Decrease) in Matured Payables	-
1.2.10 Net Increase (Decrease) in Other Liabilities	32.694
<b>I. Net Cash Flows from Banking Operations</b>	<b>(518.714)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II. Net cash flow from investing activities</b>	<b>(1.081.312)</b>
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	(31.192)
2.4 Disposals of Property and Equipment	101
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	(1.031.792)
2.8 Sale of Financial Assets Measured at Amortised Cost	-
2.9 Other	(10.770)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III. Net Cash Flows from Financing Activities</b>	<b>1.030.637</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued	1.032.512
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	-
3.3 Issued Capital Instruments	-
3.4 Dividends Paid	-
3.5 Payments for Finance Leases	(1.875)
3.6 Other	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>2.517</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>	<b>(566.872)</b>
<b>VI. Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>654.087</b>
<b>VII. Cash and Cash Equivalents at the End of the period</b>	<b>87.215</b>

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.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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

### **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 1 November 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 interim consolidated 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 19 January 2017 in lieu of TAS 39 Financial Instruments: “Accounting and Measurement” starting from 1 January 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.

**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 JUNE 30, 2020**

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

**I. Explanations on basis of presentation (continued)**

The Parent Bank 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 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 expected 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 Participation 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.

Since the Parent Bank does not have any subsidiaries subject to consolidation as of June 30, 2019, statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in shareholders’ equity and statement of cash flows presented in the consolidated financial report, presented as are in the June 30, 2019 the Parent Bank unconsolidated financial report.

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 interim financial statements as of June 30, 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 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**

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.



**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 JUNE 30, 2020**

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

**II. Explanations on strategy of using financial instruments and foreign currency transactions (continued)**

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.

**III. Information on consolidated associates**

The Parent Bank and its subsidiaries Emlak Varlık Kiralama A.Ş. and Emlak Katılım Varlık Kiralama A.Ş. are consolidated by full consolidation method in the accompanying consolidated financial statements. The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette numbered 26340 dated November 8, 2006. The Parent Participation Bank and the consolidated subsidiary are referred to as together “the Group”.

**a. Consolidation principles for subsidiaries**

Subsidiaries (including special purpose entity) are all entities, in which the Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies. Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle.

Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Subsidiaries will be excluded from the scope of consolidation at the date that control is over. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted 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, 100% subsidiaries of the Parent Bank was established and registered to the trade registry in 20 January 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.

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 JUNE 30, 2020**

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

**III. Information on consolidated associates (continued)**

**a. Consolidation principles for subsidiaries (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.

**IV. 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 "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.

**V. 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 IFRS 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.

**VI. Explanations on fees, commission income and expenses**

Fees and commissions are accounted for in accordance with "IFRS 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 IFRS, 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.

**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 JUNE 30, 2020**

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

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

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. 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.

**VII. 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 19 January 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 Bank 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 June 30, 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).

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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.)

## **VII. Explanations on financial assets and liabilities (continued)**

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).

## **VIII. 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 Principals 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. Parent Bank has not developed an internal model for estimating these risk parameters due to insufficient historical data for modeling. In ECL calculations, the Group 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 Group 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.

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.**

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

## **VIII. Explanations on expected credit losses (continued)**

### **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:

### **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 Parent Bank 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 June 30, 2020. In this context, the Group has established additional provisions by increasing the probability of default in Transportation and Storage, Accommodation and Food Service Activities, Human Health and Social Work Activities due to the possible effects of the epidemic on the economy. This approach, which is preferred in expected credit loss calculation for the half 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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**VIII. Explanations on expected credit losses (continued)**

**Default (3rd Stage / Special Provision) (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.
- In the completion of the “Garame” 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 June 30, 2020 the Group does not have any loans within the scope of the above-mentioned elasticities.

**IX. 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.

**X. 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.

**XI. 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.

**XII. 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 June 30, 2020, there is no goodwill in the financial statements of the Group.

The Group's intangible assets consist of software 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.

**XIII. 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.

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### **XIII. Explanations on tangible assets (continued)**

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:

	<b>Depreciation Rate (%)</b>
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.

### **XIV. 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.



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#### **XIV. Explanations on leasing transactions (continued)**

##### **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. Lease payments are discounted using the Group 's average borrowing interest rates. If this rate cannot be determined easily, the Group uses the alternative borrowing profit share rate of the Group.

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.

#### **XV. 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.

#### **XVI. Explanations on liabilities regarding employee rights**

##### **i) *Defined benefit plans:***

Provision for 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 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).

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**XVI. Explanations on liabilities regarding employee rights (continued)**

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.

**XVII. 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%.

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 Parent Bank 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.

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**XVII. Explanations on taxation (continued)**

**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 Group calculates deferred taxes using related ratios considering the realization period of the temporary differences.

**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.

**XVIII. 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 “Securities Issued” 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.

**XIX. Explanations on issued share certificates**

None.

**XX. Explanations on acceptances and availed drafts**

None.

**XXI. Explanations on government grants**

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

**XXII. 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.

**XXIII. 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.

**XXIV. 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 resulted in the regulation of amounts previously recognized in the financial statements and changes in accounting policies.

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**XXIV. Information on other issues (continued)**

As of 1 January 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 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from 1 January 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:

**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
<b>FINANCIAL ASSETS (Net)</b>	<b>1.950.478</b>	-	(4.637)	<b>1.945.841</b>
Cash and Cash Equivalents	946.132	-	(4.637)	941.495
<i>Cash and balances with central bank</i>	784.075	-	-	784.075
<i>Banks</i>	162.057	-	(4.637)	157.420
<i>Money market placements</i>	-	-	-	-
<b>Financial Assets Valued at Fair Value Through Profit or Loss</b>	<b>996.277</b>	-	-	<b>996.277</b>
Financial Assets Valued at Fair Value Through Other Comprehensive Income	7.659	-	-	7.659
Derivative Financial Assets	410	-	-	410
<b>FINANCIAL ASSETS VALUED AT AMORTISED COST (Net)</b>	<b>6.827.862</b>	<b>(85.763)</b>	<b>58.890</b>	<b>6.800.989</b>
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
<b>DEFERRED TAX ASSET</b>	<b>102.414</b>	-	<b>(2.628)</b>	<b>99.786</b>
<b>OTHER ASSETS</b>	<b>401.470</b>	-	<b>(2.415)</b>	<b>399.055</b>
<b>TOTAL ASSETS</b>	<b>9.282.224</b>	<b>(85.763)</b>	<b>49.210</b>	<b>9.245.671</b>

**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
<b>FUNDS COLLECTED</b>	<b>5.952.629</b>	-	-	<b>5.952.629</b>
<b>FUNDS BORROWED</b>	<b>864.292</b>	-	-	<b>864.292</b>
<b>DERIVATIVE FINANCIAL LIABILITIES</b>	<b>5.891</b>	-	-	<b>5.891</b>
<b>LEASE LIABILITIES (Net)</b>	<b>30.567</b>	-	-	<b>30.567</b>
<b>PROVISIONS</b>	<b>98.577</b>	<b>(85.763)</b>	<b>39.893</b>	<b>52.707</b>
<b>CURRENT TAX LIABILITIES</b>	<b>10.698</b>	-	-	<b>10.698</b>
<b>SUBORDINATED DEBT INSTRUMENTS</b>	<b>1.076.666</b>	-	-	<b>1.076.666</b>
<b>OTHER LIABILITIES</b>	<b>73.731</b>	-	-	<b>73.731</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>1.169.173</b>	-	<b>9.317</b>	<b>1.178.490</b>
<b>TOTAL LIABILITIES</b>	<b>9.282.224</b>	<b>(85.763)</b>	<b>49.210</b>	<b>9.245.671</b>

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## 2. Opening balance of impairment provisions for TFRS 9 transition period (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
<b>Loans and other receivables</b>	<b>274.085</b>	<b>(58.890)</b>	<b>215.195</b>
Stage 1	85.763	(58.890)	26.873
Stage 2	-	-	-
Stage 3	188.322	-	188.322
<b>Financial Assets (*)</b>	<b>-</b>	<b>7.052</b>	<b>7.052</b>
<b>Non-cash Loans (**)</b>	<b>3.155</b>	<b>(699)</b>	<b>2.456</b>
Stage 1 and 2	3.155	(699)	2.456
Stage 3	-	-	-
<b>Total</b>	<b>277.240</b>	<b>(52.537)</b>	<b>224.703</b>

(\*) 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 40.502 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 1 January 2020. Accounting policies that have lost their validity with the transition of TFRS 9 are given below:

### 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.

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**4. Explanations on prior period accounting policies not valid for the current period (continued)**

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.

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**SECTION FOUR**

**Information on 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 2.353.436 (December 31, 2019: TL 2.168.964) which calculated as of June 30, 2020 and the capital adequacy ratio is 36,00% (December 31, 2019: 63,64%).

**a) Information about total capital items**

	Current Period	Prior Period
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	750.000	750.000
Share issue premiums	-	-
Reserves	396.086	351.106
Gains recognized in equity as per TAS	4.810	-
Profit	18.989	44.979
Current Period Profit	9.672	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	-	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1.169.885</b>	<b>1.146.085</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1 <sup>st</sup> 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 (-)	-	-
Leasehold improvements(-)	30.187	22.866
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	37.956	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	-	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>68.143</b>	<b>62.668</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>1.101.742</b>	<b>1.083.417</b>

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

**a) Information about total capital items (continued)**

<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	1.222.415	1.063.712
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>1.222.415</b>	<b>1.063.712</b>
<b>Deductions from Additional Tier I Capital</b>		
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	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
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 (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.324.157</b>	<b>2.147.129</b>
<b>TIER 2 CAPITAL</b>		
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)	29.291	21.835
	<b>29.291</b>	<b>21.835</b>
<b>Deductions From Tier II Capital</b>		
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>29.291</b>	<b>21.835</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2.353.448</b>	<b>2.168.964</b>
<b>Deductions from Capital</b>		
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	12	-



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

**a) Information about total capital items (continued)**

<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
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	-	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital )</b>	<b>2.353.436</b>	<b>2.168.964</b>
<b>Total Risk Weighted Amounts</b>	<b>6.536.615</b>	<b>3.408.374</b>
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	16,85	31,79
Tier 1 Capital Adequacy Ratio (%)	35,56	63,00
Capital Adequacy Ratio (%)	36,00	63,64
<b>BUFFERS</b>		
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 (%)	12,34	27,29
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
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	93.365	106.605
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	29.291	21.835
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	29.291	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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
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 Bank, provided loan from Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu with the approval of BRSA 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 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 23 March 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 June 30, 2020, the Participation Bank has not used these aforementioned measures.

