

# **Türkiye Emlak Katılım Bankası Anonim Şirketi**

**Unconsolidated Financial Statements**

**As of and For the Year Ended**

**31 December 2019**

**With Independent Auditor's Report Thereon**

*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

**Convenience Translation of the Auditor's Report Originally Prepared and  
Issued in Turkish**

**INDEPENDENT AUDITOR'S REPORT**

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

**A) Audit of Unconsolidated Financial Statements**

*Opinion*

We have audited the unconsolidated financial statements of Türkiye Emlak Katılım Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2019 and the unconsolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity, cash flows for the year then ended, and unconsolidated notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes 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 Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations



### *Basis for Opinion*

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

### *Key Audit Matters*

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

#### Impairment of loans

Refer to Note VII of Section Three to the consolidated financial statements relating to the details of accounting policies and significant judgments of for impairment of loans.

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2019, loans comprise 62% of Bank’s total assets.</p> <p>The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the “Regulation”) published on the Official Gazette No. 29750 dated 22 June 2016. In accordance with the mentioned Regulation, the assessment of impairment is basically related to the proper classification of loans. The classification of loans is performed in accordance with the criteria in the Regulation. Those include both objective and subjective criteria which management judgment is applied. There is a potential risk of impaired loans cannot be detected and loan loss provisions are inaccurate due to subjectivity.</p> <p>Impairment on loans was considered to be a key audit matter, due to the significance of the management estimates, its complex structure as explained above.</p>	<p>Our procedures for auditing the impairment of loans include below:</p> <ul style="list-style-type: none"><li>• The design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.</li><li>• We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank’s impairment accounting policy compared with the Regulation and Standard.</li><li>• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and evaluation of their classification. In this context, the current status of the loan customer has been evaluated.</li><li>• We tested the appropriateness of the provisions in accordance with the Regulation.</li><li>• We evaluated the adequacy of unconsolidated financial statement disclosures related to impairment provisions.</li></ul>



## *Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements*

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

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

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

## *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.





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

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

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

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


#### **B) Other Legal and Regulatory Requirements**

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2019 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member firm of KPMG International Cooperative

  
Erdal Tıkmak, SMMM  
Partner

2 March 2020  
İstanbul, Turkey

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**THE UNCONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2019**

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

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

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

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

**Prof. Dr. Mehmet Emin BİRPINAR**

Chairman of the Board of Directors

**Nevzat BAYRAKTAR**

General Manager

**Tuğba GEDİKLİ**

Budget and Financial  
Reporting Director

**Prof. Dr. Mehmet ERSOY**

Member of the Audit Committee

**Mehmet Ali KAHRAMAN**

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  
Telephone : 0 (216) 266 24 70  
Facsimile : 0 (216) 275 25 25

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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2019**

*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

**SECTION ONE**

**General Information**

**I. History of the Bank including its incorporation date, initial legal status and amendments to legal status**

The 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 Bank is to support public construction, to provide necessary loan and to protect orphan's right. The 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 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-Gazimir and Mavişehir projects are included in the Bank's important projects.

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

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 on 6 July 2001.

The 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 Bank's permission for banking activities and collection of deposit removed.

Board of Liquidation, Board of Directors and Board of Supervisors of the 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 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 Bank has been removed, as of 27 May 2017.

After the liquidation of the 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 Bank was registered as Türkiye Emlak Katılım Bankası A.Ş. on 10 September 2018.

The 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 Bank's head office is located in İstanbul and there is 11 branch of the bank as of 31 December 2019. (31 December 2018: None.) The Bank is operating with 381 staff (31 December 2018: 85.).



**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2019**

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

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

The 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. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, 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	Member of BOD	Master	-
Prof. Dr. Mehmet ERSOY	Member of BOD and Board of Supervisors	Doctorate	-
Mehmet Ali KAHRAMAN	Member of BOD and Board of Supervisors	Master	-
Mehmet Nuri YAZICI	Member of BOD	Bachelor	-
Prof. Dr. Murat BALCI	Member of BOD	Doctorate	-
Nevzat BAYRAKTAR <sup>(*)</sup>	Member of BOD / General Manager	Bachelor	-
Nihat BULUT <sup>(**)</sup>	Assistant General Manager Responsible for Credits	Bachelor	-
Yusuf OKUR <sup>(**)</sup>	Assistant General Manager Responsible for Operations	Bachelor	-
Uğur KARA	Assistant General Manager Responsible for Human Resources	Master	-

(\*) Nevzat Bayraktar, who was appointed General Manager pursuant to a Board of Directors resolution dated 11 February 2020.

(\*\*) Nihat Bulut, who was appointed Assistant General Manager Responsible for Credits (acting) and Yusuf Okur who was appointed Assistant General Manager Responsible for Operations (acting) pursuant to a Board of Directors resolution dated 24 February 2020.

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

The 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 Bank's service activities and field of operations**

The Bank's main purpose and field of operation is to perform all kinds of banking activities, to accept funds and the execution of legal acts, acts and works in the banks' fields of activity within the Banking Law which is in force and the laws and delegated legislations which will be enacted in the future and the regulations that are related to these law.

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

There is no immediate transfer of equity between the Bank and its subsidiaries.

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

## **SECTION TWO**

### **Unconsolidated financial statements**

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 31 DECEMBER 2019**  
*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

ASSETS		Note (5 - I)	Audited Current Period 31 December 2019			Audited Prior Period (Restated) <sup>(*)</sup> 31 December 2018		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>		<b>307.709</b>	<b>1.642.769</b>	<b>1.950.478</b>	<b>655.644</b>	<b>1.957</b>	<b>657.601</b>
<b>1.1</b>	<b>Cash and cash equivalents</b>		<b>75.841</b>	<b>870.291</b>	<b>946.132</b>	<b>655.644</b>	<b>1.957</b>	<b>657.601</b>
1.1.1	Cash and balances with Central Bank	(1)	75.593	708.482	784.075	6	-	6
1.1.2	Banks	(2)	248	161.809	162.057	655.638	1.957	657.595
1.1.3	Money market placements		-	-	-	-	-	-
<b>1.2</b>	<b>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 Securities		223.799	772.478	996.277	-	-	-
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other financial assets		-	-	-	-	-	-
<b>1.3</b>	<b>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 Securities		-	-	-	-	-	-
1.3.2	Equity Securities		7.659	-	7.659	-	-	-
1.3.3	Other financial assets		-	-	-	-	-	-
<b>1.4</b>	<b>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.</b>	<b>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</b>	<b>Loans</b>	(6)	<b>3.275.613</b>	<b>2.454.720</b>	<b>5.730.333</b>	-	-	-
<b>2.2</b>	<b>Lease receivables</b>	(8)	-	-	-	-	-	-
<b>2.3</b>	<b>Measured at amortized cost</b>	(7)	-	<b>1.097.529</b>	<b>1.097.529</b>	-	-	-
2.3.1	Government Securities		-	1.097.529	1.097.529	-	-	-
2.3.2	Other financial assets		-	-	-	-	-	-
<b>2.4</b>	<b>Non performing loans</b>	(6)	<b>188.322</b>	-	<b>188.322</b>	<b>188.343</b>	-	<b>188.343</b>
<b>2.5</b>	<b>Specific provisions (-)</b>	(6)	<b>188.322</b>	-	<b>188.322</b>	<b>188.343</b>	-	<b>188.343</b>
<b>III.</b>	<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(9)	<b>35.200</b>	-	<b>35.200</b>	<b>36.722</b>	-	<b>36.722</b>
3.1	Asset Held for sale		35.200	-	35.200	36.722	-	36.722
3.2	Assets of Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>OWNERSHIP INVESTMENT IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>50</b>	-	<b>50</b>	-	-	-
<b>4.1</b>	<b>Associates (Net)</b>	(10)	-	-	-	-	-	-
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2	Unconsolidated associates		-	-	-	-	-	-
<b>4.2</b>	<b>Subsidiaries (Net)</b>	(11)	<b>50</b>	-	<b>50</b>	-	-	-
4.2.1	Unconsolidated Financial Investments in Subsidiaries		50	-	50	-	-	-
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
<b>4.3</b>	<b>Joint Ventures (Net)</b>	(12)	-	-	-	-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (NET)</b>		<b>101.710</b>	-	<b>101.710</b>	<b>12.021</b>	-	<b>12.021</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (NET)</b>		<b>39.802</b>	-	<b>39.802</b>	<b>20.330</b>	-	<b>20.330</b>
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		39.802	-	39.802	20.330	-	20.330
<b>VII.</b>	<b>INVESTMENT PROPERTY (NET)</b>	(15)	-	-	-	-	-	-
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>		-	-	-	<b>89.061</b>	-	<b>89.061</b>
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	(16)	<b>102.414</b>	-	<b>102.414</b>	<b>103.538</b>	-	<b>103.538</b>
<b>X.</b>	<b>OTHER ASSETS</b>	(17)	<b>224.692</b>	<b>63</b>	<b>224.755</b>	<b>219.525</b>	-	<b>219.525</b>
<b>TOTAL ASSETS</b>			<b>4.087.190</b>	<b>5.195.081</b>	<b>9.282.271</b>	<b>1.136.841</b>	<b>1.957</b>	<b>1.138.798</b>

<sup>(\*)</sup> The details of the restatement of the prior period are explained in Note XXIII of Section Three.

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 31 DECEMBER 2019**  
*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

LIABILITIES	Note (5 - II)	Audited Current Period 31 December 2019			Audited Prior Period (Restated) <sup>(*)</sup> 31 December 2018		
		TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	<b>2.746.808</b>	<b>3.205.868</b>	<b>5.952.676</b>	-	-	-
<b>II. FUNDS BORROWED</b>	(2)	-	<b>864.292</b>	<b>864.292</b>	-	-	-
<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>	(3)	<b>34</b>	<b>5.857</b>	<b>5.891</b>	-	-	-
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		34	5.857	5.891	-	-	-
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VII. LEASE PAYABLES</b>	(4)	<b>30.567</b>	-	<b>30.567</b>	-	-	-
<b>VIII. PROVISIONS</b>	(6)	<b>60.924</b>	<b>37.653</b>	<b>98.577</b>	<b>30.862</b>	-	<b>30.862</b>
8.1 General Provisions		51.281	37.637	88.918	9.777	-	9.777
8.2 Restructuring Provisions		-	-	-	-	-	-
8.3 Reserve for Employee Benefits		7.325	-	7.325	4.462	-	4.462
8.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.5 Other Provisions		2.318	16	2.334	16.623	-	16.623
<b>IX. CURRENT TAX LIABILITY</b>	(7)	<b>10.698</b>	-	<b>10.698</b>	<b>1.714</b>	-	<b>1.714</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>1.076.666</b>	<b>1.076.666</b>	-	-	-
12.1 Loans		-	1.076.666	1.076.666	-	-	-
12.2 Other Debt Instruments		-	-	-	-	-	-
<b>XIII. OTHER LIABILITIES</b>		<b>73.704</b>	<b>27</b>	<b>73.731</b>	<b>4.601</b>	<b>515</b>	<b>5.116</b>
<b>XIV. SHAREHOLDERS' EQUITY</b>	(11)	<b>1.169.173</b>	-	<b>1.169.173</b>	<b>1.101.106</b>	-	<b>1.101.106</b>
14.1 Paid-in capital		750.000	-	750.000	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 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		-	-	-	-	-	-
14.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
14.5 Profit Reserves		351.106	-	351.106	2.631.991	-	2.631.991
14.5.1 Legal Reserves		351.106	-	351.106	311.495	-	311.495
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		-	-	-	-	-	-
14.5.4 Other Profit Reserves		-	-	-	2.320.496	-	2.320.496
14.6 Income or (Loss)		44.979	-	44.979	(2.280.885)	-	(2.280.885)
14.6.1 Prior Periods' Income or (Loss)		-	-	-	(2.824.581)	-	(2.824.581)
14.6.2 Current Period Income or (Loss)		44.979	-	44.979	543.696	-	543.696
<b>TOTAL LIABILITIES</b>		<b>4.091.908</b>	<b>5.190.363</b>	<b>9.282.271</b>	<b>1.138.283</b>	<b>515</b>	<b>1.138.798</b>

<sup>(\*)</sup> The details of the restatement of the prior period are explained in Note XXIII of Section Three.

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS**  
**AS OF 31 DECEMBER 2019**

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

	Note (5 - III)	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TL	FC	Total	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>1.994</b>	<b>11.353</b>	<b>13.347</b>
<b>IV. ITEMS HELD IN CUSTODYs</b>		<b>316.275</b>	<b>2.098.143</b>	<b>2.414.418</b>	<b>1.994</b>	<b>11.353</b>	<b>13.347</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	1.994	11.353	13.347
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>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>15.880.197</b>	<b>4.930.250</b>	<b>20.810.447</b>	<b>1.994</b>	<b>11.353</b>	<b>13.347</b>

