

*(CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND
AUDITOR REPORT
ORIGINALLY ISSUED IN TURKISH)*

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2021
WITH INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Türk Ekonomi Bankası A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Türk Ekonomi Bankası AŞ (the “Bank”) and its consolidated subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of income, consolidated statement of income and expense items accounted for under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended and, notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with “the Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No.26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by BRSA and provisions of Turkish Accounting Standards (TAS) for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

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

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 matter was addressed in the audit |
|---|--|
| <p data-bbox="165 577 772 678"><i>Impairment of loans determined within the framework of TFRS 9 Financial Instruments Standard (“TFRS 9”)</i></p> <p data-bbox="165 712 772 981">Impairment of loans is an important area of jurisdiction for management. In the consolidated financial statements of the Group as at 31 December 2021, the total of loans and factoring receivables, which have a 57% share in the assets, is TL 112,542,675 thousand, and there is a total provision of TL 4,078,478 thousand allocated accordingly.</p> <p data-bbox="165 1014 772 1249">As of 1 January 2018, the Group has started to recognize provisions for impairment in accordance with TFRS 9 and also “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750.</p> <p data-bbox="165 1283 772 1653">In this respect, the method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note VIII of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p data-bbox="165 1686 772 1955">The Group exercises significant decisions using judgment, interpretation and assumptions over calculating loan impairments. These judgments, interpretations and assumptions are key in the development of the financial models. In addition, impairment of loans and receivables consist of significant judgments and assumptions regarding with Covid 19 effects.</p> <p data-bbox="165 1989 772 2042">Not fulfilling the requirements of the TFRS 9 is a potential risk for the Group. Failure in</p> | <p data-bbox="772 712 1404 779">Our audit procedures in this area include the following:</p> <p data-bbox="772 813 1404 1014">We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Group with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p data-bbox="772 1048 1404 1149">We have assessed and analysed the relevant contract terms to assess management’s accounting policy and classification of the instrument for selected samples.</p> <p data-bbox="772 1182 1404 1417">We have performed loan review procedures on selected samples of loans and receivables considering effects of Covid 19 with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.</p> <p data-bbox="772 1451 1404 1888">We have tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable regarding with Covid 19 effects, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p data-bbox="772 1921 1404 1989">We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> |

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| <p>determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans and receivables is considered as a key audit matter.</p> <p>Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.6.</p> | <p>We have tested whether the model is applied to appropriate segments of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.</p> <p>We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.</p> <p>Based on our discussions with the Group management, we evaluated whether the key assumptions and other judgements considering Covid 19 effects underlying the estimations of impairments were reasonable.</p> <p>We assessed expected credit losses determined based on individual assessment per Group's policy by means of supporting data and evaluated appropriateness via communications with the Group management considering Covid 19 effects.</p> <p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Group with respect to loans and receivables and related impairment provisions.</p> |
| <p><i>Pension fund obligations</i></p> <p>Defined benefit pension plan that the Group provides to its employees is managed by Fortis Bank AŞ Mensupları Emekli Sandığı ("Plan") which is established by the 20th provisional article of the Social Security Law numbered 506 (the "Law").</p> <p>As disclosed in the Section III Note XVII to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Group that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds</p> | <p>Our audit work included the following procedures:</p> <p>We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Group's actuary.</p> <p>We have assessed whether there is a significant change in the actuarial assumptions, methods, legal</p> |

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| <p>and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation voucher. As of 31 December 2021, the Group's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.</p> <p>As described in Section V Note II.8.c2 considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this as a key audit matter.</p> | <p>regulations and legislation used in the calculations and whether the assumptions are reasonable.</p> |
| <p><i>Information technologies audit</i></p> <p>The Group and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Group and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Group means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk-based scoping.</p> | <p>Procedures within the context of our information technology audit work:</p> <ul style="list-style-type: none"> • We identified and tested the Group's controls over information systems as part of our audit procedures. • Information generation comprise all layers of information systems (including applications, networks, transmission systems and database). The information systems controls tested are categorized in the following areas: <ul style="list-style-type: none"> • Security Management • Change Management • Data Center and Network Operations Management • We selected high-risk areas as, database logging and change management control activities, to |

| | |
|--|--|
| | <p>prevent and detect whether accesses to financial data had been identified in a timely manner.</p> <ul style="list-style-type: none">• We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.• Automated controls and integration controls were tested to underly and detect changes and accesses in the process of financial data generation.• We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.• Finally, we understood and tested the controls over database, network, application and operating system layers of applications. |
|--|--|

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the 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.

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

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the 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 the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA 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 the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional scepticism 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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.

B) Other Responsibilities Arising From Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Group’s set of accounts for the period 1 January - 31 December 2021 does not comply with TCC and the provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Yaman Polat.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Yaman Polat
Partner

İstanbul, 8 February 2022

**CONSOLIDATED FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF FOR THE YEAR ENDED 31 DECEMBER 2021**

Address : Saray Mahallesi Sokullu Caddesi No:7/A – 7/B
Ümraniye 34768 - İstanbul
Telephone : (0 216) 635 35 35
Fax : (0 216) 636 36 36
Website : www.teb.com.tr
E-mail : yatirimciiliskileri@teb.com.tr

The consolidated financial report for the year-end period, prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information about the Parent Bank
- Consolidated Financial Statements of the Parent Bank
- Explanations on the Accounting Policies Applied in The Related Period
- Information on Financial Structure and Risk Management of the Group which is under Consolidation
- Disclosures and Footnotes on Consolidated Financial Statements
- Other explanations
- Independent Auditor’s Audit Report

The subsidiaries, associates and jointly controlled entities, financial statements have been consolidated in this reporting package are as follows:

| | Subsidiaries | Associates | Jointly Controlled Entities |
|---|----------------------------------|-------------------|------------------------------------|
| 1 | TEB Yatırım Menkul Değerler A.Ş. | - | - |
| 2 | TEB Faktoring A.Ş. | - | - |
| 3 | TEB Portföy Yönetimi A.Ş. | - | - |

The accompanying audited consolidated financial statements for the year-end, related disclosures and footnotes which have been audited and presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidance, and incompliance with the financial records of the Parent Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

| | | | | | |
|--|---|--|---|---|---|
| Yavuz Canevi Chairman of the Board of Directors | Nicolas de Baudinet de Courcelles Chairman of the Audit Committee | Ayşe Aşardağ Vice Chairman of the Audit Committee | Ümit Leblebici Chief Executive Officer | M. Aşkın Dolaştır Assistant General Manager Responsible of Financial Reporting | Kamer Kıdıl Director Responsible of Financial Reporting |
|--|---|--|---|---|---|

Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title: Aslıhan Kaya / External Reporting Senior Manager
Tel No : (0216) 635 24 51
Fax No : (0216) 636 36 36

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TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

NOTES AND EXPLANATIONS TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION

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

Türk Ekonomi Bankası Anonim Şirketi (“The Bank” or “TEB”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş. was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009, BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50%.

II. Explanation on the Parent Bank’s Capital Structure, Shareholders of the Parent Bank who are in Charge of the Management and/or Auditing of the Parent Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Parent Bank’s Belongs to

As of 31 December 2021 and 31 December 2020 the shareholders’ structure and their respective ownerships are summarized as follows:

| Name of shareholders | 31 December 2021 | | 31 December 2020 | |
|--|------------------|---------------|------------------|---------------|
| | Paid in capital | % | Paid in capital | % |
| TEB Holding A.Ş. | 1,212,415 | 55.00 | 1,212,415 | 55.00 |
| BNPP Yatırımlar Holding A.Ş. | 518,342 | 23.51 | 518,342 | 23.51 |
| BNP Paribas Fortis Yatırımlar Holding A.Ş. | 467,879 | 21.23 | 467,879 | 21.23 |
| BNP Paribas SA | 5,253 | 0.24 | 5,253 | 0.24 |
| Kocaeli Chamber of Commerce | 501 | 0.02 | 501 | 0.02 |
| | 2,204,390 | 100.00 | 2,204,390 | 100.00 |

As of 31 December 2021, the Parent Bank’s paid-in-capital consists of 2,204,390,000 shares of TL 1.00 (full TL) nominal each.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

NOTES AND EXPLANATIONS TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Parent Bank They Possess

| <u>Name</u> | <u>Title</u> | <u>Education</u> |
|------------------------------------|--|------------------|
| Board of Directors; | | |
| Yavuz Canevi | Chairman of the Board of Directors | Master |
| Dr. Akın Akbaygil | Deputy Chairman of the Board of Directors | PhD |
| François Andre Jesualdo Benaroya | Deputy Chairman of the Board of Directors | University |
| Ayşe Aşardağ | Member of the Board of Directors and Vice Chairman of the Audit Committee | University |
| Yvan L.A. M. De Cock | Member of the Board of Directors | University |
| Sabri Davaz | Member of the Board of Directors and Audit Committee | Master |
| Sandrine Ferdane | Member of the Board of Directors | University |
| Xavier Henri Jean Guilmineau | Member of the Board of Directors | Master |
| Özden Odabaşı | Member of the Board of Directors | Master |
| Hans Wilfried J. Broucke | Member of the Board of Directors | Master |
| Nicolas de Baudinet de Courcelles | Member of the Board of Directors and Chairman of the Audit Committee | University |
| Ümit Leblebici | General Manager and the Executive Member | Master |
| Assistant General Managers; | | |
| Gökhan Mendi | Senior Assistant General Manager Responsible from Retail and Private Banking Group | Master |
| Ali İhsan Arıdaşır | Assistant General Manager Responsible from SME Loans | University |
| Melis Coşan Baban | Chief Legal Advisor and Secretary of the Board of Directors | Master |
| Ali Gökhan Çengiz | Assistant General Manager Responsible from SME Banking | Master |
| Mehmet Ali Cer | Assistant General Manager Responsible from Information Technologies | Master |
| Mustafa Aşkın Dolaştır | Assistant General Manager Responsible from Financial Affairs Group | Master |
| Osman Durmuş | Assistant General Manager Responsible from Retail and Small Business Credit Group | University |
| Orhan Hatipoğlu | Assistant General Manager of Banking Operations and Support Services Group | University |
| Gülümser Özgün Henden(**) | Assistant General Manager Responsible from Corporate Banking Group | University |
| Bade Sipahioğlu Işık | Assistant General Manager Responsible from Human Resources Group | Master |
| Dr. Tuğrul Özbakan | Assistant General Manager Responsible from Asset Liability Management and Treasury Group | PhD |
| Akil Özçay | Assistant General Manager Responsible from Financial Markets | Master |
| Gökhan Özdil | Assistant General Manager Responsible from Corporate Loans | University |
| Ömer Abidin Yenidoğan(***) | Assistant General Manager Responsible from Corporate Investment Banking Group | Master |
| Group Heads (*); | | |
| Nimet Elif Kocaayan | Head of Group Risk Management | University |
| Birol Deper | Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer | Master |
| Internal Audit (*); | | |
| Hakan Tıraşın | Head of Internal Audit | University |

(*) Group Heads and Head of Internal Audit are in Assistant General Manager status.

(**) Gülümser Özgün Henden, Executive Vice President of the Parent Bank's Corporate Banking Group; resigned from her position at the Bank as of 31 December 2021, due to her appointment as the General Manager of TEB Faktoring A.Ş., effective from 1 January 2022.

(***) Effective from 1 January 2022; The Corporate Banking Group of the Parent Bank and the Corporate Investment Banking Group were merged and the name was determined as "Corporate and Institutional Investment Banking Group". The title of Ömer Abidin Yenidoğan, Deputy General Manager of Corporate Investment Banking Group, has been changed to Assistant General Manager responsible for Corporate and Institutional Investment Banking Group.

The chairman and members of the Board of Directors mentioned above, as well as the general manager and assistants, do not have a share in the Bank's capital.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

NOTES AND EXPLANATIONS TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Information on the Parent Bank’s Qualified Shareholders

| Name/Commercial Name | Share Amount | Share Ratio | Paid up Shares | Unpaid Shares |
|--|--------------|-------------|----------------|---------------|
| TEB Holding A.Ş. | 1,212,415 | 55.00% | 1,212,415 | - |
| BNPP Yatırımlar Holding A.Ş. | 518,342 | 23.51% | 518,342 | - |
| BNP Paribas Fortis Yatırımlar Holding A.Ş. | 467,879 | 21.23% | 467,879 | - |

TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas Fortis Yatırımlar Holding A.Ş., while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by BNP Paribas Fortis NV/SA whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNPP Yatırımlar Holding A.Ş. are controlled by BNP Paribas SA.

V. Summary on the Parent Bank’s Functions and Lines of Activity

The Parent Bank’s operating areas include, corporate, commercial, SME, retail and private banking as well as project finance and custody operations. Besides the ordinary banking operations, the Parent Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetim A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 31 December 2021, the Parent Bank has 451 local branches and 4 foreign branches (31 December 2020: 451 local branches, 4 foreign branches). As of 31 December 2021, the number of employees of the Group is 8,869 (31 December 2020: 9,129).

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation about the Entities Subject to Full Consolidation or Proportional Consolidation and Entities which are deducted from Equity or Entities which are not Included in These Three Methods

There is no difference for the Bank, except for the non-financial subsidiary, between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Financial Statements of Banks in Turkey.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

TEB ARF Teknoloji A.Ş., a non-financial subsidiary owned 100% and by the Parent Bank, was registered in the Trade Registry Gazette on 16 July 2020. The Parent Bank presents TEB ARF Teknoloji A.Ş. in the subsidiaries line in its financial statements.

VII. Current or Likely, Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts between Parent Bank and its Subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet
- II. Consolidated Statement of Off-Balance Sheet Items
- 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. Statement of Profit Distribution

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2021 AND 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

| ASSETS | Section 5 Note | Audited Current Period 31.12.2021 | | | Audited Prior Period 31.12.2020 | | |
|---|-------------------|---|-------------------|--------------------|---------------------------------------|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. FINANCIAL ASSETS (Net) | | 20,145,808 | 45,387,952 | 65,533,760 | 20,312,342 | 23,955,693 | 44,268,035 |
| 1.1 Cash and Cash Equivalents | | 7,338,386 | 40,091,185 | 47,429,571 | 11,584,929 | 19,549,690 | 31,134,619 |
| 1.1.1 Cash and Balances with Central Bank | (I-1) | 5,718,495 | 30,072,800 | 35,791,295 | 3,431,921 | 13,519,382 | 16,951,303 |
| 1.1.2 Banks | (I-4) | 1,619,218 | 10,045,520 | 11,664,738 | 1,974,393 | 6,042,448 | 8,016,841 |
| 1.1.3 Money Markets | | 3,245 | - | 3,245 | 6,180,886 | - | 6,180,886 |
| 1.1.4 Expected Loss Provision (-) | | 2,572 | 27,135 | 29,707 | 2,271 | 12,140 | 14,411 |
| 1.2 Financial Assets at Fair Value Through Profit or Loss | | 2,001,648 | 792,140 | 2,793,788 | 511,090 | 1,119,802 | 1,630,892 |
| 1.2.1 Government Debt Securities | (I-2) | 1,942,260 | 549,168 | 2,491,428 | 463,550 | 984,266 | 1,447,816 |
| 1.2.2 Equity Securities | | 59,388 | 135,326 | 194,714 | 47,540 | 75,378 | 122,918 |
| 1.2.3 Other Financial Assets | | - | 107,646 | 107,646 | - | 60,158 | 60,158 |
| 1.3 Financial Assets at Fair Value Through Other Comprehensive Income | (I-5) | 3,002,601 | 4,173,355 | 7,175,956 | 5,629,411 | 3,022,986 | 8,652,397 |
| 1.3.1 Government Debt Securities | | 2,989,351 | 4,173,355 | 7,162,706 | 5,618,530 | 3,022,986 | 8,641,516 |
| 1.3.2 Equity Securities | | 13,250 | - | 13,250 | 10,881 | - | 10,881 |
| 1.3.3 Other Financial Assets | | - | - | - | - | - | - |
| 1.4 Derivative Financial Assets | | 7,803,173 | 331,272 | 8,134,445 | 2,586,912 | 263,215 | 2,850,127 |
| 1.4.1 Derivative Financial Assets at Fair Value Through Profit and Loss | (I-3) | 6,006,577 | 325,399 | 6,331,976 | 1,936,770 | 263,215 | 2,199,985 |
| 1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income | (I-12) | 1,796,596 | 5,873 | 1,802,469 | 650,142 | - | 650,142 |
| II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net) | | 88,788,499 | 39,222,999 | 128,011,498 | 77,577,144 | 16,143,819 | 93,720,963 |
| 2.1 Loans | (I-6) | 78,529,502 | 29,376,248 | 107,905,750 | 69,418,968 | 13,342,867 | 82,761,835 |
| 2.2 Lease Receivables | (I-11) | - | - | - | - | - | - |
| 2.3 Factoring Receivables | (I-18) | 2,142,281 | 2,494,644 | 4,636,925 | 1,548,931 | 955,007 | 2,503,938 |
| 2.4 Other Financial Assets Measured at Amortized Cost | (I-7) | 11,379,873 | 8,171,827 | 19,551,700 | 10,197,854 | 2,325,087 | 12,522,941 |
| 2.4.1 Government Debt Securities | | 11,379,873 | 8,171,827 | 19,551,700 | 10,197,854 | 2,325,087 | 12,522,941 |
| 2.4.2 Other Financial Assets | | - | - | - | - | - | - |
| 2.5 Expected Credit Loss (-) | (I-6,18) | 3,263,157 | 819,720 | 4,082,877 | 3,588,609 | 479,142 | 4,067,751 |
| III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net) | | 65,933 | - | 65,933 | 112,859 | - | 112,859 |
| 3.1 Held for Sale Purpose | (I-17) | 65,933 | - | 65,933 | 112,859 | - | 112,859 |
| 3.2 Related to Discontinued Operations | | - | - | - | - | - | - |
| IV. EQUITY INVESTMENTS | | 55 | - | 55 | 55 | - | 55 |
| 4.1 Investments in Associates (Net) | (I-8) | - | - | - | - | - | - |
| 4.1.1 Associates Valued Based on Equity Method | | - | - | - | - | - | - |
| 4.1.2 Unconsolidated Associates | | - | - | - | - | - | - |
| 4.2 Subsidiaries (Net) | (I-9) | 50 | - | 50 | 50 | - | 50 |
| 4.2.1 Unconsolidated Financial Subsidiaries | | - | - | - | - | - | - |
| 4.2.2 Unconsolidated Non-Financial Subsidiaries | | 50 | - | 50 | 50 | - | 50 |
| 4.3 Joint Ventures (Net) | (I-10) | 5 | - | 5 | 5 | - | 5 |
| 4.3.1 Joint Ventures Valued Based on Equity Method | | - | - | - | - | - | - |
| 4.3.2 Unconsolidated Joint Ventures | | 5 | - | 5 | 5 | - | 5 |
| V. PROPERTY AND EQUIPMENT (Net) | (I-13) | 934,431 | 25 | 934,456 | 845,976 | 91 | 846,067 |
| VI. INTANGIBLE ASSETS (Net) | (I-14) | 611,252 | - | 611,252 | 572,547 | - | 572,547 |
| 6.1 Goodwill | | 421,124 | - | 421,124 | 421,124 | - | 421,124 |
| 6.2 Other | | 190,128 | - | 190,128 | 151,423 | - | 151,423 |
| VII. INVESTMENT PROPERTIES (Net) | (I-15) | - | - | - | - | - | - |
| VIII. CURRENT TAX ASSET | | 138,894 | - | 138,894 | 19,678 | - | 19,678 |
| IX. DEFERRED TAX ASSET | (I-16) | 147,376 | - | 147,376 | 651,589 | - | 651,589 |
| X. OTHER ASSETS (Net) | (I-19) | 2,636,070 | 774,824 | 3,410,894 | 2,232,039 | 305,935 | 2,537,974 |
| TOTAL ASSETS | | 113,468,318 | 85,385,800 | 198,854,118 | 102,324,229 | 40,405,538 | 142,729,767 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2021 AND 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

