

# **Türkiye Emlak Katılım Bankası Anonim Şirketi**

## **Publicly Announced Consolidated Financial Statements and Related Disclosures at December 31, 2021 together with Audit Report**

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

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

## **Report on the Consolidated Financial Statements**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of Türkiye Emlak Katılım Bankası A.Ş. (the "Bank"), and its subsidiaries (together will be referred as "the Group"), which comprise the statement of consolidated statement of financial position as at December 31, 2021, consolidated statement of profit and loss and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and financial performance and consolidated its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated November 1, 2006 and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency (BRSA), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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



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

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

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

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

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

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

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

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

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



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- In order to provide an opinion on consolidated financial statements, adequate and appropriate audit evidence is obtained about the financial information of the operating segments and entities in the Group. We are responsible for directing, supervising and conducting the Group audit. We are also responsible for the audit opinion that we provide by ourselves.

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 – December 31, 2021 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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

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

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



Emre Çelik, SMMM  
Partner

March 1, 2022  
Istanbul, Turkey

**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**  
**THE CONSOLIDATED FINANCIAL REPORT AS OF 31 DECEMBER 2021**

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

The consolidated financial report for the 31 December 2021 year-end prepared in accordance with the "Communiqué on Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks" as regulated by Banking Regulation and Supervision Agency, consists of the following sections.

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

**Subsidiaries**

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

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

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

  
**Nevzat BAYRAKTAR**  
General Manager

  
**Tuğba GEDİKLİ**  
Budget and Financial  
Reporting Director

  
**Abdullah Erdem CANTİMUR**  
Chairman of the Audit  
Committee

  
**Mehmet Nuri YAZICI**  
Member of the Audit  
Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:  
Name-Surname / Title : Mustafa BEDİR / Financial Reporting Supervisor  
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**TÜRKİYE EMLAK KATILIM BANKASI A.Ş.**

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

**SECTION ONE**

**General information**

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

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

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

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

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

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

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

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

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

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

The Parent Bank and its subsidiaries consolidated with the Parent Bank, as a whole, are called the "Group" The Bank's head office is located in İstanbul and there are 50 branches of the Parent Bank as of December 31, 2021. (December 31, 2020: 50). The Parent Bank is operating with 1.107 staff as of December 31, 2021 (December 31, 2020: 814).



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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

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

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

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

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

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

The Parent Bank's paid in capital amounting to TL 1.026.915 consists of 102.691.549.916 number of shares with a nominal value of TL 0,01 (full) for each share.

Name/commercial name	Share amount	Share ratio	Paid shares	Unpaid shares
Ministry of Treasury and Finance	1.026.915	99,99999%	1.026.915	-
Other	-	0,00001%	-	-

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

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

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

- To buy or sell money or capital market instruments on the spot or in the term according to the legislation and interest-free banking principles, and to mediate their purchase and sale, to operate in stock exchanges,
- Within the principles of interest-free banking; to allocate funds to the economy, to use loans in cash and non- Cash in all types and forms,

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

- To make financial leasing transactions, to make operational leasing transactions,
- To make all kinds of payment and collection transactions, payment such as travel checks, credit cards the activities of the vehicles, to provide merchant services (POS), consultancy and advising, providing safe deposit services,
- Buying, acquiring, building any kind of real estate and transferring, renting them to other people when necessary and making all kinds of savings on them,
- For Companies and organizations (including insurance companies); giving services of representation, substitution and being agentship,
- To support Agricultural Credit Cooperatives and SMEs, to carry out activities to support urban transformation,
- To carry out portfolio management and management operations,
- Providing custody services,
- The Parent Bank, extends non-cash funds in the type of letter of guarantee, loan of acceptance, letter of credit.

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

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

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

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

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

## **SECTION TWO**

### **The consolidated financial statements**

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

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

**CONSOLIDATED STATEMENT OF BALANCE SHEET (FINANCIAL POSITION)**

**AS OF DECEMBER 31, 2021**

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

ASSETS	Note (Fifth Section-I)	THOUSAND TL			THOUSAND TL		
		CURRENT PERIOD (31/12/2021)			PRIOR PERIOD (31/12/2020)		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>		<b>3.982.037</b>	<b>9.109.377</b>	<b>13.091.414</b>	<b>1.400.487</b>	<b>3.465.407</b>	<b>4.865.894</b>
<b>1.1 Cash and cash equivalents</b>		<b>899.261</b>	<b>6.868.642</b>	<b>7.767.903</b>	<b>259.407</b>	<b>2.917.315</b>	<b>3.176.722</b>
1.1.1 Cash and Balances with Central Bank	(1)	897.830	5.338.605	6.236.435	255.369	2.011.728	2.267.097
1.1.2 Banks	(2)	1.593	1.531.522	1.533.115	4.130	906.712	910.842
1.1.3 Money Market Placements		-	-	-	-	-	-
1.1.4 Expected Loss Provisions (-)		162	1.485	1.647	92	1.125	1.217
<b>1.2 Financial Assets Measured at Fair Value Through Profit/Loss (FVTPL)</b>	(3)	<b>237.267</b>	<b>847.933</b>	<b>1.085.200</b>	<b>216.844</b>	<b>306.207</b>	<b>523.051</b>
1.2.1 Government Debt Securities		-	847.933	847.933	216.844	306.207	523.051
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		237.267	-	237.267	-	-	-
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)</b>	(4)	<b>2.783.631</b>	<b>1.389.522</b>	<b>4.173.153</b>	<b>922.824</b>	<b>241.566</b>	<b>1.164.390</b>
1.3.1 Government Debt Securities		2.775.972	1.389.522	4.165.494	915.165	241.566	1.156.731
1.3.2 Equity Securities		7.659	-	7.659	7.659	-	7.659
1.3.3 Other Financial Assets		-	-	-	-	-	-
<b>1.4 Derivative Financial Assets</b>	(5)	<b>61.878</b>	<b>3.280</b>	<b>65.158</b>	<b>1.412</b>	<b>319</b>	<b>1.731</b>
1.4.1 Derivative Financial Assets Measured at FVTPL		61.878	3.280	65.158	1.412	319	1.731
1.4.2 Derivative Financial Assets Measured at FVOCI		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>12.156.411</b>	<b>12.132.116</b>	<b>24.288.527</b>	<b>9.939.118</b>	<b>4.963.488</b>	<b>14.902.606</b>
<b>2.1 Loans</b>	(6)	<b>12.307.401</b>	<b>9.417.079</b>	<b>21.724.480</b>	<b>10.148.747</b>	<b>3.421.877</b>	<b>13.570.624</b>
<b>2.2 Lease Receivables</b>	(8)	<b>108.644</b>	<b>74.200</b>	<b>182.844</b>	<b>25.623</b>	<b>2.786</b>	<b>28.409</b>
<b>2.3 Other Financial Assets Measured at Amortized Cost</b>	(7)	<b>-</b>	<b>2.713.586</b>	<b>2.713.586</b>	<b>-</b>	<b>1.568.929</b>	<b>1.568.929</b>
2.3.1 Government Debt Securities		-	2.713.586	2.713.586	-	1.568.929	1.568.929
2.3.2 Other Financial Assets		-	-	-	-	-	-
<b>2.4 Expected Loss Provisions(-)</b>	(6)	<b>259.634</b>	<b>72.749</b>	<b>332.383</b>	<b>235.252</b>	<b>30.104</b>	<b>265.356</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(9)	<b>8.000</b>	<b>-</b>	<b>8.000</b>	<b>23.797</b>	<b>-</b>	<b>23.797</b>
3.1 Asset Held for Sale		8.000	-	8.000	23.797	-	23.797
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>IV. PARTNERSHIP INVESTMENTS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1 Associates (Net)</b>	(10)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
<b>4.3 Joint Ventures (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (NET)</b>	(11)	<b>330.398</b>	<b>-</b>	<b>330.398</b>	<b>251.229</b>	<b>-</b>	<b>251.229</b>
<b>VI. INTANGIBLE ASSETS (NET)</b>	(12)	<b>23.462</b>	<b>-</b>	<b>23.462</b>	<b>34.559</b>	<b>-</b>	<b>34.559</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		23.462	-	23.462	34.559	-	34.559
<b>VII. INVESTMENT PROPERTY (NET)</b>	(13)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	(14)	<b>66.894</b>	<b>-</b>	<b>66.894</b>	<b>73.853</b>	<b>-</b>	<b>73.853</b>
<b>X. OTHER ASSETS</b>	(15)	<b>232.129</b>	<b>4.979</b>	<b>237.108</b>	<b>142.437</b>	<b>73</b>	<b>142.510</b>
<b>TOTAL ASSETS</b>		<b>16.799.331</b>	<b>21.246.472</b>	<b>38.045.803</b>	<b>11.865.480</b>	<b>8.428.968</b>	<b>20.294.448</b>

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

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

**CONSOLIDATED STATEMENT OF BALANCE SHEET (FINANCIAL POSITION)**

**AS OF DECEMBER 31, 2021**

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

LIABILITIES	Note (Fifth Section-II)	THOUSAND TL			THOUSAND TL		
		CURRENT PERIOD (31/12/2021)			PRIOR PERIOD (31/12/2020)		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. FUNDS COLLECTED</b>	(1)	8.216.829	18.448.499	26.665.328	5.332.642	6.344.661	11.677.303
<b>II. FUNDS BORROWED</b>	(2)	101.296	1.103.031	1.204.327	21.889	926.868	948.757
<b>III. MONEY MARKET FUNDS</b>		1.984.303	-	1.984.303	1.069.349	-	1.069.349
<b>IV. SECURITIES ISSUED (Net)</b>		2.862.381	-	2.862.381	3.028.652	-	3.028.652
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>		106.180	3.810	109.990	43.279	7	43.286
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(3)	106.180	3.810	109.990	43.279	7	43.286
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5)	-	-	-	-	-	-
<b>VII. LEASE PAYABLES (NET)</b>	(4)	191.498	-	191.498	119.338	-	119.338
<b>VIII. PROVISIONS</b>	(6)	66.636	51.603	118.239	48.188	46.035	94.223
8.1 General Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		26.592	-	26.592	14.482	-	14.482
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		40.044	51.603	91.647	33.706	46.035	79.741
<b>IX. CURRENT TAX LIABILITY</b>	(7)	81.210	-	81.210	20.900	-	20.900
<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)	-	2.669.412	2.669.412	-	1.545.981	1.545.981
12.1 Loans		-	2.669.412	2.669.412	-	1.545.981	1.545.981
12.2 Other Debt Instruments		-	-	-	-	-	-
<b>XIII. OTHER LIABILITIES</b>	(10)	369.643	60.722	430.365	205.779	1.585	207.364
<b>XIV. SHAREHOLDERS' EQUITY</b>	(11)	1.740.202	(11.452)	1.728.750	1.538.186	1.109	1.539.295
14.1 Paid-in capital		1.026.915	-	1.026.915	1.026.915	-	1.026.915
14.2 Capital Reserves		23.088	-	23.088	27.450	1.141	28.591
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		23.088	-	23.088	27.450	1.141	28.591
14.3 Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(1.411)	-	(1.411)	(1.255)	-	(1.255)
14.4 Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		56.776	(11.452)	45.324	(952)	(32)	(984)
14.5 Profit Reserves		485.999	-	485.999	396.085	-	396.085
14.5.1 Legal Reserves		280.353	-	280.353	275.857	-	275.857
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		205.646	-	205.646	120.228	-	120.228
14.5.4 Other Profit Reserves		-	-	-	-	-	-
14.6 Income or (Loss)		148.835	-	148.835	89.943	-	89.943
14.6.1 Prior Periods' Income or (Loss)		5.424	-	5.424	9.317	-	9.317
14.6.2 Current Period Income or (Loss)		143.411	-	143.411	80.626	-	80.626
<b>TOTAL LIABILITIES</b>		<b>15.720.178</b>	<b>22.325.625</b>	<b>38.045.803</b>	<b>11.428.202</b>	<b>8.866.246</b>	<b>20.294.448</b>

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

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

**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET AS OF DECEMBER 31, 2021**

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

STATEMENT OF OFF BALANCE SHEET	Note (Fifth Section-III)	THOUSAND TL CURRENT PERIOD (31/12/2021)			THOUSAND TL PRIOR PERIOD (31/12/2020)		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>6.343.425</b>	<b>8.723.299</b>	<b>15.066.724</b>	<b>2.523.491</b>	<b>2.774.656</b>	<b>5.298.147</b>
<b>I. GUARANTEES AND SURETIES</b>	(1)	<b>3.024.434</b>	<b>3.136.467</b>	<b>6.160.901</b>	<b>1.402.281</b>	<b>1.759.081</b>	<b>3.161.362</b>
1.1 Letters of Guarantees		3.017.583	1.863.037	4.880.620	1.298.020	889.899	2.187.919
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		3.017.583	1.863.037	4.880.620	1.298.020	889.899	2.187.919
1.2 Bank Loans		3.500	754.257	757.757	31.000	819.386	850.386
1.2.1 Import Letter of Acceptances		-	-	-	-	-	-
1.2.2 Other Bank Acceptances		3.500	754.257	757.757	31.000	819.386	850.386
1.3 Letter of Credits		3.351	519.173	522.524	73.261	49.796	123.057
1.3.1 Documentary Letter of Credits		3.351	519.173	522.524	73.261	49.796	123.057
1.3.2 Other Letter of Credits		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		-	-	-	-	-	-
1.7 Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>1.478.944</b>	<b>626.232</b>	<b>2.105.176</b>	<b>419.983</b>	<b>242.514</b>	<b>662.497</b>
2.1 Irrevocable Commitments		1.478.944	626.232	2.105.176	419.983	242.514	662.497
2.1.1 Asset Purchase and Sale Commitments		249.690	390.845	640.535	64.799	110.655	175.454
2.1.2 Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		1.121.875	-	1.121.875	323.542	-	323.542
2.1.4 Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment Commitment for Cheques		107.379	-	107.379	31.642	-	31.642
2.1.7 Tax And Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.8 Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.9 Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.10 Receivables From Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		-	235.387	235.387	-	131.859	131.859
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>1.840.047</b>	<b>4.960.600</b>	<b>6.800.647</b>	<b>701.227</b>	<b>773.061</b>	<b>1.474.288</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		1.840.047	4.960.600	6.800.647	701.227	773.061	1.474.288
3.2.1 Forward Foreign Currency Buy/Sell Transactions		238.767	310.648	549.415	107.624	106.721	214.345
3.2.1.1 Forward Foreign Currency Transactions-Buy		119.578	144.670	264.248	91.612	15.356	106.968
3.2.1.2 Forward Foreign Currency Transactions-Sell		119.189	165.978	285.167	16.012	91.365	107.377
3.2.2 Other Forward Buy/Sell Transactions		1.601.280	4.649.952	6.251.232	593.603	666.340	1.259.943
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>150.618.208</b>	<b>14.709.182</b>	<b>165.327.390</b>	<b>67.873.182</b>	<b>6.078.363</b>	<b>73.951.545</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>8.701.960</b>	<b>5.821.602</b>	<b>14.523.562</b>	<b>4.600.441</b>	<b>2.112.045</b>	<b>6.712.486</b>
4.1 Assets Under Management		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		2.615.342	664.085	3.279.427	2.593.321	-	2.593.321
4.3 Cheques Received for Collection		2.471.391	439.907	2.911.298	803.612	72.891	876.503
4.4 Commercial Notes Received for Collection		166.943	-	166.943	23.422	-	23.422
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		844	-	844	894	-	894
4.8 Custodians		3.447.440	4.717.610	8.165.050	1.179.192	2.039.154	3.218.346
<b>V. PLEDGED ITEMS</b>		<b>141.916.248</b>	<b>8.887.580</b>	<b>150.803.828</b>	<b>63.272.741</b>	<b>3.966.318</b>	<b>67.239.059</b>
5.1 Marketable Securities		207.150	-	207.150	61.650	-	61.650
5.2 Guarantee Notes		-	-	-	-	-	-
5.3 Commodity		2.432.206	22.511	2.454.717	760.269	-	760.269
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		13.002.677	-	13.002.677	4.366.808	-	4.366.808
5.6 Other Pledged Items		126.274.215	8.865.069	135.139.284	58.084.014	3.966.318	62.050.332
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>156.961.633</b>	<b>23.432.481</b>	<b>180.394.114</b>	<b>70.396.673</b>	<b>8.853.019</b>	<b>79.249.692</b>

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

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

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF DECEMBER 31, 2021**

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

STATEMENT OF PROFIT AND LOSS	Note (Fifth Section- IV)	THOUSAND TL	THOUSAND TL
		CURRENT PERIOD (01/01/2021- 31/12/2021)	PRIOR PERIOD (01/01/2020- 31/12/2020)
<b>I. PROFIT SHARE INCOME</b>	(1)	<b>2.326.198</b>	<b>998.379</b>
1.1 Profit Share on Loans		1.830.637	791.913
1.2 Income Received from Reserve Deposits		53.119	10.681
1.3 Income Received from Banks		153	535
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		426.735	192.912
1.5.1 Financial Assets at Fair Value Through Profit and Loss		61.967	54.797
1.5.2 Financial Assets at Fair Value through Other Comprehensive Income		278.722	75.993
1.5.3 Financial Assets Measured at Amortised Cost		86.046	62.122
1.6 Finance Lease Income		12.747	1.452
1.7 Other Profit Share Income		2.807	886
<b>II. PROFIT SHARE EXPENSE (-)</b>	(2)	<b>1.793.813</b>	<b>626.766</b>
2.1 Expense on Profit Sharing Accounts		1.028.806	402.227
2.2 Profit Share Expense on Funds Borrowed		113.575	75.441
2.3 Profit Share Expense on Money Market Borrowings		51.840	28.367
2.4 Expense on Securities Issued		572.564	109.871
2.5 Lease Profit Share Expense		27.028	10.860
2.6 Other Profit Share Expenses		-	-
<b>III. NET PROFIT SHARE INCOME (I - II)</b>		<b>532.385</b>	<b>371.613</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>82.984</b>	<b>21.113</b>
4.1 Fees and Commissions Received		101.134	33.655
4.1.1 Non-Cash Loans		30.581	8.602
4.1.2 Other	(3)	70.553	25.053
4.2 Fees and Commissions Paid (-)		18.150	12.542
4.2.1 Non-Cash Loans		72	50
4.2.2 Other	(3)	18.078	12.492
<b>V. DIVIDEND INCOME</b>	(4)	<b>-</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	(5)	<b>56.502</b>	<b>22.261</b>
6.1 Capital Market Transaction Gains / (Losses)		2.848	7.005
6.2 Gains/ (Losses) from Derivative Financial Instruments		(116.171)	(191.289)
6.3 Foreign Exchange Gains / (Losses)		169.825	206.545
<b>VII. OTHER OPERATING INCOME</b>	(6)	<b>130.647</b>	<b>85.390</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>802.518</b>	<b>500.377</b>
<b>IX. PROVISION FOR EXPECTED LOSS (-)</b>	(7)	<b>110.242</b>	<b>87.148</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	(7)	<b>15.082</b>	<b>39.691</b>
<b>XI. PERSONNEL EXPENSES (-)</b>	(8)	<b>284.917</b>	<b>149.880</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>		<b>203.813</b>	<b>119.178</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>188.464</b>	<b>104.480</b>
<b>XIV. INCOME RESULTED FROM MERGERS</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>-</b>	<b>-</b>
<b>XVII. PROVISION FOR TAXES (±)</b>		<b>188.464</b>	<b>104.480</b>
<b>XVIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	(10)	<b>45.053</b>	<b>23.854</b>
18.1 Current Tax Provision		39.162	-
18.2 Deferred Tax Expense (+)		100.119	94.719
18.3 Deferred Tax Income (-)		94.228	70.865
<b>XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)</b>	(9)	<b>143.411</b>	<b>80.626</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
20.1 Income from Assets Held for Sale		-	-
20.2 Income from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
21.1 Expenses on Assets Held for Sale		-	-
21.2 Expenses on Sale of Associates, Subsidiaries and Joint-Ventures		-	-
21.3 Expenses from Other Discontinued Operations		-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>	<b>-</b>
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	(9)	<b>-</b>	<b>-</b>
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Expense (+)		-	-
23.3 Deferred Tax Income (-)		-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/LOSS (XVII+XXIII)</b>		<b>143.411</b>	<b>80.626</b>
25.1 Group's Income/Loss (-)		143.411	80.626
25.2 Minority Shares Profit/Loss (-)		-	-
Earnings Per Share		0,00140	0,00078

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

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

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**AS OF DECEMBER 31, 2021**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		THOUSAND TL	THOUSAND TL
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2021-31/12/2021)	(01/01/2020-31/12/2020)
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>143.411</b>	<b>80.626</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>36.701</b>	<b>(2.239)</b>
2.1	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>(156)</b>	<b>(1.255)</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	(195)	(1.568)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	39	313
2.2	<b>Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>36.857</b>	<b>(984)</b>
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value through Other Comprehensive Income	38.284	1.408
2.2.3	Gains/losses from Cash Flow Hedges	-	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	(1.427)	(2.392)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>180.112</b>	<b>78.387</b>

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



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

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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2021**