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AS OF 31 DECEMBER 2019**

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

STATEMENT OF PROFIT AND LOSS		Audited Current Period	Audited Prior Period
	Note (5 - IV)	1 January- 31 December 2019	1 January- 31 December 2018
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>429.813</b>	<b>211.955</b>
1.1 Profit Share on Loans		326.494	145.776
1.2 Income Received from Reserve Deposits		2.847	-
1.3 Income Received from Banks		34.222	66.179
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		64.812	-
1.5.1 Financial Assets at Fair Value Through Profit and Loss		32.606	-
1.5.2 Financial Assets at Fair Value through Other Comprehensive Income		-	-
1.5.3 Financial Assets Measured at Amortised Cost		32.206	-
1.6 Finance Lease Income		-	-
1.7 Other Profit Share Income		1.438	-
<b>II. PROFIT SHARE EXPENSE</b>	(2)	<b>212.161</b>	<b>-</b>
2.1 Expense on Profit Sharing Accounts		173.797	-
2.2 Profit Share Expense on Funds Borrowed		36.247	-
2.3 Profit Share Expense on Money Market Borrowings		3	-
2.4 Expense on Securities Issued		-	-
2.5 Lease Profit Share Expense		2.114	-
2.6 Other Profit Share Expenses		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>217.652</b>	<b>211.955</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>(1.365)</b>	<b>(1)</b>
4.1 Fees and Commissions Received		1.292	2
4.1.1 Non-Cash Loans		424	-
4.1.2 Other		868	2
4.2 Fees and Commissions Paid		2.657	3
4.2.1 Non-Cash Loans		37	-
4.2.2 Other		2.620	3
<b>V. DIVIDEND INCOME</b>	(3)	<b>-</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	(4)	<b>32.514</b>	<b>261.084</b>
6.1 Capital Market Transaction Gains / (Losses)		27.015	-
6.2 Gains/ (Losses) from Derivative Financial Instruments		(59)	-
6.3 Foreign Exchange Gains / (Losses)		5.558	261.084
<b>VII. OTHER OPERATING INCOME</b>	(5)	<b>24.115</b>	<b>29.733</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>272.916</b>	<b>502.771</b>
<b>IX. LOAN PROVISIONS (-)</b>	(6)	<b>79.252</b>	<b>15.321</b>
<b>X. PERSONNEL EXPENSES (-)</b>		<b>73.875</b>	<b>11.951</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	(7)	<b>73.686</b>	<b>35.341</b>
<b>XII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>46.103</b>	<b>440.158</b>
<b>XIII. INCOME RESULTED FROM MERGERS</b>		<b>-</b>	<b>-</b>
<b>XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>-</b>	<b>-</b>
<b>XV. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVI. PROFIT/LOSS BEFORE TAXES (XIII+...+XV)</b>		<b>46.103</b>	<b>440.158</b>
<b>XVII. PROVISION FOR TAXES (±)</b>	(9)	<b>1.124</b>	<b>(103.538)</b>
17.1 Current Tax Provision		-	-
17.2 Deferred Tax Expense (+)		16.921	2.064
17.3 Deferred Tax Income (-)		15.797	105.602
<b>XVIII. NETOPERATING PROFIT/LOSS AFTER TAXES(XVI±XVII)</b>		<b>44.979</b>	<b>543.696</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
19.1 Income From Assets Held for Sale		-	-
19.2 Income From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
19.3 Income From Other Discontinued Operations		-	-
<b>XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
20.1 Expenses on Assets Held for Sale		-	-
20.2 Expenses on Sale of Associates, Subsidiaries and Joint-Ventures		-	-
20.3 Expenses from Other Discontinued Operations		-	-
<b>XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>	<b>-</b>
<b>XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	(9)	<b>-</b>	<b>-</b>
22.1 Current Tax Provision		-	-
22.2 Deferred Tax Expense (+)		-	-
22.3 Deferred Tax Income (-)		-	-
<b>XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>	<b>-</b>
<b>XXIV. NET PROFIT/LOSS (XVIII+XXIII)</b>		<b>44.979</b>	<b>543.696</b>
Earnings Per Share		0,00060	0,00725

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



**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME**  
**AS OF 31 DECEMBER 2019**

*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited Current Period 1 January - 31 December 2019	Audited Prior Period 1 January - 31 December 2018
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>44.979</b>	<b>543.696</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>44.979</b>	<b>543.696</b>

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS OF 31 DECEMBER 2019**

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

Audited	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					
Current Period															
31 December 2019															
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	-	-	-	-	-	-	-	-	-	-	-	44.979	44.979	
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>	-	-	-	23.088	-	-	-	-	-	-	-	-	23.088	
X.	Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	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)	-	
Balances at end of the period (III+IV...+X+XI)		750.000	-	-	23.088	-	-	-	-	-	351.106	-	44.979	1.169.173	

1. Tangible and Intangible Assets Revaluation Reserve,
2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans,
3. Others (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss),
4. Exchange Differences on Translation,
5. Accumulated gains/(losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss).

(\*) Other changes include the accounting effects of the EUR 200 million (full) subordinated loan which the bank received on 24 April 2019 from the Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu as an indefinite-term, non-dividend paying addition to its core capital pursuant to BRSA approval dated 22 April 2019 and (2) of financial assets valued at their amortized cost.

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**AS OF 31 DECEMBER 2019**

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

Audited	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				
<b>Prior Period 31 December 2018</b>												
<b>I. Balances at Beginning Period</b>	<b>749.000</b>	-	-	-	-	-	-	-	-	<b>2.631.991</b>	<b>(2.824.581)</b>	<b>- 556.410</b>
<b>II. Correction made as per TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Balances at Beginning of Period (I+II)</b>	<b>749.000</b>	-	-	-	-	-	-	-	-	<b>2.631.991</b>	<b>(2.824.581)</b>	<b>- 556.410</b>
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	-	-	-	-	-	<b>543.696</b>	<b>543.696</b>
<b>V. Capital Increase in Cash</b>	<b>1.000</b>	-	-	-	-	-	-	-	-	-	-	<b>1.000</b>
<b>VI. Capital Increase from Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Adjustments to Paid-in Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Liabilities</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Other Changes</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at end of the period (III+IV...+X+XI)</b>	<b>750.000</b>	-	-	-	-	-	-	-	-	<b>2.631.991</b>	<b>(2.824.581)</b>	<b>543.696 1.101.106</b>

1. Tangible and Intangible Assets Revaluation Reserve,
2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans,
3. Others (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss),
4. Exchange Differences on Translation,
5. Accumulated gains/(losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income,
6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss).

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**AS OF 31 DECEMBER 2019**

*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

		Audited Current Period 1 January - 31 December 2019	Audited Prior Period 1 January - 31 December 2018
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating Profit Before Changes In Operating Assets And Liabilities</b>	<b>132.195</b>	<b>570.584</b>
1.1.1	Profit Share Income Received	429.813	49.652
1.1.2	Profit Share Expense Paid	(212.161)	-
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	1.292	2
1.1.5	Other Income	51.982	29.733
1.1.6	Collections from Previously Written off Loans	111	18.711
1.1.7	Payments to Personnel and Service Suppliers	(147.599)	(11.797)
1.1.8	Taxes Paid	-	-
1.1.9	Others	8.757	484.283
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>	<b>(384.736)</b>	<b>(323.228)</b>
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(958.868)	-
1.2.2	Net (Increase) Decrease in Due From Banks and Other Financial Institutions	(696.739)	(2.828)
1.2.3	Net (Increase) Decrease in Loans	(5.713.047)	-
1.2.4	Net (Increase) Decrease in Other Assets	86.079	(195.898)
1.2.5	Net Increase (Decrease) in Bank Deposits	153.533	-
1.2.6	Net Increase (Decrease) in Other Deposits	5.775.267	-
1.2.7	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	89	-
1.2.8	Net Increase (Decrease) in Funds Borrowed	864.292	-
1.2.9	Net Increase (Decrease) in Matured Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	104.658	(124.502)
<b>I.</b>	<b>Net Cash Flows from Banking Operations</b>	<b>(252.541)</b>	<b>247.356</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net cash flow from investing activities</b>	<b>(1.215.981)</b>	<b>(32.517)</b>
2.1	Cash Paid For Acquisition of Investments, Associates and Subsidiaries	(50)	-
2.2	Cash Obtained From Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	(121.518)	(12.168)
2.4	Disposals of Property and Equipment	28.839	-
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(7.659)	-
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	-	-
2.7	Purchase of Financial Assets Measured at Amortised Cost	(1.125.484)	-
2.8	Sale of Financial Assets Measured at Amortised Cost	-	-
2.9	Other	9.891	(20.349)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net Cash Flows from Financing Activities</b>	<b>1.058.174</b>	<b>1.000</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued	1.034.644	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-	-
3.3	Issued Capital Instruments	23.088	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Other	442	1.000
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>7.869</b>	<b>(21.405)</b>
<b>V.</b>	<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(402.479)</b>	<b>194.434</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the period</b>	<b>654.087</b>	<b>459.653</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the period</b>	<b>251.608</b>	<b>654.087</b>

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2019**

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

	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
<b>STATEMENT OF PROFIT DISTRIBUTION</b>		
<b>I. Distribution of current year income</b>		
1.1. Current year income	46.103	440.158
1.2 Taxes and duties payable (-)	1.124	(103.538)
1.2.1. Corporate tax (Income tax)	-	-
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities <sup>(*)</sup>	1.124	(103.538)
<b>A. Net income for the year (1.1-1.2)</b>	<b>44.979</b>	<b>543.696</b>
1.3. Prior year losses (-)	-	504.083
1.4. First legal reserves (-)	-	1.981
1.5. Other statutory reserves (-)	-	-
<b>B. Distributable net period income [(A-(1.3+1.4+1.5)) <sup>(**)</sup></b>	<b>-</b>	<b>37.632</b>
1.6. First dividend to shareholders (-)	-	-
1.6.1. To owners of ordinary shares	-	-
1.6.2. To owners of preferred shares	-	-
1.6.3. To owners of preferred shares (Preemptive rights)	-	-
1.6.4. To Profit sharing bonds	-	-
1.6.5. To owners of the profit /loss sharing certificates	-	-
1.7. Dividend to personnel (-)	-	-
1.8. Dividend to board of directors (-)	-	-
1.9. Second dividend to shareholders (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. Second legal reserve (-)	-	-
1.11. Status reserves (-)	-	-
1.12. Extraordinary reserves	-	35.651
1.13. Other reserves	-	1.981
1.14. Special funds	-	-
<b>II. Distribution from reserves</b>		
2.1. Distributed reserves	-	-
2.2. Second legal reserves (-)	-	-
2.3. Share to shareholders (-)	-	-
2.3.1. To owners of ordinary shares	-	-
2.3.2. To owners of preferred shares	-	-
2.3.3. To owners of preferred shares (Preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5. To owners of the profit /loss sharing certificates	-	-
2.4. Share to personnel (-)	-	-
2.5. Share to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1 To owners of ordinary shares <sup>(***)</sup> (Full TL)	0,00060	0,00725
3.2. To owners of ordinary shares (%)	0,06%	0,73%
3.3 To owners of preferred shares	-	-
3.4 To owners of preferred shares (%)	-	-
<b>IV. Dividend per share</b>		
4.1. To owners of ordinary shares (Full TL)	-	-
4.2. To owners of ordinary shares (%)	-	-
4.3. To owners of preferred shares	-	-
4.4. To owners of preferred shares (%)	-	-

<sup>(\*)</sup> Deferred tax income is presented in "other taxes and legal liabilities" line. Deferred tax income is not subject to profit appropriation; thus it is classified under extraordinary reserves.

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

<sup>(\*\*\*)</sup> Calculated by using the number of share certificates as of year-end.

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

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2019**

*(Amounts expressed in Thousand 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 Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333 and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations. The unconsolidated financial statements have been prepared in thousand TL, under the historical cost method except for the financial assets and liabilities measured at fair value. The accounting policies used and the valuation principles used in the preparation of the unconsolidated financial statements are presented in detail below.

The preparation of unconsolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the use of certain critical accounting estimates and assumptions by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates and assumptions include fair value calculation of financial instruments and impairment of financial assets are being reviewed regularly and, when necessary, adjustments are made and the effects of these adjustments are reflected to the statement of profit or loss.

As of 1 January 2018, the Bank has complied with TFRS 9 Financial Instruments ("TFRS 9") standard regarding the classification and measurement of financial assets and is exempt from the provision for impairment. The current period financial statements of the Bank are presented in the financial statements format applicable to banks which do not apply TFRS 9 as explained by BRSA.

The Bank has applied to the Banking Regulation and Supervision Agency in the frame of the paragraph 6 of Article 9 of the "Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Paid for These Loans" which entered into force on 1 January 2018 to get the permission for the additional time until the preparation of the conditions that would be eligible for provision regarding to TFRS 9 instead of application of TFRS 9 and the allocate it under Article 10, 11, 13 and 15 of the Regulation. The BRSA issued a positive response to the application of the Bank on 7 May 2019, the Bank has obtained permission for the implementation of the current standard until 30 April 2020. Within the scope of this permission, TFRS 9 has not been implemented as of 31 December 2019. The Bank recognizes its specific and general provisions in accordance with the relevant articles of the Regulation.

**b. Accounting policies and valuation principles applied in the presentation of financial statements**

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements are determined and applied in accordance with BRSA Accounting and Financial Reporting Legislation. These accounting policies and valuation principles are explained in Notes II to XXIII below.

As of 31 December 2019, the amendments to TFRS 16 and other amendments to TAS / TFRS do not have an impact on the Bank's accounting policies, financial position or performance.

**c. Restatement of the financial statements according to the current purchasing power of money**

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies until 31 December 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated 21 April 2005 and its circular dated 28 April 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from 1 January 2005.



**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

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

The 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 of the Bank at the balance sheet date. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.

Foreign currency loans, which are accounted for in the loans under follow-up accounts and foreign currency loans and receivables, which are provided from similar sources of the bank, are transferred to related follow-up accounts and the exchange rates are valued there and they can be tracked in Turkish Currency accounts.

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.

There are no foreign currency differences capitalized by the Bank.

**III. Explanations on forward, option contracts and derivative instruments**

The derivative financial instruments of the Bank, generally, consist of forward foreign currency, forward security and swap agreements. Derivative transactions portfolio may change as per market conditions in related terms. The Bank records the spot foreign currency transactions in asset purchase and sale commitments.

The liabilities and receivables arising from the derivative transactions are recorded as off-balance sheet items at their contract values. The derivative transactions are initially recognized at fair value and presented in the financial statements at fair values recalculated in the subsequent reporting periods.

**IV. Explanations on profit share income and expenses**

*Profit share income*

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

The Bank has not applied TFRS 9 within the scope of 10th substance of article which published in Official Gazette dated 22 June 2016 and numbered 29750 entered into force as of 1 January 2018 "Regulation on the classification of loans and provisions to be reserved for them" and application to "Banking Regulation and Supervision Agency". Due to the fact that TFRS 9 is not applied, loans which are considered as non-performing loans are not subject to remeasurement and no profit share accrual or rediscount is made for them.

*Profit share expense*

The Bank recognizes its profit share expenses on an accrual basis. The expense accrual calculated using the unit value calculation on profit and loss sharing accounts is presented under the "Funds Collected" account in the balance sheet.

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

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2019**

*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

**VI. Explanations on financial assets**

**Financial assets at the fair value through profit or loss**

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and profit share at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

**Financial assets at fair value through other comprehensive income**

In addition to financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and profit share at certain dates, they are classified as fair value through other comprehensive income.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. The accumulated fair value differences that are reflected in shareholders' equity are reflected in the income statement when the stated securities are collected or disposed.

Equity instruments, which are classified as financial assets at fair value through other comprehensive income are accounted for at fair value when they are traded in an organized market and/or the fair value can be reliably measured and these financial assets are not subject to expected losses recognition.

**Financial assets measured at amortized cost**

Financial assets that are held for collection of contractual cash flows within the scope of business model where those cash flows represent solely payments of principal and profit share on certain dates are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss.

**Loans**

Loans are non derivative financial assets that have fixed or determinable payments terms and are not quoted in an active market. Stated loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Profit Share Rate (internal rate of return) Method".