| LIABILITIES | Section 5 Note | Audited Current Period 31.12.2021 | | | Audited Prior Period 31.12.2020 | | |
|--|-------------------|---|--------------------|--------------------|---------------------------------------|-------------------|--------------------|
| | | TL | FC | Total | TL | FC | Total |
| I. DEPOSITS | (II-1) | 55,350,689 | 76,232,284 | 131,582,973 | 49,589,731 | 44,152,172 | 93,741,903 |
| II. FUNDS BORROWED | (II-3) | 2,368,497 | 17,430,679 | 19,799,176 | 1,562,891 | 10,348,393 | 11,911,284 |
| III. MONEY MARKET FUNDS | (II-4) | 3,923,853 | 5,001,962 | 8,925,815 | 4,016,659 | 2,717,468 | 6,734,127 |
| IV. SECURITIES ISSUED (Net) | (II-3) | 1,194,525 | - | 1,194,525 | 4,810,637 | - | 4,810,637 |
| 4.1 Bills | | 1,194,525 | - | 1,194,525 | 4,766,623 | - | 4,766,623 |
| 4.2 Asset Backed Securities | | - | - | - | - | - | - |
| 4.3 Bonds | | - | - | - | 44,014 | - | 44,014 |
| V. FUNDS | | - | - | - | - | - | - |
| 5.1 Borrower Funds | | - | - | - | - | - | - |
| 5.2 Other | | - | - | - | - | - | - |
| VI. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS | | - | - | - | - | - | - |
| VII. DERIVATIVE FINANCIAL LIABILITIES | | 4,321,769 | 168,019 | 4,489,788 | 3,135,153 | 208,026 | 3,343,179 |
| 7.1 Derivative Financial Liabilities at Fair Value Through Profit and Loss | (II-2) | 3,995,359 | 163,818 | 4,159,177 | 2,151,316 | 193,125 | 2,344,441 |
| 7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income | (II-7) | 326,410 | 4,201 | 330,611 | 983,837 | 14,901 | 998,738 |
| VIII. FACTORING LIABILITIES | (II-4) | 1,809 | 19,468 | 21,277 | 91 | 8,888 | 8,979 |
| IX. LEASE LIABILITIES (Net) | (II-6) | 539,737 | 37,923 | 577,660 | 552,899 | 51,975 | 604,874 |
| X. PROVISIONS | (II-8) | 954,915 | 321,520 | 1,276,435 | 778,091 | 226,726 | 1,004,817 |
| 10.1 Restructuring Provisions | | - | - | - | - | - | - |
| 10.2 Reserve for Employee Benefits | | 738,641 | 55,663 | 794,304 | 505,168 | 29,963 | 535,131 |
| 10.3 Insurance Technical Provisions (Net) | | - | - | - | - | - | - |
| 10.4 Other Provisions | | 216,274 | 265,857 | 482,131 | 272,923 | 196,763 | 469,686 |
| XI. CURRENT TAX LIABILITY | (II-9) | 272,117 | - | 272,117 | 343,527 | - | 343,527 |
| XII. DEFERRED TAX LIABILITY | | - | - | - | - | - | - |
| XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net) | (II-10) | - | - | - | - | - | - |
| 13.1 Held For Sale | | - | - | - | - | - | - |
| 13.2 Held From Discontinued Operations | | - | - | - | - | - | - |
| XIV. SUBORDINATED DEBT INSTRUMENTS | (II-11) | - | 7,239,036 | 7,239,036 | - | 4,194,951 | 4,194,951 |
| 14.1 Loans | | - | - | - | - | - | - |
| 14.2 Other Debt Instruments | | - | 7,239,036 | 7,239,036 | - | 4,194,951 | 4,194,951 |
| XV. OTHER LIABILITIES | | 6,462,341 | 2,956,705 | 9,419,046 | 4,079,335 | 262,481 | 4,341,816 |
| XVI. SHAREHOLDERS' EQUITY | (II-12) | 14,232,260 | (175,990) | 14,056,270 | 11,640,673 | 49,000 | 11,689,673 |
| 16.1 Paid-in Capital | | 2,204,390 | - | 2,204,390 | 2,204,390 | - | 2,204,390 |
| 16.2 Capital Reserves | | 391,226 | - | 391,226 | 391,754 | - | 391,754 |
| 16.2.1 Share Premiums | | 2,565 | - | 2,565 | 2,565 | - | 2,565 |
| 16.2.2 Share Cancellation Profits | | - | - | - | - | - | - |
| 16.2.3 Other Capital Reserves | | 388,661 | - | 388,661 | 389,189 | - | 389,189 |
| 16.3 Other Accumulated Comprehensive Income or Expense that will not be Reclassified at Profit or Loss | | (59,373) | - | (59,373) | 276,629 | - | 276,629 |
| 16.4 Other Accumulated Comprehensive Income or Expense that will be Reclassified at Profit or Loss | | 269,030 | (175,990) | 93,040 | (363,855) | 49,000 | (314,855) |
| 16.5 Profit Reserves | | 9,336,062 | - | 9,336,062 | 7,843,996 | - | 7,843,996 |
| 16.5.1 Legal Reserves | | 550,906 | - | 550,906 | 490,587 | - | 490,587 |
| 16.5.2 Status Reserves | | - | - | - | - | - | - |
| 16.5.3 Extraordinary Reserves | | 8,478,674 | - | 8,478,674 | 7,161,377 | - | 7,161,377 |
| 16.5.4 Other Profit Reserves | | 306,482 | - | 306,482 | 192,032 | - | 192,032 |
| 16.6 Profit or Loss | | 2,072,708 | - | 2,072,708 | 1,272,252 | - | 1,272,252 |
| 16.6.1 Prior Periods' Profit / Loss | | - | - | - | 9,497 | - | 9,497 |
| 16.6.2 Current Periods' Profit / Loss | | 2,072,708 | - | 2,072,708 | 1,262,755 | - | 1,262,755 |
| 16.7 Minority Shares | (II-13) | 18,217 | - | 18,217 | 15,507 | - | 15,507 |
| TOTAL LIABILITIES | | 89,622,512 | 109,231,606 | 198,854,118 | 80,509,687 | 62,220,080 | 142,729,767 |

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

TÜRK EKONOMİ BANKASI A.Ş.

**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2021 AND 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

| | | Audited Current Period 31.12.2021 | | | Audited Prior Period 31.12.2020 | | |
|--|--|---|--------------------|--------------------|---------------------------------------|--------------------|--------------------|
| Section 5 Note | | TL | FC | Total | TL | FC | Total |
| A. | Off-Balance Sheet Liabilities (I+II+III) | 116,129,741 | 166,079,544 | 282,209,285 | 82,225,686 | 89,376,868 | 171,602,554 |
| I. | GUARANTEES AND SURETIES | (III-1) 8,470,096 | 30,062,181 | 38,532,277 | 7,480,648 | 16,764,598 | 24,245,246 |
| 1.1 | Letters of Guarantee | 7,056,943 | 14,037,146 | 21,094,089 | 6,051,549 | 8,131,845 | 14,183,394 |
| 1.1.1 | Guarantees Subject to State Tender Law | 133,980 | 147,510 | 281,490 | 80,715 | 89,820 | 170,535 |
| 1.1.2 | Guarantees Given for Foreign Trade Operations | 395,162 | 612,824 | 1,007,986 | 344,482 | 545,346 | 889,828 |
| 1.1.3 | Other Letters of Guarantee | 6,527,801 | 13,276,812 | 19,804,613 | 5,626,352 | 7,496,679 | 13,123,031 |
| 1.2 | Bank Acceptances | - | 33,680 | 33,680 | - | 16,573 | 16,573 |
| 1.2.1 | Import Letter of Acceptance | - | 33,680 | 33,680 | - | 16,573 | 16,573 |
| 1.2.2 | Other Bank Acceptances | - | - | - | - | - | - |
| 1.3 | Letters of Credit | - | 10,343,834 | 10,343,834 | - | 5,025,525 | 5,025,525 |
| 1.3.1 | Documentary Letters of Credit | - | 4,046,781 | 4,046,781 | - | 3,656,589 | 3,656,589 |
| 1.3.2 | Other Letters of Credit | - | 6,297,053 | 6,297,053 | - | 1,368,936 | 1,368,936 |
| 1.4 | Prefinancing Given as Guarantee | - | - | - | - | - | - |
| 1.5 | Endorsements | - | - | - | - | - | - |
| 1.5.1 | Endorsements to the Central Bank of Turkey | - | - | - | - | - | - |
| 1.5.2 | Other Endorsements | - | - | - | - | - | - |
| 1.6 | Purchase Guarantees for Securities Issued | - | - | - | - | - | - |
| 1.7 | Factoring Guarantees | - | - | - | - | - | - |
| 1.8 | Other Guarantees | 1,384,153 | 4,279,755 | 5,663,908 | 1,428,395 | 2,548,277 | 3,976,672 |
| 1.9 | Other Collaterals | 29,000 | 1,367,766 | 1,396,766 | 704 | 1,042,378 | 1,043,082 |
| II. | COMMITMENTS | (III-1) 24,869,317 | 8,633,167 | 33,502,484 | 17,192,418 | 2,831,971 | 20,024,389 |
| 2.1 | Irrevocable Commitments | 24,869,317 | 8,633,167 | 33,502,484 | 17,192,418 | 2,831,971 | 20,024,389 |
| 2.1.1 | Asset Purchase Commitments | 3,543,805 | 7,707,411 | 11,251,216 | 916,964 | 2,114,054 | 3,031,018 |
| 2.1.2 | Deposit Purchase and Sale Commitments | - | - | - | - | 94,524 | 94,524 |
| 2.1.3 | Share Capital Commitment to Associates and Subsidiaries | - | - | - | - | - | - |
| 2.1.4 | Loan Granting Commitments | 7,121,357 | 52,502 | 7,173,859 | 5,498,822 | 237,748 | 5,736,570 |
| 2.1.5 | Securities Issuance Brokerage Commitments | - | - | - | - | - | - |
| 2.1.6 | Commitments for Reserve Deposit Requirements | - | - | - | - | - | - |
| 2.1.7 | Commitments for Cheque Payments | 2,135,381 | - | 2,135,381 | 1,741,408 | - | 1,741,408 |
| 2.1.8 | Tax and Fund Liabilities from Export Commitments | 51,363 | - | 51,363 | 47,494 | - | 47,494 |
| 2.1.9 | Commitments for Credit Card Limits | 12,007,806 | - | 12,007,806 | 8,978,512 | - | 8,978,512 |
| 2.1.10 | Commitments for Credit Cards and Banking Services Promotions | 5,797 | - | 5,797 | 5,767 | - | 5,767 |
| 2.1.11 | Receivables from Short Sale Commitments on Securities | - | - | - | - | - | - |
| 2.1.12 | Payables for Short Sale Commitments on Securities | - | - | - | - | - | - |
| 2.1.13 | Other Irrevocable Commitments | 3,808 | 873,254 | 877,062 | 3,451 | 385,645 | 389,096 |
| 2.2 | Revocable Commitments | - | - | - | - | - | - |
| 2.2.1 | Revocable Loan Granting Commitments | - | - | - | - | - | - |
| 2.2.2 | Other Revocable Commitments | - | - | - | - | - | - |
| III. | DERIVATIVE FINANCIAL INSTRUMENTS | (III-2) 82,790,328 | 127,384,196 | 210,174,524 | 57,552,620 | 69,780,299 | 127,332,919 |
| 3.1 | Derivative Financial Instruments for Hedging Purposes | 21,649,500 | 7,806,018 | 29,455,518 | 14,112,081 | 9,895,360 | 24,007,441 |
| 3.1.1 | Fair Value Hedge | - | - | - | 1,991,418 | 4,258,649 | 6,250,067 |
| 3.1.2 | Cash Flow Hedge | 21,649,500 | 7,806,018 | 29,455,518 | 12,120,663 | 5,636,711 | 17,757,374 |
| 3.1.3 | Foreign Net Investment Hedges | - | - | - | - | - | - |
| 3.2 | Held for Trading Transactions | 61,140,828 | 119,578,178 | 180,719,006 | 43,440,539 | 59,884,939 | 103,325,478 |
| 3.2.1 | Forward Foreign Currency Buy/Sell Transactions | 11,386,300 | 15,523,785 | 26,910,085 | 6,698,057 | 10,100,110 | 16,798,167 |
| 3.2.1.1 | Forward Foreign Currency Transactions-Buy | 9,169,995 | 4,268,100 | 13,438,095 | 4,420,031 | 4,234,382 | 8,654,413 |
| 3.2.1.2 | Forward Foreign Currency Transactions-Sell | 2,216,305 | 11,255,685 | 13,471,990 | 2,278,026 | 5,865,728 | 8,143,754 |
| 3.2.2 | Swap Transactions Related to Foreign Currency and Interest Rates | 47,269,862 | 90,288,974 | 137,558,836 | 35,101,585 | 43,210,657 | 78,312,242 |
| 3.2.2.1 | Foreign Currency Swap-Buy | 1,451,736 | 55,792,484 | 57,244,220 | 1,723,908 | 25,735,907 | 27,459,815 |
| 3.2.2.2 | Foreign Currency Swap-Sell | 30,279,126 | 26,837,944 | 57,117,070 | 20,517,677 | 10,825,732 | 31,343,409 |
| 3.2.2.3 | Interest Rate Swaps-Buy | 7,769,500 | 3,829,273 | 11,598,773 | 6,430,000 | 3,324,509 | 9,754,509 |
| 3.2.2.4 | Interest Rate Swaps-Sell | 7,769,500 | 3,829,273 | 11,598,773 | 6,430,000 | 3,324,509 | 9,754,509 |
| 3.2.3 | Foreign Currency, Interest Rate and Securities Options | 2,116,848 | 11,241,994 | 13,358,842 | 1,050,757 | 3,069,974 | 4,120,731 |
| 3.2.3.1 | Foreign Currency Options-Buy | 1,630,468 | 2,022,308 | 3,652,776 | 729,259 | 1,370,067 | 2,099,326 |
| 3.2.3.2 | Foreign Currency Options-Sell | 486,380 | 3,144,606 | 3,630,986 | 321,498 | 1,699,907 | 2,021,405 |
| 3.2.3.3 | Interest Rate Options-Buy | - | 3,037,540 | 3,037,540 | - | - | - |
| 3.2.3.4 | Interest Rate Options-Sell | - | 3,037,540 | 3,037,540 | - | - | - |
| 3.2.3.5 | Securities Options-Buy | - | - | - | - | - | - |
| 3.2.3.6 | Securities Options-Sell | - | - | - | - | - | - |
| 3.2.4 | Foreign Currency Futures | 367,818 | 439,173 | 806,991 | 590,140 | 543,771 | 1,133,911 |
| 3.2.4.1 | Foreign Currency Futures-Buy | 329,039 | 113,632 | 442,671 | 2,957 | 541,030 | 543,987 |
| 3.2.4.2 | Foreign Currency Futures-Sell | 38,779 | 325,541 | 364,320 | 587,183 | 2,741 | 589,924 |
| 3.2.5 | Interest Rate Futures | - | - | - | - | - | - |
| 3.2.5.1 | Interest Rate Futures-Buy | - | - | - | - | - | - |
| 3.2.5.2 | Interest Rate Futures-Sell | - | - | - | - | - | - |
| 3.2.6 | Other | - | 2,084,252 | 2,084,252 | - | 2,960,427 | 2,960,427 |
| B. | CUSTODY AND PLEDGES RECEIVED (IV+V+VI) | 191,502,856 | 77,886,471 | 269,389,327 | 176,730,851 | 44,287,540 | 221,018,391 |
| IV. | ITEMS HELD IN CUSTODY | 43,658,517 | 11,330,004 | 54,988,521 | 33,848,445 | 5,782,810 | 39,631,255 |
| 4.1 | Customer Fund and Portfolio Balances | 7,112,025 | - | 7,112,025 | 4,218,738 | - | 4,218,738 |
| 4.2 | Investment Securities Held In Custody | 14,741,218 | 8,458,577 | 23,199,795 | 15,992,767 | 4,231,162 | 20,223,929 |
| 4.3 | Cheques Received for Collection | 20,823,940 | 2,178,366 | 23,002,306 | 12,745,727 | 957,162 | 13,702,889 |
| 4.4 | Commercial Notes Received for Collection | 591,700 | 132,493 | 724,193 | 544,908 | 81,946 | 626,854 |
| 4.5 | Other assets Received for Collection | 125 | 560,568 | 560,693 | 125 | 512,540 | 512,665 |
| 4.6 | Assets Received for Public Offering | - | - | - | - | - | - |
| 4.7 | Other Items under Custody | 389,509 | - | 389,509 | 346,180 | - | 346,180 |
| 4.8 | Custodians | - | - | - | - | - | - |
| V. | PLEDGES RECEIVED | 147,068,982 | 66,228,730 | 213,297,712 | 139,684,038 | 38,119,680 | 177,803,718 |
| 5.1 | Marketable Securities | 122,836 | 673,062 | 795,898 | 306,697 | 459,121 | 765,818 |
| 5.2 | Guarantee Notes | 54,425,408 | 45,321,890 | 99,747,298 | 50,620,121 | 25,752,717 | 76,372,838 |
| 5.3 | Commodity | 226,267 | - | 226,267 | 142,587 | 108,608 | 251,195 |
| 5.4 | Warranty | - | - | - | - | - | - |
| 5.5 | Immovables | 78,588,982 | 15,290,955 | 93,879,937 | 77,966,304 | 8,026,196 | 85,992,500 |
| 5.6 | Other Pledged Items | 13,705,489 | 4,942,823 | 18,648,312 | 10,648,329 | 3,773,038 | 14,421,367 |
| 5.7 | Pledged Items-Depository | - | - | - | - | - | - |
| VI. | ACCEPTED BILL, GUARANTEES AND WARRANTIES | 775,357 | 327,737 | 1,103,094 | 3,198,368 | 385,050 | 3,583,418 |
| TOTAL OFF BALANCE SHEET COMMITMENTS (A+B) | | 307,632,597 | 243,966,015 | 551,598,612 | 258,956,537 | 133,664,408 | 392,620,945 |