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

					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								
	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves <sup>(1)</sup>	1	2	3	4	5	6	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Equity Except for Minority Interests	Total Shareholders' Equity	
Current Period (01.01.2021- 31.12.2021)																
I.	Balances at Beginning Period	1.026.915	-	-	28.591	-	(1.255)	-	-	(984)	-	396.085	9.317	80.626	1.539.295	1.539.295
II.	Correction made as per TAS 8	-	-	-	(5.503)	-	-	-	-	5.503	-	-	5.395	-	5.395	5.395
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	5.395	-	5.395	5.395
2.2	Effect of Changes in Accounting Policies	-	-	-	(5.503)	-	-	-	-	5.503	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)	1.026.915	-	-	23.088	-	(1.255)	-	-	4.519	-	396.085	14.712	80.626	1.544.690	1.544.690
IV.	Total Comprehensive Income	-	-	-	-	-	(156)	-	-	36.857	-	-	-	143.411	180.112	180.112
V.	Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes	-	-	-	-	-	-	-	-	3.948	-	-	-	-	3.948	3.948
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	89.914	(9.288)	(80.626)	-	-	-
11.1	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	89.914	(89.914)	-	-	-	-
11.3	Others	-	-	-	-	-	-	-	-	-	-	-	80.626	(80.626)	-	-
Balances at end of the period (III+IV...+X+XI)		1.026.915	-	-	23.088	-	(1.411)	-	-	45.324	-	485.999	5.424	143.411	1.728.750	1.728.750

1. Revaluation surplus on tangible and intangible assets,

2. Defined Benefit Plans' Actuarial Gains/Losses,

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

4. Foreign Currency Translation Differences,

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

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

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

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

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

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

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

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

	Paid-in Capital	Share Premium	Share Cancellati on Profits	Other Capital Reserves(*)	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
					1	2	3	4	5	6				
<b>Prior Period (01.01.2020 – 31.12.2020)</b>														
<b>I. Balances at Beginning Period(**)</b>	<b>750.000</b>	-	-	<b>23.088</b>	-	-	-	-	-	-	<b>351.106</b>	-	<b>44.979</b>	<b>1.169.173</b>
<b>II. Correction made as per TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	<b>9.317</b>	-	<b>9.317</b>
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	9.317	-	9.317
<b>III. Adjusted Balances at Beginning of Period (I+II)</b>	<b>750.000</b>	-	-	<b>23.088</b>	-	-	-	-	-	-	<b>351.106</b>	<b>9.317</b>	<b>44.979</b>	<b>1.178.490</b>
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	(1.255)	-	-	(984)	-	-	-	<b>80.626</b>	<b>78.387</b>
<b>V. Capital Increase in Cash</b>	<b>276.915</b>	-	-	-	-	-	-	-	-	-	-	-	-	<b>276.915</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>5.803</b>	-	-	-	-	-	-	-	-	-	<b>5.803</b>
<b>2XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	<b>44.979</b>	-	<b>(44.979)</b>	-
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	44.979	(44.979)	-	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	-	44.979	(44.979)	-
<b>Balances at end of the period (III+IV...+X+XI)</b>	<b>1.026.915</b>	-	-	<b>28.891</b>	-	(1.255)	-	-	(984)	-	<b>396.085</b>	<b>9.317</b>	<b>80.626</b>	<b>1.539.295</b>

1. Revaluation surplus on tangible and intangible assets,

2. Defined Benefit Plans' Actuarial Gains/Losses,

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

4. Foreign Currency Translation Differences,

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

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

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

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

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

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS AS OF DECEMBER 31, 2021**

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

STATEMENT OF CASH FLOWS	THOUSAND TL	THOUSAND TL
	CURRENT PERIOD (01/01/2021- 31/12/2021)	PRIOR PERIOD (01/01/2020- 31/12/2020)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating Profit Before Changes In Assets And Liabilities from Banking Operations</b>	<b>1.820.366</b>	<b>95.695</b>
1.1.1 Profit Share Income Received	2.218.844	776.919
1.1.2 Profit Share Expense Paid	(1.685.319)	(481.129)
1.1.3 Dividend Received	-	-
1.1.4 Fees and Commissions Received	101.134	33.655
1.1.5 Other Income	109.692	73.597
1.1.6 Collections from Previously Written off Loans	-	-
1.1.7 Payments to Personnel and Service Suppliers	(356.294)	(199.473)
1.1.8 Taxes Paid	(105.361)	(34.056)
1.1.9 Others	1.537.670	(73.818)
<b>1.2 Changes in Assets and Liabilities from Banking Operations</b>	<b>783.075</b>	<b>(939.024)</b>
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(556.091)	449.419
1.2.2 Net (Increase) Decrease in Due From Banks and Other Financial Institutions	(3.064.166)	(763.690)
1.2.3 Net (Increase) Decrease in Loans	(5.287.544)	(6.510.476)
1.2.4 Net (Increase) Decrease in Other Assets	21.271	137.202
1.2.5 Net Increase (Decrease) in Bank Deposits	108.180	(61.992)
1.2.6 Net Increase (Decrease) in Other Deposits	9.469.987	4.451.420
1.2.7 Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	-	-
1.2.8 Net Increase (Decrease) in Funds Borrowed	-	-
1.2.9 Net Increase (Decrease) in Matured Payables	-	-
1.2.10 Net Increase (Decrease) in Other Liabilities	91.438	1.359.093
<b>I. Net Cash Flows from Banking Operations</b>	<b>2.603.441</b>	<b>(1.152.774)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash flow from investing activities</b>	<b>(1.781.307)</b>	<b>(1.152.824)</b>
2.1 Cash Paid For Acquisition of Investments, Associates and Subsidiaries	-	-
2.2 Cash Obtained From Disposal of Investments, Associates and Subsidiaries	-	-
2.3 Purchases of Property and Equipment	(68.190)	(160.787)
2.4 Disposals of Property and Equipment	19.136	43.567
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(1.727.410)	(1.089.896)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income	31.290	60.980
2.7 Purchase of Financial Assets Measured at Amortised Cost	(16.231)	-
2.8 Sale of Financial Assets Measured at Amortised Cost	-	-
2.9 Other	(19.902)	(6.638)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Flows from Financing Activities</b>	<b>55.757</b>	<b>3.092.221</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued	46.401.376	56.121.526
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued	(46.284.677)	(53.008.409)
3.3 Issued Capital Instruments	-	-
3.4 Dividends Paid	-	-
3.5 Payments for Finance Leases	(60.942)	(20.896)
3.6 Other	-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>661.570</b>	<b>375.282</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>	<b>1.539.461</b>	<b>1.471.400</b>
<b>VI. Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>1.723.008</b>	<b>251.608</b>
<b>VII. Cash and Cash Equivalents at the End of the period</b>	<b>3.262.469</b>	<b>1.723.008</b>

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

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

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

**CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF DECEMBER 31, 2021**

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

STATEMENT OF PROFIT DISTRIBUTION	Current Period(*) 31 December 2021	Prior Period 31 December 2020
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1. CURRENT YEAR INCOME	188.464	104.480
1.2. TAX AND DUTIES PAYABLE (-)	45.053	23.854
1.2.1. Corporate tax (Income tax)	439.162	-
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and legal liabilities (*)	5.891	23.854
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>143.411</b>	<b>80.626</b>
1.3. PRIOR YEAR LOSSES (-)	-	-
1.4. First legal reserves (-)	-	-
1.5. Other statutory reserves (-)	-	-
<b>B. DISTRIBUTABLE NET PERIOD INCOME [(A-(1.3+1.4+1.5))](*)</b>	<b>-</b>	<b>-</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 DIRECTIONS (-)	-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1. To owners of ordinary shares	-	-
1.9.2. To owners of preferred shares	-	-
1.9.3. To owners of preferred shares (Preemptive rights)	-	-
1.9.4. To profit sharing bonds	-	-
1.9.5. To owners of the profit /loss sharing Certificates	-	-
1.10. SECOND LEGAL RESERVE (-)	-	-
1.11. STATUS RESERVE (-)	-	-
1.12. EXTRAORDINARY RESERVE	-	-
1.13. OTHER RESERVE	-	-
1.14. SPECIAL FUNDS	-	-
<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. SHARED TO PERSONNEL (-)	-	-
2.5. SHARE TO BOARD OF DIRECTIONS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1. TO OWNERS OF ORDINARY SHARES (**)(Full TL)	0,00140	0,00079
3.2. TO OWNERS OF ORDINARY SHARES (%)	14	8
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 (%)	-	-

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

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

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

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

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

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

### **SECTION THREE**

#### **Accounting policies**

##### **I. Explanations on basis of presentation**

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

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

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

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

According to the statement made by POA on January 20, 2022 stated that there is no need to make any adjustments within the scope of TAS 29 Financial Reporting Standard in High Inflation Economies in the financial statements of 2021 enterprises that apply TFRS. In this context, no inflation adjustment was made in accordance with TAS 29 while preparing the financial statements as of 31 December 2021.

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

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

##### **b. Accounting policies and valuation principles applied in the preparation of consolidated financial statements**

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

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

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

- I. Explanations on basis of presentation (continued)**
- b. Accounting policies and valuation principles applied in the preparation of consolidated financial statements (continued)**

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

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

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

While preparing the year-end financial statements as of December 31, 2021, the Group reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected loan losses are explained in the statements on impairment of financial assets.

- c. Comparative information and classifications**

The changes in accounting policies are applied retrospectively and previous period financial statements are restated. The financial statements of the Parent Bank are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. If appropriate, the comparative information is restated in order to provide comparativeness to the statements of the current period financial statements.

The Parent Bank has rearranged the previous period cash flow statement in order to comply with the presentation of the current period financial statements.

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

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

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

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

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

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

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

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

There are no foreign currency differences capitalized by the Group.

**III. Information on consolidated associates**

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

**a. Consolidation principles for subsidiaries**

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

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

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

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

**a. Consolidation principles for subsidiaries (continued)**

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

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

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

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

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

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

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

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



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

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

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

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

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

*Profit share income*

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

*Profit share expense*

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

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

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

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

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

## **VII. Explanations on financial assets and liabilities**

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

During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

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

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

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

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

Financial assets at fair value through other comprehensive income are initially recognized at cost; which reflects their fair values; including the transaction costs. After the initial recognition, financial assets valued at fair value through other comprehensive income are measured at fair value and the unrealized gains or losses resulting from the difference between the amortized cost and the fair value is recorded in "accumulated other comprehensive income or expense to be reclassified through profit or loss" under equity. In case of a disposal of financial assets valued at fair value through profit and loss, increases/decreases which have been recorded in the Accumulated other comprehensive income or expense to be reclassified through profit or loss under the equity is transferred to income statement. Financial assets at fair value through other comprehensive income which do not have a quoted market price in an active market and whose fair values can not be reliably measured are carried at cost, less impairment, if any.

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

### **Financial assets and liabilities measured at amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit share are classified as financial assets measured at amortized cost. Financial assets and liabilities measured at amortized cost are initially recognized at cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using the internal rate of return. Profit share income and profit share expense obtained from financial assets and liabilities measured at amortized cost are accounted in the income statement.

As of December 31, 2021 the Group has an subordinated debt that the creditor is Türkiye Varlık Fonu Yönetimi A.Ş., with TRT240424F22 ISIN code, with initial date April 24, 2019, with at least five-year repayment option and with no fixed term, amounting to EUR 200.000.000 (Full EUR), the financial liability is recorded at fair value and the difference between cost value and fair value is accounted under "Other Capital Reserves" in shareholders' equity at the date of initial acquisition (Section 5 Part 2 Note 9 and Note 11).

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

## **VIII. Explanations on expected credit losses**

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

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

### **Calculation of expected credit losses**

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

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

**Parameters used in calculating expected loss provisions**

**Probability of Default (PD)**

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

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

**Loss Given Default (LGD)**

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

**Exposure at Default (EAD)**

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

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

**12-Month Expected Loss Provision (Stage 1)**

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

**Significant Increase in Credit Risk (Stage 2)**

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

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

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

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

##### **Default (3rd Stage / Special Provision)**

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

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

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

With the announcement made on September 16, 2021, it was decided to end flexibility as of the end of September 30, 2021; However, as of October 1, 2021 same application will be continued by the banks for the 1st stage loans with a delay period of more than 31 days and not exceeding 90 days. As of October 1, 2021 in addition to the 1st stage loans was decided to continue the same practice for the 2nd stage loans with a delay period exceeding 91 days and not exceeding 180 days and it was implemented throughout the year.

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

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

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

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

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

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

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

The Group has no discontinued operations.

**XII. Explanations on goodwill and other intangible assets**

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

As of December 31, 2021, there is no goodwill in the financial statements of the Group. The Bank's intangible assets consist of softwares and intangible rights (December 31, 2020: None).

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

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

### **XIII. Explanations on tangible assets**

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

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

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

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

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

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

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

### **XIV. Explanations on leasing transactions**

The Group applies the TFRS 16 Leases standard.

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

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

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

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

#### **XIV. 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 Group.

When applying the Group cost method, the existence of the right to use:

- Accumulated depreciation and accumulated impairment losses are deducted and measures the restatement of the lease obligation at the restated cost.

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

##### **The lease obligations**

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

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

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

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

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

#### **XV. Explanations on provisions and contingent liabilities**

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

Provisions are recognized when the 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 Group; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.



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

i) *Defined benefit plans:*

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

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

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

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

The Group has no liabilities to these foundations (December 31, 2020: None).

ii) *Defined contribution plans:*

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

iii) *Short term benefits to employees:*

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

**XVII. Explanations on taxation**

**Corporate Tax:**

In accordance with the Provisional Article 13 added to the Corporate Tax Law No. 5520 with the Law No. 7316 and the Law No. 7316 the 20% rate stipulated in the calculation of the corporate tax is 25% for the corporate earnings for the 2021 taxation period from the declarations that must be submitted as of 01.07.2021 is starting from 01.01.2021 and to be valid for corporate earnings for the taxation period starting from 01.01.2021 is determined as 23% for corporate earnings for the 2022 taxation period. In this context the Corporate Tax rate effective as of 31.12.2021 is 25% (31 December 2020: 22%).

In the Corporate Tax Law, quarterly periods are calculated and paid temporarily in accordance with the principles specified in the Small Income Tax Law and appropriations. These temporary payments are deducted from the appropriations of the current taxation period.

Tax expense is the sum of current tax and deferred tax expense. The tax liability for the current period is calculated over the taxable portion of the profit for the period. Taxable profit may differ from profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and items that are not taxable or deductible. Current tax amounts to be paid are netted with prepaid tax amounts and shown in the financial statements.

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

**Corporate Tax (continued):**

Within the framework of the provisions of the Corporate Tax Law No. 5520, the profits arising from the sale of participation shares and immovables in the assets of the institutions for a minimum of 2 full years which is provided that they are added to the capital as stipulated in the Law or kept in a special fund account in liabilities for 5 years and the real estate acquired by the banks due to receivables and 75% of the gains arising from the sale of participation shares are exempt from tax; Article 89/a of the Law No. 7061, which came into force after being published in the Official Gazette dated 05 December 2017 and numbered 30261, and Articles 5.1.e and 5.1.f of the Corporate Tax Law, were applied at a rate of 75% in terms of the above-mentioned real estate sales. The exception has been reduced to 50%, effective from the date of publication of the Law.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated December 31, 2023.

**Deferred Taxes**

Deferred tax asset or liability, "Turkish Accounting Standard for Income Taxes" ("TAS 12"), the temporary differences arising between the amounts of assets and liabilities shown in the financial statements and the amounts calculated according to the tax legislation according to the balance sheet method of tax rates of the tax effects in force in the relevant periods determined by taking into account.

Deferred tax assets and liabilities are netted off and reflected in the financial statements. While deferred tax liability is calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future.

Deferred tax is calculated over tax rates that are valid or nearly effective in the period when assets are realized or liabilities are fulfilled and are recorded as expense or income in the statement of profit or loss. However, deferred tax is recognized directly in equity accounts if it relates to assets directly associated with equity in the same or a different period. Due to the completion of the temporary tax rate change at the rate of 22% with the "Law on the Amendment of Some Tax Laws and Some Other Laws" numbered 7061 as of 2020, 25% for the temporary differences expected to be realized or closed by the end of 2021, by 2022. The Group has used a tax rate of 23% for the temporary differences expected to be realized or closed by the end of 2023 and 20% for the temporary differences that are expected to be realized or closed by the end of 2023 while preparing the financial statements as of 31 December 2021.

**Transfer pricing**

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

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

**XVIII. Additional explanations on borrowings**

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

**XIX. Explanations on issued share certificates**

None.

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

The Group aval and acceptances are carried out simultaneously with customers' payments and are shown in off-balance sheet obligations as possible debts and commitments.

**XXII. Explanations on government grants**

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

**XXII. Explanations on segment reporting**

Business segment is a component of the Group 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, which and for discrete financial available.

Segment reporting is disclosed in Section Four, Note X.

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

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

**XXIV. Information on other issues**

None.

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**SECTION FOUR**

**Information on consolidated financial structure and risk management**

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

The calculation of the own funds and the capital adequacy standard ratio are performed in accordance with the communiqués such as “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio”, and “Regulation Regarding Banks’ Shareholders’ Equity”. The Group’s common Equity Tier 1 Capital is TL 4.066.973 (December 31, 2020: TL 2.885.649) which calculated as of December 31, 2020 and the capital adequacy ratio is 27,92% (December 31, 2020: 28,30%). The capital adequacy standard ratio of the Group is above the minimum rate determined by the relevant legislation.

**a) Information on consolidated about total capital items**

	Current Period December 31, 2021	Prior Period December 31, 2020
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.026.915	1.026.915
Share issue premiums	-	-
Reserves	485.999	396.085
Gains recognized in equity as per TAS	35.873	-
Profit	148.806	89.943
Current Period Profit	143.411	80.626
Prior Period Profit	5.395	9.317
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1.697.593</b>	<b>1.512.943</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1 <sup>st</sup> clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	1.411	2.239
Leasehold improvements	76.233	66.716
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	22.693	34.559
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>100.337</b>	<b>103.514</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>1.597.256</b>	<b>1.409.429</b>

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

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

<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	2.359.569	1.444.940
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>2.359.569</b>	<b>1.444.940</b>
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>3.956.825</b>	<b>2.854.369</b>
<b>TIER 2 CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA ( Temporary Article 4 )	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	55.508	54.655
<b>Contribution Capital Before Discounts</b>	<b>55.508</b>	<b>54.655</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>55.508</b>	<b>54.655</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>4.012.333</b>	<b>2.909.024</b>
<b>Deductions from Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA	5.360	23.375

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

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

<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital )</b>	<b>4.006.973</b>	<b>2.885.649</b>
<b>Total Risk Weighted Amounts</b>	<b>14.354.337</b>	<b>10.195.970</b>
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	11,13	13,82
Tier 1 Capital Adequacy Ratio (%)	27,57	28,00
Capital Adequacy Ratio (%)	27,91	28,30
<b>BUFFERS</b>		
Total buffer requirement (a+b+c)	2,5	2,5
a) Capital conservation buffer requirement (%)	2,5	2,5
b) Bank specific counter-cyclical buffer requirement (%)	-	-
c) Systemic important bank buffer ratio (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,63	9,32
<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	92.494	88.555
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	55.508	54.655
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	55.508	54.655
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(<sup>1</sup>) The Group, provided loan from Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu with the approval of BRSA dated 22 April 2019, on 24 April 2019 amounting to 200 million Euros (Full EUR) with no fixed term and no profit share within the scope of additional main capital.

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

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

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

Upon the fluctuations caused by the COVID-19 epidemic on the financial markets by the BRSA, with the BRSA's decision dated September 16, 2021 and numbered 9795;

- In the calculation of the amount subject to credit risk in accordance with the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy which is stated to expire as of 31 December 2021 the amounts of monetary assets and non-monetary assets other than items in foreign currency measured in historical cost evaluated in accordance with Turkish Accounting Standards and the relevant It has been decided that the practice of using the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date will continue until a contrary BRSA Decision is taken.
- With the decision of the Banking Regulation and Supervision Agency dated 16 April 2020 and numbered 8999, 0% risk weight decision is applied in the calculation of the amount subject to credit risk in accordance with the Standard Approach within the scope of the Regulation on the Measurement and Evaluation of Capital Adequacy for the receivables from the Central Government of the Republic of Turkey and issued in foreign currency. continues.

The relevant board decisions are taken into account in the standard capital adequacy calculations of the Parent Bank and provide a 6.47% effect on the standard capital adequacy ratio.

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

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

Issuer	Türkiye Varlık Fonu Piyasa İstikrar Ve Denge Alt Fonu
Unique Identifier (CUSIP, ISIN etc.)	TRT240424F22
Governing Law(s) of the Instrument	Regulation on Banks"Equity Communique on Principles Regarding Borrowing Instruments to be Included in Bank"Equity Calculation
<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)	2.359.569
Par Value of Instrument	3.891.716
Accounting Classification	Subordinated Loan
Original date of Issuance	24.04.2019
Perpetual or dated	Undated
Maturity date	24.04.2019
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: 24.05.2024 Total Repayment Amount:EUR 200 million (full)
Subsequent call dates	-
<b>Profit Share/Dividends</b>	
Fixed or floating profit share/dividend	-
Profit share rate and any related index	-
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Fully discretionary
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 falls below 5,125 %
If write-down, full or partial	At least to ensure that the core capital ratio exceeds 5,125 %
If write down, permanent or temporary	Permanent and Temporary
If temporary write-down, description of write-up mechanism	There is write-up mechanism.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners
In compliance with article number 7 and 8 of "Own fund regulation"	In compliance with article number 7
Details of incompliances with article number 7 and 8 of "Own fund regulation"	In compliance with article number 7



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

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

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

**II. Explanations on consolidated credit risk**

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

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

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

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

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

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

<b>Risk Categories</b>	<b>Current Period Risk Amount</b>	<b>Average Risk Amount(*)</b>
1 Receivables from central governments or central banks	9.589.054	6.331.937
2 Receivables from regional or local governments	88.578	81.890
3 Receivables from administrative units and non-commercial enterprises	908	40.065
4 Receivables from multilateral development banks	-	-
5 Receivables from international organizations	-	-
6 Receivables from banks and brokerage houses	1.093.531	1.616.421
7 Receivables from corporates	12.325.899	10.791.114
8 Retail receivables	3.250.086	1.519.446
9 Receivables secured by mortgages on property	998.207	628.131
10 Past due receivables	6.224	1.856
11 Receivables defined in high risk category by BRSA	-	-
12 Securities collateralized by mortgages	-	-
13 Securitization positions	-	-
14 Short-term receivables from banks, brokerage houses and corporates	-	-
15 Investments similar to collective investment funds	-	-
16 Equity security investments	-	-
17 Other Receivables	1.278.224	1.194.995
<b>Total<sup>(*)</sup></b>	<b>28.629.984</b>	<b>22.205.955</b>

(\*)Average risk amount was tested by taking the arithmetic average of monthly risk amounts for 2021.