Granted cash loans are accounted by using the relevant accounts in accordance with the principles set out in the "Uniform Chart of Accounts to be Applied by the Participation Banks" and published in the Official Gazette dated 20 September 2017 and numbered 30186.

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2019**

*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

**VII. Explanations on impairment of financial assets**

Loans are financial assets raised through lending without having the intention to trade in the short term.

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

In case of the loan portfolio is monitored at regular intervals and there are suspicions that the loans cannot be collected by the 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 Bank realizes classification and provision transactions in accordance with the provisions of the Provisions Regulation on the banks that not apply TFRS 9. For the cash loans classified as non-performing, specific 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 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 profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

**VIII. Explanations on offsetting of financial instruments**

Financial instruments are offset when the Bank 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.

**IX. Explanations on sale and repurchase agreements and lending of securities**

Securities subject to repurchase agreement are classified as "Financial Assets Measured at Fair Value through Profit/Loss", "Financial Assets Measured at Fair Value through Other Comprehensive Income" and "Financial Assets Measured at Amortised Cost" according to the investment purposes of the Bank 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 expense rediscount is calculated in accordance with 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 statement of profit or loss.

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF 31 DECEMBER 2019**

*(Amounts expressed in Thousand of Turkish Lira (TL) unless otherwise stated)*

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

Assets held for sale (or disposal group) 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.

The Bank has assets that are possessed due to receivables and debtors' obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discontinued operations to tangible assets.

A discontinued operation is a part of the Bank'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.

**XI. 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 the 31 December 2019, there is no goodwill in the financial statements of the Bank (31 December 2018: None).

The Bank's intangible assets consist of software and intangible rights. The costs of the intangible assets purchased before 31 December 2004 have been restated from the purchasing dates to 31 December 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 Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank'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.

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**XII. Explanations on tangible assets**

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

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

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

	<b>Depreciation Rate (%)</b>
Computers	10-33
Furniture and equipment	20
Other moveables	7-33
Other moveables	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.

**XIII. Explanations on leasing transactions**

The Bank has started to apply TFRS 16 Leases standard starting from 1 January 2019.

The Bank 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 1 January 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 Bank, 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 bank 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. The first time application impact of TFRS 16 are summarized below:

	<b>1 January 2019</b>	<b>31 December 2019</b>
Existence of right to use	-	30.482
Lease payables	-	30.567

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**XIII. Explanations on leasing transactions (continued)**

**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 Bank.

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

**The lease obligations**

At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Bank's average borrowing interest rates.

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

After the effective date of the lease, the Bank 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.

As of 31 December 2019, the Bank has no liability for the usage right arising from the lease transactions and leasing transactions.

**XIV. 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 Bank 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 Bank; 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.



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**XV. 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 bank employees are members of T.C. Ziraat Bankası A.Ş. ve T. Halk Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı.

The Bank has no liabilities to these foundations (31 December 2018: None).

ii) *Defined contribution plans:*

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has not any further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrued.

iii) *Short term benefits to employees*

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

**XVI. Explanations on taxation**

**Current tax**

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

While the corporate tax rate was at the rate of 20% since 1 January 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 in Turkey. 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 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 Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

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.

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

**Deferred tax**

The Bank 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 “Turkish Accounting Standard for Income Taxes” (“TAS 12”). Deferred tax asset is calculated on all temporary differences 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.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts. According to a change in Corporate Tax Law, which were published in the Official Gazette dated 5 December 2017 and numbered 30261, Article 91, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020. The Bank 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.

**XVII. Additional explanations on borrowings**

There are no debt securities issued by the Bank.

**XVIII. Explanations on issued share certificates**

None.

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

None.

**XX. Explanations on government grants**

None.

**XXI. Explanations on segment reporting**

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

**XXII. Explanations on investments in associates, subsidiaries and joint ventures**

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

**XXIII. Explanations on other matters**

As of 31 December 2018, the provision balance amounting to TL 9.777, which is classified under Expected Loss Provisions under assets section in the statement of financial position as of 31 December 2018, has been reclassified under General Provisions under the liabilities in the balance sheet as of 31 December 2018 in compliance with current period financial statements.

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**SECTION FOUR**

**Information on Financial Structure and Risk Management**

**I. Explanations on capital adequacy standard ratio**

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2019, the Bank’s total capital has been calculated as TL 2.168.964 and capital adequacy standard ratio is 63,64%. As of 31 December 2018, Bank’s total capital amounted to TL 1.085.818 and capital adequacy ratio was 268,36%. The Bank’s capital adequacy standard ratio is above the minimum ratio required by the legislation.

**a. Information on capital**

	Current Period	Amounts related to treatment before 1 January 2014 <sup>(e)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	750.000	-
Share issue premiums	-	-
Reserves	351.106	-
Gains recognized in equity as per TAS	-	-
Profit	44.979	-
Current Period Profit	44.979	-
Prior Period Profit	-	-
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>1.146.085</b>	<b>-</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st 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	-	-
Improvement costs for operating leasing	22.866	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	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>62.668</b>	<b>-</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>1.083.417</b>	<b>-</b>

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

**a. Information on capital (continued)**

<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA(**)	1.063.712	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</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>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>2.147.129</b>	-
<b>TIER II 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)	21.835	-
<b>Tier II Capital Before Deductions</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>Total Tier II Capital</b>	<b>21.835</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2.168.964</b>	-
<b>Deductions from Total 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 (-)	-	-

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

**a. Information on capital (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>2.168.964</b>	-
<b>Total Risk Weighted Amounts</b>	<b>3.408.374</b>	-
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	31,79	-
Tier 1 Capital Adequacy Ratio (%)	63,00	-
Capital Adequacy Ratio (%)	63,64	-
<b>BUFFERS</b>		
Total buffer requirement (a+b+c)	2,5	-
a) Capital conservation buffer requirement (%)	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 (%)	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	102.414	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	21.835	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	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 1 January 2018 and 1 January 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	-	-

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions.

(\*\*) Pursuant to BRSA approval dated 22 April 2019, on 24 April 2019 the bank received a EUR 200 million (full) subordinated loan as an indefinite-term, non-dividend paying addition to its core capital from the Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu.

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

**b. Details on subordinated liabilities**

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 Communiqué on Principles Regarding Borrowing Instruments to be Included in Banks" 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)	1.063.712
Par Value of Instrument	1.333.304
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 Payment 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	Optional
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	Noncumulative
<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 ratio fall below 5,125%
If write-down, full or partial	At least to ensure that the core capital ratio exceeds 5,125%
If write down, permanent or temporary	Permanent and Temporary
If temporary write-down, description of write-up mechanism	There is write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners
In compliance with article number 7 and 8 of "Own fund regulation"	In compliance with article number 7
Details of incompliances with article number 7 and 8 of "Own fund regulation"	In compliance with article number 7

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

**c. Information on capital**

The difference between Total Capital and Equity in the unconsolidated 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 credit risk**

Credit risk represents the Bank's risk or losses arising from corporate and individual loan customers who have cash or non-cash credit relations with the Bank not fulfilling the terms of their agreements partially or in full. Limit assignment authority primarily belongs to the Board of Directors and based on the authority given by the Board of Directors, the risk limits of the Bank are determined by Head-office Loan Committee, Loan Committee and Board of Directors. Head-office Loan Committee may exercise such authority partially through units of the Bank or branches. Proposal for loans are presented in a written format to the Loan Committee and Board of Directors.

Regarding the credit risk, debtors or group of debtors is subject to risk limitations. Credit limits are determined separately for each individual customer, company, group of companies, and risk groups. While determining credit risk several criteria such as the customers' financial strength, commercial capacities, sectors, geographical areas and capital structure are evaluated collectively.

In the limit to be allocated to a natural or legal person, legal legislation is considered as the upper limit. Distributing the risk in a balanced manner to the sectors is observed, therefore in their marketing operations the branches strive for reaching various firms existing in different sectors. As a principle, each branch oversee the balanced distribution of the total risk to the sectors and progress of the firms existing in critical sectors.

The credibility of the debtors of loans are monitored periodically in accordance with related legislation. The financial documents for loans are obtained, audited and updated as necessary as stipulated in the related legislation. Credit limits of customers are renewed periodically according to the Bank's credit limit renewal procedure. The Bank obtains necessary collaterals for loans by analyzing the creditworthiness of corporate and individual loans according to its credit policy. Main collaterals obtained for credit risk are mortgage on real estate, cash blockage and pledges on vehicle.

Limits defined by the Board of Directors and Loan Committee for each bank are followed-up by Treasury Management on a daily basis for the transactions related with placements or treasury operations like foreign currency purchase and sales with domestic and foreign correspondent banks.

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**II. Explanations on credit risk (continued)**

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

<b>Risk Categories</b>	<b>Current Period Risk Amount</b>	<b>Average Risk Amount<sup>(*)</sup></b>
Receivables from central governments or central banks	1.864.099	1.021.476
Receivables from regional or local governments	-	-
Receivables from administrative units and non-commercial enterprises	-	-
Receivables from multilateral development banks	-	-
Receivables from international organizations	-	-
Receivables from banks and brokerage houses	1.832.926	1.349.494
Receivables from corporates	1.913.752	1.077.867
Retail receivables	-	2.858
Receivables secured by mortgages on property	132.217	44.563
Past due receivables	-	-
Receivables defined in high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-
Investments similar to collective investment funds	-	-
Other receivables	529.095	489.475
Equity share investments	-	-
<b>Total<sup>(*)</sup></b>	<b>6.272.089</b>	<b>3.985.733</b>

<sup>(\*)</sup>Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2019.

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

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

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



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**II. Explanations on credit risk (continued)**

**Profile on significant risks in significant regions**

Risk Categories <sup>(*)</sup>													
Current Period	1	2	3	4	5	6	7	8	9	10	11	12	Total
Domestic	1.864.099	-	-	-	1.811.280	1.913.752	-	132.217	-	-	529.095	-	6.250.443
EU Countries	-	-	-	-	9.820	-	-	-	-	-	-	-	9.820
OECD Countries <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	11.826	-	-	-	-	-	-	-	11.826
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets/liabilities <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.864.099</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.832.926</b>	<b>1.913.752</b>	<b>-</b>	<b>132.217</b>	<b>-</b>	<b>-</b>	<b>529.095</b>	<b>-</b>	<b>6.272.089</b>
Prior Period	1	2	3	4	5	6	7	8	9	10	11	12	Total
Domestic	-	-	-	-	-	-	-	-	-	-	-	-	-
EU Countries	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD Countries <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-shore banking regions	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, subsidiaries and jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets/liabilities <sup>(***)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(\*)</sup>Risk classifications in the “Regulation on Measurement and Assessment of Capital Adequacy of Banks” will be used..

<sup>(\*\*)</sup>OECD countries other than EU countries, USA and Canada.

<sup>(\*\*\*)</sup> Assets and liabilities are not allocated on a consistent basis.

1- Receivables from central governments or central banks

2- Receivables from regional or local governments

3- Receivables from administrative units and non-commercial enterprises

4- Receivables from multilateral development banks

5- Receivables from banks and brokerage houses

6- Receivables from corporates

7- Retail receivables

8- Receivables secured by mortgages on property

9- Past due receivables

10- Investments as collective investment enterprises

11- Other receivables

12- Equity share investments

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**II. Explanations on credit risk (continued)**

**Risk Profile according to sectors and counterparties**

		Risk Categories														
Sectors / Counterparties		1	2	3	4	5	6	7	8	9	10	11	12	TL	FC	Total
1	Agriculture	-	-	-	-	-	150	-	-	-	-	-	-	150	-	150
1.1	Farming and stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2	Forestry	-	-	-	-	-	150	-	-	-	-	-	-	150	-	150
1.3	Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Manufacturing	-	-	-	-	-	508.109	-	10.907	-	-	-	-	58.516	460.500	519.016
2.1	Mining	-	-	-	-	-	101.320	-	-	-	-	-	-	-	101.320	101.320
2.2	Production	-	-	-	-	-	344.836	-	10.907	-	-	-	-	33.096	322.647	355.743
2.3	Electricity, gas, water	-	-	-	-	-	61.953	-	-	-	-	-	-	25.420	36.533	61.953
3	Construction	-	-	-	-	-	655.909	-	97.835	-	-	-	-	482.089	271.655	753.744
4	Services	1.864.099	-	-	-	1.832.926	743.303	-	23.250	-	-	134.168	-	2.039.827	2.557.919	4.597.746
4.1	Wholesale and retail trade	-	-	-	-	-	284.729	-	688	-	-	-	-	120.866	164.551	285.417
4.2	Hotel, food and beverage services	-	-	-	-	-	186	-	-	-	-	-	-	186	-	186
4.3	Transportation and telecommunication	-	-	-	-	-	110.761	-	877	-	-	3	-	1.605	110.036	111.641
4.4	Financial institutions	-	-	-	-	1.832.926	68.972	-	-	-	-	10.962	-	1.650.966	261.894	1.912.860
4.5	Real estate and renting services	-	-	-	-	-	27.377	-	21.685	-	-	-	-	-	49.062	49.062
4.6	Self-employment services	-	-	-	-	-	251.278	-	-	-	-	52	-	69.779	181.551	251.330
4.7	Education services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.8	Health and social services	1.864.099	-	-	-	-	-	-	-	-	-	123.151	-	196.425	1.790.825	1.987.250
5	Other	-	-	-	-	-	6.281	-	225	-	-	394.927	-	389.087	12.346	401.433
Total		1.864.099	-	-	-	1.832.926	1.913.752	-	132.217	-	-	529.095	-	2.969.669	3.302.420	6.272.089

1- Receivables from central governments or central banks

2- Receivables from regional or local governments

3- Receivables from administrative units and non-commercial enterprises

4- Receivables from multilateral development banks

5- Receivables from banks and brokerage houses

6- Receivables from corporates

7- Retail receivables

8- Receivables secured by mortgages on property

9- Past due receivables

10- Investments as collective investment enterprises

11- Other receivables

12- Equity share investments

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**II. Explanations on credit risk (continued)**

**Distribution of risks with term structure according to remaining maturities**

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

While determining risk weights of receivables from banks and receivables from central banks and central governments indicated in the sixth article of “Regulation on Measurement and Assessment of Capital Adequacy of Banks”, rating grades obtained from rating agencies commissioned by customers are being used. Other receivables in the regulation are considered as unrated while calculating capital adequacy.