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

TÜRK EKONOMİ BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| INCOME AND EXPENSE ITEMS | Section 5 Notes | Audited Current Period 01.01-31.12.2021 | Audited Prior Period 01.01-31.12.2020 |
|---|--------------------|---|---|
| I. INTEREST INCOME | (IV-1) | 16,156,398 | 11,447,705 |
| 1.1 Interest Income on Loans | | 11,871,313 | 8,681,796 |
| 1.2 Interest Income on Reserve Requirements | | 413,671 | 83,562 |
| 1.3 Interest Income on Banks | | 146,890 | 169,103 |
| 1.4 Interest Income on Money Market Transactions | | 119,508 | 146,441 |
| 1.5 Interest Income on Securities Portfolio | | 3,107,550 | 2,147,832 |
| 1.5.1 Financial Assets at Fair Value Through Profit or Loss | | 257,762 | 178,384 |
| 1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income | | 709,804 | 800,272 |
| 1.5.3 Financial Assets Measured at Amortized Cost | | 2,139,984 | 1,169,176 |
| 1.6 Financial Lease Income | | - | - |
| 1.7 Other Interest Income | (IV-12) | 497,466 | 218,971 |
| II. INTEREST EXPENSE (-) | (IV-2) | 9,090,206 | 5,194,539 |
| 2.1 Interest Expense on Deposits | | 7,264,806 | 3,686,992 |
| 2.2 Interest Expense on Funds Borrowed | | 875,246 | 586,829 |
| 2.3 Interest Expense on Money Market Transactions | | 341,931 | 244,396 |
| 2.4 Interest Expense on Securities Issued | | 451,610 | 454,149 |
| 2.5 Interest Expense on Leases | | 106,577 | 99,463 |
| 2.6 Other Interest Expenses | | 50,036 | 122,710 |
| III. NET INTEREST INCOME/EXPENSE (I - II) | | 7,066,192 | 6,253,166 |
| IV. NET FEES AND COMMISSIONS INCOME/EXPENSE | | 1,590,432 | 1,331,799 |
| 4.1 Fees and Commissions Received | | 2,685,996 | 1,957,703 |
| 4.1.1 Non-cash Loans | | 323,536 | 260,229 |
| 4.1.2 Other | (IV-12) | 2,362,460 | 1,697,474 |
| 4.2 Fees and Commissions Paid (-) | | 1,095,564 | 625,904 |
| 4.2.1 Non-cash Loans | | 8,690 | 7,186 |
| 4.2.2 Other | (IV-12) | 1,086,874 | 618,718 |
| V. DIVIDEND INCOME | (IV-3) | 3,503 | 3,557 |
| VI. TRADING INCOME / LOSS (Net) | (IV-4) | (1,987,003) | (1,736,637) |
| 6.1 Securities Trading Gains / Losses | | (66,345) | (52,483) |
| 6.2 Gains / Losses on Derivative Financial Instruments | | (2,761,832) | (1,059,395) |
| 6.3 Foreign Exchange Gains / Losses | | 841,174 | (624,759) |
| VII. OTHER OPERATING INCOME | (IV-5) | 214,141 | 129,357 |
| VIII. GROSS OPERATING PROFIT (III+IV+V+VI+VII) | | 6,887,265 | 5,981,242 |
| IX. EXPECTED CREDIT LOSS (-) | (IV-6) | (8,173) | 752,055 |
| X. OTHER PROVISION EXPENSES (-) | (IV-6) | 1,572 | (22,683) |
| XI. PERSONNEL EXPENSE (-) | | 1,936,213 | 1,664,376 |
| XII. OTHER OPERATING EXPENSES (-) | (IV-7) | 2,234,045 | 1,910,574 |
| XIII. NET OPERATING INCOME/LOSS (VIII-IX-X-XI-XII) | | 2,723,608 | 1,676,920 |
| XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER | | - | - |
| INCOME/LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD | | - | - |
| XV. INCOME/LOSS ON NET MONETARY POSITION | | - | - |
| XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI) | (IV-8) | 2,723,608 | 1,676,920 |
| XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±) | (IV-9) | 642,734 | 408,014 |
| 18.1 Current Tax Provision | | 218,125 | 523,814 |
| 18.2 Deferred Tax Expense Effect (+) | | 3,013,505 | 1,312,557 |
| 18.3 Deferred Tax Income Effect (-) | | (2,588,896) | (1,428,357) |
| XIX. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVII±XVIII) | (IV-10) | 2,080,874 | 1,268,906 |
| XX. INCOME FROM DISCONTINUED OPERATIONS | | - | - |
| 20.1 Income from Non-current Assets Held for Sale | | - | - |
| 20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures | | - | - |
| 20.3 Income from Other Discontinued Operations | | - | - |
| XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-) | | - | - |
| 21.1 Expenses from Non-current Assets Held for Sale | | - | - |
| 21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures | | - | - |
| 21.3 Expenses for Other Discontinued Operations | | - | - |
| XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI) | (IV-8) | - | - |
| XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±) | (IV-9) | - | - |
| 23.1 Current Tax Provision | | - | - |
| 23.2 Deferred Tax Expense Effect (+) | | - | - |
| 23.3 Deferred Tax Income Effect (-) | | - | - |
| XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII) | (IV-10) | - | - |
| XXV. NET INCOME/LOSS (XIX+XXIV) | (IV-11) | 2,080,874 | 1,268,906 |
| 25.1 Group's Profit / Loss | | 2,072,708 | 1,262,755 |
| 25.2 Minority Interest Profit / Loss (-) | | 8,166 | 6,151 |
| Earnings per Share | | 0.9403 | 0.5728 |

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL".))

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Audited Current Period 01.01-31.12.2021 | Audited Prior Period 01.01-31.12.2020 |
|---|---|---|
| I. CURRENT PERIOD INCOME/LOSS | 2,080,874 | 1,268,906 |
| II. OTHER COMPREHENSIVE INCOME | 290,906 | 510,859 |
| 2.1 Other Comprehensive Income that will not be Reclassified through Profit or Loss | (116,937) | (43,674) |
| 2.1.1 Gains / (losses) on Revaluation of Property, Plant and Equipment | - | - |
| 2.1.2 Gains / (losses) on Revaluation of Intangible Assets | - | - |
| 2.1.3 Gains / (losses) on Remeasurement of Defined Benefit Plans | (148,981) | (55,205) |
| 2.1.4 Other Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss | 2,369 | 500 |
| 2.1.5 Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss | 29,675 | 11,031 |
| 2.2 Other Comprehensive Income that will be Reclassified to Profit or Loss | 407,843 | 554,533 |
| 2.2.1 Exchange Differences on Translation | - | - |
| 2.2.2 Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value through Other Comprehensive Income | (141,239) | (132,449) |
| 2.2.3 Income / (loss) related with Cash Flow Hedges | 658,228 | 829,370 |
| 2.2.4 Income / (loss) related with Hedges of Net Investments in Foreign Operations | - | - |
| 2.2.5 Other Components of Other Comprehensive Income that will be Reclassified through Other Profit or Loss | - | - |
| 2.2.6 Taxes Relating to Components of Other Comprehensive Income that will be Reclassified through Profit or Loss | (109,146) | (142,388) |
| III. TOTAL COMPREHENSIVE INCOME (I+II) | 2,371,780 | 1,779,765 |

The accompanying notes are an integral part of these consolidated financial statements

TÜRK EKONOMİ BANKASI A.Ş.

**CONSOLIDATED STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 AND 2020**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY | | | | | Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss | | | Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss | | | | | | | | |
|---|------------------|----------------|---------------------------|------------------------|---|------------------|--------------|---|------------------|------------------|------------------|-----------------------------|-------------------------------|--|-----------------|-----------------------------|
| Audited | Paid-in Capital | Share Premiums | Share Cancellation Profit | Other Capital Reserves | 1 | 2 | 3 | 4 | 5 | 6 | Profit Reserves | Prior Period Profit or Loss | Current Period Profit or Loss | Total Equity Except from Minority Shares | Minority Shares | Total Shareholder s' Equity |
| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2020 | | | | | | | | | | | | | | | | |
| Prior Period – 01.01-31.12.2020 | | | | | | | | | | | | | | | | |
| I. Prior Period End Balance | 2,204,390 | 2,565 | - | 389,189 | 266,122 | 39,999 | 4,743 | - | 17,357 | (886,750) | 6,728,424 | 1,134,463 | - | 9,900,502 | 9,406 | 9,909,908 |
| II. Corrections According to TAS 8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 Effect of Corrections of Errors | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Effects of Changes in Accounting Policy | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. New Balance (I+II) | 2,204,390 | 2,565 | - | 389,189 | 266,122 | 39,999 | 4,743 | - | 17,357 | (886,750) | 6,728,424 | 1,134,463 | - | 9,900,502 | 9,406 | 9,909,908 |
| IV. Total Comprehensive Income | - | - | - | - | - | (44,119) | 490 | - | (105,508) | 660,046 | - | - | 1,262,755 | 1,773,664 | 6,101 | 1,779,765 |
| V. Capital Increase by Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase by Internal Sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Paid-in Capital Inflation Adjustment Difference | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible Bonds to Shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Debt Instruments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increase/Decrease by Other Changes | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| XI. Profit Distribution | - | - | - | - | 9,394 | - | - | - | - | - | 1,115,572 | (1,124,966) | - | - | - | - |
| 11.1 Dividends Paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 11.2 Transfers to Reserves | - | - | - | - | 9,394 | - | - | - | - | - | 1,115,572 | (1,124,966) | - | - | - | - |
| 11.3 Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Period-End Balance 31.12.2020 (III+IV+V+VI+VII+VIII+IX+X+XI) | 2,204,390 | 2,565 | - | 389,189 | 275,516 | (4,120) | 5,233 | - | (88,151) | (226,704) | 7,843,996 | 9,497 | 1,262,755 | 11,674,166 | 15,507 | 11,689,673 |
| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 2021 | | | | | | | | | | | | | | | | |
| Current Period – 01.01-31.12.2021 | | | | | | | | | | | | | | | | |
| I. Prior Period End Balance | 2,204,390 | 2,565 | - | 389,189 | 275,516 | (4,120) | 5,233 | - | (88,151) | (226,704) | 7,843,996 | 1,272,252 | - | 11,674,166 | 15,507 | 11,689,673 |
| II. Corrections According to TAS 8 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.1 Effects of Corrections | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2 Effects of the Changes in Accounting Policies | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| III. New Beginning Balance (I+II) | 2,204,390 | 2,565 | - | 389,189 | 275,516 | (4,120) | 5,233 | - | (88,151) | (226,704) | 7,843,996 | 1,272,252 | - | 11,674,166 | 15,507 | 11,689,673 |
| IV. Total Comprehensive Income | - | - | - | - | - | (118,965) | 2,249 | - | (111,608) | 519,503 | - | - | 2,072,708 | 2,363,887 | 7,893 | 2,371,780 |
| V. Capital Increase by Cash | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VI. Capital Increase by Internal Sources | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VII. Paid-in Capital Inflation Adjustment Difference | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| VIII. Convertible Bonds to Shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| IX. Subordinated Debt Instruments | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| X. Increase/Decrease by Other Changes | - | - | - | (528) | (220,221) | - | - | - | - | - | 230,246 | (9,497) | - | - | - | - |
| XI. Profit Distribution | - | - | - | - | 935 | - | - | - | - | - | 1,261,820 | (1,262,755) | - | - | (5,183) | (5,183) |
| 11.1 Dividends Paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,183) | (5,183) |
| 11.2 Transfers to Reserves | - | - | - | - | 935 | - | - | - | - | - | 1,261,820 | (1,262,755) | - | - | - | - |
| 11.3 Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Period-End Balance 31.12.2021 (III+IV+V+VI+VII+VIII+IX+X+XI) | 2,204,390 | 2,565 | - | 388,661 | 56,230 | (123,085) | 7,482 | - | (199,759) | 292,799 | 9,336,062 | - | 2,072,708 | 14,038,053 | 18,217 | 14,056,270 |

1. Increase/decrease from tangible assets accumulated revaluation reserve.

2. Accumulated gains / losses on remeasurements of defined benefit plans.

3. Other (Other comprehensive income of associates and joint ventures accounted with equity method that will not be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will not be reclassified at profit or loss).

4. Foreign currency translation differences.

5. Accumulated revaluation and / or classification gains / losses of financial assets at fair value through other comprehensive income.

6. Other (Cash flow hedge gains / losses, other comprehensive income of associates and joint ventures accounted with equity method that will be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will be reclassified at profit or loss).

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

TÜRK EKONOMİ BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR FROM 1 JANUARY TO 31 DECEMBER 2021 AND 2020 (Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

| | Section 5 Notes | Audited Current Period 01.01-31.12.2021 | Audited Prior Period 01.01-31.12.2020 |
|---|--------------------|---|---|
| A. CASH FLOWS FROM BANKING OPERATIONS | | | |
| 1.1 Operating profit before changes in operating assets and liabilities | | 13,026,804 | 4,708,110 |
| 1.1.1 Interest received | | 14,653,420 | 10,895,148 |
| 1.1.2 Interest paid | | (8,878,542) | (5,003,656) |
| 1.1.3 Dividend received | | 3,503 | 3,557 |
| 1.1.4 Fees and commissions received | | 2,627,891 | 1,541,980 |
| 1.1.5 Other income | | 1,055,315 | 129,657 |
| 1.1.6 Collections from previously written off loans | | 1,140,863 | 1,610,390 |
| 1.1.7 Payments to personnel and service suppliers | | (1,898,007) | (1,664,376) |
| 1.1.8 Taxes paid | | (471,351) | (365,266) |
| 1.1.9 Others | (VI-1) | 4,793,712 | (2,439,324) |
| 1.2 Changes in operating assets and liabilities | | (2,449,827) | 7,312,977 |
| 1.2.1 Net (increase) in financial asset at fair value through profit or loss | | (1,167,412) | (329,359) |
| 1.2.2 Net (increase) / decrease in due from banks and other financial institutions | | (72,658) | (1,941,732) |
| 1.2.3 Net (increase) in loans | | (17,072,178) | (10,977,082) |
| 1.2.4 Net (increase) in other assets | (VI-1) | (9,690,894) | 136,824 |
| 1.2.5 Net decrease/(increase) in bank deposits | | (3,284,982) | 12,138,988 |
| 1.2.6 Net increase in other deposits | | 15,274,720 | 5,465,653 |
| 1.2.7 Net increase in financial asset at fair value through profit or loss | | - | - |
| 1.2.8 Net increase in funds borrowed | | 7,822,570 | 1,723,403 |
| 1.2.9 Net increase in matured payables | | - | - |
| 1.2.10 Net increase in other liabilities | (VI-1) | 5,741,007 | 1,096,282 |
| I. Net cash provided from banking operations | | 10,576,977 | 12,021,087 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| II. Net cash provided from investing activities | | (1,700,120) | (9,615,146) |
| 2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.) | | - | (50) |
| 2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.) | | - | - |
| 2.3 Cash paid for purchase of tangible assets | | (231,327) | (208,351) |
| 2.4 Cash obtained from sale of tangible assets | | 4,272 | 4,446 |
| 2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income | | (3,472,651) | (6,174,641) |
| 2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income | | 6,749,988 | 3,621,407 |
| 2.7 Cash paid for purchase of financial assets measured at amortised cost | | (6,645,155) | (7,591,794) |
| 2.8 Cash obtained from sale of financial assets measured at amortised cost | | 2,016,874 | 823,184 |
| 2.9 Others | (VI-1) | (122,121) | (89,347) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| III. Net cash provided from financing activities | | (3,825,468) | 2,186,190 |
| 3.1 Cash obtained from funds borrowed and securities issued | | 10,033,681 | 14,631,331 |
| 3.2 Cash used for repayment of funds borrowed and securities issued | | (13,594,895) | (12,196,805) |
| 3.3 Equity instruments issued | | - | - |
| 3.4 Dividends paid | | (5,183) | - |
| 3.5 Payments for financial leases | | (259,071) | (248,336) |
| 3.6 Others | | - | - |
| IV. Effect of change in foreign exchange rate on cash and cash equivalents | (VI-1) | 2,128,252 | 1,432,624 |
| V. Net increase in cash and cash equivalents | | 7,179,641 | 6,024,755 |
| VI. Cash and cash equivalents at beginning of the period | | 24,235,224 | 18,210,469 |
| VII. Cash and cash equivalents at end of the period | (VI-2) | 31,414,865 | 24,235,224 |

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

TÜRK EKONOMİ BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION (*)

| | Audited Current Period 31.12.2021(**) | Audited Prior Period 31.12.2020 |
|---|---|---------------------------------------|
| I. DISTRIBUTION OF CURRENT YEAR INCOME | | |
| 1.1 CURRENT YEAR INCOME | 2,498,526 | 1,549,720 |
| 1.2 TAXES AND DUTIES PAYABLE (-) | 585,628 | 372,406 |
| 1.2.1 Corporate tax (Income tax) | 166,686 | 486,856 |
| 1.2.2 Income withholding tax | - | - |
| 1.2.3 Other taxes and duties (***) | 418,942 | (114,450) |
| A. NET INCOME FOR THE YEAR (1.1-1.2) | 1,912,898 | 1,177,314 |
| 1.3 PRIOR YEARS' LOSSES (-) | - | - |
| 1.4 FIRST LEGAL RESERVES (-) | - | 58,866 |
| 1.5 OTHER STATUTORY RESERVES (-) | - | - |
| B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)] | 1,912,898 | 1,118,448 |
| 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 (pre-emptive rights) | - | - |
| 1.6.4 To profit sharing bonds | - | - |
| 1.6.5 To holders of profit and loss sharing certificates | - | - |
| 1.7 DIVIDENDS TO PERSONNEL (-) | - | - |
| 1.8 DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| 1.9 SECOND DIVIDEND TO SHAREHOLDERS (-) | - | - |
| 1.9.1 To owners of ordinary shares | - | - |
| 1.9.2 To owners of preferred shares | - | - |
| 1.9.3 To owners of preferred shares (pre-emptive rights) | - | - |
| 1.9.4 To profit sharing bonds | - | - |
| 1.9.5 To holders of profit and loss sharing certificates | - | - |
| 1.10 SECOND LEGAL RESERVES (-) | - | - |
| 1.11 STATUTORY RESERVES (-) | - | - |
| 1.12 EXTRAORDINARY RESERVES | - | 1,118,448 |
| 1.13 OTHER RESERVES | - | - |
| 1.14 SPECIAL FUNDS | - | - |
| II. DISTRIBUTION OF RESERVES | - | - |
| 2.1 DISTRIBUTED RESERVES | - | - |
| 2.2 SECOND LEGAL RESERVES (-) | - | - |
| 2.3 DIVIDENDS 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 (pre-emptive rights) | - | - |
| 2.3.4 To profit sharing bonds | - | - |
| 2.3.5 To holders of profit and loss sharing certificates | - | - |
| 2.4 DIVIDENDS TO PERSONNEL (-) | - | - |
| 2.5 DIVIDENDS TO BOARD OF DIRECTORS (-) | - | - |
| III. EARNINGS PER SHARE | - | - |
| 3.1 TO OWNERS OF ORDINARY SHARES | 0.8678 | 0.5341 |
| 3.2 TO OWNERS OF ORDINARY SHARES (%) | 86.78 | 53.41 |
| 3.3 TO OWNERS OF PREFERRED SHARES | - | - |
| 3.4 TO OWNERS OF PREFERRED SHARES (%) | - | - |
| IV. DIVIDEND PER SHARE | - | - |
| 4.1 TO OWNERS OF ORDINARY SHARES | - | - |
| 4.2 TO OWNERS OF ORDINARY SHARES (%) | - | - |
| 4.3 TO OWNERS OF PREFERRED SHARES | - | - |
| 4.4 TO OWNERS OF PREFERRED SHARES (%) | - | - |

(*) The profit distribution table has been prepared according to the unconsolidated financial statements of the Parent Bank.

(**) As of 31 December 2021 financial statements are finalized, the General Assembly has not been held yet.

(***) Deferred tax expense shown in other tax and legal liabilities (31 December 2020: Deferred tax income)

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

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

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SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards (“TAS”) and Regulation on Accounting Applications for Banks 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 no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to reporting principles on accounting records of Banks published by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Financial Reporting Standards (“TFRS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) for those matters not regulated by the aforementioned regulations. The format and content of the publicly announced unconsolidated 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 Bank maintains its books in Turkish Lira in accordance with the Banking Law, 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 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 issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being audited regularly and, when necessary, suitable corrections are made, and the effects of these corrections are 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.