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

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

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

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

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

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

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

**Profile on significant risks in significant regions**

	Risk Categories*																	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
<b>Current Period</b>																		
1 Domestic	9.589.054	88.578	908	-	-	223.334	12.296.906	3.243.584	998.057	6.224	-	-	-	-	-	-	1.274.883	<b>27.721.528</b>
2 EU Countries	-	-	-	-	-	300.120	-	115	150	-	-	-	-	-	-	-	-	<b>300.385</b>
3 OECD Countries (**)	-	-	-	-	-	189.938	-	-	-	-	-	-	-	-	-	-	3.341	<b>193.279</b>
4 Off-shore Banking Regions	-	-	-	-	-	-	28.993	3.366	-	-	-	-	-	-	-	-	-	<b>32.359</b>
5 USA, Canada	-	-	-	-	-	318.624	-	-	-	-	-	-	-	-	-	-	-	<b>318.624</b>
6 Other Countries	-	-	-	-	-	61.515	-	3.021	-	-	-	-	-	-	-	-	-	<b>64.536</b>
7 Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>9 Total</b>	<b>9.589.054</b>	<b>88.578</b>	<b>908</b>	<b>-</b>	<b>-</b>	<b>1.093.531</b>	<b>12.325.899</b>	<b>3.250.086</b>	<b>998.207</b>	<b>6.224</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.278.224</b>	<b>28.630.711</b>
<b>Prior Period</b>																		
1 Domestic	4.083.539	57.742	61.548	-	-	1.752.951	10.199.886	-	415.088	7	-	-	-	-	-	-	1.014.133	17.584.894
2 EU Countries	-	-	-	-	-	52.005	-	-	-	-	-	-	-	-	-	-	-	52.005
3 OECD Countries (**)	-	-	-	-	-	106.843	-	-	-	-	-	-	-	-	-	-	-	106.843
4 Off-shore Banking Regions	-	-	-	-	-	-	19.113	-	-	-	-	-	-	-	-	-	-	19.113
5 USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Other Countries	-	-	-	-	-	17.046	-	-	-	-	-	-	-	-	-	-	-	17.046
7 Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>9 Total</b>	<b>4.083.539</b>	<b>57.742</b>	<b>61.548</b>	<b>-</b>	<b>-</b>	<b>1.928.845</b>	<b>10.218.999</b>	<b>-</b>	<b>415.088</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.014.133</b>	<b>17.779.901</b>

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

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

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

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

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

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

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**Profile on significant risks in significant regions**

Prior Period	Risk Categories*																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
<b>1 Agriculture</b>	-	-	-	-	-	-	<b>30.843</b>	-	<b>77</b>	-	-	-	-	-	-	-	-	<b>30.920</b>	-	<b>30.920</b>
1.1 Farming and stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Forestry	-	-	-	-	-	-	30.843	-	77	-	-	-	-	-	-	-	-	30.920	-	30.920
1.3 Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2 Manufacturing</b>	-	-	<b>10.277</b>	-	-	-	<b>3.257.154</b>	-	<b>40.282</b>	-	-	-	-	-	-	-	<b>18</b>	<b>1.835.370</b>	<b>1.472.361</b>	<b>3.307.731</b>
2.1 Mining and quarrying	-	-	-	-	-	-	206.331	-	-	-	-	-	-	-	-	-	-	16.734	189.597	206.331
2.2 Production	-	-	10.277	-	-	-	2.956.909	-	39.693	-	-	-	-	-	-	-	1	1.724.116	1.282.764	3.006.880
2.3 Electricity, gas, water	-	-	-	-	-	-	93.914	-	589	-	-	-	-	-	-	-	17	94.520	-	94.520
<b>3 Construction</b>	-	-	-	-	-	-	<b>1.980.290</b>	-	<b>143.777</b>	-	-	-	-	-	-	-	<b>6</b>	<b>1.759.855</b>	<b>364.218</b>	<b>2.124.073</b>
<b>4 Services</b>	<b>4.071.297</b>	<b>41.119</b>	<b>50</b>	-	-	<b>1.928.317</b>	<b>4.411.285</b>	-	<b>176.687</b>	-	-	-	-	-	-	-	<b>33.196</b>	<b>5.540.648</b>	<b>5.121.303</b>	<b>10.661.951</b>
4.1 Wholesale and retail trade	-	-	-	-	-	-	2.080.973	-	62.032	-	-	-	-	-	-	-	16	1.594.276	548.745	2.143.021
4.2 Hotel, food and beverage services	-	-	-	-	-	-	140.158	-	2.553	-	-	-	-	-	-	-	-	62.908	79.803	142.711
4.3 Transportation and telecommunication	-	-	-	-	-	-	768.121	-	3.035	-	-	-	-	-	-	-	74	483.510	287.720	771.230
4.4 Financial institutions	232.403	-	-	-	-	1.928.317	719.173	-	-	-	-	-	-	-	-	-	33.105	1.896.219	1.016.779	2.912.998
4.5 Real estate and renting services	-	-	-	-	-	-	61.600	-	482	-	-	-	-	-	-	-	-	16.561	45.521	62.082
4.6 Self-employment services	-	-	-	-	-	-	626.498	-	108.585	-	-	-	-	-	-	-	1	519.408	215.676	735.084
4.7 Education services	-	-	-	-	-	-	207	-	-	-	-	-	-	-	-	-	-	207	-	207
4.8 Health and social services	3.838.894	41.119	50	-	-	-	14.555	-	-	-	-	-	-	-	-	-	-	967.559	2.927.059	3.894.618
<b>5 Other</b>	<b>12.242</b>	<b>16.623</b>	<b>51.221</b>	-	-	<b>528</b>	<b>539.427</b>	-	<b>54.265</b>	<b>7</b>	-	-	-	-	-	-	<b>980.913</b>	<b>1.172.698</b>	<b>482.528</b>	<b>1.655.226</b>
<b>6 Total</b>	<b>4.083.539</b>	<b>57.742</b>	<b>61.548</b>	-	-	<b>1.928.845</b>	<b>10.218.999</b>	-	<b>415.088</b>	<b>7</b>	-	-	-	-	-	-	<b>1.014.133</b>	<b>10.339.491</b>	<b>7.440.410</b>	<b>17.779.901</b>

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

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

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

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

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

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

		Time to Maturity					Undistributable
Risk Categories – Current Period		1 month	1–3 months	3–6 month	6–12 month	1 year and over	
1	Conditional and unconditional receivables from central governments or central banks	5.798.566	367.734	97.670	90.807	3.234.277	-
2	Conditional and unconditional receivables from regional or local governments	14.000	-	-	17.171	57.407	-
3	Conditional and unconditional receivables from administrative units and non-commercial enterprises	908	-	-	-	-	-
4	Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-
5	Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
6	Conditional and unconditional receivables from banks and brokerage houses	1.081.942	9.224	2.365	-	-	-
7	Conditional and unconditional receivables from corporates	4.393.431	932.475	1.001.056	1.935.525	4.055.753	7.659
8	Conditional and unconditional retail receivables	1.430.274	179.279	282.322	421.386	936.825	-
9	Receivables secured by mortgages on property	440.372	23.124	41.490	77.108	416.113	-
10	Past due receivables	3.679	382	92	338	1.733	-
11	Receivables defined in high risk category by BRSA	-	-	-	-	-	-
12	Securities collateralized by mortgages	-	-	-	-	-	-
13	Subject to the securitisation framework	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-
17	Other receivables	1.278.224	-	-	-	-	-
<b>Total</b>		<b>14.441.396</b>	<b>1.512.218</b>	<b>1.424.995</b>	<b>2.542.335</b>	<b>8.702.108</b>	<b>7.659</b>

		Time to Maturity					Undistributable
Risk Categories – Prior Period		1 month	1–3 months	3–6 month	6–12 month	1 year and over	
1	Conditional and unconditional receivables from central governments or central banks	2.442.189	86.621	-	-	1.554.729	-
2	Conditional and unconditional receivables from regional or local governments	-	-	-	-	57.742	-
3	Conditional and unconditional receivables from administrative units and non-commercial enterprises	61.498	-	-	50	-	-
4	Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-	-
5	Conditional and unconditional receivables from international organizations	-	-	-	-	-	-
6	Conditional and unconditional receivables from banks and brokerage houses	1.928.730	115	-	-	-	-
7	Conditional and unconditional receivables from corporates	1.261.230	518.990	1.804.840	1.537.155	5.096.784	-
8	Conditional and unconditional retail receivables	-	-	-	-	-	-
9	Receivables secured by mortgages on property	25.073	10.220	17.548	74.538	287.709	-
10	Past due receivables	-	-	-	-	-	7
11	Receivables defined in high risk category by BRSA	-	-	-	-	-	-
12	Securities collateralized by mortgages	-	-	-	-	-	-
13	Securitization positions	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-
17	Other receivables	1.014.133	-	-	-	-	-
<b>Total</b>		<b>6.732.853</b>	<b>615.946</b>	<b>1.822.388</b>	<b>1.611.743</b>	<b>6.996.964</b>	<b>7</b>

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

Ratings given by Islamic International Rating Agency (IIRA) ratings are taken into account for whole risk category of receivables from governments or central banks. Turkey's long-term foreign currency credit rating (BBB-), is used for foreign currency securities issued by the Republic of Turkey's Treasury and for other foreign currency risks associated with the government of Republic of Turkey.

According to the capital adequacy regulations, in determining the risk weights of the risk classes of receivables from banks and intermediary institutions, the ratings given by the rating agencies authorized by the Board or directly recognized by the Board are used for the receivables whose counterparty is residents in abroad. Receivables whose counterparties are resident in the country are accepted as unrated and capital included in the qualification calculation.

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

**Risk amounts according to risk weights**

Risk Weights– Current Period	%0	%10	%20	%35	%50	%75	%100	%150	%200	%250	Deductions from Shareholders' Equity
1 Amount before credit risk mitigation	9.949.540	-	1.404.629	286.823	1.154.868	3.246.592	12.584.990	3.269	-	-	105.696
2 Amount after credit risk mitigation	10.454.793	-	1.565.879	280.109	1.256.170	3.106.944	11.962.820	3.269	-	-	105.696

  

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

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

Loans that are delayed more than 90 days as of December 31, 2021 or that are deemed to be impaired based on the risk assessment are evaluated as impaired loans and a "Specific Provision" has been calculated for these loans.

Non-Performing Loans are loans that have overdue up to 90 days as of December 31, 2021 but not impaired. "General Provision" calculation is made for these loans.

Current Period		Loans (*)		Provisions(**)
		Impaired Credits (IFRS 9)		
Important Sectors/Counterparties		Significant increase in credit risk (Stage 2)	Non-performing (Stage 3)	Expected Loss Provisions (IFRS9)
1 Agriculture		-	-	-
1.1 Farming and stockbreeding		-	-	-
1.2 Forestry		-	-	-
1.3 Fishery		-	-	-
2 Manufacturing		6.662	44.540	41.648
2.1 Mining and quarrying		-	32.892	32.872
2.2 Production		6.319	11.648	8.773
2.3 Electricity, gas, water		343	-	3
3 Construction		980	5.540	5.112
4 Services		24.947	129.022	122.624
4.1 Wholesale and retail trade		24.890	9.107	5.779
4.2 Hotel, food and beverage services		-	-	-
4.3 Transportation and telecommunication		57	5.608	3.244
4.4 Financial institutions		-	-	-
4.5 Real estate and renting services		-	114.307	113.601
4.6 Self-employment services		-	-	-
4.7 Education services		-	-	-
4.8 Health and social services		-	-	-
5 Agriculture		1.833	16.427	16.479
Total		34.422	195.529	185.863

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

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

		Loans (*)		Provisions(**)
Prior Period		Impaired Credits (TFRS 9)		
Important Sectors/Counterparties		Significant increase in credit risk (Stage 2)	Non-performing (Stage 3)	Expected Loss Provisions (TFRS9)
<b>1</b>	<b>Agriculture</b>	-	-	-
1.1	Farming and stockbreeding	-	-	-
1.2	Forestry	-	-	-
1.3	Fishery	-	-	-
<b>2</b>	<b>Manufacturing</b>	-	32.892	32.892
2.1	Mining and quarrying	-	32.892	32.892
2.2	Production	-	-	-
2.3	Electricity, gas, water	-	-	-
<b>3</b>	<b>Construction</b>	422	118.969	119.159
<b>4</b>	<b>Services</b>	-	12	5
4.1	Wholesale and retail trade	-	-	-
4.2	Hotel, food and beverage services	-	-	-
4.3	Transportation and telecommunication	-	12	5
4.4	Financial institutions	-	-	-
4.5	Real estate and renting services	-	-	-
4.6	Self-employment services	-	-	-
4.7	Education services	-	-	-
4.8	Health and social services	-	-	-
<b>5</b>	<b>Agriculture</b>	-	20.824	20.824
<b>Total</b>		<b>422</b>	<b>172.697</b>	<b>172.880</b>

(\*) The distribution of cash loans is given.

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

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1 Third Stage	172.690	12.990	-	-	185.680
2 First and Second Stage	92.666	104.109	(50.109)	-	146.666

  

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1 Specific Provisions	188.322	111	(15.743)	-	172.690
2 General Provisions	26.873	65.793	-	-	92.666



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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**Risk involved in counter-cyclical capital buffer calculation**

Current Period Country where risk is ultimately taken	Private sector loans in banking books	Risk weighted amount calculated within trading book	Total
Turkey	29.239.730	763.786	30.003.516
United Arab Emirates	9.028	-	9.028
Marshall Islands	35.434	-	35.434
Other Countries	13.287	-	13.287

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

**III. Explanations on currency risk**

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

- a) The Group is exposed to currency risks as a market risk and pay attention to keep at a minimum level by avoiding keeping any positions. The Group calculates the Value at Risk for the foreign currency position 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 value at market risk is calculated on a monthly basis.
- b) The Group does not have any derivative financial instruments held for hedging purposes.
- c) TL resources are used in TL and foreign currency resources are used in related currencies without causing any currency inconsistency in the use of loans. Due to uncertainty and volatility that may arise in the markets, foreign currency position limit that can be formed for strategic purposes is limited and monitored.
- d) Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Group are as follows:

	USD	EUR
As of December 31, 2021 - Balance sheet evaluation rate	13,2501	14,9681
As of December 30, 2021	12,9653	14,5901
As of December 29, 2021	12,2326	13,7839
As of December 28, 2021	11,7684	13,3028
As of December 27, 2021	11,3214	12,7876
As of December 24, 2021	11,6267	13,0597

- e) The simple arithmetical average of the major foreign exchange buying rates of the Group for the thirty days before the balance sheet date is full TL 13,6246 for 1 USD (December 2020: full TL 7,7172), full TL 15,3855 for 1 Euro (December 2020: full TL 9,3855).

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

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

**III. Explanations on consolidated currency risk (continued)**

**Information on the Group's Currency Risk**

	EURO	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	2.691.220	2.329.894	317.491	5.338.605
Banks (****)	436.502	687.848	405.687	1.530.037
Financial assets at fair value through profit and loss	59.245	276.682	512.006	847.933
Money market placements	-	-	-	-
Financial Assets Valued At Fair Value Through Profit And Loss	466.145	923.377	-	1.389.522
Loans and financial lease receivables (*)	5.644.133	3.774.397	-	9.418.530
Subsidiaries, associates and joint ventures	-	-	-	-
Financial Assets Measured at Amortized Cost	2.697.022	16.564	-	2.713.586
Derivative financial assets for hedging purposes (*****)	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	2.225	2.753	1	4.979
<b>Total Assets</b>	<b>11.996.492</b>	<b>8.011.515</b>	<b>1.235.185</b>	<b>21.243.192</b>
<b>Liabilities</b>				
Current account and funds collected from banks via participation accounts	-	-	-	-
Other current and profit sharing accounts (**)	7.181.702	9.806.778	1.460.019	18.448.499
Money market borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	3.468.218	304.225	-	3.772.443
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes (*****)	-	-	-	-
Other liabilities	56.319	44.166	388	100.873
<b>Total liabilities</b>	<b>10.706.239</b>	<b>10.155.169</b>	<b>1.460.407</b>	<b>22.321.815</b>
<b>Net balance sheet position</b>	<b>1.290.253</b>	<b>(2.143.654)</b>	<b>(225.222)</b>	<b>(1.078.623)</b>
<b>Net balance sheet position</b>	<b>(1.191.464)</b>	<b>2.218.808</b>	<b>258.800</b>	<b>1.286.144</b>
Derivative financial instruments assets	5.987	2.617.311	500.074	3.123.372
Derivative financial instruments liabilities	1.197.451	398.503	241.274	1.837.228
Non-cash loans (**)	1.405.454	1.731.014	-	3.136.468
<b>Prior Period</b>				
Total assets	5.928.768	2.050.059	449.822	8.428.649
Total liabilities	5.855.707	2.476.864	533.668	8.866.239
<b>Net balance sheet position</b>	<b>73.061</b>	<b>(426.805)</b>	<b>(83.846)</b>	<b>(437.590)</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>381.423</b>	<b>85.669</b>	<b>467.092</b>
Derivative financial instruments assets	-	534.408	85.669	620.077
Derivative financial instruments liabilities	-	152.985	-	152.985
Non-cash loans	1.021.487	737.594	-	1.759.081

(\*) The balance sheet includes the expected loss provisions amounting to TL 72.749.

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

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

(\*\*\*\*) Includes provisions for expected losses amounting to TL 1.485 in the balance sheet.

(\*\*\*\*\* Income rediscounts of derivative financial instruments amounting to TL 3.280 (December 31, 2020: TL 319) and expense rediscounts of exchange amounting to TL 3.810 (December 31, 2020: TL 7) are not included.

**III. Explanations on consolidated currency risk (continued)**

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

None (December 31, 2020: None).

**IV. Explanations on consolidated liquidity risk**

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

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

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

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

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

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

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

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

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

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

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**IV. Explanations on consolidated liquidity risk (continued):**

**Liquidity on Consolidated Coverage Ratio**

Current Period	Rate of "Percentage to be taken into account " not Implemented Total value <sup>(*)</sup>		Rate of "Percentage to be taken into account " Implemented Total value <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 HIGH QUALITY LIQUID ASSETS			10.868.494	7.806.419
<b>CASH OUTFLOWS</b>				
2 Retail and Real Person Funds Collected	4.532.545	3.464.051	439.566	346.405
3 Stable Funds Collected	273.766	-	13.688	-
4 Less stable Funds Collected	4.258.779	3.464.051	425.878	346.405
5 Unsecured Funding other than Retail and Real Person	5.997.615	4.906.244	2.978.932	2.370.259
6 Customers Deposits	-	-	-	-
7 Operational Funds Collected	5.769.197	4.848.321	2.750.514	2.312.336
8 Non-Operational Funds Collected	228.418	57.923	228.418	57.923
9 Other Unsecured Funding	-	-	-	-
10 Secured funding	2.696.146	1.123.441	2.696.146	1.123.441
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	1.499.229	1.123.441	1.499.229	1.123.441
12 Debts related to the structured financial products	1.196.917	-	1.196.917	-
13 Commitment related to the structured financial markets and other off balance sheet liabilities	-	-	-	-
14 Unconditionally revocable off-balance sheet other liabilities and other contractual obligations	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	6.538.351	2.853.496	1.302.802	245.272
<b>16 TOTAL CASH OUTFLOWS</b>			<b>7.417.446</b>	<b>4.085.377</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	3.651.118	1.911.644	2.874.070	1.713.374
19 Other contractual cash inflows	1.422.810	1.258.229	1.422.810	1.258.229
<b>20 TOTAL CASH INFLOWS</b>	<b>5.073.928</b>	<b>3.169.873</b>	<b>4.296.880</b>	<b>2.971.603</b>
<b>Upper limit applied amounts</b>				
<b>21 TOTAL HQLA</b>			<b>10.868.494</b>	<b>7.806.419</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>3.120.566</b>	<b>1.113.774</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>348,29</b>	<b>700,90</b>

(\*) Simple arithmetic average calculated for the last three months of values calculated by taking the monthly simple arithmetic average.