Total exposure amount before and after applying risk mitigation techniques and total amounts deducted from the capital which are calculated in accordance with the Appendix-1 of the “Regulation on Measurement and Assessment of Capital Adequacy Ratio of Banks” are presented below:

Risk Weights		0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Shareholders' Equity
1	Amount before credit risk mitigation	949.085	-	1.650.917	21.400	1.381.736	-	2.125.429	-	-	62.668
2	Amount after credit risk mitigation	959.056	-	1.650.987	21.400	1.381.736	-	2.115.388	-	-	62.668

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**II. Explanations on credit risk (continued)**

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

Impaired credits are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits "Specific Provision" calculation is made within the scope of Regulation on Provisions.

**Past Due Credits**

Past due credits are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment. For these credits "General Provision" calculation is made within the scope of Regulation for Provisions.

	Loans			
	Impaired Credits	Past Due Credits	Value Adjustments (*)	Provisions(**)
<b>1 Agriculture</b>	-	-	-	-
1.1 Farming and stockbreeding	-	-	-	-
1.2 Forestry	-	-	-	-
1.3 Fishery	-	-	-	-
<b>2 Manufacturing</b>	-	<b>32.892</b>	-	<b>32.892</b>
2.1 Mining	-	32.892	-	32.892
2.2 Production	-	-	-	-
2.3 Electricity, gas, water	-	-	-	-
<b>3 Construction</b>	-	<b>118.969</b>	-	<b>118.969</b>
<b>4 Services</b>	-	-	-	-
4.1 Wholesale and retail trade	-	-	-	-
4.2 Hotel, food and beverage services	-	-	-	-
4.3 Transportation and telecommunication	-	-	-	-
4.4 Financial institutions	-	-	-	-
4.5 Real estate and renting services	-	-	-	-
4.6 Self-employment services	-	-	-	-
4.7 Education services	-	-	-	-
4.8 Health and social services	-	-	-	-
<b>5 Other</b>	-	<b>36.461</b>	-	<b>36.461</b>
<b>6 Total</b>	-	<b>188.322</b>	-	<b>188.322</b>

(\*)Valuation adjustments represent general provisions reserved for overdue loans.

(\*\*)It refers to the special provision amount.

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**II. Explanations on credit risk (continued)**

**Information about value adjustment and change in provisions**

**Current Period**

<b>Risk Weights</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
1 Specific Provisions	188.343	90	111	-	188.322
2 General Provisions	9.777	79.141	-	-	88.918

**Prior Period**

<b>Risk Weights</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
1 Specific Provisions	1.303.781	10.075	1.125.513	-	188.343
2 General Provisions	-	9.777	-	-	9.777

**Explanations on risks including countercyclical capital buffer calculation**

**Explanations on receivables from consolidated private sector**

<b>Country where risk is ultimately taken</b>	<b>Private sector loans in banking books</b>	<b>Risk weighted amount calculated within trading book</b>	<b>Total</b>
Turkey	6.172.413	14.065	6.186.478
Bosnia and Herzegovina	23.336	-	23.336
Malta	-	-	-
Marshall Island	-	-	-
Georgia	-	-	-
USA	-	-	-
Panama	-	-	-
Romania	-	-	-
Italy	-	-	-
Other	-	-	-

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**III. Explanations on currency risk of the Bank**

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

- a.** The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled on a daily basis. 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 amount subject to risk is calculated on a monthly basis.
- b.** The Bank 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 Bank 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 Bank are as follows:

	<b>USD</b>	<b>EUR</b>
As of 31 December 2019 – Balance sheet evaluation rate	5,9448	6,6665
As of 30 December 2019	5,9446	6,6550
As of 27 December 2019	5,9408	6,6153
As of 26 December 2019	5,9356	6,5825
As of 25 December 2019	5,9330	6,5805
As of 24 December 2019	5,9411	6,5837

- e.** The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 5,8469 for 1 USD (December 2018: TL 5,2995), TL 6,4973 for 1 EUR (December 2018: TL 6,0319).

The Bank is mainly exposed to EUR and USD currency risks.

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**III. Explanations on currency risk of the Bank (continued)**

**Information on currency risk of the Bank**

	EUR	USD	Other FC	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	483.206	112.304	112.972	708.482
Banks	158.670	1.971	1.168	161.809
Financial assets at fair value through profit and loss	563.137	182.097	27.244	772.478
Money market placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans	2.145.722	308.998	-	2.454.720
Subsidiaries, associates and joint ventures	-	-	-	-
Financial Assets Measured at Amortised Cost	1.097.529	-	-	1.097.529
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	3	60	-	63
<b>Total assets</b>	<b>4.448.267</b>	<b>605.430</b>	<b>141.384</b>	<b>5.195.081</b>
<b>Liabilities</b>				
Current account and funds collected from banks via participation accounts	2.547.337	614.053	44.478	3.205.868
Other current and profit sharing accounts	-	-	-	-
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.563.347	377.611	-	1.940.958
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	32.597	10.940	-	43.537
<b>Total liabilities</b>	<b>4.143.281</b>	<b>1.002.604</b>	<b>44.478</b>	<b>5.190.363</b>
<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>	-	-	-	-
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 <sup>(*)</sup>	55.820	49.851	-	105.671
<b>Prior Period</b>				
Total assets	50	1.907	-	1.957
Total liabilities	-	515	-	515
<b>Net balance sheet position</b>	<b>50</b>	<b>1.392</b>	<b>-</b>	<b>1.442</b>
<b>Net off balance sheet position</b>	-	-	-	-
Derivative financial instruments assets	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-
Non-cash loans	-	-	-	-

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

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

None (31 December 2018: 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 Bank. 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 Bank’s risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

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

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

Risk Management Presidency, liquidity risk; periodically reports to the relevant unit, the relevant committee and the senior management with the methods of measurement of liquidity risk in compliance with the standards. It manages liquidity risk in accordance with the Bank'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 Bank'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 Bank'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 bank's fund requirements are analyzed and the impact of sudden changes in fund sources is evaluated. Liquidity adequacy is measured by applying stress test to the factors affecting liquidity. Liquidity Risk Stress Test analyzes the compliance of the Bank'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 Bank 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 Bank 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.



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

**Liquidity coverage ratio**

		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>	
	Current Period	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	15.003	4.555
3	Stable Funds Collected	16.080	-	804	-
4	Less stable Funds Collected	141.990	45.555	14.199	4.555
5	Unsecured Funding other than Retail and Small	1.178.972	673.570	656.475	427.962
6	Operational Funds Collected	-	-	-	-
7	Non-Operational Funds Collected	1.143.461	673.475	620.964	427.867
8	Other Unsecured Funding	35.511	95	35.511	95
9	Secured funding				
10	Other Cash Outflows	223.285	208.936	223.285	208.936
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	223.285	208.936	223.285	208.936
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to 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	542.972	2.805
16	<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	2.905.506	153.316
19	Other contractual cash inflows	201.370	178.190	201.370	178.190
20	<b>TOTAL CASH INFLOWS</b>	<b>3.185.631</b>	<b>347.583</b>	<b>3.106.876</b>	<b>331.506</b>
				Upper limit applied amounts	
21	<b>TOTAL HQLA</b>			<b>2.379.764</b>	<b>2.126.028</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>359.434</b>	<b>312.752</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>662,09</b>	<b>679,78</b>

<sup>(1)</sup> Average of the last three months of liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated 21 March 2014, the dates 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	282,08	158,59
Date	29 December 2019	23 December 2019
Highest	1.148,45	3.790,71
Date	16 November 2019	3 December 2019
Average	731,37	1.235,42

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

**Liquidity coverage ratio (continued)**

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank 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 0,31% cash, 22,94% deposits in central banks and 76,75% securities considered as high quality liquid assets.

The Bank's main funding sources are funds collected, funds borrowed, borrowings from money market and subordinated loans. Funding source composition in report date is 75,41% funds collected, 13,64% funds borrowed, borrowings from money market and subordinated loans and 10,95% other funding sources.

**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	784.075	-	-	-	-	-	-	784.075
Banks	162.057	-	-	-	-	-	-	162.057
Financial Assets at Fair Value Through Profit and Loss	-	-	-	501.305	492.020	2.952	-	996.277
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	7.659	7.659
Loans	-	2.635.567	115.908	450.958	2.525.891	-	2.009	5.730.333
Financial Assets Measured at Amortised Cost	-	-	-	-	1.097.529	-	-	1.097.529
Other Assets <sup>(1)</sup>	-	-	-	-	-	-	504.341	504.341
<b>Total Assets</b>	<b>946.132</b>	<b>2.635.567</b>	<b>115.908</b>	<b>952.263</b>	<b>4.115.440</b>	<b>2.952</b>	<b>514.009</b>	<b>9.282.271</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	-	133.546	153.533	-	-	-	-	287.079
Other current and profit sharing accounts	501.384	4.174.142	865.616	124.455	-	-	-	5.665.597
Funds provided from other financial institutions and subordinated loans	-	-	-	-	1.076.666	-	-	1.076.666
Funds borrowed	-	864.292	-	-	-	-	-	864.292
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Other liabilities	-	2.334	-	-	-	-	1.386.303	1.388.637
<b>Total liabilities</b>	<b>501.384</b>	<b>5.174.314</b>	<b>1.019.149</b>	<b>124.455</b>	<b>1.076.666</b>	<b>-</b>	<b>1.386.303</b>	<b>9.282.271</b>
<b>Liquidity Gap</b>	<b>444.748</b>	<b>(2.538.747)</b>	<b>(903.241)</b>	<b>827.808</b>	<b>3.038.774</b>	<b>2.952</b>	<b>(872.294)</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>
<b>Prior Period</b>								
Total Assets	6	657.595	-	-	-	-	481.197	1.138.798
Total Liabilities	-	-	-	-	-	-	1.138.798	1.138.798
<b>Liquidity Gap</b>	<b>6</b>	<b>657.595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(657.601)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>								
Financial Derivative Assets	-	-	-	-	-	-	-	-
Financial Derivative Liabilities	-	-	-	-	-	-	-	-
<b>Non-cash Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Unallocated other assets column consist of assets held for sale, investment in associates, tangible and intangible assets, current and deferred tax assets and other assets.

<sup>(2)</sup> Unallocated other liabilities column consists of equity and provision balances.

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**VI. Explanations on Leverage Ratio**

As of 31 December 2019, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 23,57%. Leverage ratio is required to remain minimum 3% as per “Communiqué on Measurement and Evaluation for Leverage Ratios of Banks”.

	<b>Current Period<sup>(1)</sup></b>
<b>Balance sheet assets</b>	
1 Balance sheet assets (except for derivative financial instruments and credit derivatives, including warranties)	8.310.979
2 (Assets deducted from main capital)	52.968
3 Total risk related to balance sheet assets (1+2)	8.258.011
<b>Derivative financial instruments and credit derivatives</b>	
4 Replacement cost of derivative financial instruments and credit derivatives	-
5 Potential credit risk amount of derivative financial assets and credit derivatives	3.477
6 Total risk amount of derivative financial instruments and credit derivatives (4 +5)	3.477
<b>Security or secured financing transactions</b>	
7 Risk amount of security or secured financing transactions ( except balance sheet)	-
8 Risk amount due to intermediated transactions	-
9 Total risk of security or secured financing transactions (7+8)	-
<b>Off-balance sheet transactions</b>	
10 Gross nominal amount of off-balance sheet transactions	712.994
1 ( Adjustment amount resulting from multiplying by credit conversion rates )	-
2 Total risk due to off-balance sheet transactions (10+11)	712.994
<b>Equity and total risk</b>	
3 Main capital	2.115.410
4 Total risk amount (3+6+9+12)	8.974.482
<b>Leverage ratio</b>	
5 Leverage ratio (%)	23,57

(1) Amounts in the table show quarterly averages.

**VII. Explanations on Presentation of Financial Assets and Liabilities at Fair Value**

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

The table below shows the book value and fair value of some financial assets and liabilities. Book value represents the sum of the acquisition cost of the related assets and liabilities and accumulated dividend accruals.

In the current and prior period, financial assets and liabilities are calculated according to the following principles:

The fair value of financial investments valued at amortized cost is determined based on the market price. As of 31 December 2019 and 31 December 2018, fair value hierarchy of financial investments measured at amortized cost is determined as level 2.

The fair value of loans is calculated by finding discounted cash flows using market profit share rates.

Current accounts and participation accounts are valued by the year-end unit value, the book value is assumed to be close to the fair value.

The estimated fair value of the funds provided from other financial institutions is calculated by finding discounted cash flows using market profit share rates.

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**VII. Explanations on Presentation of Financial Assets and Liabilities at Fair Value (continued)**

**a. Information regarding the fair value of financial assets and liabilities (continued)**

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>				
Due from Interbank Money Market	-	-	-	-
Banks	162.057	657.595	162.057	657.595
Financial Assets at Fair Value through Profit or Loss	996.277	-	996.277	-
Financial Assets at Fair Value Through Other Comprehensive Income	7.659	-	7.659	-
Financial Assets Valued Over Amortized Cost	1.097.529	-	1.097.529	-
Loans and financial lease receivables	5.730.333	-	5.773.891	-
<b>Financial Liabilities</b>				
Funds collected from banks through current accounts and participation accounts	287.079	-	287.079	-
Other current accounts and participation accounts	5.665.597	-	5.665.597	-
Funds from other financial institutions	864.292	-	550.156	-
Debts to Money Markets	-	-	-	-
Other Liabilities	73.731	5.116	73.731	5.116

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

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

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

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**VII. Explanations on Presentation of Financial Assets and Liabilities at Fair Value (continued)**

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

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

<b>Current Period <sup>(*)</sup></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>749.187</b>	<b>247.385</b>	<b>-</b>	<b>996.277</b>
Government Debt Securities	749.187	247.385	-	996.277
Share Certificates	-	-	-	-
Other financial assets	-	-	-	-
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>7.659</b>	<b>7.659</b>
Equity Securities	-	-	7.659	7.659
Government Debt Securities	-	-	-	-
Other financial assets	-	-	-	-
<b>Derivative Financial Assets</b>	<b>-</b>	<b>410</b>	<b>-</b>	<b>410</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	5.891	-	5.891

(\*)There is no classification made between the first and second levels in the current period.

<b>Prior Period <sup>(*)</sup></b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Other financial assets	-	-	-	-
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Equity Securities	-	-	-	-
Government Debt Securities	-	-	-	-
Other financial assets	-	-	-	-
<b>Derivative Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	-	-	-

(\*)There is no classification made between the first and second levels in the prior period..

The table below shows the movement table of financial assets at level 3.

	<b>Current Period</b>	<b>Prior Period</b>
<b>Amount at the beginning of the period</b>	<b>-</b>	<b>-</b>
Purchases	7.659	-
Amortization/Sales	-	-
Valuation difference	-	-
Transfers	-	-
<b>Balance at the End of the Period</b>	<b>7.659</b>	<b>-</b>

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

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

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**IX. Explanations on 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, promulgated in the Official Gazette, No. 29511, dated 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for credit risk in the calculation of capital adequacy by the Bank, tables required by Internal Rating Based approach (“IRB”) are not presented.