The new type of coronavirus (COVID-19), first emerging in China, has been classified as a pandemic affecting countries globally by the World Health Organization on 11 March 2020. COVID-19 has impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues and it still maintains uncertainty about the future stands. While many countries announce economic and financial programs in order to limit the damage caused by the virus, Turkey also set regulatory fiscal and monetary actions in motion to support the companies and households in such difficult conditions. Additional regulatory measures are continued to be announced to tackle adverse impacts on companies and certain sectors.

The effects of this global pandemic on the Group's financial statements are regularly monitored by the Risk Management as well as the Parent Bank's Management. While preparing the consolidated financial statements at 31 December 2021, the Group reflected the possible effects of the COVID-19 outbreak on the estimates and judgements used in the preparation of the financial statements. Bank Management takes the necessary precautions in order to keep the negative effects under control and to be affected at the minimum level. The approach preferred for the period of 31 December 2021, will be revised in the following reporting periods, considering the effect of the pandemic and future expectations.

b. The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements:

The accounting policies and valuation principles used in the preparation of the financial statements are subject to the regulations, communiqués, annotations and circulars issued by BRSA on accounting and financial reporting principles and the TFRS (“BRSA Accounting and Financial Reporting Legislation”) which has been put into force by the POA on issues not regulated by the BRSA determined according to the principles.

The amendments to TAS/TFRS, effective from 1 January 2022, do not have a significant impact on the Parent Bank's accounting policies, financial position and performance. The amendments to TAS and TFRS, which have been published but not yet entered into force as of the finalization date of the financial statements, will not have a significant impact on the Parent Bank's accounting policies, financial position and performance.

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I. Basis of Presentation (Continued)

b. The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements (Continued):

In addition, Benchmark Rate Reform – Phase 2, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021 was published in December 2020. With the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. The impact of the changes on the Bank's financials has been evaluated and did not have a significant impact. On the other hand, the Benchmark Interest Rate Reform process continues for some indicators and the Bank continues to work within the scope of adaptation to the changes. In this context, a working group was established within the scope of evaluating the impact of the interest rate reform on the financial statements and harmonization with the reform. As a result of the evaluations, it is expected that the effect of the relevant change on the financial statements will be limited.

According to the announcement made by Public Oversight Accounting and Auditing Standards Authority on 20 January 2022, since cumulative change in the general purchasing power according to Consumer Price Index (“CPI”) of the last 3 years was 74.41%, it has been stated that entities that apply Turkish Financial Reporting Standards (“TFRS”) do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 “Financial Reporting in Hyperinflationary Economies”. In the accompanying financial statements, no inflation adjustment has been made in accordance with TAS 29.

The accounting policies and valuation principles for the current period are explained in Note II and Note XXV below.

c. Different accounting policies applied while preparing the consolidated financial statements:

In cases where the accounting policies used by the subsidiaries differ from those of the Parent Bank, the differences are harmonized in the financial statements by considering the materiality criterion.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Group aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Parent Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Group aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Group, risk bearing short term positions of currency, interest or price movements is performed only by the Asset-Liability Management and Treasury Group using the limits defined by the Board of Directors. The Asset-Liability Committee of the Parent Bank manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors of the Parent Bank allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Parent Bank’s foreign currency asset and liability balances are valued with the Parent Bank’s exchange buying rate at the reporting date and recognized as “Foreign Exchange Gains / Losses” within statement of income.

The Parent Bank’s hedging activities for the currency risk due to foreign currency available for sale equity instruments are described under the currency risk section; and the Parent Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under interest rate risk section.

The Parent Bank’s Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the Parent Bank’s balance sheet structure.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

III. Information about the Parent Bank and its Consolidated Subsidiaries

The Parent Bank, with no difference in practice between TAS and TFRS, and the subsidiaries are consolidated by using line-by-line consolidation method. Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, TEB Faktoring A.Ş. (TEB Faktoring), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) and TEB Portföy Yönetimi A.Ş. (TEB Portföy) are included in the accompanying consolidated financial statements by line-by-line consolidation method. The Parent Bank and the entities included in the consolidation are referred to as "the Group" in this report.

The accompanying consolidated financial statements are prepared in accordance with "Communiqué on Preparation of Consolidated Financial Statements of Banks" published in the Official Gazette dated 8 November 2006 numbered 26340.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in their respective country of incorporation and the Turkish Commercial Code and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Explanations on Consolidation Method and Scope

The commercial names of the entities included in consolidation and the locations of the head offices of these institutions:

| <u>Commercial Name</u> | <u>Head Office</u> |
|------------------------|--------------------|
| TEB Faktoring | Turkey |
| TEB Yatırım | Turkey |
| TEB Portföy | Turkey |

Line-by-line consolidation method is used for all the financial institutions included in the consolidation.

It has been publicly announced that the decision regarding the liquidation of "Stichting TEB Diversified Payment Rights" and "TEB Diversified Payment Rights S.A." has been taken on 19 July 2019. "TEB Diversified Payment Rights S.A." liquidation was completed on 23 July 2019. Bank has been notified that the liquidation of "Stichting TEB Diversified Payment Rights S.A." was completed on 7 April 2020.

The financial statements of subsidiaries were prepared as of 31 December 2021 and 31 December 2020.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Parent Bank's derivative transactions mainly consist of foreign currency swaps and interest rate swaps, cross currency swaps, currency options and forward foreign currency purchase and sale contracts.

Pursuant to "TFRS 9 Financial Instruments" ("TFRS 9"), derivative financial instruments of the Parent Bank are classified as "Derivative Financial Assets at Fair Value Through Profit or Loss" or "Derivative Financial Assets at Fair Value Through other comprehensive income".

The portion of derivative financial assets at fair value through profit or loss

Receivables and liabilities arising from derivative transactions are recorded in off-balance sheet accounts over contract amounts. Derivative transactions are valued at their fair values in the periods following their recording. Derivative financial instruments are initially recognized at fair value and attributable transaction costs are recognized in profit or loss on the date they are incurred. In the periods following the recording of derivative transactions, the part of derivative financial assets at fair value through profit or loss or the part of derivative financial liabilities at fair value through profit or loss are shown in the balance sheet, depending on whether the fair value is positive or negative. Differences in fair value as a result of the valuation are reflected in the profit or loss statement from derivative financial transactions.

Derivative financial instruments are booked under off-balance sheet items. Derivative financial instruments where the underlying asset is money or commodity are booked based on the amounts to be received/paid at the maturity date. Derivative financial instruments based on interest rate are booked with the principal amount on which the interest rate is calculated.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations on Forward and Option Contracts and Derivative Instruments (Continued)

The portion of derivative financial assets at fair value through profit or loss (Continued)

All derivative financial instruments are measured with fair value method. The fair value of the derivative financial instruments traded in organized markets is the price on the organized market. Within the scope of TFRS 13 Fair Value Measurement standard; The bank considers that (i) the fair value of the asset or liability (or similar asset or liability) has significantly decreased in its volume or level of activity relative to normal market volume, (ii) when a transaction price or quoted price does not reflect fair value and/or (iii) when a material adjustment is required so that the price of a similar asset is comparable to the subject asset, or (iv) when the price is no longer valid, it adjusts the transaction price or the quoted price and reflects this adjustment in the fair value measurement. In this context, the Parent Bank determines the point in the range that best reflects the fair value in the current market conditions.

The cash flows of forward, currency swap, interest rate swap, and cross currency swap transactions should be determined firstly in order to measure with fair value method. Expected cash flows due to the floating interest rate for these products are defined according to market interest rate at the valuation date. Valuation is calculated by discounting the cash flows with the market interest rate and foreign currencies are converted into Turkish Lira with exchange rates at the valuation date.

Derivative financial instruments based on interest rate are measured not only with fair value method but also with amortized cost. While the fair value of derivatives is reflected in a single valuation account within the balance sheet, the amortized cost and the difference between the fair value and the amortized cost are reflected separately on the income/expense accounts.

Black and Scholes Model is used to measure the fair value of options. Options premiums are accrued on the start date of maturity. The valuation amount is composed of premiums valued at each valuation date. Premium to be paid calculated within this model is recorded as income, and the premium to be collected as expense.

Disclosures on derivatives for hedging purposes

In the admission of the accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39. Within this context, the Parent Bank will continue to apply the hedge accounting provisions of TAS 39.

The Parent Bank applies fair value hedge and cash flow hedge accounting. Hedging accounting is applied to prevent the fluctuations that may arise in the income statement in the short term as a result of the differences in the assets and resources in the balance sheet that are subject to interest rate risk and the valuation methods of derivative instruments that protect them from risk.

A part of the Parent Bank's fixed income foreign currency securities and Turkish Lira loans are subject to fair value hedge accounting. The fair value risk of the related financial assets with fixed interest rate is hedged by currency swaps and cross currency swaps. A part of the Parent Bank's fixed income foreign currency securities and Turkish Lira loans are subject to fair value hedge accounting. The fair value risk of the related financial assets with fixed interest rate is hedged by currency swaps and cross currency swaps. The difference in the fair values of derivative transactions for fair value hedging purposes is followed in the “Profit/Loss from Derivative Financial Transactions” account. For fixed rate loans, the change in the fair value of the hedged item is shown together with the related asset in the statement of financial position as long as the hedge is effective.

The portion of derivative financial assets at fair value through other comprehensive income

While the Parent Bank recognizes the fair value changes of the hedged items in the “Other Interest Income” and “Other Interest Expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “Gains/Losses on Derivative Financial Instruments” account.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations on Forward and Option Contracts and Derivative Instruments (Continued)

The portion of derivative financial assets at fair value through other comprehensive income (Continued)

The hedge effectiveness between the derivative instruments/transactions used for hedging and hedged item are measured regularly, and the results are documented. In case of ineffectiveness of hedge accounting, the hedge accounting is terminated.

While the Parent Bank recognizes the fair value changes of the hedged items in the “Other Interest Income” and “Other Interest Expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “Gains/Losses on Derivative Financial Instruments” account.

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “Other Interest Income” and “Other Interest Expense” accounts.

V. Explanations on Interest Income and Expenses

Interest income, when purchased or used according to the effective interest method specified in TFRS 9 (the ratio that equates to the present net value of the future cash flows of the financial asset or liability), credit-impaired financial assets and when purchased or granted, except for financial assets that are not credit-impaired financial assets but later become credit-impaired financial assets, is recognized by applying an effective interest rate to the gross book value of the financial asset. While applying the effective interest rate method, the Bank determines the fees that are an integral part of the effective interest rate of the financial instrument. Fees, which are an integral part of the effective interest rate of the financial instrument, are considered as adjustments to the effective interest rate, unless the financial instrument is measured at fair value through profit or loss. In such cases, these fees are recognized as income or expense during the initial recognition of the financial instrument.

The Parent Bank, when applying the effective interest method, amortizes the fees, transaction costs and other premiums or discounts included in the calculation of the effective interest rate over the expected life of the financial instrument.

If there is an unpaid interest accrual prior to the acquisition of an interest-bearing security; subsequently collected interest is divided into pre-acquisition and post-acquisition periods and only the post-acquisition portion is reflected in the financial statements as interest income. If the expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the change is reflected in the carrying value of the asset and the related income statement item and amortized over the estimated life of the financial instrument.

Interest income and expenses are recorded on accrual basis. As the interest income and expense is accrued, all tax liabilities are fulfilled.

Accrued but not collected interests and rediscounts of loans, those classified as non-performing (Stage 3) are not reversed and included in interest income.

The interest amount representing the time value of the future collections of the non-performing loans is recognized under interest income and fully provisioned. The income effect arising from the discount of the estimates of expected collection as getting closer to the estimated date of collection, is recorded under interest income.

VI. Explanations on Fees and Commission Income and Expenses

Fees and commissions other than integral part of the effective interest rate of the financial instruments measured at amortized cost are accounted in accordance with the TFRS 15 Revenue from Contracts with Customers Standard.

Income on banking services which are not related to periodic services are recorded as income when they are collected. In order to classify the fees and commissions collected from customers as income on banking services or as other non-interest income, they shouldn't be related with a credit transaction.

All type of fees and commissions collected from customers regarding cash loans are deferred in commissions on cash loans account and are recognized as income over the period of the loan by discounting with effective interest rate.

For Bank assurance services provided by the Parent Bank commissions from insurance companies are recorded as income on accrual basis.

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VI. Explanations on Fees and Commission Income and Expenses (Continued)

The commissions related with non-cash loans or periodic banking services are deferred and recorded as income over the period according to the cut-off principle. Credit fee and commission expenses which are paid to other companies and institutions regarding financial liabilities, and which create operational costs are discounted by effective interest rate and are recorded as expense in relevant period according to the cut-off principle.

VII. Explanations on Financial Assets

The Group classifies and recognizes its financial assets as “Financial Assets at Fair Value Through Profit or Loss”, “Financial Assets Measured at Fair Value Through Other Comprehensive Income” or “Financial Assets Measured at Amortized Cost”. The financial assets are recognized or derecognized in accordance with the “Recognition and Derecognition” principles defined in Section 3 related to the classification and measurement of financial instruments of “IFRS 9 Financial Instruments” standard published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured “at Fair Value Through Profit or Loss”, transaction costs are added or deducted to/from their fair value.

The Parent Bank recognizes a financial asset in the financial statement when, and only when, the Parent Bank becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the (“settlement date”). When the Parent Bank first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to hold to collect and hold & sell the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through profit or loss are initially recognized at fair value and are subsequently measured at fair value. Gain and losses upon their valuation are accounted under the profit / loss accounts.

Equity securities classified as financial assets at fair value through profit or loss are recognized at fair value.

As of 31 December 2021, the Parent Bank has reviewed the valuation of financial assets at fair value through other comprehensive income due to the adverse effects of the COVID-19 outbreak and there is no change that would require any adjustment in the fair value measurement as of the reporting date.

Accounting policies related to derivative financial instruments at fair value through profit or loss are explained in Section III. Footnote IV.

Financial Assets at Fair Value through Other Comprehensive Income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

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VII. Explanations on Financial Assets (continued)

Financial Assets at Fair Value through Other Comprehensive Income (continued)

Financial assets at fair value through other comprehensive income are recognized at acquisition costs that reflect their fair value by adding transaction costs. Financial assets at fair value through other comprehensive income are subsequently measured at their fair value. The interest income of financial assets at fair value through other comprehensive income that are calculated by effective interest rate method are reflected in the statement of profit or loss. The difference between the fair value of the financial assets at fair value through other comprehensive income and the amortized cost of the financial assets, i.e. "Unrealized gains and losses", is not recognized in the statement of profit or loss until the realization of the financial asset, the sale of the asset, the disposal of the asset or being impaired of the asset are accounted under "Other Accumulated Comprehensive Income or Expenses that will be reclassified at Profit or Loss" under shareholders' equity. Accumulated fair value differences under equity are reflected to the income statement when such securities are collected or disposed.

The Group may elect, at initial recognition, to irrevocably designate an equity investment at fair value other comprehensive income where those investments are hold for purposes other than to generate investments returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends continue to be recognized in profit or loss in the financial statements

All equity instruments classified as financial assets at fair value through other comprehensive income are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range. In case of disposal of the equity investment, the accumulated total gain or loss is followed in the "Other Accumulated Comprehensive Income or Expense that cannot be reclassified to Profit or Loss".

As of 31 December 2021, the Parent Bank has reviewed the valuation of equity instruments at fair value through other comprehensive income due to the adverse effects of the COVID-19 outbreak, and as of the reporting date, there is no change that would require an adjustment in the fair value measurement.

Financial Assets Measured at Amortised Cost

Financial investments measured at amortised cost:

A financial asset is classified as a financial asset measured at amortized cost when the Parent Bank's policy within a business model is to hold the asset to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial asset measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at "Amortized cost" by using the "Effective interest (IRR) rate method". Interest income related to the financial asset measured at amortized cost is recognized in the statement of profit or loss.

Loans:

Loans are financial assets with fixed or determinable payment terms which are not traded on an active market and measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the "Effective interest (IRR) rate method".

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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VIII. Explanations on Impairment of Financial Assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, loan commitments and financial guarantee contracts in accordance with TFRS 9 principles and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” which came into force starting from 1 January 2018. Equity instruments are not subject to impairment assessment as they are measured at fair value.

Measurement of the expected credit losses reflects:

- Time value of Money
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date

The Parent Bank has changed its credit calculation method with the expected credit loss model as of 1 January 2018. Expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions and the time value of money. The financial assets are divided into “3 stage categories” depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

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

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined based on the instrument’s lifetime expected credit losses. Following criterias have been taken into account in classification a financial asset as Stage 2:

- Loans having past due more than 30 days and less than 90 days
- Restructuring loans
- Concordatum events
- Significant deterioration in probability of default

In the case of the occurrence of any of the first three items above, it is classified under Stage 2 loans regardless of the comparison between probability of default.

Significant deterioration in probability of default is considered as significant increase in credit risk and the financial asset is classified under Stage 2 loans. In this regard, it is assumed that the probability of default deteriorates, if the probability of default exceeds the thresholds defined by the Bank’s internal rating-based credit rating models.

Stage 3:

Tier 3 includes financial assets that have objective evidence that they are impaired as of the reporting date. For these assets, lifetime expected credit losses are recorded. For the related financial assets, the probability of default is taken into account as 100%.

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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VIII. Explanations on Impairment of Financial Assets (Continued)

Expected Credit Loss Calculation

Expected credit loss calculation refers to the calculation to estimate the loss of the financial instrument in case of default and it is based on 3 stage impairment model based on the change in credit quality. The Parent Bank uses two different calculations considering 12 month and lifetime probability of default of the financial instruments.

If there is a significant increase in credit risk between the origination date and the reporting date of the loan, the lifetime probability of default is used and if there is no significant increase in credit risk the 12-month probability of default is used.

There are mainly 3 loan portfolios as Commercial portfolios, Retail portfolios and Public portfolios.

While the Bank uses the internal credit ratings for commercial portfolios, the internal behavioural scores is used for the retail portfolios. It is determined significant increase in credit risk by comparing the credit ratings/behavioural scores at the origination date and reporting date for both portfolios.

Default Definition: Debts having past due more than 90 days; in addition, the fact that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

The Parent Bank considers different scenarios in the calculation of expected credit loss by evaluating current economic conditions and expert opinions. Accordingly, the macroeconomic value estimates taken into account in the expected loss provision calculation are presented below.

| | 2021 | | | | 2022 | | | | 2023 | | | | 2024 | | | | 2025 | | | |
|-----------|------|------|-----|-----|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|------|-----|-----|-----|
| Period(*) | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| GDP | 7.0 | 21.3 | 6.4 | 5.7 | 4.6 | 3.8 | 2.8 | 2.8 | 3.4 | 4.1 | 4.2 | 4.2 | 4.1 | 4.0 | 4.1 | 4.0 | 3.9 | 3.9 | 4.1 | 4.3 |

(*) It represents 3-month periods.

The Parent Bank does not have any financial asset as purchased or originated credit-impaired.

Probability of Default (PD): PD represents the likelihood of default over a specified time period. Based on the historical data, 1-year PD of a customer is calculated for each portfolio on the basis of credit ratings and behavioural scores. PDs and LGDs used in the ECL calculation are (point in time, PIT) based on key portfolios and consider both current conditions and expected cyclical changes. Two types of probability of default are calculated.

- 12-Month PD: as the estimated probability of default occurring within the next 12 months
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument

Internal rating systems are used to measure the risk of both commercial and retail portfolios. The internal rating models used in the commercial portfolio include the customer's financial information and the answers to the qualitative question set. Behavioural score cards used in the retail portfolio include the behavioural data of the customer and the product in the Bank, the demographic information of the customer and the behavioural data of the customer in the sector.

The probability of default is calculated based on historical data, current conditions and forward-looking macroeconomic expectations.