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

Liquidity Coverage Ratio (%)	Current Period – 31.12.2021	
	TL+FC	FC
Lowest (%)	107,42	94,52
Date	December 7, 2021	December 7, 2021
Highest (%)	1.132,15	630,74
Date	December 17, 2021	December 18, 2021
Average	619,78	362,63

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

**Liquidity on Consolidated Coverage Ratio (continued)**

Prior Period	Rate of "Percentage to be taken into account " not Implemented Total value <sup>(1)</sup>		Rate of "Percentage to be taken into account " Implemented Total value <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS (HQLA)</b>				
1 HIGH QUALITY LIQUID ASSETS			5.696.669	3.804.332
<b>CASH OUTFLOWS</b>				
2 Retail and Real Person Funds Collected	1.368.430	905.390	132.318	90.539
3 Stable Funds Collected	90.486	-	4.524	-
4 Less stable Funds Collected	1.275.944	905.390	127.794	90.539
5 Unsecured Funding other than Retail and Real Person	2.330.059	1.528.565	1.342.954	902.562
6 Customers Deposits	-	-	-	-
7 Operational Funds Collected	2.167.553	1.527.434	1.180.448	901.431
8 Non-Operational Funds Collected	162.506	1.131	162.506	1.131
9 Other Unsecured Funding				
10 Secured funding	1.271.532	341.033	1.271.532	341.033
11 Liquidity needs related to derivatives and market valuation changes on derivatives transactions	624.336	341.033	624.336	341.033
12 Debts related to the structured financial products	647.196	-	647.196	-
13 Commitment related to the structured financial markets and other off balance sheet liabilities	-	-	-	-
14 Unconditionally revocable off-balance sheet other liabilities and other contractual obligations	-	-	-	-
15 Other irrevocable or conditionally revocable commitments	2.982.159	1.653.490	419.367	148.020
<b>16 TOTAL CASH OUTFLOWS</b>			<b>3.166.171</b>	<b>1.482.154</b>
<b>CASH INFLOWS</b>				
17 Secured Lending Transactions	-	-	-	-
18 Unsecured Lending Transactions	1.844.678	744.007	1.562.796	674.515
19 Other contractual cash inflows	528.201	475.135	528.201	475.135
<b>20 TOTAL CASH INFLOWS</b>	<b>2.372.879</b>	<b>1.219.142</b>	<b>2.090.997</b>	<b>1.149.650</b>
			Upper limit applied amounts	
<b>21 TOTAL HQLA</b>			<b>5.696.669</b>	<b>3.804.332</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>1.075.174</b>	<b>332.504</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>529,84</b>	<b>1.144,15</b>

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

Liquidity Coverage Ratio (%)	Prior Period – 31.12.2020	
	TL+FC	FC
Lowest (%)	54,75	87,15
Date	November 9, 2020	November 9, 2020
Highest (%)	1.560,35	1.116,98
Date	October 30, 2020	October 13, 2020
Average	807,55	602,07

**IV. 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. Important balance sheet items that determined on the ratio can be listed as CBRT required reserves, receivables from banks and funds collected. These figures the fact that they have a high share in liquid assets and net cash outflows means that they are considered since they are high and can high and change over time, their effects on the liquidity coverage ratio are other more than figures. 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 Group's high quality liquid assets are composed of 6,03% cash, 38,57% deposits in central banks and 55,40% securities considered as high quality liquid assets.

The Group's main funding sources are funds collected, funds borrowed, borrowings from money market and subordinated loans. Funding source composition in report date is 75,36% funds collected, 7,54% funds borrowed and 17,10% subordinated debt instruments.

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

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

**Liquidity on consolidated coverage ratio (continued)**

**Presentation of assets and liabilities according to their remaining maturities**

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated	Total
<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	884.047	5.350.741	-	-	-	-	-	6.234.788
Banks	1.533.115	-	-	-	-	-	-	1.533.115
Financial Assets at Fair Value Through Profit and Loss	-	256.446	226.309	-	602.445	-	-	1.085.200
Money Market Placements	-	-	-	-	-	-	-	-
Financial assets valued at fair value through other comprehensive income	-	2.132.501	334.494	193.591	1.388.236	124.331	-	4.173.153
Loans	-	913.402	1.590.102	8.022.736	9.661.668	1.387.033	-	21.574.941
Financial assets valued at amortised cost	-	-	-	-	2.713.586	-	-	2.713.586
Other Assets <sup>(*)</sup>	-	-	-	-	-	-	731.020	731.020
<b>Total Assets</b>	<b>2.417.162</b>	<b>8.653.090</b>	<b>2.150.905</b>	<b>8.216.327</b>	<b>14.365.935</b>	<b>1.511.364</b>	<b>731.020</b>	<b>38.045.803</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	-	581.502	-	-	-	-	-	581.502
Other current and profit sharing accounts	8.728.954	13.235.761	3.804.985	311.838	2.288	-	-	26.083.826
Funds provided from other financial institutions and subordinated loans	-	552.091	506.789	87.809	2.727.050	-	-	3.873.739
Money market borrowings	-	1.984.303	-	-	-	-	-	1.984.303
Marketable securities issued	-	903.100	1.204.755	754.526	-	-	-	2.862.381
Other liabilities <sup>(**)</sup>	-	91.647	-	-	-	-	2.568.405	2.660.052
<b>Total Liabilities</b>	<b>8.728.954</b>	<b>17.348.404</b>	<b>5.516.529</b>	<b>1.154.173</b>	<b>2.729.338</b>	<b>-</b>	<b>2.568.405</b>	<b>38.045.803</b>
<b>Liquidity Gap</b>	<b>(6.311.792)</b>	<b>(8.695.314)</b>	<b>(3.365.624)</b>	<b>7.062.154</b>	<b>11.636.597</b>	<b>1.511.364</b>	<b>(1.837.385)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(31.071)</b>	<b>(56.149)</b>	<b>(1.175)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88.395)</b>
Financial Derivative Assets	-	2.508.922	756.035	91.169	-	-	-	3.356.126
Financial Derivative Liabilities	-	2.539.993	812.184	92.344	-	-	-	3.444.521
<b>Non-cash Loans</b>	<b>1.354.438</b>	<b>1.108.447</b>	<b>343.855</b>	<b>1.578.062</b>	<b>495.818</b>	<b>-</b>	<b>-</b>	<b>4.880.620</b>
<b>Prior Period</b>								
Total Assets	1.495.457	4.316.241	798.555	3.155.699	9.505.874	494.943	527.679	20.294.448
Total Liabilities	2.548.351	10.104.612	3.476.744	621.954	1.598.122	-	1.944.665	20.294.448
<b>Liquidity Gap</b>	<b>(1.052.894)</b>	<b>(5.788.371)</b>	<b>(2.678.189)</b>	<b>2.533.745</b>	<b>7.907.752</b>	<b>494.943</b>	<b>(1.416.986)</b>	<b>-</b>
<b>Net Off-balance sheet Position</b>	<b>-</b>	<b>(158)</b>	<b>(52.174)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52.332)</b>
Financial Derivative Assets	-	145.589	565.389	-	-	-	-	710.978
Financial Derivative Liabilities	-	145.747	617.563	-	-	-	-	763.310
<b>Non-cash Loans</b>	<b>779.036</b>	<b>356.020</b>	<b>54.857</b>	<b>730.917</b>	<b>267.089</b>	<b>-</b>	<b>-</b>	<b>2.187.919</b>

<sup>(\*)</sup> Other non-distributable assets column consists of assets held for sale, partnership investments, tangible and intangible assets, current and deferred tax assets and other assets.

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

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**V. Explanations on consolidated leverage ratio**

As of December 31, 2021, leverage ratio of the Group calculated from the arithmetic average of the last 3 months is 8,51% (December 31, 2020: 11,70%). Leverage ratio is required to remain minimum 3% as per "Communiqué on Measurement and Evaluation for Leverage Ratios of Banks".

**Disclosure of Leverage ratio template:**

	Current Period December 31, 2021(*)	Prior Period December 31, 2020(*)
<b>Balance sheet assets</b>		
1 Balance sheet assets (excluding derivative financial assets and credit derivatives, including collaterals)	33.036.737	19.077.462
2 (Assets deducted from Core capital)	103.381	97.904
3 Total risk amount of balance sheet assets (sum of lines 1 and 2)	32.933.356	18.979.558
<b>Derivative financial assets and credit derivatives</b>		
4 Cost of replenishment for derivative financial assets and credit derivatives	-	-
5 Potential credit risk amount of derivative financial assets and credit derivatives	92.887	8.808
6 Total risk amount of derivative financial assets and credit derivatives (sum of lines 4 and 5)	92.887	8.808
<b>Financing transactions secured by marketable security or commodity</b>		
7 Risk amount of financing transactions secured by marketable security or commodity (excluding Balance sheet)	2.441.721	697.047
8 Risk amount arising from intermediary transactions	-	-
9 Total risk amount of financing transactions secured by marketable security or commodity (sum of lines 7 and 8)	2.441.721	697.047
<b>Off-balance sheet transactions</b>		
10 Gross notional amount of off-balance sheet transactions	7.757.835	3.449.490
11 (Correction amount due to multiplication with credit conversion rates)	-	-
12 Total risk of off-balance sheet transactions (sum of lines 10 and 11)	7.757.835	3.449.490
<b>Capital and total risk</b>		
13 Core Capital	3.679.879	2.706.097
14 Total risk amount (sum of lines 3, 6, 9 and 12)	43.225.799	23.134.903
<b>Leverage ratio</b>		
15 Leverage ratio (%)	8,51	11,70

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

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

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

	Book Value		Fair Value	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<b>Financial Assets</b>				
Due from Interbank Money Market	-	-	-	-
Banks	1.533.115	910.842	1.533.115	910.842
Financial Assets at Fair Value through Profit or Loss	1.085.200	523.051	1.085.200	523.051
Financial Assets at Fair Value Through Other Comprehensive Income	4.173.153	1.164.390	4.173.153	1.164.390
Financial Assets Valued Over Amortized Cost	2.713.586	1.568.929	2.537.586	1.575.410
Loans and financial lease receivables	21.907.324	13.599.033	25.922.905	14.674.682
<b>Financial Liabilities</b>				
Funds collected from banks through current accounts and participation accounts	581.502	-	581.502	-
Other current accounts and participation accounts	26.665.328	11.677.303	26.665.328	11.677.303
Funds from other financial institutions	4.066.708	3.977.409	4.566.889	4.101.166
Debts to Money Markets	1.984.303	1.069.349	1.984.303	1.069.356
Other Liabilities	430.365	207.364	430.365	207.364



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

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

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

- 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.

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

Current Period	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	<b>512.920</b>	<b>572.280</b>	<b>-</b>	<b>1.085.200</b>
Government Debt Securities	275.653	572.280	-	847.933
Share Certificates	-	-	-	-
Other financial assets	237.267	-	-	237.267
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>962.858</b>	<b>3.202.636</b>	<b>-</b>	<b>4.165.494</b>
Equity Securities (*)	-	-	-	-
Government Debt Securities	962.858	3.202.636	-	4.165.494
Other financial assets	-	-	-	-
<b>Derivative Financial Assets</b>	<b>-</b>	<b>65.158</b>	<b>-</b>	<b>65.158</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	109.990	-	109.990

(\*) The financial assets whose fair value difference is reflected in other comprehensive income, the realization price has been reflected in the financial statements for the securities worth 7.659 TL not being traded in an active market, and the related securities are not shown in this table.

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

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

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

**IX. Explanations on consolidated risk management**

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

**a. Consolidated risk management strategy and risk weighted amounts**

**a.1. Explanations on group's risk management**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Market Risk**

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

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

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

**Liquidity risk**

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

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

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

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

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

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

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

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

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

**Credit risk**

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

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

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

**Operational risk**

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

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

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

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

**Other risks**

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

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

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

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

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

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

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 Group manages its counterparty credit risk exposure as required by laws and regulations, taking best practices into consideration, and compatibly with the volume, nature, and complexity of its operations.

Country risk is an expression of the likelihood that the 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.

**a.2 General overview of risk weighted amounts**

		Risk weighted assets		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	12.883.435	9.415.352	1.030.675
2	Of which standardised approach (SA)	12.883.435	9.415.352	1.030.675
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	26.820	2.747	2.146
5	Of which standardised approach for counterparty credit risk (SA-CCR)	26.820	2.747	2.146
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach (1250% risk weight)	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	719.119	266.153	57.529
17	Of which standardised approach (SA)	719.119	266.153	57.529
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	724.962	511.718	57.997
20	Of which Basic Indicator Approach	724.962	511.718	57.997
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>14.354.336</b>	<b>10.195.970</b>	<b>1.148.347</b>

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

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

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

Current Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)				
		Subject to credit risk	Subject to counterparty credit risk	Securatisation positions	Subject to market risk <sup>(*)</sup>	Not subject to capital requirements or deducted from capital
<b>Assets</b>						
Cash and balances at central bank	6.236.435	6.236.435	-	-	-	-
Banks	1.533.115	1.533.115	-	-	-	-
Receivables from Money markets	-	-	-	-	-	-
Expected Loss Provisions (-)	1.647	1.647	-	-	-	-
Financial assets at fair value through profit or Loss	1.085.200	-	-	-	1.085.200	-
Financial assets at fair value through other comprehensive income	4.173.153	4.173.153	-	-	-	-
Derivative financial assets	65.158	-	65.158	-	65.158	-
Loans	21.724.480	21.724.480	-	-	-	-
Leasing receivables	182.844	182.844	-	-	-	-
Financial assets mausured at amortized cost	2.713.586	2.713.586	-	-	-	-
Expected loss provisions	332.383	332.383	-	-	-	-
Assets held for sale and discontinued operations (net)	8.000	8.000	-	-	-	-
Partnership inverstments	-	-	-	-	-	-
Tangible fixed asset (net)	330.398	330.398	-	-	-	-
Intangible asset (net)	23.462	23.462	-	-	-	23.462
Investment properties (net)	-	-	-	-	-	-
Current tax asset	-	-	-	-	-	-
Deffered tax assets	66.894	66.894	-	-	-	-
Other assets	237.108	237.108	-	-	-	82.234
<b>Total Assests</b>	<b>38.045.803</b>	<b>36.895.445</b>	<b>65.158</b>	<b>-</b>	<b>1.150.358</b>	<b>105.696</b>
<b>Liabilities</b>						
Funds collected	26.665.328	-	-	-	-	-
Funds borrowed	1.204.327	-	-	-	-	-
Debt to Money markets	1.984.303	-	-	-	-	-
Debt securities in issue	2.862.381	-	-	-	-	2.862.381
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Derivative financial liabilities	109.990	-	109.990	-	109.990	-
Liavilities from leases	191.498	-	-	-	-	-
Provisions	118.239	-	-	-	-	-
Current tax liability	81.210	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
Non-current assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated debt	2.669.412	-	-	-	-	-
Other liabilities	430.365	-	-	-	-	-
Equity	1.728.750	-	-	-	-	-
<b>Total Liabilities</b>	<b>38.045.803</b>	<b>-</b>	<b>109.990</b>	<b>-</b>	<b>109.990</b>	<b>2.862.381</b>

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

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

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

Prior Period	Carrying value reported in financial tables in accordance with Turkish Accounting Standards (TAS)	Carrying values of items in accordance with Turkish Accounting Standards (TAS)					Not subject to capital requirements or deducted from capital
		Subject to credit risk	Subject to counterparty credit risk	Securatisation positions	Subject to market risk <sup>(*)</sup>		
<b>Assets</b>							
Cash and balances at central bank	2.267.097	2.267.097	-	-	-	-	
Banks	910.842	910.842	-	-	-	-	
Receivables from Money markets	-	-	-	-	-	-	
Expected Loss Provisions (-)	1.217	1.217	-	-	-	-	
Financial assets at fair value through profit or Loss	523.051	-	-	-	523.051	-	
Financial assets at fair value through other comprehensive income	1.164.390	1.164.390	-	-	-	-	
Derivative financial assets	1.731	-	1.731	-	1.731	-	
Loans	13.570.624	13.570.624	-	-	-	-	
Leasing receivables	28.409	28.409	-	-	-	-	
Financial assets mausured at amortized cost	1.568.929	1.568.929	-	-	-	-	
Expected loss provisions	265.356	172.690	-	-	-	-	
Assets held for sale and discontinued operations (net)	23.797	23.797	-	-	-	-	
Partnership inverstments	-	-	-	-	-	-	
Tangible fixed asset (net)	251.229	251.229	-	-	-	-	
Intangible asset (net)	34.559	34.559	-	-	-	34.559	
Investment properties (net)	-	-	-	-	-	-	
Current tax asset	-	-	-	-	-	-	
Deffered tax assets	73.853	73.853	-	-	-	-	
Other assets	142.510	142.510	-	-	-	92.330	
<b>Total Assests</b>	<b>20.294.448</b>	<b>19.862.332</b>	<b>1.731</b>	<b>-</b>	<b>524.782</b>	<b>126.889</b>	
<b>Liabilities</b>							
Funds collected	11.677.303	-	-	-	-	-	
Funds borrowed	948.757	-	-	-	-	-	
Debt to Money markets	1.069.349	-	-	-	-	-	
Debt securities in issue	3.028.652	-	-	-	-	3.028.652	
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-	
Derivative financial liabilities	43.286	-	43.286	-	43.286	-	
Liavilities from leases	119.338	-	-	-	-	-	
Provisions	94.223	-	-	-	-	-	
Current tax liability	-	-	-	-	-	-	
Deferred tax liability	20.900	-	-	-	-	-	
Non-current assets held for sale and discontinued operations (net)	-	-	-	-	-	-	
Subordinated debt	1.545.981	-	-	-	-	-	
Other liabilities	207.364	-	-	-	-	-	
Equity	1.539.295	-	-	-	-	-	
<b>Total Liabilities</b>	<b>20.294.448</b>	<b>-</b>	<b>43.286</b>	<b>-</b>	<b>43.286</b>	<b>3.028.652</b>	

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

IX. Explanations on consolidated risk management (continued)

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

	Current Period	Total	Subject to credit risk	Securitisation position	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	38.045.303	36.895.445	-	65.158	1.150.358
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	109.990	-	-	109.990	109.990
3	<b>Total net amount within the scope of legal consolidation</b>	<b>37.935.813</b>	<b>36.895.445</b>	<b>-</b>	<b>(44.832)</b>	<b>1.040.368</b>
4	Off balance sheet amounts	15.066.724	4.434.395	-	3.599.735	3.599.735
5	Repo and similar transactions (**)	-	-	-	-	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	(8.479.729)	-	-	-
10	<b>Risk amounts</b>	<b>53.002.537</b>	<b>32.850.111</b>	<b>-</b>	<b>3.554.903</b>	<b>4.640.103</b>

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

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

	Prior Period	Total	Subject to credit risk	Securitisation position	Subject to counterparty credit risk	Subject to market risk <sup>(*)</sup>
1	Carrying value of assets within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	20.294.448	19.862.332	-	1.731	524.782
2	Carrying value of liabilities within the scope of legal consolidation in accordance with Turkish Accounting Standard (as in template B1)	43.286	-	-	43.286	43.286
3	<b>Total net amount within the scope of legal consolidation</b>	<b>20.251.162</b>	<b>19.862.332</b>	<b>-</b>	<b>(41.555)</b>	<b>481.496</b>
4	Off balance sheet amounts	5.298.147	5.298.147	-	7.984	7.984
5	Repo and similar transactions (**)	-	-	-	-	-
6	Differences in valuations	-	-	-	-	-
7	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
8	Differences arising from consideration of provisions	-	-	-	-	-
9	Differences arising from BRSA's applications	-	-	-	-	-
10	<b>Risk amounts</b>	<b>25.549.309</b>	<b>25.160.479</b>	<b>-</b>	<b>(33.571)</b>	<b>489.480</b>

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

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



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

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

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

**c. Credit risk**

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

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

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

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

Current Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	195.529	21.711.795	332.857	21.574.467
2 Debt securities	-	7.971.939	9.487	7.962.452
3 Off-balance sheet exposures	450	6.160.451	29.342	6.131.559
<b>4 Total</b>	<b>195.979</b>	<b>35.844.185</b>	<b>371.686</b>	<b>35.668.478</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	172.697	13.426.336	267.236	13.331.797
2 Debt securities	-	1.687.441	5.502	1.681.939
3 Off-balance sheet exposures	-	3.161.362	23.382	3.137.980
<b>4 Total</b>	<b>172.697</b>	<b>18.275.139</b>	<b>296.120</b>	<b>18.151.716</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>172.697</b>	<b>188.322</b>
2 Loans and debt securities that have defaulted since the last reporting period	22.832	111
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	-	(15.707)
5 Other changes	-	(29)
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>195.529</b>	<b>172.697</b>

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

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

The scope and definitions of past due receivables and the methods used by the Group to determine the provisions are mentioned in the Explanations on Credit risk. The Group may restructure not only non-performing credits but also the first and the second stage credits. Restructuring for the first and the second stage credits are made to improve the customer's ability to repay the credit or for changes in contractual terms upon the customer request regardless of the customer's credit risk.

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 II (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.