**a. Risk management strategy and weighted amounts**

**a.1. Explanations on risk management**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**a. Risk management strategy and weighted amounts (continued)**

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

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

**Market Risk**

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

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

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

**Liquidity risk**

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

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

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

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

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

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

**Credit risk**

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

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

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

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

**a. Risk management strategy and weighted amounts (continued)**

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

**Operational risk**

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

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

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

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

**Other risks**

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

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

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

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

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

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

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



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

**a.2. Overview of risk-weighted assets**

		<b>Risk Weighted Amount</b>		<b>Minimum capital requirement</b>
		<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>
1	Credit risk (excluding counterparty credit risk)	3.069.268	403.166	245.541
2	Standard approach	3.069.268	403.166	245.541
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	738	-	59
5	Standard approach for counterparty credit risk	738	-	59
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies –look-through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/Simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	338.368	115	27.069
17	Standard approach	338.368	115	27.069
18	Internal model approaches	-	-	-
19	Operational risk	-	-	-
20	Basic indicator approach	-	-	-
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
<b>25</b>	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>3.408.374</b>	<b>403.281</b>	<b>272.669</b>

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

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

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

Current Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securitization positions	Subject to market risk (*)	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and balances at central bank	946.132	946.132	-	-	-	-
Financial assets measured at fair value through profit/loss	996.277	-	-	-	996.277	-
Financial assets measured at fair value through other						
Comprehensive income	7.659	7.659	-	-	-	-
Financial assets measured at amortised cost	1.097.529	1.097.529	-	-	-	-
Derivative financial assets	410	-	410	-	-	-
Non-performing assets	-	-	-	-	-	-
Expected Credit Losses (-)	-	-	-	-	-	-
<b>Loans (Net)</b>	5.730.333	5.730.333	-	-	-	-
Loans	5.730.333	5.730.333	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Factoring Receivables	-	-	-	-	-	-
Non-performing Receivables	188.322	188.322	-	-	-	-
Expected Credit Losses (-)	188.322	188.322	-	-	-	-
Assets held for sale and assets of discounted operations (Net)	35.200	35.200	-	-	-	-
Ownership investment	50	50	-	-	-	-
Tangible assets (Net)	101.710	101.710	-	-	-	-
Intangible assets (Net)	39.802	39.802	-	-	-	-
Investment property (Net)	-	-	-	-	-	-
Current tax assets	-	-	-	-	-	-
Deferred tax assets	102.414	102.414	-	-	-	-
Other assets	224.755	162.087	-	-	-	62.668
<b>Total Assets</b>	<b>9.282.271</b>	<b>8.222.916</b>	<b>410</b>	<b>-</b>	<b>996.277</b>	<b>62.668</b>
<b>Liabilities</b>						
Funds collected	5.952.676	-	-	-	-	-
Funds borrowed	864.292	-	-	-	-	-
Borrowings from Money markets	-	-	-	-	-	-
Securities issued (Net)	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Derivative financial liabilities	5.891	5.891	-	-	-	-
Lease Payables	30.567	-	-	-	-	-
Provisions	98.577	-	-	-	-	-
Current tax liability	10.698	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (Net)	-	-	-	-	-	-
Subordinated loans	1.076.666	-	-	-	-	-
Other liabilities	73.731	-	-	-	-	-
Shareholders' equity	1.169.173	-	-	-	-	-
<b>Total Liabilities</b>	<b>9.282.271</b>	<b>5.891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

**b. Financial statements and regulatory exposures reconciliation (continued)**

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

	<b>Current Period</b>	<b>Total</b>	<b>Subject to credit risk</b>	<b>Securitisation positions</b>	<b>Subject to counterparty credit risk</b>	<b>Subject to market risk<sup>(*)</sup></b>
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	9.282.271	8.285.584	-	410	996.277
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	-	-	-	5.891	-
3	Total net amount within the scope of legal consolidation	<b>9.282.271</b>	<b>8.285.584</b>	-	<b>5.481</b>	<b>996.277</b>
4	Off balance sheet amounts	1.277.297	214.400	-	4.200	419.949
5	Repo and similar transactions <sup>(**)</sup>	-	-	-	-	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	-	-	-	-
<b>10</b>	<b>Risk amounts</b>	<b>10.559.568</b>	<b>8.499.984</b>	<b>-</b>	<b>1.281</b>	<b>1.416.226</b>

<sup>(\*)</sup> Represents the valued amounts of items subject to general market risk and specific risk according to Turkish Accounting Standards.

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

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

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

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

**c. Credit risk**

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

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

This information is already included in (II). Explanations on Credit Risk and (X.a.I) The Bank's risk management approach.

**c.1.2. Credit quality of assets**

Current Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	188.322	5.730.333	188.322	5.730.333
2 Debt securities	-	-	-	-
3 Off-balance sheet exposures	-	426.723	-	426.723
<b>4 Total</b>	<b>188.322</b>	<b>6.157.056</b>	<b>188.322</b>	<b>6.157.056</b>

Prior Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	188.343	-	188.343	-
2 Debt securities	-	-	-	-
3 Off-balance sheet exposures	-	-	-	-
<b>4 Total</b>	<b>188.343</b>	<b>-</b>	<b>188.343</b>	<b>-</b>

**c.1.3. Changes in stock of default loans and debt securities**

	Current Period	Prior Period
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>188.343</b>	<b>1.303.781</b>
2 Loans and debt securities that have defaulted since the last reporting period	-	-
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	-	(1.161.838)
5 Other changes	(21)	46.400
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>188.322</b>	<b>188.343</b>

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

The scope and definitions of past due receivables and the methods used by the bank to determine the provisions are mentioned in the Explanations on Credit risk.

The Bank may restructure not only non-performing credits but also the first and the second stage credits. Restructuring for the first and the second stage credits are made to improve the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk. Restructuring for non-performing credits are made for providing collection possibility by establishing a new payment plan.

Breakdowns for receivables in terms of sectors are mentioned in the footnote numbered VIII (Explanations on Credit Risk). Breakdowns according to the remaining maturity for past due receivables and in terms of geographic locations receivables that specific provisions are set are represented below.

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

**c.1.4. Additional information on credit quality of assets (continued)**

**Aging analysis for past due receivables**

None (31 December 2018: None).

**Receivables that provisions are set in terms of geographical region**

<b>Current Period</b>	<b>Non-performing Loans<sup>(*)</sup></b>	<b>Specific Provision<sup>(*)</sup></b>
Domestic	188.322	188.322
Off-shore Banking Countries	-	-
Other Countries	-	-
<b>General Total</b>	<b>188.322</b>	<b>188.322</b>

<sup>(\*)</sup>Represents amounts for cash loans.

<b>Prior Period</b>	<b>Non-performing Loans<sup>(*)</sup></b>	<b>Specific Provision<sup>(*)</sup></b>
Domestic	188.343	188.343
Off-shore Banking Countries	-	-
Other Countries	-	-
<b>General Total</b>	<b>188.343</b>	<b>188.343</b>

<sup>(\*)</sup>Represents amounts for cash loans.

**c.2. Credit risk mitigation**

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

On and off balance sheet offsetting agreements are not utilized.

The risk mitigators that are used in credit process in compliance with Communiqué “The Risk Mitigation Techniques” which is published at September 6, 2014 are stated below:

- a) Financial Collaterals (Government Securities, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge),
- b) Guarantees.

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods.

Collaterals obtained by the Bank are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

If there are indicators on significant decreases of real estate’s value in comparison to general market prices, the real estate’s valuation is performed by the authorised valuation corporations authorised by Banking Regulation and Supervision Agency or Capital Markets Board of Turkey.

The Bank monitors other banks’ guarantees that are evaluated as risk mitigators within the framework of BRSA regulations on a regular basis and reviews the credibility of banks periodically.

The volatility in real estate market is monitored closely by the Bank and the market fluctuations are considered in credit activities.

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

**c. Credit risk**

**c.2.2. Credit risk mitigation techniques**

<b>Current Period</b>		<b>Exposures unsecured: carrying amount as per TAS</b>	<b>Exposures secured by collateral</b>	<b>Collateralized amount of exposures secured by collatera</b>	<b>Exposures secured by financial guarantees</b>	<b>Collateralized amount of exposures secured by financial guarantees</b>	<b>Exposures secured by credit derivatives</b>	<b>Collateralized amount of exposures secured by credit derivatives</b>
1	Loans	5.609.842	120.491	10.372	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	<b>Total</b>	<b>5.609.842</b>	<b>120.491</b>	<b>10.372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4	Of which defaulted	-	-	-	-	-	-	-

<b>Prior Period</b>		<b>Exposures unsecured: carrying amount as per TAS</b>	<b>Exposures secured by collateral</b>	<b>Collateralized amount of exposures secured by collatera</b>	<b>Exposures secured by financial guarantees</b>	<b>Collateralized amount of exposures secured by financial guarantees</b>	<b>Exposures secured by credit derivatives</b>	<b>Collateralized amount of exposures secured by credit derivatives</b>
1	Loans	-	-	-	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4	Of which defaulted	-	-	-	-	-	-	-

**c.3. Credit risk under standardised approach**

**c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk**

Explanations on rating grades that the banks use for calculation of credit risk by the standardised approach are mentioned in the footnote numbered (IX) for Explanations on Credit Risk.

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

**c. Credit risk**

**c.3.2. Credit risk exposure and credit risk mitigation techniques**

Current Period		Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
Risk classes		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Receivables from central governments or central banks	1.864.099	-	1.864.099	-	548.800	29,44%
2	Receivables from regional or local governments	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	1.832.926	-	1.832.926	-	421.188	22,98%
7	Receivables from corporates	1.499.162	414.590	1.499.162	205.759	1.704.920	100,00%
8	Retail receivables	-	-	-	-	-	-
9	Receivables secured by mortgages on property	21.400	-	21.400	-	7.490	35,00%
10	Receivables secured by mortgages on commercial property	93.485	17.332	93.485	8.641	51.064	50,00%
11	Past due receivables	-	-	-	-	-	-
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	529.095	-	529.095	-	346.509	65,49%
17	Equity share investments	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	<b>5.840.167</b>	<b>431.922</b>	<b>5.840.167</b>	<b>214.400</b>	<b>3.079.971</b>	<b>50,39%</b>

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

**c. Credit risk**

**c.3.3. Exposures by asset classes and risk weights**

Current Period												Total risk amount (post- CCF and CRM)
	Risk Classes/Risk Weighted	0%	10%	20%	35% secured by Property mortgage	50%	75%	100%	150%	200%	Others	
1	Receivables from central governments or central banks	766.499	-	-	-	1.097.600	-	-	-	-	-	1.864.099
2	Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	1.650.917	-	182.009	-	-	-	-	-	1.832.926
7	Receivables from corporates	9.971	-	70	-	-	-	1.694.879	-	-	-	1.704.920
8	Retail receivables	-	-	-	-	-	-	-	-	-	-	-
9	Receivables secured by mortgages on property	-	-	-	21.400	-	-	-	-	-	-	21.400
10	Receivables secured by mortgages on commercial property	-	-	-	-	102.127	-	-	-	-	-	102.127
11	Past due receivables	-	-	-	-	-	-	-	-	-	-	-
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	182.586	-	-	-	-	-	346.509	-	-	-	529.095
17	Equity share investments	-	-	-	-	-	-	-	-	-	-	-
18	Total	959.056	-	1.650.987	21.400	1.381.736	-	2.041.388	-	-	-	6.054.567



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

**d. Counterparty credit risk**

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

Derivatives and repurchase transactions in the calculation of counterparty credit risk are calculated according to the fair value in accordance with “Appendix-2 of Regulation on Measurement and Assessment of Capital Adequacy of Banks” published in the Official Gazette dated October 23, 2015 and numbered 29511. The sum of potential future exposures and positive replacement costs is taken in the calculation of the risk amount related to derivative transactions.

The Bank prepared “Charter on the Counterparty Credit Risk Management Policy and Implementation Procedures” in order to determine the basic principles that manage the counterparty credit risk and this regulation was approved by the Board of Directors. The Board of Directors periodically reviews and assesses the related policy.

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

Current Period		Replacement cost	Potential Future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	-	1.519		-	1.519	739
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>6</b>	<b>Total</b>						<b>739</b>

<sup>(\*)</sup> Effective Expected Positive Exposure

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

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

		Current Period		Prior Period	
		EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation		-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	4.200	63	-	-
4	<b>Total subject to the CVA capital obligation</b>	<b>4.200</b>	<b>63</b>	<b>-</b>	<b>-</b>

**d.4. CCR exposures by risk class and risk weights**

Current Period										Total credit exposure(*)
Risk Classes	Risk Weighted	0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from central governments or central banks		-	-	-	-	-	-	-	-	-
Receivables from regional or local governments		-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises		-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks		-	-	-	-	-	-	-	-	-
Receivables from international organizations		-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses		-	-	193	1.251	-	-	-	-	1.444
Receivables from corporates		-	-	-	-	-	75	-	-	75
Retail receivables		-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property		-	-	-	-	-	-	-	-	-
Past due receivables		-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA		-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages		-	-	-	-	-	-	-	-	-
Securitisation positions		-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates		-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds		-	-	-	-	-	-	-	-	-
Equity share investments		-	-	-	-	-	-	-	-	-
Other receivables		-	-	-	-	-	-	-	-	-
Other assets		-	-	-	-	-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>193</b>	<b>1.251</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>1.519</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 risk management (continued)**

**d. Counterparty credit risk) (continued)**

**d.5. Collaterals for CCR**

None (31 December 2018:None).

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

None (31 December 2018:None).

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

None (31 December 2018:None).

**e. Information to be announced to public on Securitization**

None (31 December 2018:None).

**f. Market risk**

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

The Bank measures market risk by using the standard method in accordance with “Regulation on the Measurement and Assessment of the Capital Adequacy of Banks” dated October 23, 2015 and numbered 29511 and allocates legal capital on this basis. On the other hand, the market risk is also calculated by using the internal model for testing (Value at Risk) and the results found are supported by considering backtesting results. The market risk value (Value at Risk) calculated by using the internal model is calculated on a daily basis by using Variance-Covariance, EWMA, Monte Carlo and Historical Simulation methods and is reported to the top management.

The Board of Directors sets limits for these risks by considering the main risks and revises these limits periodically in line with market conditions and Bank’s strategies. In addition, the Board of Directors ensures that the risk management unit and senior management take all necessary measures to identify, measure, prioritize, and reduce at an acceptable level and to manage the various risks that the Bank is exposed to.