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VIII. Explanations on Impairment of Financial Assets (continued)

Expected Credit Loss Calculation (continued)

Loss Given Default (LGD): If a loan defaults, it represents the economic loss incurred on the loan. It is expressed as a percentage.

The Bank calculates the recovery rates for each portfolio in a way that include the collateral types and several risk elements based on historical data, and it is ensured that the time value of money is included into the calculation by discounting of these recoveries to the reporting date. The collaterals in the calculation are taken into account by considering the credit conversion factors. The collaterals included in “Communique on Credit Risk Mitigation Techniques” is taken into account with their rules in the communique. The remaining part is considered as unsecured portfolio and loss given default rate determined for this portfolio is applied.

Exposure at Default (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. The expected default amount is calculated by discounting the principal and interest repayments for cash loans and income accruals by effective interest method while it refers to the value calculated through using credit conversion factors for non-cash loans and commitments. It shows the risk of the borrower at the date of default.

Effective interest rate: the discount factor which reflects the time value of money.

Lifetime ECL is calculated by taking into account the period during which the Parent Bank will be exposed to credit risk. The maturity information defined for all cash and non-cash loans is used in the calculation of the expected credit loss along with their maturity and payment plans. The maturity refers to the contractual life of a financial instruments unless there is the legal right to call it earlier. The maturity analysis and credit risk mitigation processes such as cancellation/revision of the limits have been developed for the definition of behavioural maturity for loans that do not have maturity information and revolving loans.

When expected credit losses are estimated, it is considered that three different macroeconomic scenarios as “Base”, “Adverse” and “Favourable” and the weighted average of the results of these scenarios is taken into account. Forward-looking PDs based on the weighted average of these three scenarios are calculated on segment basis. The fundamental macroeconomic variable in the macroeconomic models is the estimated annual growth rate in gross national product. The Parent Bank periodically reviews the parameters included in the calculation and updates them when necessary.

Expected Credit Loss Calculation of Stage 1 Loans: It is calculated by considering 12-month (1 year) PDs for the financial assets measured at amortized cost, which do not reflect a significant increase in credit risk. Therefore, it is a part of the lifetime expected credit losses. Such expected 12-month PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

In the case of the current default rate is below a defined threshold without comparison with the origination date, the related loans are classified under Stage 1 loans by considering their credit qualities. Treasury Bills, Government Bonds and CBRT balances are classified under Stage 1 loans. In addition, the institutions related to risk group of the Bank and other banks’ placements are classified under Stage 1 loans.

Expected Credit Loss Calculation of Stage 2 Loans: It is calculated by considering lifetime PDs for the loans which has shown a significant increase in credit risk since origination. Such expected lifetime PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

In determining of the significant increase in credit risk, qualitative and quantitative assessments are performed.

Qualitative assessments:

The loans with a delay on repayment more than 30 days are classified under Stage 2 loans. In addition, the restructured loans are classified under this stage. Also, all the customers declaring concordatum are classified under this stage.

The Parent Bank periodically reviews the parameters included in the calculation and updates them when necessary.

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VIII. Explanations on Impairment of Financial Assets (Continued)

Expected Credit Loss Calculation (continued)

Quantitative assessments:

“Significant increase in credit risk” is quantitatively based on the comparison the risk of default at the reporting date with the risk of default at the date of initial recognition. Where the change is above the defined threshold it is considered as significant increase in the credit risk, meaning that the credit is classified under Stage 2 loans.

In the case of the internal credit rating of the loan is above a defined threshold, “high risk portfolio”, without comparison with the origination date, the related loans are classified under Stage 2 loans.

Expected Credit Loss Calculation of Stage 3 Loans: Lifetime expected credit losses are booked for the loans considered as impaired. When calculating the provisions by discounting the individual cash flow expectations for financial instruments which are above a defined threshold, loss given default rates are taken into account in case of default for financial instruments which are below the defined threshold.

IX. Explanations on Offsetting of Financial Assets and Liabilities

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

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

Treasury bills and government bonds within the scope of repurchase agreements are classified in financial statements as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financials assets measured at amortized cost according to the classification of marketable securities subject to repurchase agreement and are valued according to the measurement rules of the relevant category. Funds obtained through repurchase agreements are booked in a separate liability account, namely funds provided under repurchase agreements under money market balances. Income and expenses arisen from these transactions are booked in “Interest Income on Marketable Securities Portfolio” and “Interest Expense on Money Market Borrowings” in income statement.

Securities purchased under repurchase agreements (“Reverse repos”) are accounted under “Money Market Placements” in the balance sheet. The difference between the purchase and resell price of the repurchase agreements is accrued over the life of repurchase agreements. As of 31 December 2021, the Group has no reverse repo transaction (31 December 2020: TL 3,679,810).

As of 31 December 2021, the Group does not have any marketable securities lending transaction (31 December 2020: None).

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Non-current assets held for sale consists of tangible assets acquired with regards to the non-performing loans and accounted in financial statements in accordance with “IFRS 5 Assets Held for Sale and Discontinued Operations”. An asset (or disposal group) classified as held for sale in accordance with IFRS 5 is measured at the lower of its carrying amount and fair value less costs to sell. For an asset to be held for sale, the asset (or disposal group) must be available for immediate sale under the conditions common and customary for the sale of such assets, and the sale must be highly probable. In order to have a high probability of sale; A plan for the sale of the asset must have been made by an appropriate level of management and an active program of identification of buyers and completion of the plan must have been initiated. In addition, the asset must be actively marketed at a price consistent with its fair value.

As of 31 December 2021, assets held for sale and discontinued operations of the Group are TL 65,933 (31 December 2020: TL 112,859). As per the appraisals performed for the real estates held for sale included “Assets Held for Sale” in the financial statements, TL 2,288 (31 December 2020: TL 5,330) has been reserved as provision for impairment losses.

As of 31 December 2021, the Group has no discontinued operations.

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XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree's identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statement's provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period shall not exceed one year from the acquisition date.

As explained in footnote 1 of Section 1, under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Gazette 12 February 2011 dated and numbered as 27844, all rights, receivables, (assets and liabilities) of Fortis Bank A.Ş. would be transferred to the Parent Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

Within the framework of TFRS 3 Business Combination, identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. In this context, the Parent Bank has measured the identifiable assets acquired and the identifiable liabilities acquired in the date of the merger of Fortis Bank A.Ş. at fair value and presented in the financial statements as related items. The resulting difference of TL 48,783 is shown in related assets and liability section, the equity impact is shown under other shareholder's equity section. The amount of TL 421,124, which is the difference between TL 2,385,482, the fair value of transferred amount and TL 1,964,358, the identifiable net asset value is accounted.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Parent Bank's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly software. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Software's used are mainly developed within the Parent Bank by the Parent Bank's personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

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XIII. Explanations on Tangible Fixed Assets

Tangible assets of the Group are accounted for at their restated cost until 31 December 2004 and afterwards, the acquisition cost and any other cost incurred to prepare the asset ready for use are reflected, less reserve for impairment, if any.

Depreciation rates are defined according to the economic life of the relevant assets.

Depreciation is calculated using the straight-line method, without taking residual values into consideration based on the number of months that the asset is used. No amendment has been made to the depreciation method in the current period. The economic useful lives of the tangible fixed assets are as follows:

| | |
|---|------------|
| Buildings | 50 years |
| Furniture, Fixtures and Office Equipment and Others | 5-15 years |

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset and other maintenance costs are expensed. Leasehold improvements amount is subject to depreciation during leasing period. This period is taken into consideration maximum five years. For the branches this period is considered as three years in parallel with the Parent Bank's business plans.

The Parent Bank employs independent appraisers in determining the current fair values of its real estate's when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

“IFRS 16 Leases” was promulgated in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information and faithful representation. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements. The Group has started to apply the related standard for the first time on 1 January 2019 by reflecting the application effects to the equity accounts.

Lease obligations under the contract in the amount of liabilities on the balance sheet equal to the sum of all cash payments and offset with the form shown gross interest expense arising from the contract. The right of use arising from the leasing transactions, at the date of commencement, the present value of the lease payments which have not been paid at that date is measured. In this measurement, if the interest can be easily determined, the implied interest rate in the lease is used. If this ratio is not easily determined, the Bank's alternative borrowing interest rate announced by the Asset and Liability Management Department is used.

Public Oversight Authority (POA) made amendments in IFRS 16 “Leases” standard by publishing the Concessions Granted in Lease Payments Regarding COVID-19 – “amendments regarding IFRS 16 Leases” on 5 June 2020. With this amendment, exception is granted to lessee on the subject of not evaluating whether the privileges granted on lessees' lease payments due to COVID-19 are changes on leasing or not. The subjected changes did not have a significant impact on the Parent Bank's financial position or performance.

With the “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognized under “Tangible Assets” as an asset (tenure) and under “Lease Payables” as a liability.

XV. Explanations on Provisions and Contingent Liabilities

Provisions are provided for liabilities of uncertain timing or amount arising from past events have the probability to result in an expense or loss in the future and when it can be measured reliably.

Provisions are determined by using the Group's best expectation of expenses in fulfilling the obligation as of the balance sheet date and discounted to present value if material. Provisions and contingent liabilities, excluding specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards (TAS 37) regarding Provisions, Contingent Liabilities and Contingent Assets.

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XVI. Explanations on Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized.

Contingent assets are disclosed in the financial statements’ notes where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. In case it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

XVII. Explanations on Liabilities Regarding Employee Benefits

In accordance with existing social legislation in Turkey, the Parent Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over 1 year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Parent Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. According to the Turkish Accounting Standard on Employee Benefits No. 19, the total benefit is calculated for employees who have completed one year of employment and whose working period has expired due to retirement, or who are left voluntarily or dismissed.

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

Employees transferred to the Parent Bank following the business combination defined in “General Information” of the Parent Bank and Fortis Bank A.Ş. are the members of “Fortis Bank A.Ş. Mensupları Emekli Sandığı” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No. 506. Technical financial statements of the Pension Fund are audited by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 31 December 2021, the Pension Fund has 1,414 employees and 1,238 pensioners (31 December 2020: 1,505 employees and 1,191 pensioners).

Provisional Article 23 (1) of Banking Law No. 5411 (the “Banking Law”) published in the Official Gazette repeated No. 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No. 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling, and its basis were published in the Official Gazette No. 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No: 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers’ resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers’ resolution dated 24 February 2014 issued in the Official Gazette No:28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers’ resolution dated 8 April 2013 issued in the Official Gazette No:28636 on 3 May 2013. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 numbered 29335. According to paragraph (I) of Article 203 of Law no. 703 which published on the Official Gazette no. 30473 dated 9 July 2018, the phrase, placed in 20th provisional article of Social Insurance and General Health Insurance Law no.5510, “Council of Ministers” is authorized to determine the date of transfer to the Social Security Institution has been replaced with “President”.

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XVII. Explanations on Liabilities Regarding Employee Benefits (Continued)

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2021. Since the Parent Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

Since the Parent Bank management anticipates that any potential liability that may be incurred during or after the transfer within the above-mentioned limits will be likely recoverable by the assets of the Pension Fund, they believe such liabilities will not bring any additional liability to the Parent Bank

XVIII. Explanations on Taxation

Corporate Tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate has been applied as 22% for 3 the years between 2018-2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017. With Article 11 of the Law No. 7316 on the Procedure for Collection of Public Claims and Amending Certain Laws, which was published in the Official Gazette dated 22 April 2021 and numbered 31462, and with the Provisional Article 13 added to the Corporate Tax Law No. 5520, the Corporate Tax rate will be applied as 25% for the corporate earnings of the 2021 taxation period and 23% for the corporate earnings of the 2022 taxation period. This change will be valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021.

The tax legislation requires advance tax to be calculated and paid based on earnings generated for each quarter, the amounts thus calculated and paid are offset from the final tax computed over the earnings of the year. With the Tax Procedure Law No. 7338 published in the Official Gazette dated 26 October 2021 and numbered 31640, the 4th period provisional tax return to be implemented in 2022 was abolished. In the new application, a total of 3 temporary tax returns will be submitted in quarterly periods for the first 9 months of the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are taken into account in the Tax Statement according to Article 22 of the Prevention of Double Taxation Treaty signed between Northern Cyprus and the Turkish Republic.

50% portion of the gains derived from the sale of immovable (from 5 December 2017) which have been acquired due to loans under follow-up from the Bank and 75% portion of participation shares, founder's shares, dividend shares and pre-emption rights is tax exempt. 75% portion of the capital gains derived from the sale of equity investments and 50% portion of the immovable properties held for at least two years are exempt from corporate taxation, providing that such gains are added to paid-in capital or held in a special fund account under liability for 5 years.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one instalment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Deferred Tax Asset / Liability

The Group calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

As stated in the explanations regarding the Corporate Tax, the rates to be applied to the corporate earnings of the 2021 and 2022 taxation periods are determined as 25% and 23%, respectively. In the scope of TAS 12 Income Taxes standard, deferred tax assets or liabilities are calculated based on tax rates (and tax laws) that are in effect or nearly effective as of the end of the reporting period (balance sheet date), using tax rates expected to be applied in the periods when assets are converted into income or liabilities are paid. As of 31 December 2021, the Parent Bank evaluated its assets and liabilities according to their maturities, and deferred tax calculations were made according to the rate of 23% or 20% corresponding to the relevant maturities.

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XVIII. Explanations on Taxation (continued)

Deferred Tax Asset / Liability (Continued)

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

Deferred tax asset is calculated over temporary differences arisen from expected credit loss provision in line with TFRS 9 principles from 1 January 2018.

Deferred tax income balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XIX. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

XX. Explanations on Issued Equity Securities

There is no share issued in the year 2021.

XXI. Explanations on Bill Guarantees and Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XXII. Explanations on Government Incentives

There is no government incentive utilized by the Group.

XXIII. Explanations on Reporting According to Segmentation

The operating segments of the Parent Bank include retail and private banking, SME banking, corporate banking, treasury and asset-liability management.

Retail and private banking lines of the Parent Bank provide consumer loans, personal financing, housing, workplace and vehicle loans for customer needs related to general consumption, purchase of durable goods, and real estate. The Parent Bank also provides account products like Marifetli, Firsat and CEPTETEB along with the standard time deposit products to enable advantageous savings in different currencies and maturities. In regard to investment needs for customers, retail and private banking offers brokerage services for treasury bill transactions, government bonds, Eurobonds, foreign exchange purchases/sales, a wide range of investment funds, private pension funds and equity securities transactions. It also provides practical account, credit deposit account, automatic bill/regular payment options, safe-deposit boxes and insurance services beside credit and debit cards offering advantages in shopping and banking transactions. These products and services are provided to customers through widespread physical branches and ATM network and also via a 24/7 call center, internet and mobile banking.

Corporate banking provides financial solutions and banking services to large-scale local firms, holdings and their group companies, and multinational companies operating in Turkey. In addition to the bank deposit services provided to corporate customers, corporate banking also develops tailored solutions and products for standard cash and non-cash loans, investment loans, cash management services in line with customer needs and demands and foreign trade financing. Foreign exchange purchase and sale transactions, corporate financing services, derivative products and solutions to manage foreign exchange and interest rate risk and commodity financing are other services provided by the Parent Bank. The Bank provides these services and products for its corporate customers via teams, located in its corporate branches and Head Office, who are specialized in foreign trade, cash management, structured finance and multinational companies. It also benefits from the global business network and expertise of BNP Paribas Group.

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XXIII. Explanations on Reporting According to Segmentation (continued)

SME banking provides small and medium-sized enterprises with financial solutions and exclusive services for non-financial matters. The Parent Bank, which specifically designed its services for different segments in the field of SME Banking, has developed solutions that are tailored to the needs of these segments. In addition to solutions developed for small and medium-sized enterprises, solutions were developed for agricultural producers, jewellers, female leaders and entrepreneurship segments and for SME banking, enterprise banking, agriculture banking, gold banking, women’s banking and entrepreneurship banking. These solutions are provided on a larger scale based on the types of financial problems encountered by customers, and they are supported in non-financial matters via offering access to information, training and networks. At this point, the Parent Bank does not only provide financial support to the SMEs but also provides the training and expertise they need to grow their business, strengthen their competitiveness and use their financing properly.

When determining the short, medium and long-term pricing strategy, Asset-Liability Management and the Treasury Group also manage the maturity mismatch, by adopting a principle foreseeing to work with a positive balance sheet margin. Spot and forward TL and foreign exchange purchase-sale transactions, treasury bill, government bond, and Eurobond purchase-sale transactions, and derivative product purchase/sale transactions are carried out under defined authorizations. The Parent Bank also carries out activities related to providing medium and long-term funding, enabling funding at a price below the price reflecting the country risk price, diversifying funding resources, and creating an international investor base in this field.

The Financial Markets Group provides structured financial solutions to hedge foreign exchange/interest rate risks of customers and provides the most appropriate price for the market instruments offered to customers by monitoring market conditions.

The details of the income statement and the balance sheet which the Group operates as a business line:

| Current Period | Retail and Private Banking | Corporate Banking | SME Banking | Other | Elimination | Total |
|----------------------------------|---------------------------------------|------------------------------|------------------------|---------------|--------------------|------------------|
| Dividend Income | - | - | - | 9,775 | (6,272) | 3,503 |
| Profit Before Tax | 849,126 | 807,896 | 337,316 | 739,084 | (9,814) | 2,723,608 |
| Tax Provision (-) | - | - | - | 642,911 | (177) | 642,734 |
| Net Profit for the Period | 849,126 | 807,896 | 337,316 | 96,173 | (9,637) | 2,080,874 |

| Current Period | Retail and Private Banking | Corporate Banking | SME Banking | Other | Elimination | Total |
|--|---------------------------------------|------------------------------|------------------------|-------------------|--------------------|--------------------|
| Segment Assets | 37,486,577 | 47,375,661 | 23,996,403 | 90,620,966 | (625,544) | 198,854,063 |
| Investments in Associates, Subsidiaries and Jointly Controlled Entities | - | - | - | 130,194 | (130,139) | 55 |
| Total Assets | 37,486,577 | 47,375,661 | 23,996,403 | 90,751,160 | (755,683) | 198,854,118 |
| Segment Liabilities | 85,251,945 | 37,099,365 | 14,272,783 | 48,800,020 | (626,265) | 184,797,848 |
| Shareholders’ Equity | - | - | - | 14,185,688 | (129,418) | 14,056,270 |
| Total Liabilities | 85,251,945 | 37,099,365 | 14,272,783 | 62,985,708 | (755,683) | 198,854,118 |

| Prior Period (31.12.2020) | Retail and Private Banking | Corporate Banking | SME Banking | Other | Elimination | Total |
|----------------------------------|---------------------------------------|------------------------------|------------------------|----------------|--------------------|------------------|
| Dividend Income | - | - | - | 32,308 | (28,751) | 3,557 |
| Profit before Tax | 416,020 | 394,058 | 88,170 | 809,102 | (30,430) | 1,676,920 |
| Tax Provision (-) | - | - | - | 408,098 | (84) | 408,014 |
| Net Profit for The Period | 416,020 | 394,058 | 88,170 | 401,004 | (30,346) | 1,268,906 |

| Prior Period (31.12.2020) | Retail and Private Banking | Corporate Banking | SME Banking | Other | Elimination | Total |
|--|---------------------------------------|------------------------------|------------------------|-------------------|--------------------|--------------------|
| Segment Assets | 29,758,990 | 33,737,144 | 17,917,969 | 61,694,952 | (379,343) | 142,729,712 |
| Investments in Associates, Subsidiaries and Jointly Controlled Entities | - | - | - | 126,652 | (126,597) | 55 |
| Total Assets | 29,758,990 | 33,737,144 | 17,917,969 | 61,821,604 | (505,940) | 142,729,767 |
| Segment Liabilities | 57,562,522 | 30,630,337 | 8,208,073 | 35,019,049 | (379,887) | 131,040,094 |
| Shareholders’ Equity | - | - | - | 11,815,726 | (126,053) | 11,689,673 |
| Total Liabilities | 57,562,522 | 30,630,337 | 8,208,073 | 46,834,775 | (505,940) | 142,729,767 |

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XXIV. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 26 March 2021 of the Parent Bank, TL 1,177,314 that constitutes the 2020 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL 58,866 as Legal Reserves, TL 935 as Special Reserves, TL 0.96 (full TL) as profit distributed to the holders of the founder jouissance certificates.