There are no financial assets that are overdue but not impaired by class of financial instruments. (December 31 2020: 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	195.529	185.680
Off-shore Banking Countries	-	-
Other Countries	-	-
<b>General Total</b>	<b>195.529</b>	<b>185.680</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	172.697	172.690
Off-shore Banking Countries	-	-
Other Countries	-	-
<b>General Total</b>	<b>172.697</b>	<b>172.690</b>

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

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

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

Breakdown according to sector:

	Sectors / Counterparties Current Period	Non-performing loans	Provisions
<b>1</b>	<b>Agriculture</b>	-	-
1.1	Farming and stockbreeding	-	-
1.2	Forestry	-	-
1.3	Fishery	-	-
<b>2</b>	<b>Manufacturing</b>	<b>44.540</b>	<b>41.626</b>
2.1	Mining and quarrying	32.892	32.872
2.2	Production	11.648	8.754
2.3	Electricity, gas, water	-	-
<b>3</b>	<b>Construction</b>	<b>5.540</b>	<b>5.109</b>
<b>4</b>	<b>Services</b>	<b>129.022</b>	<b>122.518</b>
4.1	Wholesale and retail trade	9.107	5.673
4.2	Hotel, food and beverage services	-	-
4.3	Transportation and telecommunication	5.608	3.244
4.4	Financial institutions	-	-
4.5	Real estate and renting services	114.307	113.601
4.6	Self-employment services	-	-
4.7	Education services	-	-
4.8	Health and social services	-	-
<b>5</b>	<b>Other</b>	<b>16.427</b>	<b>16.427</b>
	<b>Total</b>	<b>195.529</b>	<b>185.680</b>

	Sectors / Counterparties Prior Period	Non-performing loans	Provisions
<b>1</b>	<b>Agriculture</b>	-	-
1.1	Farming and stockbreeding	-	-
1.2	Forestry	-	-
1.3	Fishery	-	-
<b>2</b>	<b>Manufacturing</b>	<b>32.892</b>	<b>32.892</b>
2.1	Mining and quarrying	32.892	32.892
2.2	Production	-	-
2.3	Electricity, gas, water	-	-
<b>3</b>	<b>Construction</b>	<b>118.969</b>	<b>118.969</b>
<b>4</b>	<b>Services</b>	<b>12</b>	<b>5</b>
4.1	Wholesale and retail trade	-	-
4.2	Hotel, food and beverage services	-	-
4.3	Transportation and telecommunication	12	5
4.4	Financial institutions	-	-
4.5	Real estate and renting services	-	-
4.6	Self-employment services	-	-
4.7	Education services	-	-
4.8	Health and social services	-	-
<b>5</b>	<b>Other</b>	<b>20.824</b>	<b>20.824</b>
	<b>Total</b>	<b>172.697</b>	<b>172.690</b>

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

**c.2. Credit risk mitigation**

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

On and off balance sheet offsetting agreements are not utilized. The risk mitigators that are used in credit process in compliance with Communiqué "The Risk Mitigation Techniques" which is published at September 6, 2014 are stated below:

a) Financial Collaterals (Treasury Bills, Government Bonds, Cash, Deposit or Participation Fund Pledge, Gold, Stock Pledge)

b) Guarantees

The credibility of guarantors is monitored and evaluated within the framework of credit revision periods. Collaterals obtained by the Group are reviewed and appraised in accordance with related legislation as long as the credit relationship is outstanding.

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

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

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

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

Current Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	29.297.479	4.365.490	1.854.133	3.886.645	1.367.928	-	-
2	Debt securities	87.734.672	-	-	-	-	-	-
3	<b>Total</b>	<b>37.032.151</b>	<b>4.365.490</b>	<b>1.854.133</b>	<b>3.886.645</b>	<b>1.367.928</b>	-	-
4	Of which defaulted	195.529	-	-	-	-	-	-

  

Prior Period		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	13.426.336	1.036.994	138.049	349.201	176.561	-	-
2	Debt securities	1.687.441	-	-	-	-	-	-
3	<b>Total</b>	<b>15.113.777</b>	<b>1.036.994</b>	<b>138.049</b>	<b>349.201</b>	<b>176.561</b>	-	-
4	Of which defaulted	172.697	-	-	-	-	-	-

**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 (II) for Explanations on Credit Risk.

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

**c.3. Credit risk under standardised approach (continued):**

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

Current Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Risk classes</b>						
Receivables from central governments or central banks	9.545.746	43.308	9.552.334	43.446	-	-
Receivables from regional or local governments	74.578	14.000	12.466	7.015	9.741	%50,00
Receivables from administrative units and non-commercial enterprises	-	908	16.372	2.925	19.297	%100,00
Receivables from multilateral development banks	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-
Receivables from banks and brokerage houses	1.039.558	53.973	1.225.378	53.973	340.890	%26,65
Receivables from corporates	7.867.116	4.458.782	7.725.201	2.662.046	9.725.964	%93,63
Retail receivables	1.769.226	1.480.862	1.764.471	683.811	1.770.649	%72,32
Receivables secured by mortgages on property	247.268	39.555	247.268	25.628	93.446	%34,24
Receivables secured by mortgages on commercial property	310.930	400.453	310.930	222.805	337.217	%63,18
Past due receivables	6.224	-	6.224	-	4.508	%72,43
Receivables defined in high risk category by BRSA	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-
Other receivables	1.278.224	-	1.278.224	-	580.764	%45,44
Equity share investments	-	-	-	-	-	-
<b>Total</b>	<b>22.138.870</b>	<b>6.491.841</b>	<b>22.138.868</b>	<b>3.701.649</b>	<b>12.882.476</b>	<b>%49,85</b>

  

Prior Period	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
<b>Risk classes</b>						
Receivables from central governments or central banks	4.078.126	5.413	4.198.798	5.989	-	-
Receivables from regional or local governments	57.742	-	24.823	125	12.474	%50,00
Receivables from administrative units and non-commercial enterprises	61.467	81	63.295	49	63.318	%99,96
Receivables from multilateral development banks	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-
Receivables from banks and brokerage houses	1.926.699	2.146	1.978.894	2.146	396.208	%20,00
Receivables from corporates	6.905.293	3.313.706	6.766.915	1.912.473	8.319.214	%95,85
Retail receivables	-	-	-	-	-	-
Receivables secured by mortgages on property	69.855	17.809	66.457	7.635	25.687	%34,67
Receivables secured by mortgages on commercial property	291.121	36.303	291.121	18.037	218.295	%70,61
Past due receivables	7	-	7	-	7	%100,00
Receivables defined in high risk category by BRSA	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-
Other receivables	1.014.133	-	1.014.133	-	382.833	%37,75
Equity share investments	-	-	-	-	-	-
<b>Total</b>	<b>14.404.443</b>	<b>3.375.458</b>	<b>14.404.443</b>	<b>1.946.454</b>	<b>9.418.036</b>	<b>%57,60</b>

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

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

	Risk Classes/Risk Weighted	%0	%10	%20	35% secured by Property mortgage	%50	%75	%100	%150	%200	Others	Total risk amount (post-CCF and CRM)
	Current Period											
1	Receivables from central government or central banks	9.595.780	-	-	-	-	-	-	-	-	-	9.595.780
2	Receivables from regional or local governments	-	-	-	-	19.481	-	-	-	-	-	19.481
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	19.297	-	-	-	19.297
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	982.090	-	269.269	-	27.992	-	-	-	1.279.351
7	Receivables from corporates	406.598	-	83.461	-	369.112	-	9.528.076	-	-	-	10.387.247
8	Retail receivables	52.943	-	41.926	-	-	2.349.920	224	3.269	-	-	2.448.282
9	Receivables secured by mortgages on property	5.313	-	1.389	266.194	-	-	-	-	-	-	272.896
10	Receivables secured by mortgages on commercial property	2.900	-	8.445	-	373.724	-	148.666	-	-	-	533.735
11	Past due receivables	-	-	-	-	3.431	-	2.793	-	-	-	6.224
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	-	-	-	-	-	-	-	-	-	-	-
17	Equity share investments	360.486	-	421.217	-	-	-	496.521	-	-	-	1.278.224
18	<b>Total</b>	<b>10.424.020</b>	<b>-</b>	<b>1.538.528</b>	<b>266.194</b>	<b>1.035.017</b>	<b>2.349.920</b>	<b>10.223.569</b>	<b>3.269</b>	<b>-</b>	<b>-</b>	<b>25.840.517</b>

	Risk Classes/Risk Weighted	%0	%10	%20	35% secured by Property mortgage	%50	%75	%100	%150	%200	Others	Total risk amount (post-CCF and CRM)
	Current Period											
1	Receivables from central governments or central banks	4.204.787	-	-	-	-	-	-	-	-	-	4.204.787
2	Receivables from regional or local governments	-	-	-	-	24.948	-	-	-	-	-	24.948
3	Receivables from administrative units and non-commercial enterprises	25	-	-	-	-	-	63.319	-	-	-	63.344
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	1.981.040	-	-	-	-	-	-	-	1.981.040
7	Receivables from corporates	33.158	-	408.769	-	-	-	8.237.461	-	-	-	8.679.388
8	Retail receivables	-	-	-	-	-	-	-	-	-	-	-
9	Receivables secured by mortgages on property	-	-	1.636	72.458	-	-	-	-	-	-	74.094
10	Receivables secured by mortgages on commercial property	-	-	-	-	181.725	-	127.433	-	-	-	309.158
11	Past due receivables	-	-	-	-	-	-	7	-	-	-	7
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	-	-	-	-	-	-	-	-	-	-	-
17	Equity share investments	300.583	-	413.521	-	-	-	300.029	-	-	-	1.014.133
18	<b>Total</b>	<b>4.538.553</b>	<b>-</b>	<b>2.804.966</b>	<b>72.458</b>	<b>206.673</b>	<b>-</b>	<b>8.728.249</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.350.899</b>

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

**d. Counterparty credit risk**

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

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

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

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

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)	(51.240)	36.510		-	98.334	26.820
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>26.820</b>

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

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

**d. Counterparty credit risk**

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

Prior Period		Replacement cost	Potential Future exposure	EEPE(*)	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	(41.790)	7.983		-	9.715	2.585
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						2.585

(\*) Effective Expected Positive Exposure

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

		Current Period		Prior Period	
		EAD post-CRM	RWA	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation		-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	98.334	26.820	9.715	2.585
<b>4</b>	<b>Total subject to the CVA capital obligation</b>	<b>98.334</b>	<b>26.820</b>	<b>9.715</b>	<b>2.585</b>



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

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

<b>Current Period</b>									
<b>Risk Classes</b>	<b>Risk Weighted</b>							<b>Other</b>	<b>Total credit exposure(*)</b>
	<b>%0</b>	<b>%10</b>	<b>%20</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>		
Receivables from central governments or central banks	43.308	-	-	-	-	-	-	-	43.308
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	-	-	12.042	31.493	-	-	-	-	43.535
Receivables from corporates	-	-	1.322	-	-	3.096	-	-	4.418
Retail receivables	-	-	-	-	7.073	-	-	-	7.073
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>43.308</b>	<b>-</b>	<b>13.364</b>	<b>31.493</b>	<b>7.073</b>	<b>3.096</b>	<b>-</b>	<b>-</b>	<b>98.334</b>

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

<b>Prior Period</b>									
<b>Risk Classes</b>	<b>Risk Weighted</b>							<b>Other</b>	<b>Total credit exposure(*)</b>
	<b>%0</b>	<b>%10</b>	<b>%20</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>		
Receivables from central governments or central banks	5.413	-	-	-	-	-	-	-	5.413
Receivables from regional or local governments	-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-
Receivables from international organizations	-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses	-	-	2.146	-	-	-	-	-	2.146
Receivables from corporates	-	-	-	-	-	2.156	-	-	2.156
Retail receivables	-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-
Past due receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5.413</b>	<b>-</b>	<b>2.146</b>	<b>-</b>	<b>-</b>	<b>2.156</b>	<b>-</b>	<b>-</b>	<b>9.715</b>

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

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

**d.5. Used collaterals for counterparty credit risk**

None (December 31, 2020:None).

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

None (December 31, 2020:None).

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

None (December 31, 2020:None).

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

None (December 31, 2020:None).

**f. Market risk**

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

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

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

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

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

		<b>Current Period</b>	<b>Prior Period</b>
		<b>RWA</b>	<b>RWA</b>
<b>Outright products</b>			
1	Profit rate risk (general and specific)	344.740	115.971
2	Equity share (general and specific)	-	-
3	Foreign exchange risk	105.594	85.292
4	Commodity risk	268.785	64.890
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>719.119</b>	<b>266.153</b>

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

**g. Operational risk**

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

Current Period	2 PP Value	1 PP Tutar	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	272.916	500.377	802.518	525.270	%15	78.791
Amount subject to Operational Risk (Total*12,5)						984.882

Current Period	2 PP Value	1 PP Tutar	CP Value	Total number of years for which gross income is positive	Rate (%)	Total
Gross Income	-	272.916	500.377	386.647	%15	57.997
Amount subject to Operational Risk (Total*12,5)						724.962

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

**h.1. Important assumptions including the nature of profit rate risk arising from banking books and the early repayment of loans and movements in deposits other than time deposits with measurement frequency of the profit rate risk**

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

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

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

**h.2. Economic value differences arising from profit rate fluctuations in accordance with Regulation on Measurement and Assessment of Profit Rate Risk arising from Banking Books by Standard Shock Method**

**Current Period**

<b>Currency</b>	<b>Applied Shock (+/-x basis point)</b>	<b>Gains/ (Losses)</b>	<b>Gains/Equity (Losses/Equity) (%)</b>
TRY	(+) 500bp	(168.087)	(4,20)
TRY	(-) 400bp	158.893	3,97
USD Dolar	(+) 200bp	(59.535)	(1,49)
USD Dolar	(-) 200bp	65.639	1,64
EUR	(+) 200bp	(57.620)	(1,44)
EUR	(-) 200bp	61.148	1,53
<b>Total (For Negative Shocks)</b>	<b>-</b>	<b>(285.242)</b>	<b>(7,13)</b>
<b>Total (For Positive Shocks)</b>	<b>-</b>	<b>285.680</b>	<b>7,14</b>

**Prior Period**

<b>Currency</b>	<b>Applied Shock (+/-x basis point)</b>	<b>Gains/ (Losses)</b>	<b>Gains/Equity (Losses/Equity) (%)</b>
TRY	(+) 500bp	(184.891)	(6,41)
TRY	(-) 400bp	170.318	5,90
USD Dolar	(+) 200bp	(9.774)	(0,34)
USD Dolar	(-) 200bp	10.382	0,36
EUR	(+) 200bp	(64.633)	(2,24)
EUR	(-) 200bp	69.251	2,40
<b>Total (For Negative Shocks)</b>	<b>-</b>	<b>(259.299)</b>	<b>(8,99)</b>
<b>Total (For Positive Shocks)</b>	<b>-</b>	<b>249.951</b>	<b>8,66</b>

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**X. Explanations on consolidated business segments**

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

Current Period	Commercial and				Total
	Retail	Corporate	Treasury	Undistributed	
<b>Total Assets</b>	<b>3.740.018</b>	<b>17.089.861</b>	<b>16.400.186</b>	<b>815.738</b>	<b>38.045.803</b>
<b>Total Liabilities</b>	<b>8.339.463</b>	<b>20.169.544</b>	<b>7.442.924</b>	<b>365.122</b>	<b>36.317.053</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.728.750</b>	<b>1.728.750</b>
Net profit share income/(expense) (*)	173.067	593.194	(158.806)	(75.070)	532.385
Net fees and commissions income/(expense)	38.011	54.666	(9.655)	(38)	82.984
Other operating income/(expense)	46.140	69.612	(25.294)	(407.121)	(316.663)
Provision expenses	(10.129)	(84.511)	(5.001)	(10.601)	(110.242)
Profit/(loss) before tax	247.089	632.961	(198.756)	(492.830)	188.464
Provision for tax	-	-	-	(45.053)	(45.053)
<b>Net profit / (loss) for the period</b>	<b>247.089</b>	<b>632.496</b>	<b>(198.756)</b>	<b>(537.883)</b>	<b>143.411</b>

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

Prior Period	Commercial and				Total
	Retail	Corporate	Treasury	Undistributed	
<b>Total Assets</b>	<b>1.278.373</b>	<b>10.700.997</b>	<b>6.235.014</b>	<b>2.080.064</b>	<b>20.290.448</b>
<b>Total Liabilities</b>	<b>3.538.235</b>	<b>8.168.769</b>	<b>6.636.877</b>	<b>411.272</b>	<b>18.755.153</b>
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.539.295</b>	<b>1.539.295</b>
Net profit share income/(expense) (*)	36.005	218.316	75.237	42.055	371.613
Net fees and commissions income/(expense)	7.133	22.414	(3.572)	(4.862)	21.113
Other operating income/(expense)	2.416	(2.962)	(16.166)	(184.386)	(201.098)
Provision expenses	(8.279)	(70.154)	(3.486)	(5.229)	(87.148)
Profit/(loss) before tax	37.275	167.614	52.013	(152.422)	104.480
Provision for tax	-	-	-	(23.854)	(23.854)
<b>Net profit / (loss) for the period</b>	<b>37.275</b>	<b>167.614</b>	<b>52.013</b>	<b>(176.276)</b>	<b>80.626</b>

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

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**SECTION FIVE**

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

**I. Explanations and notes related to consolidated assets**

**1. a) Cash and balances with the Central Bank of Republic of Turkey (CBRT)**

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash / Foreign currency	27.027	82.778	15.214	83.101
CBRT	860.099	4.490.642	231.489	1.450.436
Other (*)	10.704	765.185	8.666	478.191
<b>Total</b>	<b>897.830</b>	<b>5.338.605</b>	<b>255.369</b>	<b>2.011.728</b>

(\*) As of 31 December 2021 it includes precious metal deposit account amounting to TL 165.496 (31 December 2020: TL 36.982) and money in transit account amounting to TL 610.393 (31 december 2020: TL 449.875)

**b) Information related to CBRT:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	843.500	159	226.905	89
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Reserve requirements	16.599	4.490.483	4.584	1.450.347
<b>Total</b>	<b>860.099</b>	<b>4.490.642</b>	<b>231.489</b>	<b>1.450.436</b>

**c) Explanations on the required reserve application:**

In accordance with the CBRT's Communiqué on Required Reserves numbered 2013/15, banks establish required reserves at the CBRT for their TL and FX liabilities specified in the aforementioned communiqué. Required reserve ratios vary according to the maturity structure of the liabilities, and they are applied in the range of 3%-8% for TL deposits and other liabilities, 19-26% for FX deposits and 5%-21% for FX other liabilities. Required reserves are calculated every two weeks on Fridays and are established in 14-day increments. Pursuant to the relevant communiqué, the CBRT pays interest for required reserves established in TL.

According to the Communiqué on Required Reserves published in the Official Gazette dated 1 July 2021 and numbered 31528, the possibility of maintaining Turkish lira required reserves in foreign currency was terminated as of 1 October 2021.

Within the scope of the "Communiqué on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts" numbered 2021/14, the conversion rate from USD, EUR and GBP denominated foreign currency deposit accounts and foreign exchange denominated participation fund accounts to time TL deposit and participation accounts is 10% as of the obligation date of 15 April 2022. It has been decided that an annual commission of 1.5% will not be applied to the banks, which have reached the level of 20% as of the liability date of 8 July 2022, up to the amount that should be kept for their liabilities until the end of 2022.

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

**2. a) Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	1.593	254.853	4.130	726.458
Abroad	-	1.276.669	-	180.254
<b>Total</b>	<b>1.593</b>	<b>1.531.522</b>	<b>4.130</b>	<b>906.712</b>

**b) Information on Foreign Bank Accounts**

	Current Period		Prior Period	
	Unrestricted Period	Restricted Period	Unrestricted Period	Restricted Period
European Union Countries	710.956	-	178.705	-
USA, Canada	476.141	-	-	-
OECD Countries (*)	-	-	-	-
Off-shore Banking Regions	3.107	-	177	-
Other	86.465	-	1.372	-
<b>Total</b>	<b>1.276.669</b>	<b>-</b>	<b>180.254</b>	<b>-</b>

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

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

**a. Information on financial assets at fair value through profit/loss subject to repurchase agreements and given as collateral/blocked**

As of December 31, 2021, there is no repurchase agreements in financial assets at fair value through profit and loss is not available (December 31, 2020: TL 193.303). As of December 31, 2021, amount subject to guaranteed/blocked is TL 355.782 (December 31, 2020: TL 167.722).

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

	Current Period	Prior Period
Debt securities	1.087.412	524.176
Quoted on a stock exchange	572.980	342.155
Unquoted on a stock exchange (*)	514.432	182.021
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted on a stock exchange	-	-
Impairment provision (-)	(2.212)	(1.125)
<b>Total</b>	<b>11.085.200</b>	<b>523.051</b>

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

**4. Information on Financial Assets at fair value through other comprehensive income**

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

Financial assets valued at fair value through other comprehensive income subject to repurchase transactions assets, which are subjected to repurchase agreements as of December 31, 2021: TL 2.073.137 (December 31, 2020: 903.249). As of December 31, 2020, amount subject to guaranteed/blocked is TL 326.675 (December 31, 2020: 220.521).