Risks that positions held by the Bank under on-balance sheet and off-balance sheet accounts may occur due to fluctuations in financial markets are measured. Information about the market risk considered in the calculation of legal capital as follows.

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

**g. Market risk (continued)**

**g.2. Market risk under standardised approach**

		Current Period	Prior Period
		RWA	RWA
<b>Outright products</b>			
1	Profit rate risk (general and specific)	14.065	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	12.997	115
4	Commodity risk	7	-
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>27.069</b>	<b>115</b>

**h. Operational risk**

Capital requirement for operational risk is calculated annually by using the Basic Indicator Method in accordance with Article 24 of the Regulation on the Measurement and Assessment of Capital Adequacy of Banks.

	2 PP Value	1 PP Value	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	-	-	272.916	272.916	15%	40.937
Amount subject to Operational Risk (Total*12,5)						511.718

**1. Qualitative disclosure on profit rate risk arising from banking books**

**1.1. Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk**

Profit rate risk arising from banking books measures profit rate risk arising from on-balance sheet and offbalance sheet positions in the Bank's banking books by standard shock method.

The Bank calculates and measures legal ratio for profit rate risk arising from banking books on a monthly basis in accordance with "Regulation on Measurement and Assessment of Interest Rate Risk arising from Banking Books by Standard Shock Method" that have been published in Official Gazette numbered 28034 and dated August 23, 2011.

**1.2. Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method**

Currency	Applied Shock (+/-x basis point)	Gains/ (Losses)	Gains/Equity (Losses/Equity) (%)
TL	(+) 500bp	(12.190)	(0,56)
TL	(-) 400bp	10.691	0,49
USD Dollars	(+) 200bp	(5.966)	(0,28)
USD Dollars	(-) 200bp	6.383	0,29
EUR	(+) 200bp	(62.979)	(2,91)
EUR	(-) 200bp	67.554	3,12
Total (For Negative Shocks)	-	<b>(81.135)</b>	<b>(3,74)</b>
Total (For Positive Shocks)	-	<b>84.628</b>	<b>3,90</b>

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**X. Explanations on Operating Segments**

The Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

<b>Current Period</b>	<b>Retail banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Unallocated</b>	<b>Total</b>
Operating income	31	129.019	329.725	28.959	487.734
Operating expense	5.708	247.378	36.251	152.294	441.631
Profit before tax	(5.677)	(118.359)	293.474	(123.335)	46.103
Tax provision	-	-	-	1.124	1.124
Net profit/loss	(5.677)	(118.359)	293.474	(124.459)	44.979
<b>Total assets</b>	<b>932</b>	<b>3.155.789</b>	<b>5.621.619</b>	<b>503.931</b>	<b>9.282.271</b>
<b>Total liabilities</b>	<b>291.278</b>	<b>5.661.397</b>	<b>1.946.849</b>	<b>1.382.747</b>	<b>9.282.271</b>

The Bank received permission to operate in accordance with the Banking Regulation and Supervision Agency's dated 26 February 2019 and numbered 8262 decision which published in dated 27 February 2019 and numbered 30699 Official Gazette and started operations as of 21 March 2019. As a consequence of Bank started Banking operations as of 21 March 2019, no explanations related to the operation segments for the previous period were presented.

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**SECTION FIVE**

**Explanations and notes on the unconsolidated financial statements**

**I. Explanations and notes related to 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	2.319	12.301	6	-
CBRT	73.274	693.296	-	-
Other	-	2.885	-	-
<b>Total</b>	<b>75.593</b>	<b>708.482</b>	<b>6</b>	<b>-</b>

**b. Information related to CBRT**

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

In accordance with the “Communiqué Regarding the Reserve Requirements numbered 2005/1”, banks operating in Turkey are required to maintain reserves in CBRT for TL and foreign currency liabilities. According to the Communiqué Regarding the Reserve Requirements, reserve requirements can be maintained in TL, USD and/or EURO and standard gold.

As of 31 December 2019, the compulsory rates for the reserve deposits at the Central Bank of Turkey for Turkish Lira are implemented within an interval from 1% to 7% depending on maturity of deposits and the compulsory rates for the foreign currency liabilities are within an interval from 5% to 21% depending on maturity of deposits.

**2. a. Information about banks**

	Current period		Prior period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	248	151.830	655.638	1.957
Foreign	-	9.979	-	-
Foreign head Office and branches	-	-	-	-
<b>Total</b>	<b>248</b>	<b>161.809</b>	<b>655.638</b>	<b>1.957</b>

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

**b. Information on Foreign Bank Accounts**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	9.979	-	-	-
USA, Canada	-	-	-	-
OECD Countries (*)	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>9.979</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) OECD countries except EU countries, USA and Canada.

**3. Financial assets measured at fair value through profit or loss**

**a. Financial assets subject to repurchase agreements and provided as collateral/blocked**

As of 31 December 2019, there is not any amount subject to repurchase agreements in financial assets at fair value through profit and loss (31 December 2018: None).

As of 31 December 2019, there is not any amount subject to guaranteed/blocked (31 December 2018: None).

**b. Information on financial assets measured at fair value through other comprehensive income**

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

**4. Financial assets measured at fair value through other comprehensive income**

**a. Information on financial assets measured at fair value through other comprehensive income subject to repurchase transactions, given as a guarantee or blocked**

As of 31 December 2019, there is not any amount subject to repurchase agreements (31 December 2018: None).

As of 31 December 2019, there is not any amount subject to guaranteed/blocked (31 December 2018: None).

**b. Information on financial assets measured at fair value through other comprehensive income**

	Current Period	Prior Period
Debt securities	-	-
Quoted in stock exchange	-	-
Not quoted in stock exchange	-	-
Share certificates	7.659	-
Quoted in stock exchange	-	-
Not quoted in stock exchange(*)	7.659	-
Impairment provision (-)	-	-
<b>Total</b>	<b>7.659</b>	<b>-</b>

(\*)Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 7.659.

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**I. Explanations and notes related to 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
Forward Transactions	374	-	-	-
Swap Transactions	36	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>410</b>	<b>-</b>	<b>-</b>	<b>-</b>

**6. Information on loans**

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

None (31 December 2018: None).

**b. Information on standard loans and loans under close monitoring including restructured or rescheduled loans**

		Loans under close monitoring		
Cash loans		Not under the scope of restructuring or rescheduling	Restructured	
Current period	Standard loans		Amendments to terms or contracts	Refinancing
Loans	5.730.333	-	-	-
Export loans	-	-	-	-
Import loans	8.323	-	-	-
Business loans	2.814.882	-	-	-
Consumer loans	932	-	-	-
Credit cards	-	-	-	-
Loans given to financial sector	2.573.610	-	-	-
Other <sup>(*)</sup>	332.586	-	-	-
Other receivables	-	-	-	-
Total	5.730.333	-	-	-

<sup>(\*)</sup>The details of other loans are as follows:

Commercial loans with installments	194.915
Other investment credits	135.660
Loans given to abroad	-
Profit and loss sharing investments	-
Loans for purchase of marketable securities for customer	-
Other	2.011
<b>Total</b>	<b>332.586</b>



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

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

**b. Information on standard loans and loans under close monitoring including restructured or rescheduled loans (continued)**

None (31 December 2018: None).

**c. Maturity analysis of cash loans**

Cash Loans Current Period	Standard Loans	Loans Under Follow-Up	
		Non-restructured	Restructured
Short term loans	3.204.442	-	-
Medium and long-term loans	2.525.891	-	-
<b>Total</b>	<b>5.730.333</b>	<b>-</b>	<b>-</b>

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

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

**d. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards**

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
<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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**I. Explanations and notes related to assets (continued)**

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

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

Current Period	Short-term	Medium and long-term	Total
<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>	<b>-</b>	<b>-</b>	<b>-</b>
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Commercial installment Loans-FC</b>	<b>-</b>	<b>4.137</b>	<b>4.137</b>
Business loans	-	4.137	4.137
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Corporate credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Overdraft account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1.155</b>	<b>193.760</b>	<b>194.915</b>

31 December 2018: None.

**f. Allocation of loans by customers**

	Current Period	Prior Period
Public	2.794.733	-
Private	2.935.600	-
<b>Total</b>	<b>5.730.333</b>	<b>-</b>

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

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

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

None (31 December 2018: None).

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

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

**1. Specific provisions for loans**

	Current Period	Prior Period
Loans with limited collectability	-	-
Loans with doubtful collectability	-	-
Uncollectible loans	188.322	188.343
<b>Total</b>	<b>188.322</b>	<b>188.343</b>

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

**j.1 Non-performing loans and receivables which are restructured or rescheduled**

None (31 December 2018: None).

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

	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
<b>Current 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 (-)	-	-	-
Collections in the current period (-)	-	-	111
Exchange rate valuation	-	-	-
Write offs (-)	-	-	-
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>
	Group III Loans with limited collectability	Group IV Loans with doubtful collectability	Group V Uncollectible loans
<b>Prior Period</b>			
Closing balance of prior period	-	-	1.303.781
Additions in the current period (+)	-	-	10.075
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	(18.711)
Exchange rate valuation	-	-	55.036
Write offs (-)	-	-	(1.161.838)
Corporate and commercial loans	-	-	-
Retail loans	-	-	(220)
Credit cards	-	-	-
Other	-	-	(1.161.618)
<b>Closing balance of the current period</b>	<b>-</b>	<b>-</b>	<b>188.343</b>
Provisions (-)	-	-	188.343
<b>Net balance at the balance sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> The Bank makes provisions for the entire non-performing loan portfolio, and has sold from its non performing loan portfolio amounting to TL 1.161.838 to Birleşim Varlık Yönetimi A.Ş. (Asset Management Company) for TL 7.700.

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

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

**j.3. Non-performing loans in foreign currencies**

None (31 December 2018: None).

**j.4. Gross and net amounts of non-performing loans according to user groups**

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Loans with limited</b>	<b>Loans with</b>	<b>Uncollectible</b>
	<b>collectability</b>	<b>doubtful</b>	<b>Loans</b>
		<b>collectability</b>	
<b>Current period (net)</b>	-	-	-
Loans to individuals and corporates (gross)	-	-	188.322
Provision (-)	-	-	188.322
<b>Loans to individuals and corporates (net)</b>	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
<b>Banks(Net)</b>	-	-	-
Other loans and receivables (gross)	-	-	-
Provision (-)	-	-	-
<b>Other loans (net)</b>	-	-	-
<b>Prior period (net)</b>	-	-	-
Loans to individuals and corporates (gross)	-	-	188.343
Specific provision (-)	-	-	188.343
<b>Loans to individuals and corporates (net)</b>	-	-	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
<b>Other loans and receivables (net)</b>	-	-	-

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

The Bank initiates a legal process for the collection of receivables arising from credit transactions, on the one hand, for the collection of receivables against the debtors, while the transactions for the conversion of the collaterals of the receivables and other goods and rights determined during the legal proceedings are carried out, while at the same time, activities related to the liquidation of debt and debt are carried out.

**l. Information on write-off policies**

None.

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

**7. Explanations on financial assets measured at amortised cost**

**a. Information on related to government securities measured at amortised cost**

	Current Period	Prior Period
Debt securities	<b>1.097.529</b>	-
Quoted on a stock exchange	-	-
Unquoted	1.097.529	-
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>1.097.529</b>	-

**b. Information related to financial assets measured at amortised cost**

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities <sup>(*)</sup>	1.097.529	-
<b>Total</b>	<b>1.097.529</b>	-

<sup>(\*)</sup> The Bank has calculated the fair value of the debt stock within the scope of TFRS 9 and TFRS 13, using the prices of similar financial assets at the date of the balance sheet and calculated the fair value.

**c. Movements of the government securities measured at amortised cost**

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

<sup>(\*)</sup> Accruals are shown in "Purchases during period" line.

**8. Explanations on lease receivables (net)**

**a. Presentation of remaining maturities of funds lent under finance lease method**

None (31 December 2018: None).

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

None (31 December 2018: None).

**c. General explanation on finance lease contracts**

None (31 December 2018: None).

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

**9. Information on assets held for sale and assets of discontinued operations**

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans.

	<b>Current Period</b>	<b>Prior Period</b>
Opening balance	36.722	22.679
Additions	-	14.043
Disposals	(1.522)	-
Transfers	-	-
Impairment provision(-)/Reversal of impairment provision	-	-
<b>Closing balance</b>	<b>35.200</b>	<b>36.722</b>

**10. Information on associates**

**a.1 Information on unconsolidated associates**

As of 31 December 2019, the Bank does not have any consolidated associates (31 December 2018: None).

**a.2 Information on consolidated associates**

As of 31 December 2019, the Bank does not have any consolidated associates (31 December 2018: None).

**11. Information on subsidiaries (net)**

**a.1 Information on unconsolidated subsidiaries**

Emlak Menkul Değerler A.Ş., which is owned by the 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 September 2019 and 31 December 2018.

**a.2 Information on consolidated subsidiaries**

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 and began to operate on 5 August 2019 with TL 50 capital amount paid by the Main Shareholder Bank.

<b>Name</b>	<b>Address (City/Country)</b>	<b>Operating Subject</b>	<b>Active Share Percentages (%)</b>	<b>Direct and Indirect Share Percentages (%)</b>
Emlak Varlık Kiralama A.Ş.	İstanbul/Turkey	Sukuk	100	100

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

**11. Information on subsidiaries (net) (continued)**

**a.2 Information on unconsolidated subsidiaries (continue)**

**a.2.1 Movement and sectoral information on subsidiaries**

	Current Period	Prior Period
Amount at the beginning of the period	-	-
Movements inside the term	50	-
Purchases/new incorporations/capital increases	50	-
Bonus shares	-	-
Profit received from current year share	-	-
Sales	-	-
Revaluation increases	-	-
Impairments	-	-
Amount at the end of the period	50	-
Capital commitments	-	-
<b>Share of the capital at the end of the period (%)</b>	<b>100</b>	<b>-</b>

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

None (31 December 2018: None).