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

**b) Information on 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
<b>Special Consideration in the Calculation of Equity</b>	
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)	1.222.415
Par Value of Instrument	1.267.731
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	-
<b>Profit Share/Dividends</b>	
Fixed or floating profit share/dividend	-
Profit share rate and any related index	-
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
<b>Convertible or Non-convertible</b>	
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	-
<b>Write-down feature</b>	
If write-down, write-down trigger(s)	In case of the ratio of core capital adequacy
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 incompliances with article number 7 and 8 of "Own fund regulation"	In compliance with article number 7

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

**c. Explanations on reconciliation of consolidated 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**

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

**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:

	<b>USD</b>	<b>EUR</b>
As of June 30, 2020 - Balance sheet evaluation rate	6.8537	7.6832
As of June 29, 2020	6.8524	7.7203
As of June 26, 2020	6.8538	7.6898
As of June 25, 2020	6.8534	7.6904
As of June 24, 2020	6.8546	7.7394
As of June 23, 2020	6.8540	7.7426

- 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 6.8130 for 1 USD (December 2019: full TL 5.8469), full TL 7.6654 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**

	<b>EURO</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Current Period</b>				
<b>Assets</b>				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	696.225	312.428	91.740	1.100.393
Banks	51.700	74.363	19.958	146.021
Financial assets at fair value through profit and loss	-	163.867	79.464	243.331
Money market placements	-	-	-	-
Financial Assets Valued At Fair Value Through Profit And Loss	77.177	138.695	-	215.872
Loans (*)	2.932.938	538.742	-	3.471.680
Subsidiaries, associates and joint ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	1.293.659	-	-	1.293.659
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	10	70	-	80
<b>Total Assets</b>	<b>5.051.709</b>	<b>1.228.165</b>	<b>191.162</b>	<b>6.471.036</b>
<b>Liabilities</b>				
Current account and funds collected from banks via participation accounts	253.659	-	-	253.659
Other current and profit sharing accounts	2.679.388	1.261.796	144.094	4.085.278
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.271.884	785.818	-	2.057.702
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	27.705	11.430	-	39.135
<b>Total liabilities</b>	<b>4.232.636</b>	<b>2.059.044</b>	<b>144.094</b>	<b>6.435.774</b>
<b>Net balance sheet position</b>	<b>819.073</b>	<b>(830.879)</b>	<b>47.068</b>	<b>35.262</b>
<b>Net balance sheet position</b>	<b>(7.877)</b>	<b>45.785</b>	<b>(45.040)</b>	<b>(7.132)</b>
Derivative financial instruments assets	2.943	50.828	478	54.249
Derivative financial instruments liabilities	10.820	5.043	45.518	61.381
Non-cash loans (**)	295.185	460.504	1.176	756.865
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
<b>Net balance sheet position</b>	<b>304.986</b>	<b>(397.174)</b>	<b>96.906</b>	<b>4.718</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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

(\*) Loans balance has been taken into account net and including financial lease.

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

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

None (December 31, 2019: None).

**V. Explanations on 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.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Group is exposed to and considering the Group'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 Group'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 Coverage Ratio**

Current Period	Rate of "Percentage to be taken into account " not Implemented Total value <sup>(1)</sup>		Rate of "Percentage to be taken into account " Implemented Total value <sup>(1)</sup>		
	TL+FC	FC	TL+FC	FC	
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>					
1	HIGH QUALITY LIQUID ASSETS		3.845.032	2.868.607	
<b>CASH OUTFLOWS</b>					
2	Retail and Small Business Funds Collected	734.494	384.656	71.090	38.466
3	Stable Funds Collected	47.184	-	2.359	-
4	Less stable Funds Collected	687.310	384.656	68.731	38.466
5	Unsecured Funding other than Retail and Small Business	3.330.600	1.602.337	1.730.142	972.507
6	Customers Deposits	-	-	-	-
7	Operational Funds Collected	3.249.671	1.600.500	1.649.213	970.670
8	Non-Operational Funds Collected	80.929	1.837	80.929	1.837
9	Other Unsecured Funding	-	-	-	-
10	Secured funding	830.773	755.556	830.773	755.556
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	767.037	755.556	767.037	755.556
12	Debts related to the structured financial products	63.736	-	63.736	-
13	Commitment related to the structured financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	1.403.554	635.050	196.867	31.753
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>			<b>2.828.872</b>	<b>1.798.282</b>
<b>CASH INFLOWS</b>					
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.872.934	336.457	1.696.198	297.418
19	Other contractual cash inflows	765.957	423.965	765.957	423.965
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>2.638.891</b>	<b>760.422</b>	<b>2.462.155</b>	<b>721.383</b>
<b>Upper limit applied amounts</b>					
<b>21</b>	<b>TOTAL HQLA</b>			<b>3.845.032</b>	<b>2.868.607</b>
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>			<b>707.218</b>	<b>1.076.899</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>			<b>543,68</b>	<b>266,38</b>

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

As per "Regulation on Liquidity Coverage Ratio Calculation" published in the Official Gazette numbered 28948, dated 21 March 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	157,13	190,87
Date	April 18, 2020	June 30, 2020
Highest	585,10	634,26
Date	June 12, 2020	June 12, 2020
Average	371,12	412,57

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**V. Explanations on consolidated liquidity risk (continued)**

Prior Period	Rate of "Percentage to be taken into account " not Implemented Total value <sup>(1)</sup>		Rate of "Percentage to be taken into account " Implemented Total value <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1	HIGH QUALITY LIQUID ASSETS		2.379.764	2.126.028
<b>CASH OUTFLOWS</b>				
2	Retail and Small Business Funds Collected		158.070	45.555
3	Stable Funds Collected		16.080	-
4	Less stable Funds Collected		141.990	45.555
5	Unsecured Funding other than Retail and Small Business		1.178.972	673.570
6	Customers Deposits		-	-
7	Operational Funds Collected		1.143.461	673.475
8	Non-Operational Funds Collected		35.511	95
9	Other Unsecured Funding		-	-
10	Secured funding		223.285	208.936
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions		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	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments		-	-
15	Other irrevocable or conditionally revocable commitments		779.115	53.742
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>		<b>1.437.735</b>	<b>644.258</b>
<b>CASH INFLOWS</b>				
17	Secured Lending Transactions		-	-
18	Unsecured Lending Transactions		2.984.261	169.393
19	Other contractual cash inflows		201.370	178.190
<b>20</b>	<b>TOTAL CASH INFLOWS</b>		<b>3.185.631</b>	<b>347.583</b>
			<b>Upper limit applied amounts</b>	
<b>21</b>	<b>TOTAL HQLA</b>		<b>2.379.764</b>	<b>2.126.028</b>
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>		<b>359.434</b>	<b>312.752</b>
<b>23</b>	<b>Liquidity Coverage Ratio (%)</b>		<b>662,09</b>	<b>679,78</b>

<sup>(1)</sup> 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 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 Bank's high quality liquid assets are composed of 1,21% cash, 28,47% deposits in central banks and 70,32% securities considered as high quality liquid assets.

The Group's main funding sources are funds collected, funds borrowed, borrowings from money market and subordinated loans. Funding source composition in report date is 75,19% funds collected, 13,62% funds borrowed and 11,06% subordinated debt instruments.

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**V. Explanations on consolidated liquidity risk (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
<b>Current Period</b>								
<b>Assets</b>								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	1.106.813	171.975	-	-	-	-	-	1.278.788
Banks	146.920	-	-	-	-	-	-	146.920
Financial Assets at Fair Value Through Profit and Loss	-	-	44.790	129.882	290.362	-	-	465.034
Money Market Placements	-	-	-	-	-	-	-	-
Financial assets valued at fair value through other comprehensive income	7.659	204.124	186.988	134.622	393.183	-	-	926.576
Loans	-	148.410	273.084	2.536.357	5.285.067	43.877	-	8.286.795
Financial assets valued at amortised cost	-	-	-	-	1.293.659	-	-	1.293.659
Other Assets <sup>(1)</sup>	-	-	-	-	-	-	527.233	527.233
<b>Total Assets</b>	<b>1.261.392</b>	<b>524.509</b>	<b>504.862</b>	<b>2.800.861</b>	<b>7.262.271</b>	<b>43.877</b>	<b>527.233</b>	<b>12.925.005</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	-	76.905	176.753	-	-	-	-	253.658
Other current and profit sharing accounts	792.345	5.303.158	2.110.636	141.345	36.011	10.454	-	8.393.949
Funds provided from other financial institutions and subordinated loans	-	970.443	63.479	109.366	968.604	-	-	2.111.892
Money market borrowings	423.162	-	-	-	-	-	-	423.162
Marketable securities issued	-	-	-	-	303.278	-	-	303.278
Other liabilities <sup>(2)</sup>	-	80.648	-	-	-	-	1.358.418	1.439.066
<b>Total Liabilities</b>	<b>1.215.507</b>	<b>6.431.154</b>	<b>2.350.868</b>	<b>250.711</b>	<b>1.307.893</b>	<b>10.454</b>	<b>1.358.418</b>	<b>12.925.005</b>
<b>Liquidity Gap</b>	<b>45.885</b>	<b>(5.906.645)</b>	<b>(1.846.006)</b>	<b>2.550.150</b>	<b>5.954.378</b>	<b>33.423</b>	<b>(831.185)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>								
Financial Derivative Assets	-	-	-	-	-	-	-	-
Financial Derivative Liabilities	-	96.546	-	9.388	-	-	-	105.934
Financial Derivative Liabilities	-	96.546	-	9.388	-	-	-	105.934
<b>Non-cash Loans</b>	<b>-</b>	<b>291.803</b>	<b>13.710</b>	<b>347.394</b>	<b>455.565</b>	<b>-</b>	<b>-</b>	<b>1.108.472</b>
<b>Prior Period</b>								
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
<b>Liquidity Gap</b>	<b>444.795</b>	<b>(2.538.747)</b>	<b>(903.241)</b>	<b>827.808</b>	<b>3.038.774</b>	<b>2.952</b>	<b>(872.341)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>								
Financial Derivative Assets	-	614.624	148.627	39.851	-	-	-	803.102
Financial Derivative Liabilities	-	614.624	148.627	39.851	-	-	-	803.102
<b>Non-cash Loans</b>	<b>333.487</b>	<b>-</b>	<b>16.765</b>	<b>20.163</b>	<b>26.172</b>	<b>-</b>	<b>-</b>	<b>396.587</b>

<sup>(1)</sup> 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.

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

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**VI. Explanations on consolidated leverage ratio**

As of June 30, 2020, leverage ratio of the Group calculated from the arithmetic average of the last 3 months is 15,33%. Leverage ratio is required to remain minimum 3% as per "Communiqué on Measurement and Evaluation for Leverage Ratios of Banks".

	<b>Current Period June 30, 2020(*)</b>	<b>Prior Period December 31, 2019(*)</b>
<b>Balance sheet assets</b>		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	13.040.396	8.310.963
2 (Assets deducted from Core capital)	65.634	52.968
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	12.974.762	8.257.995
<b>Derivative financial assets and credit derivatives</b>		
4 Cost of replenishment for derivative financial assets and credit derivatives	-	-
5 Potential credit risk amount of derivative financial assets and credit derivatives	8.391	3.477
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	8.391	3.477
<b>Financing transactions secured by marketable security or commodity</b>		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	430.194	-
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)	430.194	-
<b>Off-balance sheet transactions</b>		
10 Gross notional amount of off-balance sheet transactions	1.609.662	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)	1.609.662	712.994
<b>Capital and total risk</b>		
13 Core Capital	2.302.520	2.115.410
14 Total risk amount (sum of lines 3, 6, 9 and 12)	15.023.009	8.974.466
<b>Leverage ratio</b>		
15 Leverage ratio	15,33	23,57

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

**VII. Information regarding the fair value of financial assets and liabilities**

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

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

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

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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**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 of the Parent Bank.