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**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

**4. Information on Financial Assets at fair value through other comprehensive income (continued):**

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

	Current Period	Prior Period
Debt securities	4.201.759	1.172.974
Quoted on a stock exchange(*)	3.221.985	794.112
Unquoted on a stock exchange	979.774	378.862
Share certificates	7.659	7.659
Quoted on a stock exchange(*)	-	-
Unquoted on a stock exchange	7.659	7.659
Impairment provision (-)	(36.265)	(16.243)
<b>Total</b>	<b>4.173.153</b>	<b>1.164.390</b>

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

**5. Information on derivative financial assets**

**a. Positive differences related to the derivative financial assets**

	Current Period		Prior Period	
	TL	FC	TL	FC
Swap Transactions	29.633	419	1.412	14
Forward Transactions	32.245	2.861	-	305
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>61.878</b>	<b>3.280</b>	<b>1.412</b>	<b>319</b>

**6. Information on loans**

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

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	714.824	-	95.629	-
Corporate shareholders	714.824	-	95.629	-
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	973	-	-	-
Loans granted to employees	973	-	-	-
<b>Total</b>	<b>715.797</b>	<b>-</b>	<b>95.629</b>	<b>-</b>



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

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

**b. Information on the first and second group loans including restructured loans**

**b1. Detail table on the first and second group loans including restructured loans**

Cash Loans Current Period	Standard Loans	Loans Under Close Monitoring		
		Loans Not subject to restructured loans	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
<b>Loans</b>	<b>21.494.531</b>	<b>31.683</b>	<b>2.739</b>	<b>-</b>
Export loans	-	-	-	-
Import loans	1.565.042	410	-	-
Business loans	15.289.593	26.755	2.739	-
Consumer loans	998.365	1.387	-	-
Credit cards	-	-	-	-
Loans given to financial sector	411.871	-	-	-
Other (*)	3.229.660	3.131	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>21.494.531</b>	<b>31.683</b>	<b>2.739</b>	<b>-</b>

(\*)The details of other loans are as follows:

Commercial loans with installments	2.969.857
Loans given to abroad	174.503
Other investment credits	84.140
Other	4.291
<b>Total</b>	<b>3.232.791</b>

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- I. **Explanations and notes related to consolidated assets (continued):**
6. **Information on loans (continued)**
- b. **Information on the first and second group loans including restructured loans (continued)**
- b1. **Detail table on the first and second group loans including restructured loans (continued):**

Cash Loans Prior Period	Standard Loans	Loans Under Close Monitoring		Loans with Revised Contract Terms	Refinance
		Loans Not subject to restructured loans	Restructured Loans		
<b>Loans</b>	<b>13.397.505</b>	<b>422</b>		-	-
Export loans	-	-		-	-
Import loans	436.155	-		-	-
Business loans	9.358.930	422		-	-
Consumer loans	575.941	-		-	-
Credit cards	-	-		-	-
Loans given to financial sector	1.814.247	-		-	-
Other (*)	1.212.232	-		-	-
Other receivables	-	-		-	-
<b>Total</b>	<b>13.397.505</b>	<b>422</b>		-	-

(\*)The details of other loans are as follows:

Commercial loans with installments	1.148.156
Loans given to abroad	38.318
Other	25.758
<b>Total</b>	<b>1.212.232</b>

- b2. **Detail table on the first and second group loans including restructured loans**

Current Period	Standard Loans	Loans Under Close Monitoring
Expected loss of provision for 12 Months	146.482	-
Substantial increase in credit risk	-	184
Prior Period	Standard Loans	Loans Under Close Monitoring
Expected loss of provision for 12 Months	92.476	-
Substantial increase in credit risk	-	190

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

**c. Maturity analysis of cash loans**

<b>Current Period</b>	<b>Standard Loans and Other receivables</b>		<b>Loans Under Follow-Up and Other receivables</b>	
	<b>Loans and Other receivables</b>	<b>Amendments to terms or contract</b>	<b>Loans and Other receivables</b>	<b>Amendments to terms or contract</b>
<b>Cash Loans</b>				
Short term loans and other receivables	<b>5.573.870</b>	-	<b>21.469</b>	<b>72</b>
Loans	5.573.870	-	21.469	72
Other receivables	-	-	-	-
Medium and long-term loans and other receivables (*)	<b>15.918.406</b>	-	<b>12.469</b>	<b>2.667</b>
Loans	15.918.406	-	12.469	2.667
Other receivables	-	-	-	-
<b>Total</b>	<b>21.492.276</b>	-	<b>33.938</b>	<b>2.739</b>

(\*) Loans with original maturities of more than 1 year when first granted are classified as "Medium and long term loans".

<b>Prior Period</b>	<b>Standard Loans and Other receivables</b>		<b>Loans Under Follow-Up and Other receivables</b>	
	<b>Loans and Other receivables</b>	<b>Amendments to terms or contract</b>	<b>Loans and Other receivables</b>	<b>Amendments to terms or contract</b>
<b>Cash Loans</b>				
Short term loans and other receivables	<b>3.099.571</b>	-	<b>422</b>	-
Loans	3.099.571	-	422	-
Other receivables	-	-	-	-
Medium and long-term loans and other receivables (*)	<b>10.297.934</b>	-	-	-
Loans	10.297.934	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>13.397.505</b>	-	<b>422</b>	-

(\*) Loans with original maturities of more than 1 year when first granted are classified as "Medium and long term loans".

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**I. Explanations and notes related to consolidated assets (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>2.549</b>	<b>996.230</b>	<b>998.779</b>
Housing loans	945	913.481	914.426
Vehicle loans	1.228	36.953	38.181
Consumer loans	376	45.796	46.172
Other	-	-	-
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Retail credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	<b>24</b>	<b>949</b>	<b>973</b>
Housing loans	-	833	833
Vehicle loans	-	48	48
Consumer loans	24	68	92
Other	-	-	-
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL(Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC(Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2.573</b>	<b>997.179</b>	<b>999.752</b>

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

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

<b>Prior Period</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer loans-TL</b>	<b>867</b>	<b>575.074</b>	<b>575.941</b>
Housing loans	481	536.429	536.910
Vehicle loans	386	17.761	18.147
Consumer loans	-	20.884	20.884
Other	-	-	-
<b>Consumer loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Retail credit cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Retail credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel loans-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel credit cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without installment	-	-	-
<b>Personnel credit cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With installment	-	-	-
Without-installment	-	-	-
<b>Overdraft account-TL(Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft account-FC(Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>867</b>	<b>575.074</b>	<b>575.941</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

**I. Explanations and notes related to consolidated assets (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>287.471</b>	<b>2.191.296</b>	<b>2.478.767</b>
Business loans	10.572.	278.396	288.968
Vehicle loans	233.688	1.082.909	1.316.597
Consumer loans	43.211	829.991	873.202
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>116.377</b>	<b>329.601</b>	<b>445.978</b>
Business loans	1.137	9.375	10.512
Vehicle loans	-	136.500	136.500
Consumer loans	115.240	183.726	298.966
Other	-	-	-
<b>Corporate credit cards-TL</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>15.176</b>	<b>-</b>	<b>15.176</b>
<b>Overdraft account-FC(Legal Entity)</b>	<b>29.936</b>	<b>-</b>	<b>29.936</b>
<b>Total</b>	<b>448.960</b>	<b>2.520.897</b>	<b>2.969.857</b>
Prior Period	Short-Term	Medium and Long-Term	Total
<b>Commercial installment loans-TL</b>	<b>73.049</b>	<b>1.030.075</b>	<b>1.103.124</b>
Business loans	-	67.460	67.460
Vehicle loans	70.123	492.855	562.978
Consumer loans	2.926	469.760	472.686
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>45.032</b>	<b>45.032</b>
Business loans	-	-	-
Vehicle loans	-	20.062	20.062
Consumer loans	-	24.970	24.970
Other	-	-	-
<b>Corporate credit cards-TL</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>9.109</b>	<b>-</b>	<b>9.109</b>
<b>Total</b>	<b>82.158</b>	<b>1.075.107</b>	<b>1.157.265</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**f. Loans according to types of borrowers**

	<b>Current Period</b>	<b>Prior Period</b>
Public	946.228	1.560.499
Private	20.582.725	11.837.428
<b>Total</b>	<b>21.528.953</b>	<b>13.397.927</b>

**g. International and domestic loans:**

The distribution of loans excluding non-performing loans is as follows:

	<b>Current Period</b>	<b>Prior Period</b>
Domestic loans	21.354.450	13.323.170
Foreign loans	174.503	74.757
<b>Total</b>	<b>21.528.953</b>	<b>13.397.927</b>

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

None (December 31, 2020: None).

**İ. Default provisions for loans (Third Stage) provisions**

	<b>Current Period</b>	<b>Prior Period</b>
Loans and Receivables with Limited Collectability	4.162	-
Doubtful Loans and Other Receivables	7.835	5
Uncollectible Loans and Receivables	173.683	172.685
<b>Total</b>	<b>185.680</b>	<b>172.690</b>

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

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

None (December 31, 2020: None).

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
<b>Current Period</b>			
Closing balance of prior period	-	12	172.685
Additions in the current period (+)	24.057	305	100
Transfers from other categories of non-performing loans (+)	-	15.647	1.403
Transfers to other categories of non-performing loans (-)	15.647	1.403	-
Collections in the current period (-)	96	1.490	44
Write offs (-)	-	-	-
Sales (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Closing balance of the current period	8.314	13.071	174.144
Provision (-)	4.162	7.835	173.683
<b>Net balance at the balance sheet</b>	<b>4.152</b>	<b>5.236</b>	<b>461</b>

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectibility	Loans and receivables with doubtful collectibility	Uncollectible loans and receivables
<b>Prior Period</b>			
Closing balance of prior period	-	-	188.322
Additions in the current period (+)	-	12	99
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	29
Write offs (-)	-	-	15.707
Sales (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Closing balance of the current period	-	12	172.685
Provisions (-)	-	5	172.685
<b>Net balance at the balance sheet</b>	<b>-</b>	<b>7</b>	<b>-</b>

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

None (December 31, 2020: None).



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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
<b>Current Period (net)</b>	<b>7.324</b>	<b>1.269</b>	<b>1.254</b>
Loans to individuals and corporates (gross)	8.314	13.071	174.144
Provision (-)	4.162	7.835	173.683
<b>Loans to individuals and corporates (net)</b>	<b>4.152</b>	<b>5.236</b>	<b>461</b>
Banks (gross)	-	-	-
Provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans (Gross)	-	-	-
Provision (-)	-	-	-
<b>Other Loans and Receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period (Net)</b>	<b>-</b>	<b>7</b>	<b>-</b>
Loans to Real Persons and Legal Entities (Gross)	-	12	172.685
Specific provision (-)	-	5	172.685
<b>Loans to Real Persons and Legal Entities (Net)</b>	<b>-</b>	<b>7</b>	<b>-</b>
Banks (Gross)	-	-	-
Provision (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**j.5. Information on profit share accrual accruals and valuation differences calculated for non-performing loans by banks allocating expected credit losses according to TFRS 9 and their equivalents**

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans and Receivables
<b>Current Period (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit share accruals and valuation differences	-	-	-
Provisions (-)	-	-	-
<b>Prior Period (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit share accruals and valuation differences	-	-	-
Provision (-)	-	-	-

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

The Parent Bank initiates a legal process for the collection of receivables arising from credit transactions. The debtor's and debtor related's assets' together with process of cash conversion of the collaterals which constitute of the Parent Bank receivables will be processed by the Parent Bank and in addition to this process the Parent Bank will try to collect and liquidate its receivables through administrative ways.

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**I. Information on "Write-off" policies**

In accordance with Article 8 of the "Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Reserved for them", loans classified under "Fifth Group Loans of Loss" and which does not have reasonable expectations regarding the recovery of loans with a lifetime expected due to the default of the debtor or the provision of special provisions can be deducted from the records within the scope of TFRS 9 as of the first reporting period following their classification in this group.

It is an accounting practice to deduct loans that do not have the possibility to collect from the records within the scope of the above provision, does not mean that result in giving up the right to receivable.

The general policy of the Parent Bank is to write-off the receivables which are deemed to be impossible to collect during the legal follow-up process from the assets in accordance with the decision taken by the top management of the Parent Bank. The amount of TL 15.707 for loans deemed impossible to collect in 2021 has been written-off due to the decision taken by the Parent Bank's management (December 31, 2020: 15.707).

**7. Information on Financial Assets Measured at Amortized Cost**

**a. Information on government debt securities measured at amortized cost**

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities (*)	2.713.586	1.568.929
<b>Total</b>	<b>2.713.586</b>	<b>1.568.929</b>

(\*) Consists of non-profit special category state domestic borrowing notes issued by Ministry of Treasury and Finance and purchased from the Türkiye Varlık Fonu A.Ş. and Piyasa ve İstikrar Denge Alt Fonu A.Ş.

**b. Information on investment securities measured at amortized cost**

	Current Period	Prior Period
Debt Securities	2.713.586	1.568.929
Quoted on a stock Exchange	-	-
Unquoted (*)	2.713.586	1.568.929
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted	-	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>2.713.586</b>	<b>1.568.929</b>

(\*) Consists of non-profit special category state domestic borrowing notes issued by Ministry of Treasury and Finance and purchased from the Türkiye Varlık Fonu A.Ş. and Piyasa ve İstikrar Denge Alt Fonu A.Ş.

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

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**7. Information on Financial Assets Measured at Amortized Cost (continued)**

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

	Current Period	Prior Period
<b>Balance at beginning of period (*)</b>	1.568.929	1.097.529
Foreign currency differences on monetary assets (**)	1.128.426	471.400
Purchases during period	16.231	-
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>2.713.586</b>	<b>1.568.929</b>

(\*) Consists of non-profit special category state domestic borrowing notes issued by Ministry of Treasury and Finance and purchased from the Türkiye Varlık Fonu A.Ş. and Piyasa ve İstikrar Denge Alt Fonu A.Ş.

(\*\*) 308.308 TL income rediscount is included in this amount. (December 31, 2020: 115.089 TL)

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

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	8.922	8.799	-	-
1 to 4 years	141.131	118.381	34.295	28.409
More than 4 years	62.322	55.664	-	-
<b>Total</b>	<b>212.375</b>	<b>182.844</b>	<b>34.295</b>	<b>28.409</b>

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

	Current Period	Prior Period
Finance lease receivables (gross)	212.375	34.295
Unearned finance lease receivable (-)	29.531	5.886
<b>Receivable from finance leases (net)</b>	<b>182.844</b>	<b>28.409</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**8. Information on lease receivables (net) (continued)**

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

Finance lease contracts are realized in accordance with the related articles of Finance Lease, Factoring and Financing Companies Act numbered 6361. There are no restrictions due to finance lease contracts, no renewals or contingent rent payments that materially affect the financial statements.

Information on leasing receivables:

		Leasing Receivables Under Close Monitoring		
Finance Lease	Standard Loans	Leasing receivables not subject to restructured loans	Restructured or rescheduled	
			Leasing Receivables with Revised Contract Terms	Refinance
Current Period				
Finance lease receivables (Net)	182.844	-	-	-
Prior Period				
Finance lease receivables (Net)	28.409	-	-	-

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

Financial assets held for sale consist of tangible assets acquired due to receivables.

	Current Period	Prior Period
Opening balance	23.797	35.200
Additions	-	5
Disposals	(15.797)	(11.408)
Transfers	-	-
Impairment Provision (-)	-	-
<b>Closing balance</b>	<b>8.000</b>	<b>23.797</b>

**10. Information on associates**

**a. Associates (net)**

**a.1. Information on consolidated associates**

None (December 31, 2020: None).

**a.2. Information on consolidated associates**

None (December 31, 2020: None).

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

**b.1. Information on consolidated subsidiaries**

Emlak Menkul Değerler A.Ş., which is owned by the Parent Bank by 50%, has been reported to be bankrupt in the Audit Report prepared by Court of Account dated 31 October 2018. Emlak Menkul Değerler A.Ş. has not been consolidated as of December 31, 2021 and December 31, 2020.

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

**b.2 Information on consolidated subsidiaries**

Emlak Varlık Kiralama A.Ş., 100% subsidiaries of the Bank was established and registered to the trade registry in August 5, 2019 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Emlak Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated June 7, 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. Emlak Varlık Kiralama A.Ş. was established and began to operate on August 5, 2019 with TL 50 capital amount paid by the Main Shareholder Parent Bank.

Emlak Katılım Varlık Kiralama A.Ş., 100% subsidiaries of the Parent Bank was established and registered to the trade registry in January 20, 2020 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Within the framework of the CMB's Communiqué on Lease Certificates (III-61.1) published in the Official Gazette dated June 7, 2013 and numbered 28760, Emlak Katılım Varlık Kiralama A.Ş. was established on December 16, 2019, with a capital of TL 50 and started its activity.

Name	Adress (City/Country)	Operating Subject	Bank's share percentage (%)	Direct and Indirect Share Percentages (%)
Emlak Varlık Kiralama A.Ş.	Istanbul/TURKEY	Issuance Of Lease Certificate	100	100
Emlak Katılım Varlık Kiralama A.Ş.	Istanbul/TURKEY	Issuance Of Lease Certificate	100	100

The values stated in the table below are taken from financial statements in audited report of Emlak Varlık Kiralama A.Ş. and Emlak Katılım Varlık Kiralama A.Ş.'s dated December 31, 2021.

Name	Total Assets	Shareholders equity	Total fixed assets	Dividend or profit share income	Income from marketable securities	Current period income /loss	Prior period income /loss	Fair Value
Emlak Varlık Kiralama A.Ş.	1.248.483	347	-	42.403	-	297	-	-
Emlak Katılım Varlık Kiralama A.Ş.	3.577.353	50	-	569.706	-	-	-	-

**b.2.1 Movement information on subsidiaries**

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

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

None (December 31, 2020: None).

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**11. Information on tangible assets**

Current Period	Immovables(*)	Leased tangible assets	Vehicles	Other TA	Total
<b>Cost</b>					
Opening Balance: 1 January 2021	118.749	-	20.208	151.873	290.830
Additions	81.884	-	4.346	61.414	147.644
Revaluation differences	-	-	-	-	-
Disposals	(879)	-	(84)	(2.376)	(3.339)
Impairment losses(-)/	-	-	-	-	-
Reversal of impairment	-	-	-	-	-
Transfers	-	-	-	-	-
Ending Balance: 31 December 2021	199.754	-	24.470	210.911	435.135
<b>Accumulated depreciation (-)</b>					
Opening balance: 1 January 2021	10.957	-	5.250	23.394	39.601
Depreciation expense	21.318	-	6.468	37.652	65.438
Reversal of depreciation of the disposed assets	(85)	-	(2)	(215)	(302)
Transfers	-	-	-	-	-
Ending balance: 31 December 2021	32.190	-	11.716	60.831	104.737
<b>Total cost at the end of the year</b>	199.754	-	24.470	210.911	435.135
<b>Total accumulated depreciation at the end of the year</b>	(32.190)	-	(11.716)	(60.831)	(104.737)
<b>Closing net book values</b>	167.564	-	12.754	150.080	330.398

(\*) As of December 31, 2021, historical value of movables and real estates that are accounted for as a right of use is amounting to TL 199.754 (December 31, 2020: 118.749 TL), in accordance with the "IFRS 16 Leases" standard, and the depreciation amount is TL 61.861 (December 31, 2020: 10.957 TL)

Prior Period	Immovables(*)	Leased tangible assets	Vehicles	Other TA	Total
<b>Cost</b>					
Opening Balance: 1 January 2020	32.581	-	11.660	66.219	110.460
Additions	86.689	-	8.676	129.093	224.458
Revaluation differences	-	-	-	-	-
Disposals	(521)	-	(128)	(43.439)	(44.088)
Impairment losses(-)/Reversal of impairment	-	-	-	-	-
Transfers	-	-	-	-	-
Ending Balance: 31 December 2020	118.749	-	20.208	151.873	290.830
<b>Accumulated depreciation (-)</b>					
Opening balance: 1 January 2020	2.099	-	1.962	4.689	8.750
Depreciation expense	8.986	-	3.320	19.089	31.395
Reversal of depreciation of the disposed assets	(128)	-	(32)	(384)	(544)
Transfers	-	-	-	-	-
Ending balance: 31 December 2020	10.957	-	5.250	23.394	39.601
<b>Total cost at the end of the year</b>	118.749	-	20.208	151.873	290.830
<b>Total accumulated depreciation at the end of the year</b>	(10.957)	-	(5.250)	(23.394)	(39.601)
<b>Closing net book values</b>	107.792	-	14.958	128.479	251.229

(\*) As of December 31, 2020, historical value of movables and real estates that are accounted for as a right of use is amounting to TL 118.749 TL (December 31, 2020: 32.581 TL), in accordance with the "IFRS 16 Leases" standard, and the depreciation amount is TL 10.957 (December 31, 2020: 2.099 TL).

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**12. Information on intangible assets**

<b>Current Period</b>	<b>Intangible Assests</b>
<b>Cost</b>	
Opening balance: 1 January 2021	34.559
Additions	30.999
Disposals	-
Ending balance: 31 December 2021	65.558
<b>Accumulated depreciation(-)</b>	
Opening balance: 1 January 2021	(25.109)
Depreciation expense	(16.987)
Reversal of depreciation of the disposed assets	-
Ending balance: 31 December 2021	(42.096)
<b>Total cost at the end of the year</b>	<b>65.558</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(42.096)</b>
<b>Closing Net Book Value</b>	<b>23.462</b>
<b>Prior Period</b>	<b>Intangible Assests</b>
<b>Cost</b>	
Opening balance: 1 January 2020	39.802
Additions	19.866
Disposals	-
Ending balance: 31 December 2020	59.668
<b>Accumulated depreciation(-)</b>	
Opening balance: 1 January 2020	(9.265)
Depreciation expense	(15.844)
Reversal of depreciation of the disposed assets	-
Ending balance: 31 December 2020	(25.109)
<b>Total cost at the end of the year</b>	<b>59.668</b>
<b>Total accumulated depreciation at the end of the year</b>	<b>(25.109)</b>
<b>Closing Net Book Value</b>	<b>34.559</b>

**13. Information on investment property:**

None (December 31, 2020: None).

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**14. Information related to deferred tax assets**

	Current Period	Prior Period
Deferred tax provision for transferred financial loss	-	29.521
Prepaid wages and commissions and unearned income	25.317	28.709
Expected loss provisions	24.274	8.953
Securities valuation differences	5.167	4.056
Provisions for retirement premium and vacation pay liabilities	5.740	2.476
Derivative financial instruments	23.286	8.649
TFRS 16 allowance	3.528	920
Other provisions for debt and expenses	5.182	5.180
<b>Deferred tax asset</b>	<b>92.494</b>	<b>88.464</b>
Valuation differences on marketable securities	9.214	7.786
Difference between carrying value and tax base of fixed assets	2.584	4.938
Derivative financial instruments	13.599	1.398
Other	523	489
<b>Deferred tax liability</b>	<b>25.920</b>	<b>14.611</b>
<b>Deferred tax asset (Net)</b>	<b>66.574</b>	<b>73.853</b>

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

Other assets of the balance sheet don't exceed %10 of the balance sheet total.