XXV. Reclassifications

In order to comply with the financial statement presentation of 31 December 2021, some reclassifications have been made on the income statement and cash flow statement of 31 December 2020 and the balance sheet as of 31 December 2020. The related classification has no effect on the performance of the Parent Bank.

In order to comply with the Parent Bank's financial position as of 31 December 2021 prepared in accordance with the Uniform Chart of Accounts published on 1 January 2021, a reclassification was performed for the collateral amounts given over the derivative transactions made with foreign banks between cash and cash equivalents and other assets lines as of 31 December 2020 amounting to TL 1,332,737. The effects of this classification on the cash flow statement have also been updated. Collaterals in foreign non-bank institutions are continued to be recorded under other assets line. These mentioned classifications did not have any impact on the asset size and performance of the Parent Bank's statement of financial position.

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SECTION FOUR

INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Consolidated Shareholders’ Equity

Equity amount and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks” and decision of BRSA's regulations dated 8 December 2020 and 9312 numbered and 16 April 2020 dated and 3984 numbered, 17 June 2021 dated and 9624 numbered and 21 December 2021 dated and 9996 numbered. According to the latest regulation changes.

In calculating the amount subject to credit risk; while calculating the valued amounts in foreign currency, the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the reporting date is used.

In accordance with the Standard Approach, 0% risk weight is used in the calculation of the amount subject to credit risk for FX receivables of Banks which are from Republic of Turkey Central Management within the scope of Regulation on Measurement and Assessment of Capital Adequacy of Banks published on the Official Gazette dated 23 October 2015 and numbered 29511.

In accordance with BRSA Board Decision dated 1 July 2021 and numbered 9645, the risk weights of individual credit cards and consumer loans were changed. The risk weight for consumer loans extended after the decision taken, was applied as 100% instead of 75% for those with a remaining maturity of 1-12 months, and 150% instead of 75% for those with more than 1 year. Likewise, the risk weight for individual credit cards after the date of the decision,; was applied as 100% instead of 75% for those with 1-6 months to maturity, and 150% instead of 75% for those with 6 months or more.

In accordance with the Board decision dated 21 December 2021 and numbered 9996, in case of the net valuation differences of the financial assets included in the portfolio of "Securities at Fair Value through Other Comprehensive Income" as of the decision date are negative, these differences have been calculated in accordance with the Regulation on the Equity of Banks published in the Official Gazette dated 5 September 2013 and numbered 28756 and have not been taken into account in the amount of equity to be used for the capital adequacy ratio.

The Group's current consolidated period equity amount calculated as of 30 December 2021 is TL 18,477,772 (31 December 2020: 16,717,321 TL), and the consolidated capital adequacy standard ratio is 16.73% (31 December 2020: 18.25%). The Group's the consolidated capital adequacy standard ratio is above the minimum ratio determined by the relevant legislation. Credit risk “standard approach” for banking accounts, market risk “standard method” for trading accounts, counterparty credit risk “fair value valuation method” for derivatives and repo transactions, credit valuation adjustment capital load “standard method” for over-the-counter derivative transactions method and operational risk were calculated using the “basic indicator method”.

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I. Explanations Related to Components of Consolidated Shareholders’ (Continued)

Information related to the Components of Consolidated Shareholders’ Equity:

| | Current Period 31.12.2021 | Prior Period 31.12.2020 |
|---|------------------------------|----------------------------|
| Common Equity Tier 1 Capital | | |
| Paid-in Capital to be Entitled for Compensation after All Creditors | 2,404,652 | 2,404,652 |
| Share Premium | 2,565 | 2,565 |
| Reserves | 9,538,286 | 8,472,235 |
| Gains Recognized in Equity as per TAS | 4,611 | 63,530 |
| Profit | 2,072,708 | 1,272,252 |
| Current Period Profit | 2,072,708 | 1,262,755 |
| Prior Period Profit | - | 9,497 |
| Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit | - | 527 |
| Minority interest | 750 | 530 |
| Common Equity Tier 1 Capital Before Deductions | 14,023,572 | 12,216,291 |
| Deductions from Common Equity Tier 1 Capital | | |
| Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank | - | - |
| Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS | 122 | 23,436 |
| Leasehold Improvements on Operational Leases | 37,252 | 38,571 |
| Goodwill netted off deferred tax liability | 421,124 | 421,124 |
| Other intangible assets netted off deferred tax liabilities except mortgage servicing rights | 175,884 | 139,502 |
| 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 value of Bank’s liabilities | - | - |
| Net amount of defined-benefit plan assets | - | - |
| Direct and indirect investments of the Bank in its own Tier 1 Capital | - | - |
| Excess amount expressed in the law (Article 56 4th paragraph) | - | - |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - |
| Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital | - | - |
| Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital | - | - |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - |
| Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph) | - | - |
| Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | - | - |
| Amounts related to mortgage servicing rights | - | - |
| Excess amount of deferred tax assets from temporary differences | - | - |
| Other Items Determined by BRSA | - | - |
| Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital | - | - |
| Total Deductions from common equity Tier 1 Capital | 634,382 | 622,633 |
| Total Common Equity Tier 1 Capital | 13,389,190 | 11,593,658 |

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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I. Explanations Related to Components of Consolidated Shareholders’ (Continued)

Information related to the Components of Consolidated Shareholders' Equity: (continued)

| | Current Period 31.12.2021 | Prior Period 31.12.2020 |
|---|------------------------------|----------------------------|
| ADDITIONAL TIER 1 CAPITAL | | |
| Preferred Stock not Included in Common Equity and the Related Share Premiums | - | - |
| Debt instruments and premiums approved by BRSA | - | - |
| Debt instruments and premiums approved by BRSA (Temporary Article 4) | - | - |
| Third Parties Share in the Additional Tier 1 Capital | 161 | 114 |
| Third Parties Share in the Additional Tier 1 Capital (in the scope of Temporary Article 3) | 161 | 114 |
| Additional Tier 1 Capital before deductions | 161 | 114 |
| Deductions from Additional Tier 1 Capital | | |
| Bank's direct or indirect investment on its own Tier 1 Capital | - | - |
| Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital | - | - |
| Other Items Determined by BRSA | - | - |
| Items to be deducted from Tier I Capital during the Transition Period | - | - |
| Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-) | - | - |
| 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 Bank Capital (-) | - | - |
| The amount to be deducted from Additional Tier 1 Capital (-) | - | - |
| Total Deductions from Additional Tier 1 Capital | - | - |
| Total Additional Tier 1 Capital | 161 | 114 |
| Total Tier 1 Capital (Tier 1 Capital=Common Equity + Additional Tier 1 Capital) | 13,389,351 | 11,593,772 |
| TIER 2 CAPITAL | | |
| Bank's borrowing instruments and related issuance premium | 7,140,542 | 4,137,063 |
| Bank's borrowing instruments and related issuance premium (in the scope of temporary Article 4) | - | - |
| Third parties' share in the Tier 2 Capital | 214 | 151 |
| Third parties' share in the Tier 2 Capital (in the scope of Temporary Article 3) | 214 | 151 |
| Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital) | 1,363,914 | 990,921 |
| Tier 2 Capital Before Deductions | 8,504,670 | 5,128,135 |
| Deductions from Tier 2 Capital | | |
| Bank's direct or indirect investment on its own Tier 2 Capital (-) | - | - |
| Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation | - | - |
| Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-) | - | - |
| The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital (-) | - | - |
| Other Items Determined by BRSA (-) | - | - |
| Total Deductions from Tier 2 Capital | - | - |
| Total Tier 2 Capital | 8,504,670 | 5,128,135 |
| Total Capital (The sum of Tier 1 and Tier 2 Capital) | 21,894,021 | 16,721,907 |

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I. Explanations Related to Components of Consolidated Shareholders’ (Continued)

Information related to the Components of Consolidated Shareholders' Equity: (continued)

| | Current Period 31.12.2021 | Prior Period 31.12.2020 |
|--|------------------------------|----------------------------|
| The sum of Tier 1 Capital and Tier 2 Capital (Total Equity) | | |
| Loan granted to Customer against the Articles 50 and 51 of the Banking Law | 3,823 | 1,046 |
| Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years | - | - |
| Other items to be defined by the BRSA | 23,710 | 3,540 |
| Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period | | |
| Portion of the total of net long positions of investments made in Common 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 not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. | - | - |
| Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital 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 not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks. | - | - |
| Portion of the total of net long positions of investments made 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, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks | - | - |
| TOTAL CAPITAL | | |
| Total Capital | 21,866,488 | 16,717,321 |
| Total Risk Weighted Assets | 123,079,834 | 91,603,777 |
| Capital Adequacy Ratios | | |
| Common Equity Tier 1 Capital Adequacy Ratio (%) | 10.88 | 12.66 |
| Tier 1 Capital Adequacy Ratio (%) | 10.88 | 12.66 |
| Capital Adequacy Ratio (%) | 17.77 | 18.25 |
| BUFFERS | | |
| Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%) | 2.50 | 2.50 |
| a) Capital conservation buffer requirement (%) | 2.50 | 2.50 |
| b) Bank specific counter-cyclical buffer requirement (%) | - | - |
| c) Systemic significant 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 | 2.34 | 4.15 |
| Amounts below the Excess Limits as per the Deduction Principles | | |
| Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital | 301,971 | 182,843 |
| Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital | - | - |
| Mortgage servicing rights | - | - |
| Deferred tax assets arising from temporary differences (net of related tax liability) | 147,376 | 651,589 |
| Limits related to provisions considered in Tier II Calculation | | |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation) | 2,123,337 | 2,000,390 |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used (**) | 1,363,914 | 990,921 |
| Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation | - | - |
| Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022) | | |
| Upper limit for Additional Tier I Capital subjected to temporary Article 4 | - | - |
| Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4 | - | - |
| Upper limit for Additional Tier II Capital subjected to temporary Article 4 | - | - |
| Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4 | - | - |
| The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9 | 88,574 | 177,147 |

(*) The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9 has been deducted.

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (Continued)

Information related to the Components of Consolidated Shareholders’ Equity: (continued)

| | T | T-1 | T-2 | T-3 | T-4 |
|--|-------------|-------------|-------------|-------------|-------------|
| CAPITAL ITEMS | | | | | |
| Common Equity Tier 1 Capital | 13,389,190 | 12,513,356 | 11,974,869 | 11,425,440 | 11,593,658 |
| Common Equity Tier 1 Capital where the transition impact of TFRS 9 has not been applied (a) | 13,300,616 | 12,424,782 | 11,886,295 | 11,336,866 | 11,416,511 |
| Tier 1 Capital | 13,389,351 | 12,513,449 | 11,974,954 | 11,425,536 | 11,593,772 |
| Tier 1 Capital where the transition impact of TFRS 9 has not been applied (b) | 13,300,777 | 12,424,875 | 11,886,380 | 11,336,962 | 11,416,625 |
| Capital | 21,866,488 | 18,477,772 | 17,785,748 | 16,926,550 | 16,717,321 |
| Capital where the transition impact of TFRS 9 has not been applied (c) | 21,777,914 | 18,389,198 | 17,697,174 | 16,837,976 | 16,540,174 |
| | | | | | |
| TOTAL RISK WEIGHTED ASSETS | | | | | |
| Total Risk Weighted Assets | 123,079,834 | 110,426,564 | 99,515,070 | 95,123,030 | 91,603,777 |
| | | | | | |
| CAPITAL ADEQUACY RATIOS | | | | | |
| Common Equity Tier 1 Capital Adequacy Ratio (%) | 10.88 | 11.33 | 12.03 | 12.01 | 12.66 |
| Common Equity Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (d) | 10.81 | 11.25 | 11.94 | 11.92 | 12.46 |
| Tier 1 Capital Adequacy Ratio (%) | 10.88 | 11.33 | 12.03 | 12.01 | 12.66 |
| Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (d) | 10.81 | 11.25 | 11.94 | 11.92 | 12.46 |
| Capital Adequacy Ratio (%) | 17.77 | 16.73 | 17.87 | 17.79 | 18.25 |
| Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (d) | 17.69 | 16.65 | 17.78 | 17.70 | 18.06 |
| | | | | | |
| LEVERAGE RATIO | | | | | |
| Leverage Ratio Total Risk Amount | 267,761,081 | 208,552,980 | 193,379,229 | 185,131,548 | 186,259,132 |
| Leverage Ratio | 5.00% | 6.00% | 6.19% | 6.07% | 6.16% |
| FTA not Applied Leverage Ratio (e) | 4.97% | 5.96% | 6.15% | 6.02% | 6.06% |

Basic information for the TFRS 9 transition process

- a: Common equity Tier 1 capital if temporary Article 5 of the Regulation on equities of banks has not applied.
b: Tier 1 capital if temporary Article 5 of the Regulation on equities of banks has not applied.
c: Total capital if temporary Article 5 of the Regulation on equities of banks has not applied.
d: Capital adequacy ratios calculated with capital items if Temporary Article 5 of the Regulation on banks has not applied.
e: The leverage ratio calculated with capital items if Temporary Article 5 of the Regulation on banks has not applied.

Explanations on Reconciliation of Capital Items to Balance Sheet:

| | |
|--|-------------------|
| Total Capital per Balance Sheet | 14,056,270 |
| Hedging Funds (effective portion) | (292,799) |
| Deductions Made Under Regulation | (662,491) |
| Transition Impact of TFRS 9 (Temporary 5th Article) | 88,574 |
| Accumulated revaluation and / or classification on gains / losses of financial assets with fair value through comprehensive income | 199,636 |
| Common Equity Tier 1 Capital | 13,389,190 |
| Additional Tier 1 Capital | 161 |
| Tier 1 Capital | 13,389,351 |
| General Provisions (Stage 1 and 2) | 1,363,914 |
| Bank’s Borrowing Instruments | 7,140,542 |
| Deductions Made Under Regulation | (27,533) |
| Share of Third Parties in Capital | 214 |
| Total Equity | 21,866,488 |

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (Continued)

Information related to debt instruments included in equity calculation:

All of the debt securities included in the equity calculation are issued by the Parent Bank.

| Issuer | TEB | TEB | TEB | TEB |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Unique identifier of the debt instrument (e.g. CUSIP, ISIN) | XS0700889081 | XS0808626013 | XS0780562665 | XS0947781315 |
| Governing law(s) of the debt | Turkey | Turkey | Turkey | Turkey |
| Regulatory treatment | | | | |
| Subject to 10% deduction as of 1/1/2015 | No | No | No | No |
| Eligible at consolidated /unconsolidated/ consolidated and unconsolidated | Available | Available | Available | Available |
| Type of the debt instrument | Borrowing Instrument | Borrowing Instrument | Borrowing Instrument | Borrowing Instrument |
| Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date) | 2,812.0 | 1,518.8 | 911.2 | 1,898.5 |
| Par value of instrument (TL Currency in mil) | 2,812.0 | 1,518.8 | 911.2 | 1,898.5 |
| Accounting classification of the debt instrument | 34701100 | 34701100 | 34701100 | 34701100 |
| Original date of issuance | 5.11.2018 | 22.07.2019 | 14.05.2019 | 27.06.2018 |
| Perpetual or dated (Demand / Time) | Time | Time | Time | Time |
| Original maturity date | 5.11.2028 | 22.07.2029 | 14.05.2029 | 27.06.2028 |
| Issuer call subject to prior supervisory approval | Available | Available | Available | Available |
| Optional call date, contingent call dates and redemption amount | 5.11.2023 | 22.07.2024 | 14.05.2024 | 27.06.2023 |
| Subsequent call dates, if applicable | - | - | - | - |
| Coupons/dividends | | | | |
| Fixed or floating dividend/coupon | Fixed | Floating | Floating | Floating |
| Coupon rate and any related index | 10.40% | 6mEuribor+7.10% | 6mEuribor+7.10% | 6mEuribor+5.10% |
| Existence of a dividend stopper | None | None | None | None |
| Fully discretionary, partially discretionary or mandatory | Mandatory | Mandatory | Mandatory | Mandatory |
| Existence of step up or other incentive to redeem | None | None | None | None |
| Noncumulative or cumulative | None | None | None | None |
| Convertible or non-convertible | | | | |
| If convertible, conversion trigger (s) | - | - | - | - |
| If convertible, fully or partially | - | - | - | - |
| If convertible, conversion rate | - | - | - | - |
| If convertible, mandatory or optional conversion | - | - | - | - |
| If convertible, specify instrument type convertible into | - | - | - | - |
| If convertible, specify issuer of instrument it converts into | - | - | - | - |
| Write-down feature | | | | |
| If write-down, write-down trigger(s) | - | - | - | - |
| If write-down, full or partial | - | - | - | - |
| If write-down, permanent or temporary | - | - | - | - |
| If temporary write-down, description of write-up mechanism | - | - | - | - |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Deposit and other receivables | Deposit and other receivables | Deposit and other receivables | Deposit and other receivables |
| Whether conditions which stands in Article of 7 and 8 of Banks’ shareholder equity law are possessed or not | Possess | Possess | Possess | Possess |
| According to Article 7 and 8 of Banks’ shareholders equity law that are not possessed (*) | - | - | - | - |

(*) Under article 8/2 in subsection (ğ) mechanism of write-down or conversion to common shares are stated.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk

Credit risk is the risk and financial loss that the Parent Bank is a party in a contract whereby the counterparty fails to meet its obligation partially or on time and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Parent Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Parent Bank’s loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The credit risks and limits related to treasury activities, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Parent Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

As prescribed in the Communiqué numbered 29750 dated 22 June 2016 on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”, the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Most of the statements of accounts for the loans are derived from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

A restructuring is defined as the privilege due to the borrower's encountered or likely to encountered financial difficulties. The privileges granted to the borrower assumed to be in financial difficulty are;

- A change in the terms and conditions of the loan or
- Partially or completely refinancing of the loan in favour of the debtor.

In order to be subject to restructuring, the firm must be confronted with the difficulty of payment. The difficulty should be supported by concrete developments or findings. Each restructuring request is evaluated on transaction basis by the authorized credit allocation unit according to the activity of the firm, the income generation structure by the sectoral operation.

Restructuring of the loans supported by Credit Guarantee Fund (“CGF loans”) is evaluated in accordance with the current legislation. The principles regarding to restructuring of Treasury-Back CGF loans in the scope of 11 October 2018 dated Presidential Decree are taken into account.

Non-required delay time loans that is not classified as Stage III Loans defined in “Regulation on Procedures and Principles for Classification of Loans And Provisions to be Set Aside” published in the Official Gazette numbered 29750 dated 22 June 2016, amended by the regulation published in the Official Gazette dated 14 December 2016 and numbered 29918, whose principal and interest payment collection delayed more than 30 days are considered as “past-due loan” in the Accounting Practice; group III, IV and V loans defined in the mentioned communiqué are considered as “impaired receivables” without considering refinancing or addition of the accrued interest and quasi-interest principal amount.

The Parent bank provides specific reserves to Group III, IV and V loans in accordance with “Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside”.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

With the BRSA's decision dated 21 December 2021 and numbered 9996, the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the reporting date was used while calculating the valued amounts in foreign currency.