**a.1 General explanations on consolidated risk management and risk-weighted amounts**

**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)	5.115.582	3.069.221	409.247
2 Of which standardised approach (SA)	5.115.582	3.069.221	409.247
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	213	738	17
5 Of which standardised approach for counterparty credit risk (SA-CCR)	213	738	17
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	909.103	338.368	72.728
17 Of which standardised approach (SA)	909.103	338.368	72.728
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	511.717	-	40.937
20 Of which Basic Indicator Approach	511.717	-	40.937
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	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>6.536.615</b>	<b>3.408.327</b>	<b>522.929</b>

**b. Financial statements and regulatory exposures reconciliation**

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

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**IX. Explanations on consolidated risk management (continued)**

**c. Consolidated credit risk**

**c.1. General information on credit risk**

**c.1.1. General qualitative information on credit risk**

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

**c.1.2. Credit Quality of Assets**

Current Period	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	172.626	7.804.566	244.264	7.732.928
2 Debt Securities	-	2.445.977	4.410	2.441.567
3 Off-balance sheet exposures	-	1.467.987	10.892	1.457.095
<b>4 Total</b>	<b>172.626</b>	<b>11.718.530</b>	<b>259.566</b>	<b>11.631.590</b>

Current Period	Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
	Defaulted exposures	Non-defaulted exposures		
1 Loans	188.322	5.730.333	188.322	5.730.333
2 Debt Securities	-	-	-	-
3 Off-balance sheet exposures	-	426.723	3.155	423.568
<b>4 Total</b>	<b>188.322</b>	<b>6.157.056</b>	<b>191.477</b>	<b>6.153.901</b>

**c.1.3. Changes in Stock of Defaulted Loans and Debt Securities**

	Current Period	Prior Period
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>188.322</b>	<b>188.343</b>
2 Loans and debt securities that have defaulted since the last reporting period	-	-
3 Returned to non-defaulted status	-	-
4 Amounts written off	(15.707)	-
5 Other changes	11	(21)
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>172.626</b>	<b>188.322</b>

**c.1.4. Additional information on credit quality of assets**

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

**c.2. Credit risk mitigation**

**c.2.1. Qualitative disclosure on credit risk mitigation techniques**

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

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**IX. Explanations on consolidated risk management (continued)**

**c.2.2. Credit Risk Mitigation Techniques**

**Overview**

Current Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	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	7.050.052	682.876	330.604	682.876	330.604	-	-
2 Debt Securities	2.441.567	-	-	-	-	-	-
<b>3 Total</b>	<b>9.491.619</b>	<b>682.876</b>	<b>330.604</b>	<b>682.876</b>	<b>330.604</b>	-	-
4 Of which defaulted	172.626	-	-	-	-	-	-

Current Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	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	120.941	10.372	-	-	-	-
2 Debt Securities	-	-	-	-	-	-	-
<b>3 Total</b>	<b>5.609.842</b>	<b>120.941</b>	<b>10.372</b>	-	-	-	-
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**

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

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**IX. Explanations on consolidated risk management (continued)**

**c.3.2. Standardised Approach - Exposures by Asset Classes and Risk Weights**

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	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	3.063.429	-	3.192.782	-	-	-
2	Exposures to regional governments or local authorities	9.370	-	2.560	91	1.325	%49,98
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	350.844	868	360.214	868	128.968	%35,72
7	Exposures to corporates	3.815.643	1.643.415	3.686.016	888.396	4.532.230	%99,08
8	Retail exposures	3	-	3	-	2	%66,67
9	Exposures secured by residential property	31.765	2.676	29.480	1.151	10.714	%34,98
10	Exposures secured by commercial real estate	135.398	13.024	135.398	6.506	70.963	%50,00
11	Past-due loans	-	-	-	-	-	-
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
16	Other assets	606.994	-	606.994	-	371.693	%61,22
17	Investments in equities	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	<b>8.013.446</b>	<b>1.659.983</b>	<b>8.013.447</b>	<b>897.012</b>	<b>5.115.895</b>	<b>%57,41</b>

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**IX. Explanations on consolidated risk management (continued)**

**c.3.2. Standardised Approach - Exposures by Asset Classes and Risk Weights**

Prior Period	On-balance sheet amount	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	
		Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	1.864.099	-	1.864.099	-	548.800	%29,44
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	1.832.926	-	1.832.926	-	421.188	%22,98
7	Exposures to corporates	1.499.162	414.590	1.499.162	205.759	1.704.920	%100,00
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential property	21.400	-	21.400	-	7.490	%35,00
10	Exposures secured by commercial real estate	93.485	17.332	93.485	8.641	51.064	%50,00
11	Past-due loans	-	-	-	-	-	-
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-
16	Other assets	529.048	-	529.048	-	346.509	%65,49
17	Investments in equities	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	<b>5.840.120</b>	<b>431.922</b>	<b>5.840.120</b>	<b>214.400</b>	<b>3.079.971</b>	<b>%50,87</b>



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IX. Explanations on consolidated risk management (continued)

c.3.3. Exposures by Asset Classes and Risk Weights

	Current Period	35% Secured by									Total credit risk exposure amount (after CCF and CRM)
		Real Estate Mortgage	0%	10%	20%	50%	75%	100%	150%	200%	
	Asset classes/ Risk weight										
1	Exposures to central governments or central banks	3.192.782	-	-	-	-	-	-	-	-	3.192.782
2	Exposures to regional governments or local authorities	-	-	-	-	2.651	-	-	-	-	2.651
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	171.910	-	189.172	-	-	-	-	361.082
7	Exposures to corporates	28.942	-	16.548	-	-	-	4.528.922	-	-	4.574.412
8	Retail exposures	-	-	-	-	-	3	-	-	-	3
9	Exposures secured by residential property	-	-	47	30.584	-	-	-	-	-	30.631
10	Exposures secured by commercial real estate	-	-	-	-	141.904	-	-	-	-	141.904
11	Past-due loans	-	-	-	-	-	-	-	-	-	-
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-
16	Other assets	235.401	-	-	-	-	-	371.593	-	-	606.994
17	Investments in equities	-	-	-	-	-	-	-	-	-	-
18	<b>Total</b>	<b>3.457.125</b>	<b>-</b>	<b>188.505</b>	<b>30.584</b>	<b>333.727</b>	<b>3</b>	<b>4.900.515</b>	<b>-</b>	<b>-</b>	<b>8.910.459</b>

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**IX. Explanations on consolidated risk management (continued)**

**c.3.3. Exposures by Asset Classes and Risk Weights**

	Prior Period	35% Secured by Real Estate Mortgage										Total credit risk exposure amount (after CCF and CRM)	
		Asset classes/ Risk weight	0%	10%	20%	50%	75%	100%	150%	200%	Others		
1	Exposures to central governments or central banks	766.499	-	-	-	1.097.600	-	-	-	-	-	-	1.864.099
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1.650.917	-	182.009	-	-	-	-	-	-	1.832.926
7	Exposures to corporates	9.971	-	70	-	-	-	1.694.879	-	-	-	-	1.704.920
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	21.400	-	-	-	-	-	-	-	21.400
10	Exposures secured by commercial real estate	-	-	-	-	102.127	-	-	-	-	-	-	102.127
11	Past-due loans	-	-	-	-	-	-	-	-	-	-	-	-
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
16	Other assets	182.586	-	-	-	-	-	346.462	-	-	-	-	529.048
17	Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	<b>959.056</b>	<b>-</b>	<b>1.650.987</b>	<b>21.400</b>	<b>1.381.736</b>	<b>-</b>	<b>2.041.341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.054.520</b>

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**IX. Explanations on consolidated risk management (continued)**

**d. Consolidated counterparty credit risk**

**d.1. Qualitative disclosure on counterparty credit risk**

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

**d.2. Counterparty Credit Risk (CCR) Approach Analysis**

	Current Period	Revaluation cost	Potential credit risk exposure	EEPE (*)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standardised Approach (for derivatives)	235	672		-	907	213
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
<b>6</b>	<b>Total</b>						<b>213</b>

(\*) Effective Expected Positive Exposure

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**IX. Explanations on consolidated risk management (continued)**

**d.2. Counterparty credit risk (CCR) approach analysis (continued)**

	Prior Period	Revaluation cost	Potential credit risk exposure	EEPE (*)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standardised Approach (for derivatives)	-	1.519		-	1.519	739
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
<b>6</b>	<b>Total</b>						<b>739</b>

(\*) Effective Expected Positive Exposure

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**IX. Explanations on consolidated risk management (continued)**

**d.3. Capital requirement for credit valuation adjustment (CVA)**

	Current Period		Prior Period	
	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1 (i) Value at risk component (3*multiplier included)		-		-
2 (ii) Stressed Value at Risk (3*multiplier included)		-		-
3 Total portfolio value with simplified approach CVA capital adequacy	701	10	4.200	63
<b>4 Total amount of CVA capital adequacy</b>	<b>701</b>	<b>10</b>	<b>4.200</b>	<b>63</b>

**d.4. Standardised Approach of CCR Exposures by Regulatory Portfolio and Risk Weights**

Risk Weights/Risk Classes	Current Period								Total Credit Risk (*)
	%0	%10	%20	%50	%75	%100	%150	Other	
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
International Organisations receivables	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	868	-	-	-	-	-	868
Corporate receivables	-	-	-	-	-	39	-	-	39
Retail receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation Positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>868</b>	-	-	<b>39</b>	-	-	<b>907</b>

(\*) 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)**

Prior Period									Total Credit Risk <sup>(*)</sup>
Risk Weights/Risk Classes	%0	%10	%20	%50	%75	%100	%150	Other	
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
International Organisations receivables	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	193	1.251	-	-	-	-	1.444
Corporate receivables	-	-	-	-	-	75	-	-	75
Retail receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisations Positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>193</b>	<b>1.251</b>	-	<b>75</b>	-	-	<b>1.519</b>

(\*) Total credit risk: Represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

**d.5. Collaterals for CCR**

The Group does not have any collaterals used for CCR (December 31, 2019: None).

**d.6. Information on the risks of the Group arising from purchased or sold credit derivatives**

The Group does not have any risks arising from purchased or sold credit derivatives (December 31, 2019: None).

**d.7. Information on risks of the Group arising from central counterparty**

The Group does not have any risks arising from central counterparty (December 31, 2019: None).

**e. Consolidated securitization explanations**

There is not any information to be announced to public on securitization (December 31, 2019: None).