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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

**II. Explanations and notes related to consolidated liabilities**

**1. Information on funds collected**

**a. Information on maturity structure of funds collected**

Current Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
<b>I. Real Persons Current Accounts Non-Trade TL</b>	<b>261.953</b>	-	-	-	-	-	-	-	<b>261.953</b>
<b>II. Real Persons Participation Accounts Non-Trade TL(*)</b>	-	<b>640.189</b>	<b>149.084</b>	<b>72.343</b>	<b>916</b>	<b>3.254</b>	<b>2.288</b>	-	<b>868.074</b>
<b>III. Current Account other-TL</b>	<b>837.668</b>	-	-	-	-	-	-	-	<b>837.668</b>
Public Sector	49.965	-	-	-	-	-	-	-	49.965
Commercial Institutions	779.810	-	-	-	-	-	-	-	779.810
Other Institutions	-	-	-	-	-	-	-	-	-
Commercial and Other Institutions	7.893	-	-	-	-	-	-	-	7.893
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	<b>4.949.969</b>	<b>1.186.818</b>	<b>97.062</b>	<b>15.001</b>	<b>286</b>	-	-	<b>6.249.136</b>
Public Sector	-	931.137	314.755	39.643	-	-	-	-	1.285.535
Commercial Institutions	-	3.106.700	827.738	57.419	15.001	286	-	-	4.007.144
Other Institutions	-	357.165	44.325	-	-	-	-	-	401.490
Commercial and Other Institutions	-	-	-	-	-	-	-	-	-
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Banks	-	554.967	-	-	-	-	-	-	554.967
<b>V. Real Persons Current Accounts Non- Trade FC</b>	<b>1.127.672</b>	-	-	-	-	-	-	-	<b>1.127.672</b>
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	<b>2.405.228</b>	<b>288.573</b>	<b>17.012</b>	<b>21.082</b>	<b>47.266</b>	-	-	<b>2.779.161</b>
<b>VII. Other Current Accounts FC</b>	<b>5.814.741</b>	-	-	-	-	-	-	-	<b>5.814.741</b>
Residents in Turkey-	-	-	-	-	-	-	-	-	-
Corporate	5.146.221	-	-	-	-	-	-	-	5.146.221
Residents Abroad-Corporate	668.520	-	-	-	-	-	-	-	668.520
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other-FC</b>	-	<b>5.376.311</b>	<b>1.995.286</b>	<b>3.063</b>	<b>133</b>	-	-	-	<b>7.374.793</b>
Public sector	-	149.763	-	-	-	-	-	-	149.763
Commercial institutions	-	4.775.270	1.966.786	3.063	133	-	-	-	6.745.252
Other institutions	-	215.860	3.976	-	-	-	-	-	219.838
Commercial and Other Institutions	-	-	-	-	-	-	-	-	-
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Banks	-	26.535	-	-	-	-	-	-	26.535
<b>IX. Precious Metals Deposits</b>	<b>686.920</b>	<b>445.566</b>	<b>185.224</b>	<b>32.389</b>	<b>320</b>	<b>1.711</b>	-	-	<b>1.352.130</b>
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools – FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>8.728.954</b>	<b>13.817.263</b>	<b>3.804.985</b>	<b>221.869</b>	<b>37.452</b>	<b>52.517</b>	<b>2.288</b>	-	<b>26.665.328</b>

(\*)Participation account balance consists of TL 110,692 "Turkish Lira Time Deposits with Currency Protection" opened within the scope of the announcement of the Ministry of Treasury and Finance dated 24 December 2021 and the product "Turkish Lira Time Deposit with Currency Conversion Currency Protection" published by the CBRT in the Official Gazette dated 21 December 2021 and numbered 31696. It also includes the balances of TL 57.150 opened within the scope of "Deposit".

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**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

**a. Information on maturity structure of funds collected (continued)**

Prior Period	Demand	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Over 1 year	Accumulated participation accounts	Total
<b>I. Real Persons Current Accounts Non-Trade TL</b>	59.133	-	-	-	-	-	-	-	59.133
<b>II. Real Persons Participation Accounts Non-Trade TL</b>	-	268.498	164.897	10.172	361	33.666	62	-	477.656
<b>III. Current Account other-TL</b>	430.153	-	-	-	-	-	-	-	430.153
Public Sector	19.783	-	-	-	-	-	-	-	19.783
Commercial Institutions	407.457	-	-	-	-	-	-	-	407.457
Other Institutions	-	-	-	-	-	-	-	-	-
Commercial and Other Institutions	2.913	-	-	-	-	-	-	-	2.913
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>IV. Participation Accounts-TL</b>	-	3.788.582	573.049	2.164	1.310	594	-	-	4.365.699
Public Sector	-	1.137.437	224.999	-	-	-	-	-	1.362.436
Commercial Institutions	-	2.464.499	218.831	2.164	1.310	594	-	-	2.687.398
Other Institutions	-	186.646	129.219	-	-	-	-	-	315.865
Commercial and Other Institutions	-	-	-	-	-	-	-	-	-
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>V. Real Persons Current Accounts Non- Trade FC</b>	204.192	-	-	-	-	-	-	-	204.192
<b>VI. Real Persons Participation Accounts Non-Trade FC</b>	-	463.136	92.005	2.025	4.046	5.928	-	-	567.140
<b>VII. Other Current Accounts FC</b>	1.632.745	-	-	-	-	-	-	-	1.632.745
Residents in Turkey-	1.580.076	-	-	-	-	-	-	-	1.580.076
Corporate	-	-	-	-	-	-	-	-	-
Residents Abroad-Corporate	52.669	-	-	-	-	-	-	-	52.669
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>VIII. Participation Accounts other-FC</b>	-	2.725.426	699.720	-	-	1.016	-	-	3.426.162
Public sector	-	37	200	-	-	-	-	-	237
Commercial institutions	-	2.698.247	691.232	-	-	1.016	-	-	3.390.495
Other institutions	-	4.854	3.729	-	-	-	-	-	8.583
Commercial and Other	-	22.288	4.559	-	-	-	-	-	26.847
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	-	-	-	-	-	-	-
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>IX. Precious Metals Deposits</b>	222.128	118.261	151.151	19.513	501	2.869	-	-	514.423
<b>X. Participation Accounts Special Fund Pools TL</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>XI. Participation Accounts Special Fund Pools – FC</b>	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total (I+II+.....+IX+X+XI)</b>	<b>2.548.351</b>	<b>7.363.903</b>	<b>1.680.822</b>	<b>33.874</b>	<b>6.218</b>	<b>44.073</b>	<b>62</b>	<b>-</b>	<b>11.677.303</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**1. Information on funds collected**

**b. Saving deposits and other deposits accounts insured by Saving Deposit Insurance Fund**

**b.1 Exceeding the limit of Insurance Fund**

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of Insurance		Exceeding the guarantee of Insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real persons' current and participation accounts not subject to trading transactions	706.887	301.009	5.170.627	1.325.300
Turkish Lira accounts	316.828	119.247	813.201	417.542
Foreign currency accounts	390.059	181.762	4.357.426	907.758
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	1.651	2.616
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	-	-

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**2. Information on borrowings**

**a.1 Information on banks and other financial institutions**

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	101.296	799.706	21.889	881.319
Loans from foreign banks, institutions and funds	-	303.325	-	45.549
<b>Total</b>	<b>101.296</b>	<b>1.103.031</b>	<b>21.889</b>	<b>926.868</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	101.296	1.074.109	21.899	926.868
Medium and Long-Term	-	28.922	-	-
<b>Total</b>	<b>101.296</b>	<b>1.103.031</b>	<b>21.899</b>	<b>926.868</b>

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

The Parent Bank does not have concentration on customer or sector group providing funds (December 31, 2020: None).

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**3. Information on securities issues**

Emlak Katılım Varlık Kiralama A.Ş., the subsidiary of the Group to raise funds from various investors. The Lease Certificate issuance transactions carried out through the company are as follows:

Date of issues	Amount of issues	Sort of Money	Maturity	Share of Profit Rate %(*)
November 4, 2020 Wednesday	50.000	TL	November 3, 2022 Thursday	Unstable
March 8, 2021 Monday	222.190	TL	March 29, 2022 Tuesday	Unstable
March 19, 2021 Friday(*)	46.890	TL	June 17, 2022 Friday	Unstable
April 19, 2021 Monday	161.003	TL	May 5, 2022 Thursday	Unstable
June 29, 2021 Tuesday	30.000	TL	July 5, 2022 Tuesday	Unstable
July 14, 2021 Wednesday	40.000	TL	July 7, 2022 Thursday	Stable
July 29, 2021 Thursday	82.774	TL	August 22, 2022 Monday	Stable
August 3, 2021 Tuesday	75.000	TL	January 28, 2022 Friday	Stable
September 8, 2021 Wednesday	27.800	TL	September 9, 2022 Friday	Unstable
September 8, 2021 Wednesday	63.221	TL	January 6, 2022 Thursday	Stable
September 30, 2021 Thursday	50.000	TL	January 4, 2022 Tuesday	Stable
October 5, 2021 Tuesday	30.000	TL	January 13, 2022 Thursday	Stable
October 6, 2021 Wednesday	20.000	TL	April 5, 2022 Tuesday	Stable
October 21, 2021 Thursday	62.497	TL	January 27, 2022 Thursday	Stable
October 26, 2021 Tuesday	106.100	TL	February 1, 2022 Tuesday	Stable
November 3, 2021 Wednesday	65.000	TL	February 1, 2022 Tuesday	Stable
November 8, 2021 Monday	71.000	TL	February 8, 2022 Tuesday	Stable
November 10, 2021 Wednesday	51.800	TL	November 16, 2022 Wednesday	Unstable
November 15, 2021 Monday	75.000	TL	February 1, 2022 Tuesday	Stable
November 17, 2021 Wednesday	200.000	TL	February 8, 2022 Tuesday	Stable
November 17, 2021 Wednesday	250.000	TL	January 4, 2022 Tuesday	Stable
November 17, 2021 Wednesday	300.000	TL	February 1, 2022 Tuesday	Stable
November 18, 2021 Thursday	50.500	TL	February 16, 2022 Wednesday	Stable
November 25, 2021 Thursday	70.023	TL	May 25, 2022 Wednesday	Stable
November 30, 2021 Tuesday	150.000	TL	February 1, 2022 Tuesday	Stable
December 1, 2021 Wednesday	30.000	TL	May 5, 2022 Thursday	Stable
December 9, 2021 Thursday	250.000	TL	February 8, 2022 Tuesday	Stable
December 14, 2021 Tuesday	114.100	TL	June 13, 2022 Monday	Stable
December 16, 2021 Thursday	350.000	TL	March 1, 2022 Tuesday	Stable
December 21, 2021 Tuesday	61.870	TL	March 23, 2022 Wednesday	Stable
December 28, 2021 Tuesday	326.080	TL	March 29, 2022 Tuesday	Stable
December 28, 2021 Tuesday	35.004	TL	September 27, 2022 Tuesday	Stable

(\*)The calculated annual gross simple return rate of the 95/5 profit sharing ratio Special Fund Account pool, which forms the basis for the issuance of a lease certificate with the TRDEVKS62216 ISIN code, has been calculated as 19.18513%. In this respect, the 1st period annual simple gross return rate of the aforementioned lease certificate was determined as 19.18513%, and the 91-day periodic rate of return was determined as 4.78314%.

**a. Spreadsheet on securities issued**

	Current Period		Prior Period	
	TL	FC	TL	FC
Lease Certificate	2.862.381	-	3.028.652	-
<b>Total</b>	<b>2.862.381</b>	<b>-</b>	<b>3.028.652</b>	<b>-</b>

**4. Information on derivative financial liabilities**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	28.560	-	1.710	7
Swap Transactions	77.620	3.810	41.569	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>106.180</b>	<b>3.810</b>	<b>43.279</b>	<b>7</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**5. Information on Finance Lease Payables (Net)**

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than 1 year	29.067	-	17.179	-
Between 1-5 years	110.855	-	67.791	-
Over 5 years	51.576	-	34.368	-
<b>Total</b>	<b>191.498</b>	<b>-</b>	<b>119.338</b>	<b>-</b>

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

None (December 31, 2020: None).

**7. Information on provisions**

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

Provisions for Group's employee benefits consist of reserve for employee termination benefits amounting to TL 8.170 (December 31, 2020: TL 4.265), vacation pay liability amounting to TL 4.543 (December 31, 2020: TL 2.400), 13.879 TL (December 31, 2020: 7.817 TL) performance premium provision, the Bank's total amount of provisions for employee rights is TL 26.592 (December 31, 2020: TL 14.482).

The Group has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	19,10	11,80
Estimated increase rate of salary ceiling (%)	15,80	9,50

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

	Current Period	Prior Period
Prior period ending balance	4.265	2.282
Change in the period	4.011	1.217
Actuarial (gain)/loss	(106)	766
<b>Balance at the end of the period</b>	<b>8.170</b>	<b>4.265</b>

**b. Other Provisions:**

	Current Period	Prior Period
Provisions allocated from profit shares to be distributed to profit sharing accounts	52.475	50.792
Provisions for cases on trial	5.090	5.331
Impairment provision	1.871	236
Expected expected credit loss for Stage 1 and Stage 2 for non-cash loans	32.211	23.382
<b>Total</b>	<b>91.647</b>	<b>79.741</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

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

None (December 31, 2020: None).

**8. Information on taxes payable**

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

**a.1. Explanations on the provision for money**

As of December 31, 2021, the Group does not have any tax debt remaining after deducting the corporate taxes paid (December 31, 2020: None).

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

	Current Period	Prior Period
Corporate taxes payable	38.994	-
Banking insurance transaction tax	11.335	5.134
Income tax deducted from wages	9.571	4.443
Taxation on securities income	8.068	4.420
Foreign exchange transaction tax	2.230	425
Value added tax payable	1.116	1.173
Taxation on real estate income	480	129
Other	414	345
<b>Total</b>	<b>72.208</b>	<b>16.069</b>

**a.3. Information on premiums**

	Current Period	Prior Period
Social security premiums-employee	4.840	2.580
Social security premiums-employer	3.305	1.762
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Bank pension fund premium- employees	-	-
Bank pension fund premium- employer	-	-
Pension fund membership fees and provisions-employees	480	258
Pension fund membership fees and provisions- employer	240	129
Other	137	102
<b>Total</b>	<b>9.002</b>	<b>4.831</b>

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

None (December 31, 2020: None).

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**10. 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
Borrowing Instruments to be Included in Additional Capital Calculation	-	2.669.412	-	1.545.981
Subordinated Loans	-	2.669.412	-	1.545.981
Subordinated Debt Instruments	-	-	-	-
Debt Instruments to be Included in the Contribution Capital Calculation	-	-	-	-
Subordinated Loans	-	-	-	-
Subordinated Debt Instruments	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2.669.412</b>	<b>-</b>	<b>1.545.981</b>

As of December 31, 2021 the Group has an subordinated debt that the creditor is Türkiye Varlık Fonu Yönetimi A.Ş., with TRT240424F22 ISIN code, with initial date April 24, 2019, with at least five-year repayment option and with no fixed term, amounting to EUR 200.000.000 (Full EUR). The related borrowing instrument has no option to pay dividends and convert to share certificates.

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

None (December 31, 2020: None).

**12. Information on shareholders' equity**

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

	Current Period	Prior Period
Common stock	1.026.915	1.026.915
Preferred stock	-	-

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

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	1.026.915	1.026.915

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

None.

**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.



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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

**e. Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments**

There are no capital commitments (December, 31 2020: None).

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

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

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

There is no privilege given to stocks representing the capital.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From investments in associates, subsidiaries, and joint ventures	-	-	-	-
Valuation difference	56.776	(11.452)	(952)	(32)
Foreign exchange difference	-	-	-	-
<b>Total</b>	<b>56.776</b>	<b>(11.452)</b>	<b>(952)</b>	<b>(32)</b>

**i. Information on other capital reserves**

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

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

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**1. Explanations on off balance sheet:**

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

	Current Period	Prior Period
Forward Asset Purchase Commitments	1.121.875	323.542
Forward Asset Sale Commitments	640.535	175.454
Payment Commitments for Cheques	107.379	31.642
Tax and Fund Liabilities Arising from Export Commitments	-	-
Credit Cards Limit Commitments	-	-
Other Irrevocable Commitments	235.387	131.859
<b>Total</b>	<b>2.105.176</b>	<b>662.497</b>

**b. Type and amount of possible losses and commitments arising from off-balance sheet items:**

**b.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit:**

	Current Period	Prior Period
Letters of Guarantees	4.880.620	2.187.919
Letters of Credit	522.524	850.386
Bank Loans	757.757	123.057
Other Guarantees and Sureties	-	-
<b>Total</b>	<b>6.160.901</b>	<b>3.161.362</b>

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

	Current Period	Prior Period
Temporary letters of guarantees	220.690	152.583
Advance letters of guarantees	494.061	93.831
Letters of guarantees given to customs	74.950	18.563
Long standing letters of guarantees	2.597.998	1.922.942
Letters of guarantees given for obtaining cash loans	1.460.050	-
Other	32.871	-
<b>Total</b>	<b>4.880.620</b>	<b>2.187.919</b>

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

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

	Current Period	Prior Period
Non-cash loans given against cash loans	1.460.050	-
With original maturity of 1 year or less	305.832	-
With original maturity of more than 1 year	1.154.218	-
Other non-cash loans	645.126	662.497
<b>Total</b>	<b>2.105.176</b>	<b>662.497</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

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

	Current Period			
	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>14.579</b>	<b>0,48</b>	<b>20.775</b>	<b>0,66</b>
Farming and stockbreeding	-	-	-	-
Forestry	14.579	0,48	20.775	0,66
Fishery	-	-	-	-
<b>Manufacturing</b>	<b>302.892</b>	<b>10,01</b>	<b>1.908.559</b>	<b>60,85</b>
Mining	-	-	-	-
Production	277.305	9,17	1.876.943	59,84
Electricity, gas and water	25.587	0,85	31.616	1,01
<b>Construction</b>	<b>1.430.97</b>			
	<b>0</b>	<b>47,31</b>	<b>100.610</b>	<b>3,21</b>
<b>Services</b>	<b>973.518</b>	<b>32,20</b>	<b>638.102</b>	<b>20,35</b>
Wholesale and retail trade	661.215	21,86	497.166	15,85
Hotel, food and beverage services	40.192	1,33	-	-
Transportation and telecommunication	93.819	3,10	34.708	1,11
Financial Institutions	232	0,01	14.949	0,48
Real estate and renting services	6.499	0,21	-	-
Self-employment services	20.939	0,71	-	-
Education services	90.298	2,99	32.873	1,05
Health and social services	60.324	1,99	58.406	1,87
<b>Other</b>	<b>302.475</b>	<b>10,00</b>	<b>468.421</b>	<b>14,93</b>
<b>Total</b>	<b>3.024.434</b>	<b>100,00</b>	<b>3.136.467</b>	<b>100,00</b>

  

	Prior Period			
	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>40.415</b>	<b>2,88</b>	<b>10.822</b>	<b>0,62</b>
Farming and stockbreeding	3.863	0,28	-	-
Forestry	36.552	2,61	10.822	0,62
Fishery	-	-	-	-
<b>Manufacturing</b>	<b>183.692</b>	<b>13,10</b>	<b>727.493</b>	<b>41,36</b>
Mining	300	0,02	-	-
Production	117.125	8,35	727.493	41,36
Electricity, gas and water	66.267	4,73	-	-
<b>Construction</b>	<b>790.882</b>	<b>56,40</b>	<b>39.945</b>	<b>2,26</b>
<b>Services</b>	<b>363.209</b>	<b>25,90</b>	<b>788.415</b>	<b>44,82</b>
Wholesale and retail trade	270.513	19,29	682.734	38,81
Hotel, food and beverage services	26.461	1,89	89.858	5,11
Transportation and telecommunication	30.237	2,16	6.991	0,40
Financial Institutions	-	-	-	-
Real estate and renting services	11.414	0,81	-	-
Self-employment services	-	-	-	-
Education services	22.862	1,63	5.079	0,29
Health and social services	1.722	0,12	3.753	0,21
<b>Other</b>	<b>24.083</b>	<b>1,72</b>	<b>192.406</b>	<b>10,94</b>
<b>Total</b>	<b>1.402.281</b>	<b>100,00</b>	<b>1.759.081</b>	<b>100,00</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

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

Current Period	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>2.993.110</b>	<b>3.136.467</b>	<b>30.874</b>	<b>-</b>
Letters of guarantee	2.988.872	1.863.037	28.261	-
Bank loans	-	-	-	-
Letters of credit	738	519.173	2.613	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	3.500	754.257	-	-
<hr/>				
Prior Period	I st Group		II nd Group	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>1.402.281</b>	<b>1.759.081</b>	<b>-</b>	<b>-</b>
Letters of guarantee	1.298.020	889.899	-	-
Bank loans	-	-	-	-
Letters of credit	73.261	49.796	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	31.000	819.386	-	-

**2. Explanations on derivative transactions**

	Derivative transactions according to purpose 31 December 2021	Derivative transactions according to purpose 31 December 2020
<b>Trading Derivatives</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>6.800.647</b>	<b>1.474.288</b>
Currency Forwards-Purchases, sales	549.415	214.345
Currency Swaps-Purchases, sales	6.251.232	1.259.943
Currency Futures	-	-
Currency Options-Purchases, sales	-	-
<b>Profit share Rate Related Derivative Transactions (II)</b>	<b>-</b>	<b>-</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>-</b>	<b>-</b>
<b>A. Total Trading Derivatives (I + II + III)</b>	<b>6.800.647</b>	<b>1.474.288</b>
<b>Hedging Derivatives</b>	<b>-</b>	<b>-</b>
Fair value hedges	-	-
Cash flow hedges	-	-
Foreign currency investment hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>-</b>	<b>-</b>
<b>Total Derivatives Transactions (A+B)</b>	<b>6.800.647</b>	<b>1.474.288</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

None (December 31, 2020: None).