In accordance with the Standard Approach, 0% risk weight is used in the calculation of the amount subject to credit risk for FX receivables of Banks which are from Republic of Turkey Central Management within the scope of Regulation on Measurement and Assessment of Capital Adequacy of Banks published on the Official Gazette dated 23 October 2015 and numbered 29511.

Regardless of the effects of credit risk mitigation, the total amount of risks exposed after deduction and the average amount of risks disaggregated according to different risk classes and types for the relevant period:

| Exposure Classifications | Current Period Risk Amount (*) | Average Risk Amount (*,**) |
|--|---|---------------------------------------|
| Conditional and unconditional receivables from central governments or central banks | 46,896,501 | 40,089,208 |
| Conditional and unconditional receivables from regional or local governments | 1,178,539 | 1,202,647 |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | - | - |
| Conditional and unconditional receivables from multilateral development banks | - | - |
| Conditional and unconditional receivables from international organizations | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 14,189,838 | 10,313,198 |
| Conditional and unconditional corporate receivables | 55,460,314 | 49,033,601 |
| Conditional and unconditional retail receivables | 50,289,894 | 42,545,486 |
| Conditional and unconditional secured mortgage receivables | 10,889,337 | 11,277,846 |
| Past due receivables | 1,093,672 | 1,143,881 |
| Receivables in high-risk category defined by BRSA | - | - |
| Securities collateralized by mortgages | - | - |
| Securitization positions | - | - |
| Short-term receivables from banks, stockbrokers and corporate | - | - |
| Investments of natured collective investment enterprise | - | - |
| Other receivables | 6,855,827 | 5,337,089 |
| Investments in equities | 233,551 | 204,228 |

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the arithmetic average of balances on quarterly prepared to the end of the month.

| Exposure Classifications | Prior Period Risk Amount (*) | Average Risk Amount(*,**) |
|--|---|--------------------------------------|
| Conditional and unconditional receivables from central governments or central banks | 35,631,103 | 29,775,440 |
| Conditional and unconditional receivables from regional or local governments | 1,198,712 | 1,205,215 |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | - | - |
| Conditional and unconditional receivables from multilateral development banks | - | - |
| Conditional and unconditional receivables from international organizations | - | - |
| Conditional and unconditional receivables from banks and brokerage houses | 9,417,384 | 9,460,631 |
| Conditional and unconditional corporate receivables | 44,684,444 | 41,969,955 |
| Conditional and unconditional retail receivables | 36,184,067 | 35,242,205 |
| Conditional and unconditional secured mortgage receivables | 10,955,985 | 11,894,801 |
| Past due receivables | 1,281,949 | 1,620,673 |
| Receivables in high-risk category defined by BRSA | - | - |
| Securities collateralized by mortgages | - | - |
| Securitization positions | - | - |
| Short-term receivables from banks, stockbrokers and corporate | - | - |
| Investments of natured collective investment enterprise | - | - |
| Other receivables | 3,720,404 | 4,028,443 |
| Investments in equities | 167,257 | 145,104 |

(*) Risk amounts after conversion rate to credit are given before credit risk mitigation.

(**) Average risk amount is calculated by taking the arithmetic average of balances on quarterly prepared to the end of the month.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

For the positions of the Parent Bank in terms of forward transactions and other similar contracts, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfilment of the benefits and proceeds related to forward transactions can be realized at maturity. However, in order to minimize the risk, back to back positions of existing risks are entered into the market due to necessity.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Since the amount of loans and other receivables that are renewed and rescheduled from loans are not large enough to significantly affect the Parent Bank's financial statements, no additional follow up methodology is developed, except as stated in the regulations.

Financial institutions abroad and country risks of the Parent Bank are generally taken for the financial institutions and countries that are rated at investment level by international rating agencies which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are considered to be not material to the financial structure of the Parent Bank.

The Group does not have a material credit risk concentration as an active participant in the international banking market when the financial operations of the other financial institutions are concerned.

As of 31 December 2021, the receivables of the Group from its top 100 and top 200 cash loan customers share in total cash loans respectively 24,94% and 34.28% (31 December 2020: 25.70% and 33.52%).

As of 31 December 2021, the receivables of the Group from its top 100 and top 200 non-cash loan customers share of 76.05% and 85.99% respectively in the total non-cash loans (31 December 2020: 72.30% and 83.41%).

As of 31 December 2021, the share of cash and non-cash receivables of the Group from its top 100 and top 200 loan customers in total balance sheet and off-balance sheet assets is 9.3% and 12.09% respectively (2020: 10.33% and 13.80%).

As of 31 December 2021, the general loan loss provision related with the credit risk taken by the Group is TL 2,123,337 (2020: TL 2,000,390).

Credit Rating System

Credit risk is evaluated according to the internal rating system of the Parent Bank, which is linked to the rating scale, and loans are classified from the best rating to the lowest rating according to the probability of default. As of 31 December 2021, Retail, Business and Agricultural Banking loans are excluded from the internal rating system of the Parent Bank and these loans constitute 27,12% of the total cash and non-cash loan portfolio (31 December 2020: 29.70%). Application and behavioral scorecards are used for the Individual and Business segments, however behavioral scorecard is used for the Agricultural segment.

The risks that are subject to rating models can be allocated as follows:

| Category | Description of Category | Share in the Total % 31.12.2021 | Share in the Total % 31.12.2020 |
|--------------------------|--|--|--|
| 1 st Category | The borrower has a very strong financial structure | 53.82 | 47.06 |
| 2 nd Category | The borrower has a good financial structure | 21.35 | 25.30 |
| 3 rd Category | The borrower has an intermediate level of financial structure | 19.12 | 20.35 |
| 4 th Category | The financial structure of the borrower must be closely monitored in the medium term | 5.71 | 7.29 |
| Total | | 100.00 | 100.00 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Profile of significant exposures in major regions:

| | Exposure Categories (***) | | | | | | | | | | | | | | | | Total | |
|---|---|--|--|---|--|---|---|--|---|----------------|---|---|--------------------------|--|---|------------------|----------------|-------------------------|
| | Conditional and unconditional exposures to central governments or central banks | Conditional and unconditional exposures to regional governments or local authorities | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional exposures to multilateral development banks | Conditional and unconditional exposures to international organisations | Conditional and unconditional exposures to banks and brokerage houses | Conditional and unconditional exposures to corporates | Conditional and unconditional retail exposures | Conditional and unconditional exposures secured by real estate property | Past due items | Receivables defined in high-risk categories | Exposures in the form of bonds secured by mortgages | Securitization Positions | Short term exposures to banks, brokerage houses and corporates | Exposures in the form of collective investment undertakings | Others | | Investments in equities |
| Current Period | | | | | | | | | | | | | | | | | | |
| Domestic | 116,445 | 587,180 | - | - | - | 2,158,112 | 38,375,084 | 40,484,844 | 5,646,402 | 859,670 | - | - | - | - | - | 1,544,904 | 233,551 | 90,006,192 |
| European Union | - | - | - | - | - | 400,142 | 589,195 | 47,352 | 1,983 | 1,197 | - | - | - | - | - | 145 | - | 1,040,014 |
| OECD Countries (*) | - | - | - | - | - | 323,260 | 940,117 | 4,920 | 80 | 5 | - | - | - | - | - | 418 | - | 1,268,800 |
| Off-Shore Banking | | | | | | | | | | | | | | | | | | |
| Regions | - | - | - | - | - | 11 | - | 43 | - | - | - | - | - | - | - | - | - | 54 |
| USA, Canada | - | - | - | - | - | 434,765 | 1,663 | 1,527 | 128 | 61 | - | - | - | - | - | - | - | 438,144 |
| Other Countries | 769,949 | - | - | - | - | 34,560 | 169,135 | 142,450 | 51,819 | 16,721 | - | - | - | - | - | 12,281 | - | 1,196,915 |
| Associates, Subsidiaries and Joint Ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 55 | - | 55 |
| Unallocated Assets/Liabilities (**) | - | 2,095 | - | - | - | 964,871 | 13,304,896 | 3,316,185 | 331,646 | 72,500 | - | - | - | - | - | 2,902 | - | 17,995,095 |
| Total | 886,394 | 589,275 | - | - | - | 4,315,721 | 53,380,090 | 43,997,321 | 6,032,058 | 950,154 | - | - | - | - | - | 1,560,705 | 233,551 | 111,945,269 |

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Profile of significant exposures in major regions: (continued)

| | Exposure Categories (***) | | | | | | | | | | | | | | | | | |
|--|---|--|--|---|--|---|---|--|---|------------------|---|---|--------------------------|--|---|------------------|-------------------------|-------------------|
| | Conditional and unconditional exposures to central governments or banks | Conditional and unconditional exposures to regional governments or local authorities | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional exposures to multilateral development banks | Conditional and unconditional exposures to international organisations | Conditional and unconditional exposures to banks and brokerage houses | Conditional and unconditional exposures to corporates | Conditional and unconditional retail exposures | Conditional and unconditional exposures secured by real estate property | Past due items | Receivables defined in high-risk categories | Exposures in the form of bonds secured by mortgages | Securitization Positions | Short term exposures to banks, brokerage houses and corporates | Exposures in the form of collective investment undertakings | Others | Investments in equities | Total |
| Prior Period | | | | | | | | | | | | | | | | | | |
| Domestic | 70,174 | 598,426 | - | - | - | 1,687,114 | 32,089,110 | 24,799,232 | 5,455,931 | 1,080,285 | - | - | - | - | - | 1,700,830 | 167,257 | 67,648,359 |
| European Union (EU) Countries | - | - | - | - | - | 378,459 | 297,664 | 18,590 | 2,445 | 1,202 | - | - | - | - | - | - | - | 698,360 |
| OECD Countries (*) | - | - | - | - | - | 29,410 | 355,299 | 770 | 278 | - | - | - | - | - | - | 397 | - | 386,154 |
| Off-Shore Banking Regions | - | - | - | - | - | 8 | - | 53 | - | - | - | - | - | - | - | - | - | 61 |
| USA, Canada | - | - | - | - | - | 195,970 | 380 | 803 | 311 | 27 | - | - | - | - | - | - | - | 197,491 |
| Other Countries | 389,970 | - | - | - | - | 15,929 | 227,650 | 107,413 | 23,186 | 7,766 | - | - | - | - | - | 433 | - | 772,347 |
| Associates, Subsidiaries and Joint –Ventures | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 55 | - | 55 |
| Unallocated Assets/Liabilities (**) | - | 935 | - | - | - | 561,081 | 10,616,055 | 2,208,847 | 424,648 | 90,173 | - | - | - | - | - | 2,889 | - | 13,904,628 |
| Total | 460,144 | 599,361 | - | - | - | 2,867,971 | 43,586,158 | 27,135,708 | 5,906,799 | 1,179,453 | - | - | - | - | - | 1,704,604 | 167,257 | 83,607,455 |

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

(**) Includes assets and liability items that cannot be allocated on a consistent basis.

(***) Risk amounts after conversion rate to credit are given before Credit Risk Mitigation.

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Risk profile by Sectors or Counterparties:

| | Exposure Categories (**) | | | | | | | | | | | | | | | | | | | | Total |
|---------------------------------|---|--|--|---|--|---|---|--|---|----------------|---|---|--------------------------|--|---|------------------|-------------------------|-------------------|-------------------|--------------------|-------|
| | Conditional and unconditional exposures to governments or central banks | Conditional and unconditional exposures to regional governments or local authorities | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional exposures to multilateral development banks | Conditional and unconditional exposures to international organisations | Conditional and unconditional exposures to banks and brokerage houses | Conditional and unconditional exposures to corporates | Conditional and unconditional retail exposures | Conditional and unconditional exposures secured by real estate property | Past due items | Receivables defined in high-risk categories | Exposures in the form of bonds secured by mortgages | Securitization Positions | Short term exposures to banks, brokerage houses and corporates | Exposures in the form of collective investment undertakings | Others | Investments in equities | TL (*) | FC | | |
| Current Period | | | | | | | | | | | | | | | | | | | | | |
| Agriculture | - | - | - | - | - | - | 452,478 | 541,916 | 204,240 | 64,919 | - | - | - | - | - | - | - | 1,077,072 | 186,481 | 1,263,553 | |
| Farming and Stockbreeding | - | - | - | - | - | - | 424,702 | 531,156 | 203,945 | 64,408 | - | - | - | - | - | - | - | 1,040,204 | 184,007 | 1,224,211 | |
| Forestry | - | - | - | - | - | - | 19,872 | 2,912 | - | 54 | - | - | - | - | - | - | - | 22,581 | 257 | 22,838 | |
| Fishery | - | - | - | - | - | - | 7,904 | 7,848 | 295 | 457 | - | - | - | - | - | - | - | 14,287 | 2,217 | 16,504 | |
| Manufacturing | - | - | - | - | - | - | 34,541,979 | 7,311,984 | 2,096,117 | 240,156 | - | - | - | - | - | - | - | 23,952,561 | 20,237,675 | 44,190,236 | |
| Mining and Quarrying | - | - | - | - | - | - | 1,743,117 | 309,753 | 65,757 | 9,890 | - | - | - | - | - | - | - | 1,371,370 | 757,147 | 2,128,517 | |
| Production | - | - | - | - | - | - | 30,830,649 | 6,967,296 | 1,761,171 | 225,983 | - | - | - | - | - | - | - | 21,316,500 | 18,468,599 | 39,785,099 | |
| Electricity, Gas and Water | - | - | - | - | - | - | 1,968,213 | 34,935 | 269,189 | 4,283 | - | - | - | - | - | - | - | 1,264,691 | 1,011,929 | 2,276,620 | |
| Construction | - | - | - | - | - | - | 3,268,184 | 847,888 | 173,420 | 202,305 | - | - | - | - | - | - | - | 2,229,666 | 2,262,131 | 4,491,797 | |
| Services | 886,394 | 589,275 | - | - | - | 4,315,721 | 14,467,161 | 7,727,825 | 2,516,745 | 366,981 | - | - | - | - | - | 1,482,098 | 233,551 | 20,745,971 | 11,839,780 | 32,585,751 | |
| Wholesale and Retail Trade | - | 18,864 | - | - | - | - | 5,531,762 | 4,017,518 | 915,604 | 149,186 | - | - | - | - | - | 15 | - | 8,454,816 | 2,178,133 | 10,632,949 | |
| Accommodation and Dining | - | - | - | - | - | - | 803,907 | 489,428 | 694,662 | 52,424 | - | - | - | - | - | 2 | - | 914,803 | 1,125,620 | 2,040,423 | |
| Transportation and Telecom. | - | - | - | - | - | - | 2,149,975 | 1,604,179 | 349,400 | 52,086 | - | - | - | - | - | 20 | - | 2,897,823 | 1,257,837 | 4,155,660 | |
| Financial Institutions | 886,394 | - | - | - | - | 4,315,721 | 2,355,073 | 84,890 | 94,748 | 5,120 | - | - | - | - | - | 1,481,822 | 233,551 | 5,083,432 | 4,373,887 | 9,457,319 | |
| Real Estate and Rental Services | - | - | - | - | - | - | 2,799,445 | 1,050,458 | 352,517 | 88,026 | - | - | - | - | - | 155 | - | 1,967,800 | 2,322,801 | 4,290,601 | |
| Self-Employment Services | - | - | - | - | - | - | 756,830 | 431,851 | 107,831 | 12,280 | - | - | - | - | - | - | - | 727,559 | 581,233 | 1,308,792 | |
| Educational Services | - | - | - | - | - | - | 6,735 | 42,307 | 1,699 | 7,842 | - | - | - | - | - | 45 | - | 58,431 | 197 | 58,628 | |
| Health and Social Services | - | 570,411 | - | - | - | - | 63,434 | 7,194 | 284 | 17 | - | - | - | - | - | 39 | - | 641,307 | 72 | 641,379 | |
| Other | - | - | - | - | - | - | 650,288 | 27,567,708 | 1,041,536 | 75,793 | - | - | - | - | - | 78,607 | - | 29,107,788 | 306,144 | 29,413,932 | |
| Total | 886,394 | 589,275 | - | - | - | 4,315,721 | 53,380,090 | 43,997,321 | 6,032,058 | 950,154 | - | - | - | - | - | 1,560,705 | 233,551 | 77,113,058 | 34,832,211 | 111,945,269 | |

(*) Foreign Currency indexed credits are shown in TL column

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Risk profile by Sectors or Counterparties: (continued)

| Prior Period | Exposure Categories (**) | | | | | | | | | | | | | | | | | | | |
|---------------------------------|---|--|--|--|--|---|---|--|---|------------------|---|---|--------------------------|--|---|------------------|-------------------------|-------------------|-------------------|-------------------|
| | Conditional and unconditional exposures to central governments or banks | Conditional and unconditional exposures to regional governments or local authorities | Conditional and unconditional receivables from administrative units and non-commercial enterprises | Conditional and unconditional exposures to development banks | Conditional and unconditional exposures to international organisations | Conditional and unconditional exposures to banks and brokerage houses | Conditional and unconditional exposures to corporates | Conditional and unconditional retail exposures | Conditional and unconditional exposures secured by real estate property | Past due items | Receivables defined in high-risk categories | Exposures in the form of bonds secured by mortgages | Securitization Positions | Short term exposures to banks, brokerage houses and corporates | Exposures in the form of collective investment undertakings | Others | Investments in equities | TL (*) | FC | Total |
| Agriculture | - | - | - | - | - | - | 497,239 | 444,468 | 158,475 | 112,604 | - | - | - | - | - | - | - | 1,139,886 | 72,900 | 1,212,786 |
| Farming and Stockbreeding | - | - | - | - | - | - | 468,762 | 435,107 | 157,781 | 111,728 | - | - | - | - | - | - | - | 1,103,087 | 70,291 | 1,173,378 |
| Forestry | - | - | - | - | - | - | 10,728 | 1,134 | - | 21 | - | - | - | - | - | - | - | 10,330 | 1,553 | 11,883 |
| Fishery | - | - | - | - | - | - | 17,749 | 8,227 | 694 | 855 | - | - | - | - | - | - | - | 26,469 | 1,056 | 27,525 |
| Manufacturing | - | - | - | - | - | - | 26,159,429 | 4,969,726 | 1,764,334 | 334,923 | - | - | - | - | - | 5 | - | 23,207,924 | 10,020,493 | 33,228,417 |
| Mining and Quarrying | - | - | - | - | - | - | 1,617,044 | 202,706 | 81,468 | 21,774 | - | - | - | - | - | 2 | - | 1,677,373 | 245,621 | 1,922,994 |
| Production | - | - | - | - | - | - | 23,048,009 | 4,738,652 | 1,504,491 | 296,287 | - | - | - | - | - | 3 | - | 20,367,623 | 9,219,819 | 29,587,442 |
| Electricity, Gas and Water | - | - | - | - | - | - | 1,494,376 | 28,368 | 178,375 | 16,862 | - | - | - | - | - | - | - | 1,162,928 | 555,053 | 1,717,981 |
| Construction | - | - | - | - | - | - | 2,584,007 | 588,306 | 262,209 | 184,284 | - | - | - | - | - | - | - | 2,032,301 | 1,586,505 | 3,618,806 |
| Services | 460,144 | 599,361 | - | - | - | 2,867,971 | 14,055,115 | 5,157,305 | 2,431,353 | 481,460 | - | - | - | - | - | 1,655,242 | 166,544 | 19,738,285 | 8,136,210 | 27,874,495 |
| Wholesale and Retail Trade | - | - | - | - | - | - | 5,932,918 | 2,574,752 | 767,050 | 210,394 | - | - | - | - | - | 86 | - | 7,728,307 | 1,756,893 | 9,485,200 |
| Accommodation and Dining | - | - | - | - | - | - | 461,759 | 390,331 | 827,844 | 56,062 | - | - | - | - | - | - | - | 944,103 | 791,893 | 1,735,996 |
| Transportation and Telecom. | - | - | - | - | - | - | 1,843,637 | 1,030,270 | 345,067 | 70,356 | - | - | - | - | - | 98 | - | 2,654,362 | 635,066 | 3,289,428 |
| Financial Institutions | 460,144 | - | - | - | - | 2,867,971 | 2,175,190 | 52,674 | 100,912 | 5,769 | - | - | - | - | - | 1,654,801 | 166,544 | 4,246,379 | 3,237,626 | 7,484,005 |
| Real Estate and Rental Services | - | - | - | - | - | - | 3,004,183 | 759,126 | 308,164 | 101,740 | - | - | - | - | - | 246 | - | 2,646,475 | 1,526,984 | 4,173,459 |
| Self-Employment Services | - | - | - | - | - | - | 417,367 | 308,107 | 79,234 | 24,713 | - | - | - | - | - | 3 | - | 642,160 | 187,264 | 829,424 |
| Educational Services | - | - | - | - | - | - | 27,262 | 33,188 | 2,825 | 12,394 | - | - | - | - | - | 4 | - | 75,547 | 126 | 75,673 |
| Health and Social Services | - | 599,361 | - | - | - | - | 192,799 | 8,857 | 257 | 32 | - | - | - | - | - | 4 | - | 800,952 | 358 | 801,310 |
| Other | - | - | - | - | - | - | 290,368 | 15,975,903 | 1,290,428 | 66,182 | - | - | - | - | - | 49,357 | 713 | 17,566,582 | 106,369 | 17,672,951 |
| Total | 460,144 | 599,361 | - | - | - | 2,867,971 | 43,586,158 | 27,135,708 | 5,906,799 | 1,179,453 | - | - | - | - | - | 1,704,604 | 167,257 | 63,684,978 | 19,922,477 | 83,607,455 |

(*) Foreign Currency indexed credits are shown in TL column.