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**f. Market Risk**

**f.1. Qualitative disclosure on market risk**

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

**f.2. Market Risk Explanations-Standardised Approach**

		<b>Current Period</b>	<b>Prior Period</b>
		<b>RWA</b>	<b>RWA</b>
<b>Outright products</b>			
1	Interest rate risk (general and specific)	92.114	175.816
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	815.158	162.468
4	Commodity risk	1.831	83
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
<b>Total</b>		<b>909.103</b>	<b>338.367</b>

**g. Operational risk**

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

**h. Issues to be disclosed to the public regarding the profit rate risk in banking accounts**

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

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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.

<b>Current Period</b>	<b>Retail</b>	<b>Commercial and Corporate</b>	<b>Treasury</b>	<b>Undistributed</b>	<b>Total</b>
<b>Total Assets</b>	<b>172.749</b>	<b>8.234.487</b>	<b>4.104.625</b>	<b>413.144</b>	<b>12.925.005</b>
<b>Total Liabilities</b>	<b>869.491</b>	<b>7.791.072</b>	<b>2.839.652</b>	<b>227.408</b>	<b>11.727.623</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.197.382</b>	<b>1.197.382</b>
Net profit share income/(expense) (*)	(4.191)	69.152	104.524	1.470	170.955
Net fees and commissions income/(expense)	1.999	5.170	4	(653)	6.520
Other operating income/(expense)	268	54	4.440	(73.169)	(68.407)
Loss Provisions	-	-	-	(88.748)	(88.748)
Profit/(loss) before tax	(1.924)	74.376	108.968	(161.100)	20.320
Provision for tax	-	-	-	(10.648)	(10.648)
<b>Net profit / (loss) for the period</b>	<b>(1.924)</b>	<b>74.376</b>	<b>108.968</b>	<b>(171.748)</b>	<b>9.672</b>

(\*) The distribution difference in the retail, commercial and corporate segments stems from fund allocation and fund collection methods of the Group.

<b>Prior Period</b>	<b>Retail</b>	<b>Commercial and Corporate</b>	<b>Treasury</b>	<b>Undistributed</b>	<b>Total</b>
<b>Total Assets</b>	<b>932</b>	<b>3.155.789</b>	<b>5.621.619</b>	<b>503.884</b>	<b>9.282.224</b>
<b>Total Liabilities</b>	<b>291.278</b>	<b>5.661.350</b>	<b>1.946.849</b>	<b>213.574</b>	<b>8.113.051</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.169.173</b>	<b>1.169.173</b>
Net profit share income/(expense) (*)	(1.298)	(6.979)	94.178	1.150	87.051
Net fees and commissions income/(expense)	-	(714)	-	-	(714)
Other operating income/(expense)	(25)	(1)	(2.817)	(38.861)	(41.704)
Loss Provisions	-	-	-	(16.306)	(16.306)
Profit/(loss) before tax	(1.323)	(7.694)	91.361	(54.017)	28.327
Provision for tax	-	-	-	(5.297)	(5.297)
<b>Net profit / (loss) for the period</b>	<b>(1.323)</b>	<b>(7.694)</b>	<b>91.361</b>	<b>(59.314)</b>	<b>23.030</b>

(\*) 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 on the 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	4.163	84.998	2.319	12.301
CBRT	174.232	1.014.230	73.274	693.296
Other (*)	-	1.165	-	2.885
<b>Total</b>	<b>178.395</b>	<b>1.100.393</b>	<b>75.593</b>	<b>708.482</b>

(\*) Other consists of precious metals.

**b) Information related to CBRT**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	171.892	82	71.974	71
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Reserve requirements	2.340	1.014.148	1.300	693.225
<b>Total</b>	<b>174.232</b>	<b>1.014.230</b>	<b>73.274</b>	<b>693.296</b>

In accordance with the "Communiqué Regarding the Reserve Requirements numbered 2013/15", the Parent Bank is 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 January 2, 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 June 30, 2020, the rates valid for Turkish currency required reserves, participation funds and other liabilities are between 1% and 7% according to the maturity structure; The rates applicable to foreign currency required reserves are between 5% and 24% according to the maturity structure in participation funds and other liabilities. Real credit growth rates for banks that meet the conditions set out in the communiqué on mandatory reserves, the return rate to be applied to the mandatory reserves established in Turkish lira is 7 percent, and 0 percent for other banks.

**2. a) Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	968	92.442	248	151.830
Abroad	-	54.050	-	9.979
<b>Total</b>	<b>968</b>	<b>146.492</b>	<b>248</b>	<b>161.809</b>

**b) Information on foreign bank accounts**

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

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**I. Explanations and notes related to consolidated assets (continued)**

**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 June 30, 2020, amount subject to repurchase agreements in financial assets at fair value through profit and loss is TL 44,790 (December 31, 2019: None).

As of June 30, 2020, amount subject to guaranteed/blocked is TL 133.687 (December 31, 2019: None).

**b. Information on financial assets at fair value through profit/loss**

	<b>Current Period</b>	<b>Prior Period</b>
Debt securities	465.053	996.572
Quoted on a stock exchange	301.169	749.187
Unquoted on a stock exchange (*)	163.884	247.385
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	-	-
Impairment provision (-)	(19)	(295)
<b>Total</b>	<b>465.034</b>	<b>996.277</b>

(\*) Includes debt securities that are listed on the stock exchange but are not traded at the end of the relevant period.

**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 June 30, 2020: TL 391.112 (December 31, 2019: None). As of June 30, 2020, amount subject to guaranteed/blocked is TL 174.196 (December 31, 2019: None).

**b. Financial assets valued at fair value through other comprehensive income**

	<b>Current Period</b>	<b>Prior Period</b>
Debt securities	919.860	-
Quoted on a stock exchange	586.834	-
Unquoted on a stock exchange (*)	333.026	-
Share certificates	7.659	7.659
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	7.659	7.659
Impairment provision (-)	(943)	-
<b>Total</b>	<b>926.576</b>	<b>7.659</b>

(\*) 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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**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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**I. Explanations and notes related to consolidated assets (continued)**

**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	236	-	374	-
Forward Transactions	-	-	36	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>236</b>	<b>-</b>	<b>410</b>	<b>-</b>

**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
<b>Loans</b>	<b>8.352.912</b>	-	-	-
Export loans	-	-	-	-
Import loans	81.385	-	-	-
Business loans	7.582.690	-	-	-
Consumer loans	75.372	-	-	-
Credit cards	-	-	-	-
Loans given to financial sector	90.021	-	-	-
Other (*)	523.444	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>8.352.912</b>	<b>-</b>	<b>-</b>	<b>-</b>

As of June 30, 2020, there is no credit in close monitoring (December 31, 2019: None).

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 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)
  - 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 with Revised Contract Terms	Refinance
<b>Loans</b>	<b>5.542.011</b>	-	-	-
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 (*)	144.264	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>5.542.011</b>	-	-	-

Current Period	Standard Loans	Loans Under Close Monitoring
Expected loss of provision for 12 Months	71.638	-
Substantial increase in credit risk	-	-

As of June 30, 2020, there are no transactions regarding the payment plan change (December 31, 2019: None).

**c. Maturity analysis of cash loans**

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

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 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
<b>Consumer loans-TL</b>	<b>21</b>	<b>75.351</b>	<b>75.372</b>
Housing loans	-	67.337	67.337
Vehicle loans	21	3.287	3.308
Consumer loans	-	4.727	4.727
Other	-	-	-
<b>Consumer loans-FC indexed</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Retail credit cards-FC</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC indexed</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Personnel credit cards-FC</b>	-	-	-
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL(Real Person)</b>	-	-	-
<b>Overdraft account-FC(Real Person)</b>	-	-	-
<b>Total</b>	<b>21</b>	<b>75.351</b>	<b>75.372</b>

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 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 (continued)

Prior Period	Short-term	Medium and long-term	Total
<b>Consumer loans-TL</b>	-	<b>932</b>	<b>932</b>
Housing loans	-	451	451
Vehicle loans	-	481	481
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC indexed</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Retail credit cards-FC</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC indexed</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	-	-	-
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Personnel credit cards-FC</b>	-	-	-
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL(Real Person)</b>	-	-	-
<b>Overdraft account-FC(Real Person)</b>	-	-	-
<b>Total</b>	-	<b>932</b>	<b>932</b>

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 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)**

**e. Information on commercial loans with installments and corporate credit cards**

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<b>Commercial installment loans-TL</b>	<b>7.497</b>	<b>294.252</b>	<b>301.749</b>
Business loans	-	39.181	39.181
Vehicle loans	7.497	115.726	123.223
Consumer loans	-	139.345	139.345
Other	-	-	-
<b>Commercial installment loans-FC indexed</b>	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Commercial installment Loans-FC</b>	-	<b>5.167</b>	<b>5.167</b>
Business loans	-	5.167	5.167
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-TL</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Corporate credit cards-FC</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (Legal Entity)</b>	<b>6.854</b>	-	<b>6.854</b>
<b>Overdraft account-FC(Legal Entity)</b>	-	-	-
<b>Total</b>	<b>14.351</b>	<b>299.419</b>	<b>313.770</b>
<b>Prior Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<b>Commercial installment loans-TL</b>	<b>1.155</b>	<b>189.623</b>	<b>190.778</b>
Business loans	-	-	-
Vehicle loans	1.155	67.283	68.438
Consumer loans	-	122.340	122.340
Other	-	-	-
<b>Commercial installment loans-FC indexed</b>	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Commercial installment Loans-FC</b>	-	<b>4.137</b>	<b>4.137</b>
Business loans	-	4.137	4.137
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-TL</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Corporate credit cards-FC</b>	-	-	-
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft account-FC(Legal Entity)</b>	-	-	-
<b>Total</b>	<b>1.155</b>	<b>193.760</b>	<b>194.915</b>

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 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)**

**f. Allocation of loans by customers**

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

**g. Breakdown of domestic and foreign loans**

	<b>Current Period</b>	<b>Prior Period</b>
Domestic loans	8.525.538	5.706.996
Foreign loans	-	23.337
<b>Total</b>	<b>8.525.538</b>	<b>5.730.333</b>

**h. Loans granted to subsidiaries and associates**

None (December 31, 2019: None).

**i.1 Default provisions for loans (Third Stage) provisions**

	<b>Current Period</b>
Loans and Receivables with Limited Collectability	-
Doubtful Loans and Other Receivables	-
Uncollectible Loans and Receivables	172.626
<b>Total</b>	<b>172.626</b>

**i.2 Specific provisions for loans**

	<b>Prior Period</b>
Loans and Receivables with Limited Collectability	-
Doubtful Loans and Other Receivables	-
Uncollectible Loans and Receivables	188.322
<b>Total</b>	<b>188.322</b>

**j. Information on non-performing loans and receivables (net)**

**j.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 JUNE 30, 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)**

**j.2. Movements of non-performing loans**

	III. Group Loans an receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
<b>Current Period</b>			
Closing balance of prior period	-	-	188.322
Additions in the current period (+)	-	-	11
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	-
Write offs (-)	-	-	15.707
Sale (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Closing balance of the current period</b>	<b>-</b>	<b>-</b>	<b>172.626</b>
Provision (-)	-	-	172.626
<b>Net balance at the balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) In 2020, the 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 27 November 2019.