**13. Information on tangible assets**

Current Period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
<b>Cost</b>						
Opening balance: 1 January 2019	-	-	-	12.911	-	12.911
Additions	32.581	-	11.660	53.627	-	97.868
Revaluation differences	-	-	-	-	-	-
Disposals	-	-	(23)	(146)	-	(169)
Impairment losses(-)/						
Reversal of impairment	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
<b>Ending balance: 31 December 2019</b>	<b>32.581</b>	<b>-</b>	<b>11.637</b>	<b>66.392</b>	<b>-</b>	<b>110.610</b>
<b>Accumulated depreciation(-)</b>						
Opening balance: 1 January 2019	-	-	-	890	-	890
Depreciation expense	2.273	-	1.962	3.826	-	8.061
Reversal of depreciation of the disposed assets	-	-	(23)	(28)	-	(51)
Transfers	-	-	-	-	-	-
<b>Ending balance: 31 December 2019</b>	<b>2.273</b>	<b>-</b>	<b>1.939</b>	<b>4.688</b>	<b>-</b>	<b>8.900</b>
<b>Total cost at the end of the year</b>	<b>32.581</b>	<b>-</b>	<b>11.637</b>	<b>66.392</b>	<b>-</b>	<b>110.610</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(2.273)</b>	<b>-</b>	<b>(1.939)</b>	<b>(4.688)</b>	<b>-</b>	<b>(8.900)</b>
<b>Closing net book value</b>	<b>30.308</b>	<b>-</b>	<b>9.698</b>	<b>61.704</b>	<b>-</b>	<b>101.710</b>



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

**13. Information on tangible assets (continue)**

Prior Period	Immovables	Leased tangible assets	Vehicles	Other	Assets held for sale	Total
<b>Cost</b>						
Opening balance: 1 January 2018	-	-	-	941	-	941
Additions	-	-	-	12.168	-	12.168
Revaluation differences	-	-	-	-	-	-
Disposals	-	-	-	(198)	-	(198)
Impairment losses(-)/						
Reversal of impairment	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending balance: 31 December 2018	-	-	-	12.911	-	12.911
<b>Accumulated depreciation(-)</b>						
Opening balance: 1 January 2018	-	-	-	808	-	808
Depreciation expense	-	-	-	280	-	280
Reversal of depreciation of the disposed assets	-	-	-	(198)	-	(198)
Transfers	-	-	-	-	-	-
Ending balance: 31 December 2018	-	-	-	890	-	890
Total cost at the end of the year	-	-	-	12.911	-	12.911
Total accumulated depreciation at the end of the year	-	-	-	(890)	-	(890)
Closing net book value	-	-	-	12.021	-	12.021

**14. Information on intangible assets**

Current Period	Intangible Assets	Total
<b>Cost</b>		
Opening balance: 1 January 2019	20.330	20.330
Additions	78.852	78.852
Disposals	(50.115)	(50.115)
Ending balance: 31 December 2019	49.067	49.067
<b>Accumulated depreciation(-)</b>		
Opening balance: 1 January 2019	-	-
Depreciation expense	9.245	9.245
Reversal of depreciation of the disposed assets	-	-
Ending balance: 31 December 2019	9.245	9.245
Total cost at the end of the year	49.067	49.067
Total accumulated depreciation at the end of the year	(9.265)	(9.265)
Closing net book value	39.802	39.802
Prior Period	Intangible Assets	Total
<b>Cost</b>		
Opening balance: 1 January 2018	8	8
Additions	20.349	20.349
Disposals	(8)	(8)
Ending balance: 31 December 2018	20.349	20.349
<b>Accumulated depreciation(-)</b>		
Opening balance: 1 January 2018	-	-
Depreciation expense	19	19
Reversal of depreciation of the disposed assets	-	-
Ending balance: 31 December 2018	19	19
Total cost at the end of the year	20.349	20.349
Total accumulated depreciation at the end of the year	(19)	(19)
Closing net book value	20.330	20.330

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

**15. Information on investment property**

None (31 December 2018: None).

**16. Information related to deferred tax asset**

	Current Period	Prior Period
Deferred tax provision for transferred financial loss	90.221	100.964
Provisions for retirement premium and vacation pay liabilities	7.866	-
Subordinated loan	4.804	-
Prepaid wages and commissions and unearned income	1.612	981
Derivative transactions	1.294	-
IFRS 16 allowance	112	-
Other provisions for debts and expense	696	3.657
<b>Deferred tax asset</b>	<b>106.605</b>	<b>105.602</b>
Difference between carrying value and tax base of tangible assets	3.872	1.827
Other	319	237
<b>Deferred tax liability</b>	<b>4.191</b>	<b>2.064</b>
<b>Deferred tax asset (Net)</b>	<b>102.414</b>	<b>103.538</b>

The time limits for deferred tax losses are as follows:

	Current Period	Prior Period
2023	451.105	504.819
<b>Losses brought forward</b>	<b>451.105</b>	<b>504.819</b>

**17. Breakdown of items in other assets except commitments presented in off-balance sheet, which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total**

	Current Period	Prior Period
Receivables from Public Institutions and Cooperations (*)	175.700	175.700
Other	49.055	43.825
<b>Total</b>	<b>224.755</b>	<b>219.525</b>

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

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**II. Explanations and notes related to 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	1 year and over	Accumulated profit sharing accounts	Total
<b>I. Real persons current accounts-TL</b>	<b>5.216</b>	-	-	-	-	-	-	-	<b>5.216</b>
<b>II. Real persons profit sharing accounts TL</b>	-	<b>5.258</b>	<b>121.181</b>	<b>75.039</b>	-	<b>10.157</b>	<b>1.228</b>	-	<b>212.863</b>
<b>III. Other current accounts-TL</b>	<b>100.117</b>	-	-	-	-	-	-	-	<b>100.117</b>
Public sector	1	-	-	-	-	-	-	-	1
Commercial sector	99.991	-	-	-	-	-	-	-	99.991
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	125	-	-	-	-	-	-	-	125
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>IV Profit sharing accounts-TL</b>	-	<b>125.909</b>	<b>2.192.791</b>	<b>84.935</b>	-	<b>24.423</b>	<b>555</b>	-	<b>2.428.613</b>
Public sector	-	52.859	12.584	15.655	-	5.007	-	-	86.105
Commercial sector	-	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	-	-	-	-	-	-	-	-	-
<b>V. Real persons current accounts-FC</b>	<b>13.493</b>	-	-	-	-	-	-	-	<b>13.493</b>
<b>VI. Real persons profit sharing accounts-FC</b>	-	<b>484</b>	<b>59.221</b>	<b>1</b>	-	-	-	-	<b>59.706</b>
<b>VII. Other current accounts-FC</b>	<b>382.071</b>	-	-	-	-	-	-	-	<b>382.071</b>
Commercial residents in Turkey	378.668	-	-	-	-	-	-	-	378.668
Commercial residents in Abroad	3.403	-	-	-	-	-	-	-	3.403
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>VIII. Profit sharing accounts-FC</b>	-	<b>333</b>	<b>2.556.945</b>	<b>35.694</b>	-	<b>82.013</b>	<b>31.150</b>	-	<b>2.706.135</b>
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	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
<b>IX. Precious metal funds</b>	<b>487</b>	<b>118</b>	<b>9.166</b>	<b>34.691</b>	-	-	-	-	<b>44.462</b>
<b>X. Profit sharing accounts special funds - TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Profit sharing accounts special funds - FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>501.384</b>	<b>132.102</b>	<b>4.939.304</b>	<b>230.360</b>	-	<b>116.593</b>	<b>32.933</b>	-	<b>5.952.676</b>

(31 December 2018: None.)

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

**b. Information on participation fund under the guarantee of insurance**

**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	35.298	-	261.987	-
Turkish Lira accounts	28.417	-	189.662	-
Foreign currency accounts	6.881	-	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	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	-	-

**3. Information on borrowings**

**a.1 Information on types of borrowings**

	Current Period		Prior Period	
	TL	FC	TL	FC
Syndication Loans	-	-	-	-
Wakala Loans	-	864.292	-	-
Loans Obtained from Issued Lease Certificates (Sukuk)	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>864.292</b>	<b>-</b>	<b>-</b>

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

**2. Information on types of borrowings (continued)**

**a.2 Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	-	864.292	-	-
Loans from foreign banks, institutions and funds	-	-	-	-
<b>Total</b>	<b>-</b>	<b>864.292</b>	<b>-</b>	<b>-</b>

**a.3 Maturity analysis of funds borrowed**

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

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

The Bank does not have concentration on customer or sector group providing funds (31December 2018: None).

**3. Information on derivative financial liabilities**

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

**4. Lease payables**

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than a year	4.023	-	-	-
1 to 5 years	8.673	-	-	-
Over 5 years	17.871	-	-	-
<b>Total</b>	<b>30.567</b>	<b>-</b>	<b>-</b>	<b>-</b>

**5. Information on derivative financial liabilities for hedging purposes**

None (31 December 2018: None).

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

**6. Information on provisions**

**a. Information on provisions for employee rights**

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 2.282 (31 December 2018: TL 1.284), vacation pay liability amounting to TL 1.043 (31 December 2018: TL 153), performance premium provision amounting to TL 4.000 (31 December 2018: TL3.025) totaling to TL 7.325 (31 December 2018: TL 4.462).

The Bank 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.

	<b>Current Period</b>	<b>Prior Period</b>
Discount rate (%)	3,60	3,57
Estimated increase rate of salary ceiling (%)	9,20	-

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Prior period ending balance	1.284	1.319
Change in the period	998	(35)
<b>Balance at the end of the period</b>	<b>2.282</b>	<b>1.284</b>

**b. Other provisions**

	<b>Current Period</b>	<b>Prior Period</b>
Provisions for cases on trial	2.334	16.623
<b>Total</b>	<b>2.334</b>	<b>16.623</b>

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

None (31 December 2018: None).

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

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

**d. Information on general provisions**

	Current Period	Prior Period
<b>General provisions</b>		
<b>I. Group Loan and Allocated for Receivables (Total)</b>	<b>88.918</b>	<b>9.777</b>
Participation accounts share	67.083	-
Institution share	21.835	9.777
Other	-	-
<b>I. Group Loan and Additional Reserves for Receivables with Extended Payment Period</b>	<b>-</b>	<b>-</b>
Participation accounts share	-	-
Institution share	-	-
Other	-	-
<b>II. Group Loan and Allocated for Receivables (Total)</b>	<b>-</b>	<b>-</b>
Participation accounts share	-	-
Institution share	-	-
Other	-	-
<b>II. Group Loan and Additional Reserves for Receivables with Extended Payment Period</b>	<b>-</b>	<b>-</b>
Participation accounts share	-	-
Institution share	-	-
Other	-	-
<b>Allocated for Non-Cash Loans</b>	<b>-</b>	<b>-</b>
<b>Other</b>	<b>-</b>	<b>-</b>

**7. Information on taxes payable**

**a. Explanations on current tax liability**

**a.1. Explanations on tax provisions**

As of 31 December 2019, the Bank does not have any tax debt remaining after deducting the corporate taxes paid. (31 December 2018: None).

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

	Current Period	Prior Period
Taxation on securities income	2.856	-
Banking insurance transaction tax	2.540	855
Income tax deducted from wages	2.306	420
Value added tax payable	741	10
Taxation on real estate income	88	-
Foreign exchange transaction tax	8	-
Other	137	63
<b>Total</b>	<b>8.676</b>	<b>1.348</b>

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

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

**a. Explanations on current tax liability (continued)**

**a.3 Information on premiums**

	Current Period	Prior Period
Social security premiums-employer	1.026	198
Social security premiums-employee	700	138
Bank pension fund premium-employees	-	-
Bank pension fund premium-employer	-	-
Pension fund membership fees and provisions-employees	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employer	100	20
Unemployment insurance-employee	50	10
Other	146	-
<b>Total</b>	<b>2.022</b>	<b>366</b>

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

None (31 December 2018: None).

**9. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans**

**Information on subordinated loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in calculation of additional Tier I Capital	-	1.076.666	-	-
Subordinated loans	-	1.076.666	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in calculation of Tier II Capital	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.076.666</b>	<b>-</b>	<b>-</b>

The Bank, as approved by BDDK on 19 April 2019, and under Article 7 of the BDDK Regulation on Bank Equities, has exercised its authority to sign a subordinated loan agreement with the Turkey Wealth Fund Corporation's Market Stability and Equalization Fund to borrow, 2019, 200 million euro profit in the 24 April 2019, without allowances covered by additional base capital has provided a subordinated loan.

**10. Breakdown of items in other liabilities, which exceed 10% of the balance sheet total, and breakdown of items, which constitute at least 20% of grand total**

None (31 December 2018: None).

**11. Information on shareholders' equity**

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

	Current Period	Prior Period
Common stock	750.000	750.000
Preferred stock	-	-



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

**11. Information on shareholders' equity (continued)**

**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**

Share Capital System	Paid-in Capital	Ceiling
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 until the end of the last fiscal year and following interim period.

**f. Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators**

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

**g. Information on privileges given to stocks representing the capital**

There is no privilege given to stocks representing the capital.

**h. Information on marketable securities valuation reserve**

None (31 December 2018: None).

**i. Information on other capital reserves**

None (31 December 2018: None).