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

The Group has made a provision amounting to TL 5.090 (December 31, 2020: TL 5.331), as presented under "Other Provisions" note in Section Five Note II.6 .b, for the lawsuits opened by various real persons and legal entities against the Group with high probability of realization and cash outflows.

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

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

**IV. Explanations and notes related to consolidated the statement of income or loss:**

**1. Information on profit share income:**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share received from loans</b>				
Short Term Loans	624.070	35.777	279.772	5.673
Medium and Long Term Loans	1.019.648	150.686	384.051	122.417
Profit Share on Non-Performing Loans	456	-	-	-
<b>Total</b>	<b>1.644.174</b>	<b>186.463</b>	<b>663.823</b>	<b>128.090</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	53.119	-	10.681	-
Domestic Banks	153	-	535	-
Foreign Banks	-	-	-	-
Head Offices and Branches Abroad	-	-	-	-
<b>Total</b>	<b>53.272</b>	<b>-</b>	<b>11.216</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	41.372	20.595	35.764	19.033
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	249.306	29.416	70.549	5.444
Financial Assets Measured at Amortized Cost	-	86.046	-	62.122
<b>Total</b>	<b>290.678</b>	<b>136.057</b>	<b>106.313</b>	<b>86.599</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**1. Information on profit share income (continued):**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Income received from associates and subsidiaries	4.116	-	1.241	-
<b>Total</b>	<b>4.116</b>	<b>-</b>	<b>1.241</b>	<b>-</b>

**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 month	Up to 6 month	Up to 9 month	Up to 1 year	More than 1 year	Accumulated participation accounts	Total
<b>TL</b>								
Funds collected from banks through current and profit sharing accounts	735	40.765	-	-	-	-	-	41.500
Real persons' non-trading profit sharing accounts	15.617	58.244	1.445	-	227	4.803	-	80.336
Public sector profit sharing accounts	56.929	76.085	10.808	-	2.757	-	-	146.579
Commercial sector profit sharing accounts	105.549	462.828	12.225	-	8.521	9.802	-	598.925
Other institutions profit sharing accounts	3.028	59.696	14.117	-	-	-	-	76.841
<b>Total</b>	<b>181.858</b>	<b>697.618</b>	<b>38.595</b>	<b>-</b>	<b>11.505</b>	<b>14.605</b>	<b>-</b>	<b>944.181</b>
<b>FC</b>								
Banks	-	570	725	-	-	-	-	1.295
Real persons' non-trading profit sharing accounts	2.068	16.460	1.092	-	229	103	-	19.952
Public sector profit sharing accounts	-	98	-	-	-	-	-	98
Public sector profit sharing accounts	2.501	52.794	4.516	-	418	-	-	60.229
Other institutions profit sharing accounts	29	737	-	-	-	-	-	766
Precious metals deposits	2.285	-	-	-	-	-	-	2.285
<b>Total</b>	<b>6.883</b>	<b>70.659</b>	<b>6.333</b>	<b>-</b>	<b>647</b>	<b>103</b>	<b>-</b>	<b>84.625</b>
<b>Grand Total</b>	<b>188.741</b>	<b>768.277</b>	<b>44.928</b>	<b>-</b>	<b>12.152</b>	<b>14.708</b>	<b>-</b>	<b>1.028.806</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**2. Explanations on profit share expenses (continued):**

**a. Distribution of profit share expense on funds collected based on maturity of funds collected:**

Prior 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 years	Accumulated participation accounts	Total
<b>TL</b>								
Funds collected from banks through current and profit sharing accounts	-	-	-	-	-	-	-	-
Real persons' non-trading profit sharing accounts	2.166	25.195	2.530	-	438	1.466	-	31.795
Public sector profit sharing accounts	23.242	32.758	10.766	-	404	-	-	67.170
Commercial sector profit sharing accounts	17.023	196.581	7.407	-	1.198	104	-	222.313
Other institutions profit sharing accounts	928	15.020	5.979	-	-	-	-	21.927
<b>Total</b>	<b>43.359</b>	<b>269.554</b>	<b>26.682</b>	<b>-</b>	<b>2.040</b>	<b>1.570</b>	<b>-</b>	<b>343.205</b>
<b>FC</b>								
Banks	-	3.773	-	-	-	-	-	3.773
Real persons' non-trading profit sharing accounts	362	2.849	96	-	54	6	-	3.367
Public sector profit sharing accounts	-	311	-	-	-	-	-	311
Public sector profit sharing accounts	1.094	43.893	1.510	-	705	417	-	47.619
Other institutions profit sharing accounts	17	3.008	-	-	-	-	-	3.025
Precious metals deposits	927	-	-	-	-	-	-	927
<b>Total</b>	<b>2.400</b>	<b>53.834</b>	<b>1.606</b>	<b>-</b>	<b>759</b>	<b>423</b>	<b>-</b>	<b>59.022</b>
<b>Grand Total</b>	<b>45.759</b>	<b>323.388</b>	<b>28.288</b>	<b>-</b>	<b>2.799</b>	<b>1.993</b>	<b>-</b>	<b>402.227</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**2. Explanations on profit share expenses (continued):**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	7.959	11.456	3.151	5.178
CBRT	-	-	-	-
Domestic banks	7.959	7.374	3.151	3.506
Foreign banks	-	4.082	-	1.672
Head offices and branches abroad	-	-	-	-
Other institutions	1.146	93.014	-	67.112
<b>Total</b>	<b>9.105</b>	<b>104.470</b>	<b>3.151</b>	<b>72.290</b>

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

None (December 31, 2020 :None)

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share expense paid to marketable securities issued	575.568	-	111.112	-
<b>Total</b>	<b>575.568</b>	<b>-</b>	<b>111.112</b>	<b>-</b>



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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**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**

<b>Other Fees and Commissions Received</b>	<b>Current Period</b>	<b>Prior Period</b>
Banking service package commissions	16.056	280
Foreign trade service package commissions	15.836	291
Remittance Commissions	10.492	5.819
Appraisal fees	4.153	1.360
Advance import transfer commissions	3.548	301
Fees and commissions from correspondents	2.744	443
Insurance and brokerage commissions	2.401	2.051
Early closing commission income	2.390	2.772
Import commissions against documents	2.078	6.681
Collection disbursement commissions	1.915	884
Import letter of credit commissions	1.613	968
Commercial customer credit limit allocation commission	962	1.024
Bill of collection/check commissions	623	217
Mortgage release and facility fee income	444	120
Fees and commissions from member merchant pos	345	-
Safe deposit box revenues	293	44
Credit card fees and commissions	218	39
Export letter of credit commissions	176	15
Bill of collection/check commissions	157	23
Fees and commissions from correspondents	37	5
Gr gold delivery and purchase commissions	33	18
Import commissions against goods	31	5
Commissions from special package services	2	136
Other commissions	4.006	1.557
<b>Total</b>	<b>70.553</b>	<b>25.053</b>

<b>Other Fees and Commissions Given</b>	<b>Current Period</b>	<b>Prior Period</b>
Expenses and commissions given to correspondents abroad	12.735	2.508
Required reserve commissions given for CBRT FX	1.274	6.577
Commissions and fees given for EFT	1.071	450
Gold precious metal expense	583	128
Commissions and fees given to the clearing house	449	220
Collection disbursement commissions	446	232
Commissions and fees given for credit cards	296	340
Commissions and fees given for Swift	243	227
Commissions given to credits used	138	138
Commissions and fees for Merchant POS	56	-
Commissions of collection note / check commissions	22	5
Safe deposit box fees paid to banks and branches	6	3
Exchange registration expenses	4	-
Commissions on Money market transactions	-	9
Remittance commissions	-	3
Other commissions and fees	755	1.652
<b>Total</b>	<b>18.078</b>	<b>12.492</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**4. Information on dividend income:**

None (December 31, 2020: None).

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

	Current Period	Prior Period
<b>Income</b>	<b>3.720.748</b>	<b>1.151.063</b>
Income from capital market transactions	27.770	7.117
Income from derivative financial instruments	606.380	128.284
Foreign exchange income	3.086.598	1.015.662
<b>Loss (-)</b>	<b>3.664.246</b>	<b>1.128.802</b>
Loss on capital market transactions	24.922	112
Loss on derivative financial instruments	722.551	319.573
Foreign exchange losses	2.916.773	809.117
<b>Trading income/loss (net)</b>	<b>56.502</b>	<b>22.261</b>

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

	Current Period	Prior Period
Income from provisions made in previous years	77.669	31.868
Income from sales of assets(*)	43.017	42.499
Revenues from provisions allocated in previous years	274	124
Cancellation of communication expenses provision	24	-
Lease income	8	8
Other income	9.655	10.891
<b>Total</b>	<b>130.647</b>	<b>85.390</b>

(\*) Included 30.517 Turkish Lira from sales of the shares of the Vakıf in return of the debt of Emlak Menkul Değerler A.Ş. before its liquidation between 1998 to 1999.

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

	Current Period	Prior Period
<b>Expected Credit Loss</b>	<b>110.213</b>	<b>87.148</b>
12-month expected credit loss (stage 1)	96.440	86.858
Significant increase in credit risk (stage 2)	549	191
Non-performing loans (stage 3)	13.224	99
<b>Marketable Securities Impairment Expense</b>	<b>6.024</b>	<b>25.503</b>
Financial Assets at Fair Value through Profit or Loss	6.024	25.503
Financial Assets at Fair Value through Other Comprehensive Income	-	-
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Investments Held to Maturity	-	-
<b>Other</b>	<b>9.087</b>	<b>14.188</b>
<b>Total</b>	<b>125.324</b>	<b>126.839</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

**7. Expected loss provision expenses and other provision expenses (continued):**

	Current Period	Prior Period
<b>Expected Credit Loss</b>	<b>110.213</b>	<b>87.148</b>
12-month expected credit loss (stage 1)	96.440	86.858
Significant increase in credit risk (stage 2)	549	191
Non-performing loans (stage 3)	13.224	99
<b>Marketable Securities Impairment Expense</b>	<b>6.024</b>	<b>25.532</b>
Financial Assets at Fair Value through Profit or Loss	6.024	25.532
Financial Assets at Fair Value through Other Comprehensive Income	-	-
<b>Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease</b>	<b>-</b>	<b>-</b>
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Investments Held to Maturity	-	-
<b>Other</b>	<b>9.087</b>	<b>14.188</b>
<b>Total</b>	<b>125.324</b>	<b>126.868</b>

**8. Information on other operating expenses:**

	Current Period	Prior Period
Provision for severance pay liability	3.709	414
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	65.438	30.916
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	16.987	15.844
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	-	-
<b>Other operating expenses</b>	<b>71.377</b>	<b>49.592</b>
Lease expenses related to TFRS 16 exemptions	13	14
Operating Maintenance expenses	9.633	4.521
Advertisement expenses	10.052	13.122
Other expenses <sup>(1)</sup>	51.679	31.935
Loss on sale of assets	-	-
Other <sup>(2)</sup>	46.302	22.412
<b>Total</b>	<b>203.813</b>	<b>119.178</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

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

	Current Period	Prior Period
Communication Expenses	13.685	9.264
Cleaning Expenses	9.102	5.000
Heating, Lighting and Water Expenses	5.608	3.372
Insurance Expenses	2.979	1.592
Vehicle Expenses	2.915	1.319
Representation and Hospitality expenses	2.705	1.307
Donations and grants	1.444	1.018
Stationery expenses	836	1.012
Participation on common expenses	771	397
Litigation and court expenses	565	1.405
Other	11.069	6.249
<b>Total</b>	<b>51.679</b>	<b>31.935</b>

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

	Current Period	Prior Period
Taxes, Duties, Charges and Funds	25.995	13.750
Audit and Consultancy Fees	7.835	3.563
Participation Share Expenses	2.886	2.649
Saving Deposit Insurance Fund	3.749	1.118
Other	5.837	1.332
<b>Total</b>	<b>46.302</b>	<b>22.412</b>

**Fees for servies obtained from independent auditor/independent audit firm:**

In accordance with the decision of the KGK dated March 26, 2021, the fee information fort he reporting period regarding the services received from the independent auditor or our independent audit firm is given in the table below. The fees for services rendered to the Parent Bank's domestic subsidiaries, as well as the Parent Bank, are included in the aforementioned fees, which are stated as VAT excluded.

	Current Period	Prior Period
Independent audit fee for the reporting period	908	743
<b>Total</b>	<b>908</b>	<b>743</b>

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

The portion of the Group's profit before tax amounting to TL 532.385 (December 31, 2020: TL 371.613) consists of net profit share income and TL 82.984 (December 31, 2020: TL 21.113) consists of net fee and commission expenses, and the total of other operating expenses is 203.813. TL (December 31, 2020: TL 119.177).

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

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

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

As of December 31, 2021, the Group has deferred tax income amounting to TL 100.119 (December 31, 2020: TL 94.719), deferred tax expense amounting to TL 94.228 (December 31, 2020: TL 70.865). As of December 31, 2021, the Group's current tax provision is TL 39.162 (31 December 2020: None).

Since the Group does not have any discontinued operations, there is no tax provision for discontinued operations (December 31, 2020: None).

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

The Group has no discontinued operations. The net profit for the period has been recorded as TL 188.464 (December 31, 2020: TL 104.480) as a result of deducting the period tax provision expense from TL 45.053 (31 December, 2020: TL 23.855) to TL 143.411 (31 December, 2020: TL 80.626).

**12. Explanations on net income/ loss**

**a. The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Group's performance for the period**

None.

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

None.

**c. Profit / loss attributable to minority shares**

None.

**V. Explanations and notes related to the 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 750.000 of the previous year's loss of TL 1.026.915 from other profit reserves with the decision of the General Assembly dated December 7, 2020.

**1. Due to the application of the accounting for financial instruments in the current period information on increases that have occurred**

**a. Information on the increases that occurred after the revaluation of financial assets at fair value difference is reflected in other comprehensive income**

None (December 31, 2020: None).

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

None (December 31, 2020: None).

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

None (December 31, 2020: None).

**2. Due to the application of the accounting for financial instruments in the current period information about the decreases occurring**

**a. Information on the decreases occurring after the revaluation of financial assets at fair value difference is reflected in other comprehensive income**

In the current period, increase occurring after the revaluation of financial assets at fair value difference in other comprehensive income is TL 984 (December 31, 2020: None).

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

- V. Explanations and notes related to the statement of changes in shareholders' equity (continued)**
- 2. Due to the application of the accounting for financial instruments in the current period information about the decreases occurring (continued)**
- b. Information on decreases in cash flow hedging items**
- None (December 31, 2020: 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 Group 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 (December 31, 2020: None).
- b) Explanations on other capital increase items in the statement of changes in equity**
- None.

**VI. Explanations and notes related to consolidated 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.

Cash and cash equivalents at the beginning of the period:

	<b>Current Period</b>	<b>Prior Period</b>
<b>Cash</b>	<b>812.166</b>	<b>89.551</b>
Cash in TL/foreign currency	135.297	17.505
Cash in transit	449.875	-
CBRT	226.994	72.046
<b>Cash equivalents</b>	<b>910.842</b>	<b>162.057</b>
Domestic banks	730.588	152.078
Foreign banks	180.254	9.979
<b>Total cash and cash equivalents</b>	<b>1.723.008</b>	<b>251.608</b>

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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

**VI. Explanations and notes related to the statement of cash flows (continued)**

**1. Components of cash and cash equivalents and accounting policy applied in their determination (continued):**

Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
<b>Cash</b>	<b>1.729.354</b>	<b>812.166</b>
Cash in TL/foreign currency	275.301	135.297
Cash in transit	610.394	449.875
CBRT	843.659	226.994
<b>Cash equivalents</b>	<b>1.533.115</b>	<b>910.842</b>
Domestic banks	256.446	730.588
Foreign banks	1.276.669	180.254
<b>Total cash and cash equivalents</b>	<b>3.262.469</b>	<b>1.723.008</b>

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

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

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

Included in "Banking activity subject to assets and liabilities prior to change in operating profit" Other item amounting to TL 1.537.670 (December 31, 2020: TL (73.818)) mainly consists of general provisions expense and other operating expenses.

The "net increase / decrease in other liabilities" item in the "change in assets and liabilities subject to banking activities" amounting to TL 1.438 (December 31, 2020: TL 1.359.093 ) 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 661.570 (December 31 2020: TL 375.282) in the accounting period ended on 31 December 2019.

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

1. The volume of transactions related to the risk group that the Parent Bank belongs to, credit and fund transactions collected at the end of the period, income and expenses for the period

**a. Current Period**

Risk Group of the Bank (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
<b>Profit Share and Commission Income</b>	-	-	-	-	-	-

(\*) It is defined in Article 49 of the Banking Law No. 5411 and Article 4 of the "Regulation on Credit Transactions of Banks" published on 1 November 2006.

**b. Prior Period**

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
<b>Profit Share and Commission Income</b>	-	-	-	-	-	-

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

Risk Group of the Parent Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Parent Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and profit sharing accounts</b>						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
<b>Profit share expense</b>	-	-	-	-	-	-

**c.2. Information on forward and option agreements and other similar agreements with the risk group of the Parent Bank:**

The Parent Bank does not have any forward foreign exchange purchase / sales contracts with the risk group it is included.

**d. Information on benefits provided to the top management of the Parent Bank:**

The total amount of wages and benefits provided to the top management of the Parent Bank for the period ended December 31, 2021 is TL 6.317 (December 31, 2020: TL 5.442).



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

**NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

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

**VIII. Explanations related to domestic, foreign and offshore branches or investments and foreign representative offices**

**1. Information on the domestic and foreign branches and representative offices of the Parent Bank:**

	Number	Number of personnel			
Domestic Branches(*)	70	1.107			
			<b>Country</b>		
Foreign Representation Office	-	-	-		
				<b>Total Assets (Thousand TL)</b>	<b>Statutory Share Capital</b>
Foreign Branches	-	-	-	-	-
Off-Shore Branches	-	-	-	-	-

(\*) The number of personnel in the Head Office is included in the number of domestic branch employees.

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

The Parent Bank has not open branches abroad in 2021. The Bank has opened 20 branches in different regions in the country.

**IX. Explanations related to subsequent events**

The Parent Bank will be a resource institution / fund user, and by Emlak Katılım Varlık Kiralama A.Ş., domestically, limited to TL 20.000.000, orderly, in Turkish Lira, Based on the lease certificate structure based on the Management Contract foreseen in the terms of 1-60 months and the Communiqué on Lease Certificates (III-61.1), the application to the Capital Markets Board (CMB) regarding the issuance of lease certificates to be sold to the allocated and / or qualified investor was approved by the CMB's decision dated February 3, 2022 and numbered 6/166. Within the scope of the relevant lease certificate issue ceiling, by Emlak Katılım Varlık Kiralama A.Ş., in February 3, 2022, within the scope of the approval of a consistent regular issuance of TL 20.000.000 from the CMB for sale to qualified investors,

- On January 4, 2022, TL 200.000 with 56 days maturity for domestic qualified investors,
- On January 6, 2022, TL 74.298 with 92 days maturity, for domestic qualified investors,
- On January 11, 2022, TL 52.195 with 91 days maturity, for domestic qualified investors,
- On January 24, 2022, TL 400.000 with 92 days maturity, for domestic qualified investors,
- On January 31, 2022, TL 500.000 with 63 days maturity, for domestic qualified investors,
- On January 31, 2022, TL 215.000 with 63 days maturity, for domestic qualified investors,
- On February 1, 2022, TL 250.000 with 79 days maturity, for domestic qualified investors,
- On February 2, 2022, TL 50.000 with 62 days maturity, for domestic qualified investors,
- On October 3 2022, 209- day maturity, TL 60.000 as allocated in the country,
- On February 8, 2022, TL 150.000 with 65 days maturity, for domestic qualified investors,
- On February 10, 2022 in domestic market for qualified investors with 64 days maturity TL 160,000 worth of lease certificate were issued.

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

Regulation on Banks' Participation account balance consists of TL 110,692 "Turkish Lira Time Deposits with Currency Protection" opened within the scope of the announcement of the Ministry of Treasury and Finance dated 24 December 2021 and the product "Turkish Lira Time Deposit with Currency Conversion Currency Protection" published by the CBRT in the Official Gazette dated 21 December 2021 and numbered 31696. It also includes the balances of TL 57.150 Equity and Debt Instruments to be Included in the Equity Calculation of Banks published by the Banking Regulation and Supervision Agency ("BDDK"), equal to the amount in Euros, equivalent to 500.000 Turkish Lira equivalent of the fund affiliated to the Turkey Wealth Fund, to be converted at the current exchange rate on the value date. Negotiations continue regarding the provision of an additional capital loan within the scope of the Communiqué on the Principles.

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

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

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

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

## **SECTION SIX**

### **Other explanations**

#### **I. Other explanations on operations of the Group**

None.

## **SECTION SEVEN**

### **Independent Auditor's Report**

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

The consolidated financial statements of the Group for the year-ended December 31, 2021 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited) and Auditors' Report dated March 1, 2022 is presented in the introduction of this report.

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

None.