	III. Group Loans an receivables with limited collectibility	IV. Group Loans and receivables with doubtful collectibility	V. Group Uncollectible loans and receivables
<b>Prior Period</b>			
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	-	-	-
Write offs (-) <sup>(1)</sup>	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Closing balance of the current period</b>	<b>-</b>	<b>-</b>	<b>188.322</b>
Provisions (-)	-	-	188.322
<b>Net balance at the balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

**j.3. Non-performing loans and other receivables in foreign currencies**

None (December 31, 2019: None).

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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

**I. Explanations and notes related to assets (continued)**

**6. Information on loans (continued)**

**j.4. Gross and net non-performing loans and other receivables per customer categories**

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
<b>Current Period (net)</b>	-	-	-
Loans to individuals and corporates (gross)	-	-	172.626
Provision (-)	-	-	172.626
<b>Loans to individuals and corporates (net)</b>	-	-	-
Banks (gross)	-	-	-
Provision (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other Loans (Gross)	-	-	-
Provision (-)	-	-	-
<b>Other Loans (Net)</b>	-	-	-
<b>Prior Period (Net)</b>	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	188.322
Specific provision (-)	-	-	188.322
<b>Loans to Real Persons and Legal Entities (Net)</b>	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
<b>Other loans and receivables (Net)</b>	-	-	-

**k. Liquidation policy for uncollectible loans and receivables**

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

**I. 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 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 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 bank's management (31 December 2019: None).

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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

**I. Explanations and notes related to assets (continued)**

**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 (*)	1.293.659	1.097.529
<b>Total</b>	<b>1.293.659</b>	<b>1.097.529</b>

(\*) 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	1.293.659	1.097.529
Quoted on a stock Exchange	-	-
Unquoted (*)	1.293.659	1.097.529
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted	-	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>1.293.659</b>	<b>1.097.529</b>

(\*) 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.

**c. Information on movements of financial assets measured at amortized cost**

	Current Period	Prior Period
<b>Balance at beginning of period</b>	<b>1.097.529</b>	-
Foreign currency differences on monetary assets	123.574	39.497
Purchases during period (*)	72.556	1.058.032
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>1.293.659</b>	<b>1.097.529</b>

(\*) Rediscounts are shown in the "Purchases During the Year" line.

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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 assets (continued)**

**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 a year	-	-	-	-
1 to 4 years	6.686	5.521	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>6.686</b>	<b>5.521</b>	-	-

**b. Information on net investments through finance lease**

	Current Period	Prior Period
Finance lease receivables (gross)	6.686	-
Unearned finance lease receivable (-)	1.165	-
<b>Receivable from finance leases (net)</b>	<b>5.521</b>	-

**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**

Finance Lease	Standart Loans	Leasing receivables not subject to restructured loans	Leasing Receivables Under Close Monitoring	
			Restructured or rescheduled Leasing Receivables with Revised Contract Terms	Refinance
Finance lease receivables (Net)	5.521	-	-	-

**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	-	-
Disposals	(4.160)	(1.522)
Transfers	-	-
Impairment Provision(-)	-	-
<b>Closing balance</b>	<b>31.040</b>	<b>35.200</b>

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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

**I. Explanations and notes related to assets (continued)**

**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 30 June 2020 and 31 December 2019.

**b.2 Information on consolidated subsidiaries**

Emlak Varlık Kiralama A.Ş 100% subsidiary of the Parent Bank 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 and began to operate on 5 August 2019 with TL 50 capital amount paid by the Main Shareholder Parent Bank.

Emlak Katılım Varlık Kiralama A.Ş, 100% subsidiary of the Parent Bank was established and registered to the trade registry in 20 January 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

The values stated in the table below are taken from financial statements in limited review report of Emlak Varlık Kiralama A.Ş. and Emlak Katılım Varlık Kiralama A.Ş.'s dated June 30, 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.	52	50	-	-	-	-	-	-
Emlak Katılım Varlık Kiralama A.Ş.	303.346	50	-	-	-	-	-	-

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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

**I. Explanations and notes related to assets (continued)**

**10. Information on associates (continued)**

**b.2.1 Movement information on subsidiaries**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Amount at the beginning of the period</b>	<b>50</b>	-
Movements inside the term	50	50
Purchases / new incorporations / capital increases	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	-	-
<b>Share of the capital at the end of the period (%)</b>	<b>100</b>	<b>100</b>

**c. Information on investments in joint-ventures**

None (31 December 2019: None).

**11. Information on tangible assets**

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

**12. Information on intangible assets**

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

**13. Information on investment property**

None (December 31, 2019: None).

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

**I. Explanations and notes related to consolidated assets (continued):**

**14. Information related to deferred tax asset:**

**Information related to deferred tax asset of the Bank:**

	<b>Current Period</b>	<b>Prior Period</b>
Deferred tax provision for transferred financial loss (*)	81.572	90.221
Prepaid wages and commissions and unearned income	4.737	7.866
Expected Loss Provisions	4.268	4.804
Securities valuation differences	1.357	-
Provisions for retirement premium and vacation pay liabilities	247	1.612
Derivative transactions	80	1.294
IFRS 16 allowance	237	112
Other	867	696
<b>Deferred tax asset</b>	<b>93.365</b>	<b>106.605</b>
Difference between carrying value and tax base of fixed assets	(21)	3.872
Dividend accruals	3.605	230
Derivative Transaction Rediscount (net)	1.032	89
Other	468	-
<b>Deferred tax liability</b>	<b>5.084</b>	<b>4.191</b>
<b>Deferred tax asset (Net)</b>	<b>88.281</b>	<b>102.414</b>

(\*) All of the deferred tax assets calculated from movable losses are calculated from 2018 financial losses. Since the Bank plans to obtain sufficient taxable income to offset these amounts in the future, it reflected TL 81.572 of deferred tax assets in its records.

The time limits for deferred tax losses are as follows:

	<b>Current period</b>	<b>Prior period</b>
2023	407.859	455.263
<b>Losses brought forward</b>	<b>407.859</b>	<b>455.263</b>

**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**

	<b>Current period</b>	<b>Prior period</b>
Receivables from Public Institutions and Cooperations <sup>(1)</sup>	175.700	175.700
Other <sup>(2)</sup>	60.784	49.055
<b>Total</b>	<b>236.484</b>	<b>224.755</b>

(1) Includes receivables from Ministry of Treasury and Finance, General Directorate of Highways and Housing Development Administration.

(2) Includes receivables and temporary accounts from various institutions other than public institutions and organizations.

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**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
<b>I. Real Persons Current Accounts Non-Trade TL</b>	<b>28.250</b>	-	-	-	-	-	-	-	<b>28.250</b>
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	<b>215.149</b>	<b>110.437</b>	<b>3.526</b>	<b>1.040</b>	<b>9.630</b>	-	-	<b>339.782</b>
<b>III. Current Account other-TL</b>	<b>318.629</b>	-	-	-	-	-	-	-	<b>318.629</b>
Public Sector	41.876	-	-	-	-	-	-	-	41.876
Commercial Institutions	274.335	-	-	-	-	-	-	-	274.335
Other Institutions	-	-	-	-	-	-	-	-	-
Commercial and Other Institutions	2.418	-	-	-	-	-	-	-	2.418
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	<b>2.555.905</b>	<b>972.749</b>	<b>92.562</b>	<b>285</b>	<b>507</b>	-	-	<b>3.622.008</b>
Public Sector	-	599.909	144.986	5.006	-	-	-	-	749.901
Commercial Institutions	-	1.871.968	675.638	25.472	285	507	-	-	2.573.870
Other Institutions	-	84.028	152.125	62.084	-	-	-	-	298.237
Commercial and Other Institutions	-	-	-	-	-	-	-	-	-
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>V. Real Persons Current Accounts Non-Trade FC</b>	<b>88.803</b>	-	-	-	-	-	-	-	<b>88.803</b>
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	<b>194.247</b>	<b>61.637</b>	<b>554</b>	-	<b>220</b>	-	-	<b>256.658</b>
<b>VII. Other Current Accounts FC</b>	<b>327.535</b>	-	-	-	-	-	-	-	<b>327.535</b>
Residents in Turkey-Corporate	327.534	-	-	-	-	-	-	-	327.534
Residents Abroad-Corporate	1	-	-	-	-	-	-	-	1
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other-FC</b>	-	<b>2.391.622</b>	<b>1.068.027</b>	<b>32.225</b>	<b>34.628</b>	-	-	-	<b>3.526.502</b>
Public sector	-	15	38	-	-	-	-	-	53
Commercial institutions	-	2.102.686	836.139	32.225	34.628	-	-	-	3.005.678
Other institutions	-	196.472	55.097	-	-	-	-	-	251.569
Commercial and Other Institutions	-	15.544	-	-	-	-	-	-	15.544
Banks and Participation Banks	-	76.905	176.753	-	-	-	-	-	253.658
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>IX. Precious Metals Deposits</b>	<b>29.128</b>	<b>23.140</b>	<b>74.539</b>	<b>12.478</b>	<b>58</b>	<b>97</b>	-	-	<b>139.440</b>
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools – FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>792.345</b>	<b>5.380.063</b>	<b>2.287.389</b>	<b>141.345</b>	<b>36.011</b>	<b>10.454</b>	-	-	<b>8.647.607</b>



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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)**

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
<b>I. Real Persons Current Accounts Non-Trade TL</b>	5.216	-	-	-	-	-	-	-	5.216
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	5.258	121.181	75.039	-	10.157	1.228	-	212.863
<b>III. Current Account other-TL</b>	100.070	-	-	-	-	-	-	-	100.070
Public Sector	1	-	-	-	-	-	-	-	1
Commercial Institutions	99.944	-	-	-	-	-	-	-	99.944
Other Institutions	-	-	-	-	-	-	-	-	-
Commercial and Other Institutions	125	-	-	-	-	-	-	-	125
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	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	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>V. Real Persons Current Accounts Non-Trade FC</b>	13.493	-	-	-	-	-	-	-	13.493
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	484	59.221	1	-	-	-	-	59.706
<b>VII. Other Current Accounts FC</b>	382.071	-	-	-	-	-	-	-	382.071
Residents in Turkey-Corporate	378.668	-	-	-	-	-	-	-	378.668
Residents Abroad-Corporate	3.403	-	-	-	-	-	-	-	3.403
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other-FC</b>	-	333	2.556.945	35.694	-	82.013	31.150	-	2.706.135
Public sector	-	-	-	-	-	-	-	-	-
Commercial institutions	-	333	1.998.726	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
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>IX. Precious Metals Deposits</b>	487	118	9.166	34.691	-	-	-	-	44.462
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools – FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>501.337</b>	<b>132.102</b>	<b>4.939.304</b>	<b>230.360</b>	<b>-</b>	<b>116.593</b>	<b>32.933</b>	<b>-</b>	<b>5.952.629</b>

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**II. Explanations and notes related to consolidated liabilities (continued)**

**1. Information on funds collected (continued)**

**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	101.356	35.298	645.003	261.987
Turkish Lira accounts	71.623	28.417	296.410	189.662
Foreign currency accounts	29.733	6.881	348.593	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 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	54.190	560.967	-	864.292
Loans from foreign banks, institutions and funds	-	224.851	-	-
<b>Total</b>	<b>54.190</b>	<b>785.818</b>	<b>-</b>	<b>864.292</b>

**a.2 Maturity analysis of funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	54.190	785.818	-	864.292
Medium and Long-Term	-	-	-	-
<b>Total</b>	<b>54.190</b>	<b>785.818</b>	<b>-</b>	<b>864.292</b>

**b. Additional disclosures on concentration areas of Group's liabilities**

The Group does not have concentration on customer or sector group providing funds (December 31, 2019: None).