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**III. Explanations and notes related to off-balance sheet**

**1. Explanations on off balance sheet**

**a. Type and amount of irrevocable loan commitments**

	<b>Current Period</b>	<b>Prior Period</b>
Asset purchase and sale commitments	42.272	-
Loan granting commitments	3.970	-
Payment commitments for cheques	1.230	-
Tax and funds liabilities arising from export commitments	-	-
Commitments for promotions related with credit cards and banking activities	-	-
Other irrevocable commitments	-	-
<b>Total</b>	<b>47.472</b>	<b>-</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**

	<b>Current Period</b>	<b>Prior Period</b>
Letters of guarantees	396.587	-
Letters of credit	30.136	-
Bank loans	-	-
Other guaranties and sureties	-	-
<b>Total</b>	<b>426.723</b>	<b>-</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Temporary letters of guarantees	303.910	-
Advance letters of guarantees	83.945	-
Letters of guarantees given to customs	5.735	-
Long standing letters of guarantees	2.997	-
Other letters of guarantees	-	-
<b>Total</b>	<b>396.587</b>	<b>-</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	47.472	-
<b>Total</b>	<b>47.472</b>	<b>-</b>

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

**1. Explanations on off balance sheet (continued)**

**c. Within the Non-cash Loans (continued)**

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

	Current Period			
	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>2.319</b>	<b>0,72</b>	-	-
Farming and stockbreeding	2.319	0,72	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
<b>Manufacturing</b>	<b>25.721</b>	<b>8,01</b>	<b>5.598</b>	<b>5,30</b>
Mining	-	-	-	-
Production	25.721	8,01	5.598	5,30
Electricity, gas and water	-	-	-	-
<b>Construction</b>	-	-	<b>6.613</b>	<b>6,26</b>
<b>Services</b>	<b>292.285</b>	<b>91,04</b>	<b>93.460</b>	<b>88,44</b>
Wholesale and retail trade	-	-	14.400	13,62
Hotel, food and beverage services	-	-	-	-
Transportation and telecommunication	-	-	-	-
Financial Institutions	272.680	84,93	19.861	18,80
Real estate and renting services	19.605	6,11	59.199	56,02
Self-employment services	-	-	-	-
Education services	-	-	-	-
Health and social services	-	-	-	-
<b>Other</b>	<b>727</b>	<b>0,23</b>	-	-
<b>Total</b>	<b>321.052</b>	<b>100,00</b>	<b>105.671</b>	<b>100,00</b>

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

Current Period	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>321.052</b>	<b>105.671</b>	-	-
Letters of guarantee	299.305	97.282	-	-
Bank loans	-	-	-	-
Letters of credit	21.747	8.389	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	-	-	-	-

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

**2. Explanations on derivative transactions**

	Derivative transactions according to purpose 31 December 2019	Derivative transactions according to purpose 31 December 2018
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>803.102</b>	-
Currency Forwards-Purchases, sales	15.622	-
Currency Swaps-Purchases, sales	787.480	-
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Profit share Rate Related Derivative Transactions (II)</b>	-	-
Profit share rates forwards-Purchase, sales	-	-
Profit share rates swaps-Purchases, sales	-	-
Profit share rates options-Purchases, sales	-	-
Profit share rates futures-Purchases, sales	-	-
<b>Other Trading Derivatives (III)</b>	-	-
<b>A. Total Trading Derivatives (I + II + III)</b>	<b>803.102</b>	-
<b>Hedging Derivatives</b>	-	-
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	-	-
<b>Total Derivatives Transactions (A+B)</b>	<b>803.102</b>	-

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

The Bank has made a provision amounting to TL 2.334 (31 December 2018: TL 16.623), as presented under “Other Provisions” note in Section Five Note II.5.b, for the lawsuits opened by various real persons and legal entities against the Bank with high probability of realization and cash outflows.

**4. Explanations on services rendered on behalf of third parties:**

The Bank has not any operations like money placements on behalf of real persons or legal entities, charitable foundations, retirement insurance funds and other institutions.

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**IV. Explanations and notes related to the statement of profit or loss**

**1. Information on profit share income**

**a. Information on profit share income received from loans**

	Current Period		Current Period	
	TL	FC	TL	FC
Profit share received from loans				
Short Term Loans	250.918	1.129	-	-
Medium and Long Term Loans	52.039	22.408	-	-
Profit Share on Non-Performing Loans	-	-	145.776	-
<b>Total</b>	<b>302.957</b>	<b>23.537</b>	<b>145.776</b>	<b>-</b>

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

	Current Period		Current Period	
	TL	FC	TL	FC
CBRT	2.847	-	-	-
Domestic Banks	34.222	-	-	66.179
Foreign Banks	-	-	-	-
Head Offices and Branches Abroad	-	-	-	-
<b>Total</b>	<b>37.069</b>	<b>-</b>	<b>-</b>	<b>66.179</b>

**c. Information on profit share income received from marketable securities**

	Current Period		Current Period	
	TL	FC	TL	FC
Financial assets measured at fair value through profit/loss	15.266	17.340	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Financial assets measured at amortised cost	-	32.206	-	-
<b>Total</b>	<b>15.266</b>	<b>49.546</b>	<b>-</b>	<b>-</b>

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

None (31 December 2018: None).

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**IV. Explanations and notes related to the statement of profit 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						
Account name	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	More than 1 year	Accumulated profit sharing account	Total
TL								
Funds collected from banks through current and profit sharing accounts	-	743	-	-	-	-	-	743
Real persons’ non-trading profit sharing accounts	217	3.731	1.307	-	236	25	-	5.516
Public sector profit sharing accounts	4.355	2.730	7	-	7	-	-	7.099
Commercial sector profit sharing accounts	3.730	117.593	2.847	68	907	21	-	125.166
Other institutions profit sharing accounts	494	18.735	497	-	-	-	-	19.726
Total	8.796	143.532	4.658	68	1.150	46	-	158.250
FC								
Banks	-	2.137	-	-	-	-	-	2.137
Real persons’ non-trading profit sharing accounts	2	190	-	-	-	-	-	192
Public sector profit sharing accounts	-	460	-	-	-	-	-	460
Commercial sector profit sharing accounts	644	8.576	390	-	345	151	-	10.106
Other institutions profit sharing accounts	36	2.433	-	-	-	-	-	2.469
Precious metals deposits	16	94	73	-	-	-	-	183
Total	698	13.890	463	-	345	151	-	15.547
Grand Total	9.494	157.422	5.121	68	1.495	197	-	173.797

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	1.590	-	-
CBRT	-	-	-	-
Domestic banks	-	1.120	-	-
Foreign banks	-	470	-	-
Head offices and branches abroad	-	-	-	-
Other institutions	-	34.657	-	-
<b>Total</b>	<b>-</b>	<b>36.247</b>	<b>-</b>	<b>-</b>

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

None (31 December 2018: None).

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

None (31 December 2018: None).

**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 31 December 2019, 328 TL (1 January - 31 December 2018: None) of the other fees and commissions amounting to TL 868 (1 January - 31 December 2018: None) are from the import credit commissions and 123 TL from the insurance and brokerage commissions. (1 January - 31 December 2018: 2 TL).

As of 31 December 2019, other fees and commissions amounting to TL 2.620 (1 January - 31 December 2018 - 3 TL); 1,592 TL (1 January - 31 December 2018: None) consists of precious mining agency commissions, 600 TL (1 January - 31 December 2018: None) consists of fees and commissions paid for credit cards.

**4. Information on dividend income**

None (31 December 2018: None).

**5. Explanations on trading income/loss (net)**

	Current Period	Prior Period
<b>Income</b>	<b>253.103</b>	<b>261.722</b>
Income from capital market transactions	27.276	-
Income from derivative financial instruments	29.988	-
Foreign exchange income	195.839	261.722
<b>Loss (-)</b>	<b>220.589</b>	<b>638</b>
Loss on capital market transactions	261	-
Loss on derivative financial instruments	30.047	-
Foreign exchange losses	190.281	638
<b>Trading Income/Loss (net)</b>	<b>32.514</b>	<b>261.084</b>

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Income from sale of assets	2.693	145
Reversal of prior year provisions	18.670	27.838
Communication revenue	23	-
Reversal of vacation pay expenses provision	-	342
Other income	2.729	1.408
<b>Total</b>	<b>24.115</b>	<b>29.733</b>

**7. Loan Provisions**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Specific provisions for loans</b>	111	4.544
Loans with limited collectability	-	-
Loans with doubtful collectability	-	-
Uncollectible loans	111	4.544
<b>General loan provision</b>	79.141	9.777
<b>Marketable securities impairment expense</b>	-	-
Financial assets measured at fair value through profit/loss	-	-
Financial assets measured at fair value through other comprehensive income	-	-
<b>Impairment losses from associates, subsidiaries, joint ventures and marketable securities held to maturity</b>	-	1.000
Investment and Associates	-	1.000
Subsidiaries	-	-
Entities under common control	-	-
<b>Other</b>	-	-
<b>Total</b>	<b>79.252</b>	<b>15.321</b>



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

**8. Information on other operating expenses**

	Current Period	Prior Period
Provision for retirement pay liability	847	239
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	8.061	280
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	9.245	19
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 business expenses	37.664	6.367
Leasing Expenses on TFRS 16 Exceptions	16	-
Maintenance and repair expenses	1.598	-
Advertisement expenses	7.166	-
Other expenses <sup>(1)</sup>	28.884	6.367
Loss on sale of assets	-	-
Other <sup>(2)</sup>	17.869	28.436
<b>Total</b>	<b>73.686</b>	<b>35.341</b>

<sup>(1)</sup> The details of the "Other Expenses" balance under Other Operating Expenses are as follows :

	Current Period	Prior Period
Lawsuit and court expenses	14.899	45
Communication Expenses	2.596	58
Expense Share for Common Expenses	1.853	11
Heating, lighting and water expenses	1.591	107
Cleaning expenses	1.516	246
Vehicle expenses	967	312
Stationery Expenses	622	66
Movables Insurance Expenses	576	53
Representation and Hosting expenses	205	19
Other	4.059	5.450
<b>Total</b>	<b>28.884</b>	<b>6.367</b>

<sup>(2)</sup> Details of "other" balance are provided as below:

	Current Period	Prior Period
Taxes, Duties, Charges and Funds	12.496	-
Audit and Consultancy Fees	2.489	69
Participation banks association cost share	1.402	-
Saving Deposit Insurance Fund	90	-
Other	1.392	28.367
<b>Total</b>	<b>17.869</b>	<b>28.436</b>

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

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

The portion of the Bank's profit before tax amounting to TL 217.652 (31 December 2018: TL 211.955) consists of net profit share income and TL 1.365 (31 December 2018: TL (1)) consists of net fee and commission expenses, and the total of other operating expenses is 73.686. TL (31 December 2018: TL 35.341).

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

As of 31 December 2019, the Bank has deferred tax expense amounting to TL 15.797 (31 December 2018: TL 105.602) and deferred tax income amounting to TL 16.921 (31 December 2018: TL 2.064). As of 31 December 2019, the Bank has no current tax provision.

The Bank has no discontinued operations, there is no tax provision related to it. (31 December 2018: None).

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

The Bank has no discontinued operations. The net profit for the period has been recorded as TL 44.979 (31 December 2018: TL 543.696) as a result of deducting the period tax provision expense from TL 46.103 (31 December 2018: TL 440.158) to TL 1.124 (31 December 2018: TL 103.538).

**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 Bank's performance for the period**

None.

**b. The effect of the change in accounting estimates to the net income/loss; including the effects on the future period**

None.

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**V. Explanations and notes related to the statement of changes in shareholders' equity**

The Bank has not notified amount of profit shares notified after the balance sheet date but before the announcement of the financial statements.

The dividend distribution will be decided at the General Assembly meeting and the General Assembly has not been held as of the date of the attached financial statements. In the current period, the Bank has compensated TL 2.320.496 of the previous year's loss of TL 2.824.581 from other profit reserves with the decision of the General Assembly dated 19 June 2019.

**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 (31 December 2018: None).

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

None (31 December 2018: None).

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

None (31 December 2018: 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**

None (31 December 2018: None).

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

None (31 December 2018: 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 Bank; Rights, priorities and constraints related to this item, including restrictions on dividend distribution and reimbursement of capital**

None (31 December 2018: 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 statement of cash flows**

**1. Components of cash and cash equivalents and accounting policy applied in their determination**

“Cash” is defined as cash in vault and foreign currency cash, money in transit, cheques purchased, unrestricted balance with the Central Bank and demand deposits at banks. “Cash equivalents” is defined as money market placements and time deposits at banks with original maturities less than three months.

**(a) Cash and cash equivalents at the beginning of the period**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>6</b>	<b>1</b>
Cash in TL/foreign currency	6	1
Cash in transit	-	-
CBRT	-	-
<b>Cash equivalents</b>	<b>654.081</b>	<b>459.652</b>
Domestic banks	654.081	459.652
Foreign banks	-	-
<b>Total cash and cash equivalents</b>	<b>654.087</b>	<b>459.653</b>

**(b) Cash and cash equivalents at the end of the period**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>89.551</b>	<b>6</b>
Cash in TL/foreign currency	17.505	6
Cash in transit	-	-
CBRT	72.046	-
<b>Cash equivalents</b>	<b>162.057</b>	<b>654.081</b>
Domestic banks	152.078	654.081
Foreign banks	9.979	-
<b>Total cash and cash equivalents</b>	<b>251.608</b>	<b>654.087</b>

**2. Cash and cash equivalent items which are restricted for the usage of the Bank by legal or other limitations**

Restricted time deposits held at the Central Bank of Turkey and blockaged amount arising from POS are not considered as cash and cash equivalent items.

**3. Explanation about other cash flow items and the effect of the changes in foreign exchange rates on cash and cash equivalents**

Included in “Banking activity subject to assets and liabilities prior to change in operating profit” Other item amounting to TL 7.262 (31 December 2018: TL 395.222) mainly consists of general provisions expense and other operating expenses.

The “net increase / decrease in other liabilities” item in the “change in assets and liabilities subject to banking activities” amounting to TL 104.658 (31 December 2018: TL 124.502) consists of changes in lease payables, other foreign resources and taxes, duties, fees and premiums.

The effect of the change in foreign exchange rate on cash and cash equivalents was determined to be approximately TL 7.869 (31 December 2018: TL 21.405) in the accounting period ended on 31 December 2019.

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**VII. Explanations related to the risk group of the Bank**

**1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period**

None (31 December 2018: None).

**a.1. Information on current and profit sharing accounts of the Bank's risk group**

Risk Group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the 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	47	-	-	-	-	-
<b>Profit share expense</b>	-	-	-	-	-	-

**a.2. Information on forward and option agreements and other similar agreements with related parties**

The Bank does not have forward and option agreements with the risk group of the Bank.

As of 31 December 2019, the Bank has paid TL 6.731 (31 December 2018: TL 1.070) to top management.

**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 Bank**

	Number	Number of personnel			
Domestic Branches	11	381			
			<b>Country</b>		
Foreign Representation Office	-	-			
			<b>Total Assets (Thousand TL)</b>		<b>Statutory Share Capital</b>
Foreign Branches	-	-			-
Off-Shore Branches	-	-			-

**2. Information on the Bank's branch or representative office openings, closings, significant changes in the organizational structure**

The Bank has not open branches abroad in 2019. The Bank has opened 11 branches in different regions in the country.

**IX. Explanations related to subsequent events and footnotes**

Internal Systems Senior Manager Yusuf Abdullah Karadağ and Risk Management Chairman Hasan Selçuk Çoban, as of 6 February 2020, they resigned from their duties.

Nevzat Bayraktar, who was appointed General Manager pursuant to a Board of Directors resolution dated 11 February 2020. Hasan Apaydın, who was appointed General Manager Consultant pursuant to a Board of Directors resolution dated 24 February 2020.

Cengiz Sinanoğlu, who was appointed Head of Internal Systems Group pursuant to a Board of Directors resolution dated 24 February 2020.

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**SECTION SIX**

**Other explanations**

**I. Other explanations on operations of the Bank**

None.

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**SECTION SEVEN**

**Independent Auditor's Report**

**I. Explanations on independent auditor's report**

The Bank's unconsolidated financial statements as of and for the period ended 31 December 2019 have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the audit report 2 March 2020 is presented at the beginning of the financial statements and related notes.

**II. Other notes and explanations prepared by the independent auditors**

None.