**3. Information on Securities Issued**

The table below represents the sukuk issued by the Parent Bank through its subsidiary Emlak Katılım Varlık Kiralama A.Ş. to collect funds from various investors:

Issue date	Amount	Currency	Maturity	Profit Share %
30 April 2020	200.000	TL	63 days	9,25
25 June 2020	100.000	TL	369 days	Variable

**a. Breakdown of Sukuk Issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Sukuk Issued	303.278	-	-	-
<b>Total</b>	<b>303.278</b>	<b>-</b>	<b>-</b>	<b>-</b>

**4. Information on derivative financial liabilities held for trading**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	219	-	34	-
Swap Transactions	-	1.166	-	5.857
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>219</b>	<b>1.166</b>	<b>34</b>	<b>5.857</b>

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**II. Explanations and notes related to liabilities (continued)**

**5. Lease payables**

	Current Period		Prior Period	
	FC	TL	FC	FC
Less than 1 year	6.644	-	4.171	-
Between 1-5 years	29.083	-	17.812	-
Over 5 years	16.779	-	8.584	-
<b>Total</b>	<b>52.506</b>	<b>-</b>	<b>30.567</b>	<b>-</b>

**6. Information on hedging derivative financial liabilities**

None (December 31, 2019: None).

**7. 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 2.891 (December 31, 2019: TL 2.282), vacation pay liability amounting to TL 1.558 (December 31, 2019: TL 1.043) The Parent Bank's total amount of provisions for employee rights is TL 4.449 (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 (%)	3,60	3,60
Estimated increase rate of salary ceiling (%)	9,20	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	609	998
<b>Balance at the end of the period</b>	<b>2.891</b>	<b>2.282</b>

**b. Other Provisions**

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing accounts	65.315	-
Provisions for cases on trial	4.424	2.334
Impairment provision	18	-
Expected expected credit loss for Stage 1 and Stage 2 for non-cash loans	10.891	-
<b>Total</b>	<b>80.648</b>	<b>2.334</b>

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**II. Explanations and notes related to liabilities (continued)**

**7. Information on provisions (continued)**

**c. Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables**

None (December 31, 2019: None).

**d. Information on general provisions**

	<b>Prior period</b>
<b>General provisions</b>	
<b>I. Group Loans and receivables (Total)</b>	<b>85.763</b>
Participation accounts' share	63.928
Bank's share	21.835
Other	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group I</b>	<b>-</b>
Participation accounts' share	-
Bank's share	-
Other	-
<b>II. Group loans and receivables (Total)</b>	<b>-</b>
Participation accounts' share	-
Bank's share	-
Other	-
<b>Additional provision for loans and receivables with extended maturities for loans and receivables in Group II</b>	<b>-</b>
Participation accounts' share	-
Bank's share	-
Other	-
<b>Non-cash loans</b>	<b>3.155</b>
<b>Other</b>	<b>-</b>

**8. Information on taxes payable**

**a.1. Explanations on current tax liability**

As of 30 June 2020, the Group does not have any tax debt remaining after deducting the corporate taxes paid. (31 December 2019: None).

**a.2. Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Taxation on securities income	6.036	2.856
Banking insurance transaction tax	2.633	2.540
Income tax deducted from wages	3.592	2.306
Value added tax payable	373	741
Taxation on real estate income	160	88
Foreign exchange transaction tax	325	8
Other	266	137
<b>Total</b>	<b>13.385</b>	<b>8.676</b>

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

**II. Explanations and notes related to liabilities (continued)**

**8. Information on taxes payable (continued)**

**a.3. Information on premiums**

	Current Period	Prior Period
Social security premiums-employee	1.667	1.026
Social security premiums-employer	1.138	700
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Bank pension fund premium- employees	-	-
Bank pension fund premium- employer	-	-
Pension fund membership fees and provisions-employees	172	100
Pension fund membership fees and provisions- employer	86	50
Other	154	146
<b>Total</b>	<b>3.217</b>	<b>2.022</b>

**9. Liabilities for assets held for sale and discontinued operations**

None (December 31, 2019: None).

**10. 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
<b>Borrowing Instruments to be Included in Additional Capital Calculation</b>	-	<b>1.271.884</b>	-	<b>1.076.666</b>
Subordinated Loans	-	1.271.884	-	1.076.666
Subordinated Debt Instruments	-	-	-	-
<b>Debt Instruments to be Included in the Contribution Capital Calculation</b>	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.271.884</b>	<b>-</b>	<b>1.076.666</b>

As of June 30, 2020 the Group has an subordinated debt that the creditor is Türkiye Varlık Fonu Yönetimi A.Ş., with TRT240424F22 ISIN code, with initial date 24 April 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.

**11. 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**

As of June 30, 2020 and December 31, 2019, other liabilities item does not exceed 10% of the balance sheet.

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**II. Explanations and notes related to liabilities (continued)**

**12. Information on shareholders' equity**

**a. Presentation of paid-in capital**

	<b>Current Period</b>	<b>Prior Period</b>
Common stock	750.000	750.000
Preferred stock	-	-

**b. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling:**

<b>Share Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling</b>
Registered Capital	750.000	750.000

**c. Information on the share capital increases during the period and their sources; other information on increased capital in the current period**

There is no capital increase in the current period.

**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's 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.

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**II. Explanations and notes related to liabilities (continued)**

**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 (*)	8.212	1.008	-	-
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>8.212</b>	<b>1.008</b>	<b>-</b>	<b>-</b>

(\*) The amount represents the net balance after deferred tax liability.

**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 24 April 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 related to consolidated 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	29.585	42.272
Forward Asset Sale Commitments	184.933	3.970
Payment Commitments for Cheques	6.156	1.230
Tax and Fund Liabilities Arising from Export Commitments	-	-
Credit Cards Limit Commitments	-	-
Other Irrevocable Commitments	-	-
<b>Total</b>	<b>220.674</b>	<b>47.472</b>

**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
Guarantees	1.108.472	396.587
Letters of credit	126.949	30.136
Bank loans	332.853	-
Other guaranties and sureties	-	-
<b>Total</b>	<b>1.568.274</b>	<b>426.723</b>



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**III. Explanations and notes related to consolidated off-balance sheet (continued)**

**b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies**

	<b>Current Period</b>	<b>Prior Period</b>
Temporary letters of guarantees	95.938	2.997
Advance letters of guarantees	100.708	83.945
Letters of guarantees given to customs	22.226	5.735
Long standing letters of guarantees	889.600	303.910
<b>Total</b>	<b>1.108.472</b>	<b>396.587</b>

**c. Within the Non-cash Loans**

**c.1. Total amount of non-cash loans**

	<b>Current Period</b>	<b>Prior Period</b>
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	220.674	47.472
<b>Total</b>	<b>220.674</b>	<b>47.472</b>

**c.2. Sectoral risk concentration of non-cash loans**

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

**c.3. Information on the non-cash loans classified in Group I and Group II**

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

**2. Explanations on derivative transactions**

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

**3. Explanations on credit derivatives and risk beared due to these**

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

**4. Explanations on contingent assets and liabilities**

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

**5. Explanations on services rendered on behalf of third parties**

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

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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	135.581	3.268	73.289	-
Medium and Long Term Loans	102.347	57.710	-	-
Profit Share on Non-Performing Loans	-	-	-	-
<b>Total</b>	<b>237.928</b>	<b>60.978</b>	<b>73.289</b>	<b>-</b>

**b. Information on profit share income received from banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	3.929	-	452	-
Domestic Banks	-	-	34.222	-
Foreign Banks	-	-	-	-
Head Offices and Branches Abroad	-	-	-	-
<b>Total</b>	<b>3.929</b>	<b>-</b>	<b>34.674</b>	<b>-</b>

**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)	17.175	13.108	1.858	3.852
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	19.583	1.978	-	-
Financial Assets Measured at Amortized Cost	-	27.153	-	8.691
<b>Total</b>	<b>36.758</b>	<b>42.239</b>	<b>1.858</b>	<b>12.543</b>

**d. Information on profit share income received from associates and subsidiaries**

None (June 30, 2019: None).

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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 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 years	More than 1 years		
<b>TL</b>									
Funds collected from banks through current and profit sharing accounts	-	-	-	-	-	-	-	-	-
Real persons' non-trading profit sharing accounts	559	9.450	1.755	-	363	202	-	-	12.329
Public sector profit sharing accounts	5.283	7.935	4.982	-	370	-	-	-	18.570
Commercial sector profit sharing accounts	5.837	98.524	2.893	-	954	49	-	-	108.257
Other institutions profit sharing accounts	54	3.703	2.902	-	-	-	-	-	6.659
<b>Total</b>	<b>11.733</b>	<b>119.612</b>	<b>12.532</b>	<b>-</b>	<b>1.687</b>	<b>251</b>	<b>-</b>	<b>-</b>	<b>145.815</b>
<b>FC</b>									
Banks	-	985	-	-	-	-	-	-	985
Real persons' non-trading profit sharing accounts	182	1.062	7	-	1	-	-	-	1.252
Public sector profit sharing accounts	-	310	-	-	-	-	-	-	310
Public sector profit sharing accounts	492	9.437	1.353	-	413	272	-	-	11.967
Other institutions profit sharing accounts	9	2.760	-	-	-	-	-	-	2.769
Precious metals deposits	336	-	-	-	-	-	-	-	336
<b>Total</b>	<b>1.019</b>	<b>14.554</b>	<b>1.360</b>	<b>-</b>	<b>414</b>	<b>272</b>	<b>-</b>	<b>-</b>	<b>17.619</b>
<b>Grand Total</b>	<b>12.752</b>	<b>134.166</b>	<b>13.892</b>	<b>-</b>	<b>2.101</b>	<b>523</b>	<b>-</b>	<b>-</b>	<b>163.434</b>

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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**

Prior Period Account Name	Profit Sharing Accounts						Accumulated participation accounts	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 years	More than 1 years		
<b>TL</b>								
Funds collected from banks through current and profit sharing accounts	-	542	-	-	-	-	-	542
Real persons' non-trading profit sharing accounts	17	210	2	-	-	-	-	229
Public sector profit sharing accounts	-	2.433	-	-	-	-	-	2.433
Commercial sector profit sharing accounts	944	11.380	696	-	-	-	-	13.020
Other institutions profit sharing accounts	492	6.856	95	-	15	-	-	7.458
<b>Total</b>	<b>1.453</b>	<b>21.421</b>	<b>793</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>23.682</b>
<b>FC</b>								
Banks	-	290	-	-	-	-	-	290
Real persons' non-trading profit sharing accounts	-	19	-	-	-	-	-	19
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Public sector profit sharing accounts	180	1.234	94	-	-	-	-	1.508
Other institutions profit sharing accounts	28	171	-	-	-	-	-	199
Precious metals deposits	-	9	8	-	-	-	-	17
<b>Total</b>	<b>208</b>	<b>1.723</b>	<b>102</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.033</b>
<b>Grand Total</b>	<b>1.661</b>	<b>23.144</b>	<b>895</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>25.715</b>

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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)**

**b. Information on profit share expense paid to funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	424	1.839	-	437
CBRT	-	-	-	-
Domestic banks	424	1.318	-	437
Foreign banks	-	521	-	-
Head offices and branches abroad	-	-	-	-
Other institutions	-	29.297	-	9.342
<b>Total</b>	<b>424</b>	<b>31.136</b>	<b>-</b>	<b>9.779</b>

**c. Profit share expense paid to associates and subsidiaries**

None (June 30, 2019 :None).

**d. Profit share expenses paid to marketable securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share expenses paid to marketable securities issued	3.233	-	-	-
<b>Total</b>	<b>3.233</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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 June 30, 2020, other fees and commissions taken are amounting to TL 8.404 (January 1 - June 30, 2019: TL 34). These commissions are consists of in overseas remittance commissions amounting to TL 2.524 (January 1 - June 30, 2019: None), from prepaid commissions amounting to TL 2.510 (January 1 - June 30, 2019: None), from import commissions amounting to TL 2.510 (January 1 - June 30, 2019: None )from other commissions for taken amounting to TL 3.370 (January 1 – June 30, 2019: TL 34).

As of June 30, 2020, other fees and commissions given are amounting to TL 4.814 (January 1 – June 30, 2019: TL 759). These commissions are consists of the required reserves paid to the CBRT amounting to TL 2.958 (January 1 - June 30, 2019: None), from interbank card center commissions amounting to TL 151 (January 1 - June 30, 2019: TL 572) and other commissions for given amounting to TL 1.705 (January 1 - June 30, 2019: TL 97).

**4. Information on dividend income**

None (June 30, 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
<b>Income</b>	<b>543.516</b>	<b>12.506</b>
Income from capital market transactions	8.448	4.993
Income from derivative financial instruments	55.219	3.248
Foreign exchange income	479.849	4.265
<b>Loss (-)</b>	<b>519.039</b>	<b>7.154</b>
Loss on capital market transactions	108	455
Loss on derivative financial instruments	144.105	1.035
Foreign exchange losses	374.826	5.664
<b>Trading income/loss (net)</b>	<b>24.477</b>	<b>5.352</b>

**6. Explanations related to other operating income**

	Current Period	Prior Period
Income from provisions made in previous years	41.316	-
Income from sales of assets	5.688	82
Revenues from provisions allocated in previous years	34	3.135
Cancellation of communication expenses provision	-	25
Lease income	4	-
Other income (*)	6.664	36
<b>Total</b>	<b>53.706</b>	<b>3.278</b>

(\*) Other income includes provision cancellations of TL 3.268 in the previous year, TL 1.543 in other income, TL 435 in other non-profit income.

**7. Expected loss provision expenses and other provision expenses**

	Current Period
<b>Expected Credit Loss</b>	<b>88.748</b>
12 month expected credit loss (stage 1)	88.721
Significant increase in credit risk (stage 2)	-
Non-performing loans (stage 3)	27
<b>Marketable Securities Impairment Expense</b>	<b>13.413</b>
Financial Assets at Fair Value through Profit or Loss	13.413
Financial Assets at Fair Value through Other Comprehensive Income	-
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>-</b>
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Investments Held to Maturity	-
<b>Other (*)</b>	<b>23.999</b>
<b>Total</b>	<b>126.160</b>

(\*) Consist of provisions allocated from profit shares to be distributed to profit sharing accounts amounting to TL 21.441 and TL 2.558 litigation provision expenses.

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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 (continued)**

	<b>Prior Period</b>
<b>Expected Credit Loss</b>	-
12 month expected credit loss (stage 1)	-
Significant increase in credit risk (stage 2)	-
Non-performing loans (stage 3)	-
<b>General Provisions</b>	<b>16.306</b>
<b>Marketable Securities Impairment Expense</b>	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value</b>	
Decrease	-
<b>Investments in Associates</b>	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
<b>Other</b>	<b>942</b>
<b>Total</b>	<b>17.248</b>

**8. Information on other operating expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Provision for retirement pay liability	608	151
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	11.346	1.683
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	7.684	4.655
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	21.918	8.169
Lease expenses related to TFRS 16 exemptions	32	2
Operating Maintenance expenses	2.018	713
Advertisement expenses	7.942	1.633
Other expenses <sup>(1)</sup>	11.926	5.821
Loss on sale of assets	-	-
Other <sup>(2)</sup>	10.074	5.387
<b>Total</b>	<b>51.630</b>	<b>20.045</b>

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**IV. Explanations and notes related to the consolidated statement of income or loss (continued)**

**8. Information on other operating expenses (continued)**

<sup>1)</sup> Details of "Other Expenses" balance under Other Operating Expenses are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Communication Expenses	3.147	626
Heating, Lighting and Water Expenses	1.285	505
Cleaning Expenses	1.895	638
Insurance Expenses	572	95
Vehicle Expenses	448	497
Litigation and court expenses	639	237
Stationery expenses	181	355
Representation and Hospitality expenses	104	226
Participation on common expenses	115	1.366
Other Expenses <sup>(2)</sup>	3.540	1.276
<b>Total</b>	<b>11.926</b>	<b>5.821</b>

<sup>(2)</sup> Other balance details are as below table:

	<b>Current Period</b>	<b>Prior Period</b>
Taxes, Duties, Charges and Funds	6.883	3.837
Audit and Consultancy Fees	1.334	1.049
Participation Share Expenses	1.140	250
Saving Deposit Insurance Fund	290	13
Other	427	238
<b>Total</b>	<b>10.074</b>	<b>5.387</b>

**9. Explanations on income/loss from continued operations before taxes**

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

**10. Explanations on tax provision for continued and discontinued operations**

As of June 30, 2020, the Group has deferred tax income amounting to TL 20.324 (June 30, 2019: TL 7.080), deferred tax expense amounting to TL 30.972 (June 30, 2019: TL 1.783). As of 30 June 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 (June 30, 2019: None).

**11. Explanations on net income/loss from continued and discontinued operations**

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

**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.



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**IV. Explanations and notes related to the consolidated statement of income or loss (continued)**

**12. Explanations on net income/ loss (continued)**

**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**

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

**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 (30 June 2019: None).

**b. Information on increases in cash flow hedging items**

None (30 June 2019: None).

**c. Increase after revaluation of tangible assets**

None (30 June 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, decrease occurring after the revaluation of financial assets at fair value difference in other comprehensive income is TL 2.287 (December 31, 2019: None).

**b. Information on decreases in cash flow hedging items**

None (30 June 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 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.

**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 (30 June 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**

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

**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**

None (December 31, 2019: None).

**a.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
	<b>Current and profit sharing accounts</b>					
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
<b>Profit share expense</b>	-	-	-	-	-	-

**a.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.

The total amount of wages and benefits provided to the top management of the Parent Bank for the period ended June 30, 2020 is TL 2.597 (June 30, 2019: TL 3.069).

**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**

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

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**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 2.000.000, 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 March 26, 2020 and numbered 18/406. Within the scope of the relevant lease certificate issue ceiling, by Emlak Katılım Varlık Kiralama A.Ş., in April 2, 2020, within the scope of the approval of a consistent regular issuance of TL 2.000.000 from the CMB for sale to qualified investors,

- On July 2, 2020, TL 400,000 with 145 days maturity, 8% return rate for domestic qualified investors,
- On July 23, 2020, TL 100,000 with 369 days maturity, 8.25% return rate for domestic qualified investors,
- On July 24, 2020, lease certificate issuance issued for qualified investors in the amount of TL 210,000 with 160 days maturity, 8.25% return rate.

In the issuance of the lease certificates the Bank was involved as the authorized investment institution.

With the decision of the BRSA dated 10 August 2020 and numbered 9125, changes were made in the Asset Ratio ("AR") calculation and the AR liability was regulated as 95% for deposit banks and 75% for participation banks as of August 1, 2020.

**SECTION SIX**

**Independent Auditor's Review Report**

**I. Explanations on the Independent Auditor's Review Report**

The consolidated financial statements of the Participation Bank for the six months period ended June 30, 2020 were reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member firm of Ernst & Young Global Limited) and Auditors' Review Report dated August 19, 2020 is presented in the introduction of this report

**II. Explanations on the Independent Auditor's Review Report**

None.

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## **Section Seven**

### **INTERIM ACTIVITY REPORT**

#### **I. Message from the Parent Bank’s Chairman of the Board of Directors and CEO about activities related the interim period**

##### **a. Message from the Chairman of the Board of Directors**

The second quarter of 2020 was a period in which the pandemic and its effects spread with accelerated rapidity both globally and in our own country, national economies in Europe, the Americas, and elsewhere in the world verged on shutting down completely, and unemployment, stagnation, and economic contraction reached historically high levels as a result of ensuing bottlenecks. The fact that worldwide infections rapidly reached and surged past the 10 million mark despite all the social and medical measures being taken was the biggest indication of what kind of threat confronted us. One after another, “packages” of measures were announced to rescue and support economies in distress and to keep markets alive: USD 2.2 trillion in the United States, EUR 750 billion in Europe, and USD 1.1 trillion in Japan. Projections by international authorities indicate that a huge economic contraction on a global scale is in the offing in 2020, with the average rate of downturn put on the order of 5%.

Turkey is, like China, South Korea, and Germany, one of the countries that has suffered relatively less from the pandemic than most. At a time when the entire planet is struggling to cope, the substantial capacity and readiness of Turkey’s health system and a significant ability to offer aid at the international level have earned our country the admiration and praise of the whole world.

Although Turkey’s economy is giving warning signals at the macroeconomic level owing to the economic slowdown and to falling output, the support packages announced and put into effect under the leadership of the President are enabling us to make it through this crisis with minimum loss. Led by state-owned banks, a mortgage loan campaign offering the lowest rates in history that was launched in June attracted huge interest. The sale of about 200 thousand residential properties in a single month once again demonstrated how resilient our country’s economy is.

Looking at Turkey’s banking industry, we observe that the strong upward momentum with which it began 2020 continued in the second quarter despite the global pandemic. The sector’s total assets, which were TL 4.8 trillion in Q1, grew by 10% in Q2 and reached TL 5.3 trillion, while lendings were up by 13% to TL 3.3 trillion and total deposits rose by 9.5% and reached TL 3.07 trillion. Registering a decline despite the crisis, non-performing loans by contrast slipped from TL 152 billion to TL 149 billion.

As the Emlak Katılım family, our consistent growth remained on course in the second quarter of 2020. Our overall market share, which was 0.21% at end-2019, has edged up to 0.25%, while among participation banks, our share grew from 3.27% to 3.67%. The upward momentum that we had previously achieved is continuing even as the pandemic process unfolds. It is a generally-accepted fact that this year is going to be a tough one for every sector. While the upheavals from which developed countries’ economies are suffering are having a deep impact on other countries as well, it is an undeniable fact that the only way forward and out of the present situation is through strong cooperation and restoring production to health. As this process of transition proceeds, it is more important than ever before that the banking system maintain its credit quality and pursue healthy growth.

As Emlak Katılım, we continue to maintain an approach that is fully compatible with the policies of our country’s economic authorities and to provide all of our stakeholders with all necessary support not only through the measures that we have been taking during the pandemic but also with the practices that we intend to implement as the effects of the pandemic begin to subside.

Respectfully Yours,

Chairman of the Board of Directors

**Mehmet Emin BİRPINAR**

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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

**I. Message from the Parent Bank's Chairman of the Board of Directors and CEO about activities related the interim period (continued)**

**b. Message from the CEO**

The second quarter of 2020 was a historically unparalleled period during which the adverse effects of the epidemic that broke out in China quickly spread throughout the world. The abrupt interruption of social life owing to the epidemic and the associated all-but-complete cessation of production and consumption except in the case of a few essential sectors, a sudden surge in demand for healthcare services, and feelings of panic caused by announcements of new infections coming from every country deeply all affected every segment of society during these months. Despite their successive announcements of economic measures, many of the world's developed countries posted negative growth rates in the first quarter of the year because of the pandemic. With its economy having shrunk in both the last quarter of 2019 and the first of 2020, Japan was the only developed country to signal the onset of a recession. Owing to the first-quarter slowdown in manufacturing, purchasing manager index figures plummeted to historically low levels; however as processes become more controllable and pandemic-related economic closures relaxed, renormalization appeared to set in and PMI figures in China and the US moved above the critical 50 threshold. Here in Turkey, the PMI was 53.9 in June, providing evidence of production and thus economic activity and signaling that manufacturing was on the rise again. Peaking in April, the epidemic affected stakeholders in every production and service sector but especially the supply chain and it exerted pressure on such fundamental measures as unemployment, foreign trade balance, and inflation. Although the support and incentives announced by countries in order to set their economies right alleviated some of that pressure, the fact that the epidemic was still continuing and was unlikely to end in the foreseeable future continued to discourage companies from investing or producing. The USA's announcement of more than 20 million people out of work and a 14.7% jobless rate was another significant indicator of the global impact of the epidemic. China, the world's manufacturing hub, announced the first negative (-6%) growth rate in its history in the first quarter, just slightly worse than the USA's -5% performance.

The expansionist monetary policies announced by developed countries in particular had a direct impact on all countries participating in the global economy, among them our own. Like developed countries' monetary authorities, the Turkish Central Bank also cut its policy rate in April and May, nourishing growth in the money supply by reducing this rate from 9.75% to 8.2% at the beginning of the second quarter. The bank's previously-announced moratorium on loan repayments also helped lighten the economic burden of the pandemic when it peaked in April and May. Led by state-owned banks, a mortgage loan campaign offering such historically attractive terms as 0.64% a month, repayment periods of up to 180 months, and an initial 12-month hiatus on repayments helped revive the residential property industry, a sector which had been in the doldrums for quite some time and which has a direct impact on about 250 subsectors. This campaign generated sales of about 200 thousand homes, the second-highest single-month figure in our country's history.

Falling interest rates and negative real yields on bank deposits made foreign currencies the first choice of investors looking for a safe haven in a climate of uncertainty. In June, the total volume of funds held in foreign currency deposit accounts in Turkey reached a historically record-breaking USD 200 million plus in value. The US dollar, which broke its own record in May and looked set to move past the 7.25 TL level, relaxed in the quarter's final month. Remaining relatively flat thereafter, the dollar closed the quarter at TL 6.85.

At a time when the modern world was being so sorely tested for the first time and nearly every country was announcing negative growth rates, the pandemic reached our own country somewhat later than it did others and, thanks to robust measures taken by its economic authorities, Turkey once again demonstrated its strength and resilience with a first-quarter 4.5% rate of growth. Owing to faltering production and to contracting trade flows however, Turkey's foreign trade shrank: the ratio of the country's exports to imports, which was more than 75% in 2020 Q1, slipped to 70% in Q2. With international flights to many countries suspended, Turkey also suffered a serious loss of tourism revenues, which exerted serious pressure on its current account deficit.

As the Emlak Katılım family, we responded rapidly with measures compatible with national economic policy for the benefit of all of our stakeholders. Prioritizing our employees' health, we minimized the risks to it by allowing as many personnel as possible to work from home through June. The one-day withdrawal limit at all state-owned banks' ATMs was increased to TL 6,000, which helped mitigate virus-exposure risks to both our branch personnel and to our customers.

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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Despite all of the social and economic problems experienced in the second quarter of 2020, Emlak Katılım Bank continued to grow. The bank's total assets increased by 16% over their Q1 level to TL 12.9 billion while its funded credit (cash loan) balance grew by an even stronger 23% from TL 6.7 billion to TL 8.3 billion. Collected funds (deposits) also registered a solid 17% rate of growth, going from TL 7.4 billion to TL 8.6 billion. We continued to expand our branch network with new branches opened in Ümraniye, Rize, Konya, and Erenköy. This was in line with our previously-determined strategies and we intend to continue enlarging the network as we come closer and closer to our year-end target number with every day that passes. We took yet another step in the direction of transaction digitalization with the addition of precious metal trading to our mobile banking and online banking channels.

The superior and successful efforts achieved during these most difficult times in coordination and harmony with all of our country's institutions and organizations are sources of great motivation for us all. As Emlak Katılım we have confidence in our country's strength and, with that awareness, we continue to serve all of our stakeholders. Our greatest wish is that we make it through these challenging times as quickly as possible and with minimum loss. On behalf of Emlak Katılım, I extend my thanks to all of my colleagues, for their tremendous efforts are making that possible no matter what the hardships may be.

Very truly yours,

Board Member and CEO

**Nevzat BAYRAKTAR**

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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**c. Capital and Shareholder Structure**

Name and Surname/ Trade name	Share Amounts	Share Rates	Paid Shares	Unpaid Shares
Ministry of Treasury and Finance	750.000	99,99%	750.000	-
Other	-	0,00001%	-	-

**d. The amendments in the articles of association during period of January 1, 2020 – June 30, 2020**

Articles 1,2,3,28,4,9,17,19,26,29 and 34 of the Articles of Association were amended at the Ordinary General Assembly Meeting held on June 26, 2020.

**e. Branch and Personal Information**

The Parent Bank's total number of branches is 15 and the total number of personnel is 504 at 30 June 2020.

**f. Board of Directors and Executive Management**

Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage(%)
Prof. Dr. Mehmet Emin BİRPINAR	Chairman of BOD	Doctorate	-
Abdullah Erdem CANTİMUR	Vice President of the BOD and Member of Audit Commite	Master	-
Kazim ŞİMŞEK (*)	Member of BOD and and Chairman of the Audit Commite	Bachelor	-
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 Lending	Bachelor	-
Yusuf OKUR	Assistant General Manager Responsible for Operations	Bachelor	-
Uğur KARA	Assistant General Manager Responsible for Human Resources	Master	-

(\*) Kazim ŞİMŞEK took a position as a Member of the Board of Directors of our Bank as of June 26, 2020.

(\*) Mustafa GÜLEN took a position as a Member of the Board of Directors of our Bank as of June 26, 2020.

**Managers of Internal Systems**

Name and Surname	Professional Experience	Seniority in the Field of Responsibility	Education	Area of Responsibility
Cengiz SİNANOĞLU	26 year 6 month	4 year 6 month	Master	Head of Internal Systems Group
Abdulkadir CEBECİ	14 year 9 month	14 year 9 month	Master	Head of Internal Audit
Sabri Korhan BİLSEL	14 year 7 month	14 year 7 month	Master	Head of Internal Control and Compliance

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**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2020**

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

**g. Committee and committee members formed after the distribution of duties among the board members**

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**AUDIT COMITTEE**

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Kazim ŞİMŞEK

Abdullah Erdem CANTİMUR

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**CREDIT COMITTEE**

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Prof. Dr. Mehmet Emin BİRPINAR

Prof. Dr. Murat BALCI

Nevzat BAYRAKTAR

Mehmet Nuri YAZICI

Mustafa GÜLEN

---

**CORPORATE GOVERNANCE COMMITTEE**

---

Abdullah Erdem CANTİMUR

Prof. Dr. Murat BALCI

Mustafa GÜLEN

---

**REMUNERATION COMMITTEE**

---

Mehmet Nuri YAZICI

Abdullah Erdem CANTİMUR

Nevzat BAYRAKTAR

---

**EXECUTIVE COMMITTEE**

---

Prof. Dr. Mehmet Emin BİRPINAR

Prof. Dr. Murat BALCI

Nevzat BAYRAKTAR



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**h. Türkiye Emlak Katılım Bankası A.Ş. Selected Financial Indicators as of 30 June 2020**

<b>Assets</b>	<b>Current Period</b>	<b>Prior Period</b>
Loans and Financial Leasing Receivables	8.531.059	5.730.333
Total Securites	1.391.610	996.277
<b>Total of Selected Assets</b>	<b>9.922.669</b>	<b>6.726.610</b>

<b>Liabilities</b>	<b>Current Period</b>	<b>Prior Period</b>
Funds Collected	8.647.607	5.952.629
Funds Borrowed	840.008	864.292
Shareholders' Equity	1.197.382	1.169.173
<b>Total of Selected Liabilities</b>	<b>10.684.997</b>	<b>7.986.094</b>

<b>Income and Expense Items</b>	<b>Current Period</b>	<b>Prior Period</b>
Profit Share Income	382.532	123.088
Profit Share Expense	211.577	36.037
Net Profit Share Income/Expenses	170.955	87.051
Net Fees and Commisions Income/Expenses	6.520	(714)
Personnel Expenses	57.548	29.347
Trading Income/Loss	24.477	5.352
Other Operating Income	53.706	3.278
Loans and Other Receivables from Provision for Losses	88.748	17.248
Other Operating Expenses	51.630	20.045
Profit Before Tax and Provisions	20.320	28.327
Tax Provisions	(10.648)	(5.297)
Net Profit/Losses	9.672	23.030

<b>Ratios (%)</b>	<b>Current Period</b>	<b>Prior Period</b>
Total Loans/Total Assets (*)	66,00	61,73
Total Loans/Total Deposits (*)	98,65	96,27
Capital Adequacy Ratio	36,00	63,64

(\*) Financial Leasing Receivables are included in the Total Loans figure.