(**) Risk amounts after conversion rate to credit are given before credit risk mitigation.

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Analysis of maturity-bearing exposures according to remaining maturities:

| Risk Categories | Term to Maturity | | | | |
|--|-------------------|------------------|-------------------|-------------------|-------------------|
| | 1 Month | 1–3 Months | 3–6 Months | 6–12 Months | Over 1 year |
| Conditional and unconditional exposures to central governments or central banks | 886,394 | - | - | - | - |
| Conditional and unconditional exposures to regional governments or local authorities | 688 | 5,527 | 8,645 | 44,394 | 527,873 |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | - | - | - | - | - |
| Conditional and unconditional exposures to multilateral development banks | - | - | - | - | - |
| Conditional and unconditional exposures to international organizations | - | - | - | - | - |
| Conditional and unconditional exposures to banks and brokerage houses | 2,061,714 | 110,798 | 526,541 | 74,515 | 25,368 |
| Conditional and unconditional exposures to corporates | 5,257,693 | 7,365,977 | 6,586,609 | 12,272,302 | 8,585,661 |
| Conditional and unconditional retail exposures | 7,881,508 | 1,724,464 | 2,563,495 | 5,279,392 | 23,225,838 |
| Conditional and unconditional exposures secured by real estate property | 321,453 | 286,254 | 456,215 | 896,743 | 3,739,373 |
| Past due receivables | - | - | - | - | - |
| Receivables defined in high-risk category by BRSA | - | - | - | - | - |
| Exposures in the form of bonds secured by mortgages | - | - | - | - | - |
| Securitization Positions | - | - | - | - | - |
| Short term exposures to banks, brokerage houses and corporate | - | - | - | - | - |
| Exposures in the form of collective investment undertakings | - | - | - | - | - |
| Others | 85,588 | 1,354 | 8,337 | - | 117 |
| Investments in equities | 225,155 | - | - | 8,396 | - |
| Total | 16,720,193 | 9,494,374 | 10,149,842 | 18,575,742 | 36,104,230 |

| Risk Categories | Terms to Maturity | | | | |
|--|-------------------|------------------|-------------------|------------------|-------------------|
| | 1 Month | 1–3 Months | 3–6 Months | 6–12 Months | Over 1 year |
| Conditional and unconditional exposures to central governments or central banks | 460,144 | - | - | - | - |
| Conditional and unconditional exposures to regional governments or local authorities | 2,896 | 1,917 | 2,504 | 73,817 | 517,264 |
| Conditional and unconditional receivables from administrative units and non-commercial enterprises | - | - | - | - | - |
| Conditional and unconditional exposures to multilateral development banks | - | - | - | - | - |
| Conditional and unconditional exposures to international organisations | - | - | - | - | - |
| Conditional and unconditional exposures to banks and brokerage houses | 1,554,373 | 82,212 | 102,568 | 50,379 | 99,750 |
| Conditional and unconditional exposures to corporates | 5,296,566 | 5,136,347 | 7,447,256 | 6,371,529 | 8,707,685 |
| Conditional and unconditional retail exposures | 4,876,390 | 1,006,538 | 2,305,036 | 2,802,528 | 13,924,631 |
| Conditional and unconditional exposures secured by real estate property | 321,818 | 215,569 | 504,560 | 624,601 | 3,813,992 |
| Past due receivables | - | - | - | - | - |
| Receivables defined in high-risk category by BRSA | - | - | - | - | - |
| Exposures in the form of bonds secured by mortgages | - | - | - | - | - |
| Securitization Positions | - | - | - | - | - |
| Short term exposures to banks, brokerage houses and corporate | - | - | - | - | - |
| Exposures in the form of collective investment undertakings | - | - | - | - | - |
| Others | 283,140 | 1,014 | 2,222 | - | 3 |
| Investments in equities | 158,861 | - | - | 8,396 | - |
| Total | 12,954,188 | 6,443,597 | 10,364,146 | 9,931,250 | 27,063,325 |

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Information about the risk exposure categories

The credit rating of Fitch Ratings International Rating agency is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment of Capital Adequacy of the Bank, and the country risk classification announced by The Organization for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk weight is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk weight is used for receivables with a maturity period of more than three months, and the risk weight used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

| Credit Quality Level | Fitch Ratings Long-Term Credit Rating | Risk Weight of Receivables from Central Government or Central Banks | Receivables from Banks and Brokerage Houses | | Corporate Receivables |
|----------------------|---------------------------------------|---|---|--------------------------|-----------------------|
| | | | DTM less than 3 months | DTM higher than 3 months | |
| 0 | - | | 20% | 50% | 100% |
| 1 | AAA to AA- | 0% | 20% | 50% | 100% |
| 2 | A+ to A- | 20% | 20% | 50% | 100% |
| 3 | BBB+ to BBB- | 50% | 50% | 50% | 100% |
| 4 | BB+ to BB- | 100% | 100% | 100% | 100% |
| 5 | B+ to B- | 100% | 100% | 100% | 100% |
| 6 | CCC+ and below | 50% | 100% | 100% | 100% |
| 7 | - | | 150% | 150% | 100% |

Exposures by risk weights:

Current Period

| Risk Weights | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | Deductions from Equity |
|-------------------------|------------|-----|------------|-----------|------------|------------|------------|-----------|------|------|-------|------------------------|
| Exposures before Credit | | | | | | | | | | | | |
| Risk Mitigation | 51,273,317 | - | 10,003,258 | 4,193,761 | 13,851,583 | 40,856,947 | 58,909,155 | 7,999,452 | - | - | - | 661,793 |
| Exposures after Credit | | | | | | | | | | | | |
| Risk Mitigation | 51,569,889 | - | 9,376,347 | 4,193,761 | 13,186,838 | 39,541,985 | 56,675,490 | 7,991,594 | - | - | - | 661,793 |

Prior Period

| Risk Weights | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | 200% | 250% | 1250% | Deductions from Equity |
|-------------------------|------------|-----|-----------|-----------|------------|------------|------------|---------|------|------|-------|------------------------|
| Exposures before Credit | | | | | | | | | | | | |
| Risk Mitigation | 37,140,028 | - | 6,517,571 | 4,781,153 | 10,425,207 | 36,176,042 | 48,032,110 | 169,194 | - | - | - | 603,783 |
| Exposures after Credit | | | | | | | | | | | | |
| Risk Mitigation | 39,227,005 | - | 6,796,136 | 4,781,153 | 9,934,635 | 33,602,902 | 45,439,479 | 111,039 | - | - | - | 603,783 |

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Information in terms of major sectors and type of counterparties:

| Current Period | Credits | | Provisions |
|---------------------------------------|--|---|---|
| | Impaired Receivables (TFRS 9) | | |
| | Significant Increase in Credit Risk (Stage II) | Credit- Impaired Losses (Stage III) | Expected Credit Loss Provision (TFRS 9) |
| Major Sectors / Counterparties | | | |
| Agriculture | 90,568 | 166,200 | 105,551 |
| Farming and Stockbreeding | 90,246 | 159,100 | 100,949 |
| Forestry | - | 2,800 | 1,500 |
| Fishery | 322 | 4,300 | 3,102 |
| Manufacturing | 1,685,727 | 530,600 | 698,868 |
| Mining and Quarrying | 6,924 | 11,700 | 8,190 |
| Production | 1,634,558 | 504,100 | 675,587 |
| Electricity, Gas and Water | 44,245 | 14,800 | 15,091 |
| Services | 2,269,449 | 1,834,000 | 1,833,109 |
| Wholesale and Retail Trade | 489,456 | 995,300 | 746,028 |
| Accommodation and Dining | 843,615 | 122,000 | 277,874 |
| Transportation and Telecom. | 40,199 | 113,000 | 81,815 |
| Financial Institutions | 3,444 | 24,500 | 13,689 |
| Real Estate and Rental Services | 293,586 | 77,400 | 93,599 |
| Professional Services | 209,805 | 9,600 | 173,371 |
| Educational Services | 357,297 | 406,100 | 375,933 |
| Health and Social Services | 32,047 | 86,100 | 70,800 |
| Other | 5,638,195 | 800,465 | 979,624 |
| Total | 9,683,939 | 3,331,265 | 3,617,152 |

| Prior Period | Credits | | Provisions |
|--------------------------------------|--|---|---|
| | Impaired Receivables (TFRS 9) | | |
| | Significant Increase in Credit Risk (Stage II) | Credit- Impaired Losses (Stage III) | Expected Credit Loss Provision (TFRS 9) |
| Major Sectors/ Counterparties | | | |
| Agriculture | 589,157 | 237,067 | 178,448 |
| Farming and Stockbreeding | 576,288 | 228,842 | 172,294 |
| Forestry | - | 3,634 | 2,088 |
| Fishery | 12,869 | 4,591 | 4,066 |
| Manufacturing | 1,731,493 | 674,352 | 851,836 |
| Mining and Quarrying | 189,483 | 14,968 | 75,194 |
| Production | 1,499,539 | 635,292 | 752,434 |
| Electricity, Gas and Water | 42,471 | 24,092 | 24,208 |
| Services | 4,248,425 | 2,132,357 | 2,003,325 |
| Wholesale and Retail Trade | 3,107,940 | 1,273,123 | 1,203,942 |
| Accommodation and Dining | 121,449 | 131,641 | 133,499 |
| Transportation and Telecom. | 293,137 | 98,481 | 176,684 |
| Financial Institutions | 40,969 | 9,653 | 10,883 |
| Real Estate and Rental Services | 344,119 | 384,202 | 268,913 |
| Professional Services | 303,989 | 137,755 | 141,206 |
| Educational Services | 24,358 | 32,194 | 24,886 |
| Health and Social Services | 12,464 | 65,308 | 43,312 |
| Other | 1,383,270 | 458,106 | 620,716 |
| Total | 7,952,345 | 3,501,882 | 3,654,325 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations Related to the Consolidated Credit Risk (Continued)

Information about Value Adjustment and Change in Provisions

| | 31.12.2020 Balance | Provision for Period | Provision Reversals | Written off from Asset | Other Adjustments (*) | 31.12.2021 Balance |
|---|-----------------------|-------------------------|------------------------|---------------------------|--------------------------|-----------------------|
| Default (Stage III) Expected Credit Loss (Stage I - II) | 2,381,897 | 560,717 | (314,824) | (349,374) | 31,273 | 2,309,689 |
| | 2,000,390 | 538,860 | (808,471) | - | 392,558 | 2,123,337 |

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company.

| | 31.12.2019 Balance | Provision for Period | Provision Reversals | Written off from Asset | Other Adjustments (*) | 31.12.2020 Balance |
|---|-----------------------|-------------------------|------------------------|---------------------------|--------------------------|-----------------------|
| Default (Stage III) Expected Credit Loss (Stage I - II) | 2,394,656 | 700,392 | (207,531) | (505,620) | - | 2,381,897 |
| | 1,507,423 | 983,725 | (652,238) | - | 161,480 | 2,000,390 |

(*) Determined according to currency differences, business merger, acquisition and disposition of affiliate company.

III. Explanations Related to Risks Involved in Counter-Cyclical Capital Buffer Calculation

Current Period

| Countries where the risk ultimately taken | Private sector loan in banking accounts | Risk weighted amount calculated in trading accounts | Total |
|---|---|---|--------------------|
| Turkey | 99,525,750 | 1,263,046 | 100,788,796 |
| Switzerland | 942,117 | - | 942,117 |
| England | 458,683 | - | 458,683 |
| TRNC | 346,827 | - | 346,827 |
| Denmark | 170,726 | - | 170,726 |
| Italy | 116,529 | - | 116,529 |
| Sweden | 75,602 | - | 75,602 |
| Poland | 60,102 | - | 60,102 |
| Germany | 41,801 | - | 41,801 |
| Romania | 28,527 | - | 28,527 |
| Spain | 12,588 | - | 12,588 |
| Other | 40,108 | - | 40,108 |
| | 101,819,360 | 1,263,046 | 103,082,406 |

Prior Period

| Countries where the risk ultimately taken | Private sector loan in banking accounts | Risk weighted amount calculated in trading accounts | Total |
|---|---|---|-------------------|
| Turkey | 72,282,903 | 1,031,487 | 73,314,390 |
| Switzerland | 945,166 | - | 945,166 |
| TRNC | 332,306 | - | 332,306 |
| England | 323,446 | - | 323,446 |
| Italy | 321,166 | - | 321,166 |
| Israel | 50,318 | - | 50,318 |
| Portugal | 37,782 | - | 37,782 |
| Spain | 19,492 | - | 19,492 |
| The Ivory Coast | 6,098 | - | 6,098 |
| Other | 15,624 | - | 15,624 |
| | 74,334,301 | 1,031,487 | 75,365,788 |

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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IV. Explanations Related to the Consolidated Currency Risk

Foreign currency risk indicates the probability of loss that the Group is subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration and risk is calculated by using the standard method.

The Board of Directors of the Parent Bank sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Parent Bank’s positions are also monitored.

As an element of the Group’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

Asset Liability Management and Treasury Department of the Parent Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Parent Bank’s Asset-Liability Committee on a weekly basis.

As of 31 December 2021, the Group’s balance sheet short position is TL 24,005,711 (31 December 2020: TL 21,600,540 short position) off-balance sheet long position is TL 23,747,791 (31 December 2020: TL 21,041,159 long position) and as a result net foreign currency short position is TL 257,920 (31 December 2020: net TL 559,381 short position).

The announced current foreign exchange buying rates of the Parent Bank at 31 December 2021 and the previous five working days in full TL are as follows:

| | 24.12.2021 | 27.12.2021 | 28.12.2021 | 29.12.2021 | 30.12.2021 | 31.12.2021 |
|------|------------|------------|------------|------------|------------|------------|
| USD | 11.7652 | 11.2555 | 11.7878 | 12.5635 | 12.9629 | 13.3907 |
| EURO | 13.3159 | 12.7323 | 13.3415 | 14.2169 | 14.6610 | 15.1877 |

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 December 2021 are as follows:

| | Monthly Average Foreign Buying Rate |
|------|--|
| USD | 13.7112 |
| EURO | 15.4974 |

Information on the foreign currency risk of the Parent Bank:

The Parent Bank is exposed to foreign exchange risk in EURO and USD.

The following table details the Parent Bank’s sensitivity to a 10% change in USD and EUR exchange rates. The 10% rate used is the rate that the currency risk is reported to the senior management in the Parent Bank, this rate represents the possible change expected by the management in exchange rates. 10% depreciation of USD and EURO against TL affects profit and equity amounts positively in the case of a short position and negatively in the case of a long position.

| Change in exchange rate (%) | | Effect on Profit/Loss | Effect on Equity (*) |
|-----------------------------|-------------|--------------------------|----------------------|
| | | 31 December 2021 | 31 December 2021 |
| USD | 10 increase | 46,648 | (11,283) |
| USD | 10 decrease | (46,648) | 11,283 |
| EURO | 10 increase | 7,278 | (6,317) |
| EURO | 10 decrease | (7,278) | 6,317 |
| Change in exchange rate (%) | | Effect on Profit/Loss | Effect on Equity (*) |
| | | 31 December 2020 | 31 December 2020 |
| USD | 10 increase | (21,533) | 2,403 |
| USD | 10 decrease | 21,533 | (2,403) |
| EURO | 10 increase | 2,810 | 2,496 |
| EURO | 10 decrease | (2,810) | (2,496) |

(*) The effect on the equity does not include the effect of the change in exchange rates on the income statement.

The sensitivity of the Parent Bank to changes in the exchange rates did not change significantly in the current period. Opening or closing positions in line with market expectations may increase the sensitivity to changes in the period’s exchange rates.

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IV. Explanations Related to the Consolidated Currency Risk (Continued)

Information on the foreign currency risk of the Parent Bank:

The table below shows the Group's distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Group also monitors the delta-adjusted position of the option transactions. As of 31 December 2021, there is a net long position of TL 681,543 in USD and a net long position of TL 70,989 in EURO.

| Current Period | EURO | USD | Other FC | Total |
|--|--------------------|---------------------|--------------------|---------------------|
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽¹⁾ | 11,599,533 | 15,438,096 | 3,030,189 | 30,067,818 |
| Banks ⁽²⁾ | 1,447,988 | 4,861,989 | 3,713,390 | 10,023,367 |
| Financial Assets at Fair Value Through Profit or Loss | 57,224 | 734,916 | - | 792,140 |
| Money Market Placements | - | - | - | - |
| Financial Assets at Fair Value through Other Comprehensive Income | 1,360,271 | 2,773,823 | 39,261 | 4,173,355 |
| Loans ⁽³⁾ | 19,810,473 | 7,427,954 | 1,496,939 | 28,735,366 |
| Subsidiaries, Associates and Entities Under Common Control | - | - | - | - |
| Held-to-Maturity Investments ⁽⁴⁾ | 2,829,825 | 5,340,163 | - | 8,169,988 |
| Derivative Financial Assets for Hedging Purposes ⁽⁵⁾ | 5,873 | - | - | 5,873 |
| Tangible Assets | 25 | - | - | 25 |
| Intangible Assets | - | - | - | - |
| Other Assets ⁽⁶⁾ | 2,798,294 | 325,148 | 155,011 | 3,278,453 |
| Total Assets | 39,909,506 | 36,902,089 | 8,434,790 | 85,246,385 |
| Liabilities | | | | |
| Bank Deposits | 309 | - | 22 | 331 |
| Foreign Currency Deposits ⁽⁷⁾ | 25,019,221 | 39,878,471 | 11,334,261 | 76,231,953 |
| Money Market Borrowings | 5,001,962 | - | - | 5,001,962 |
| Funds Provided from Other Financial Institutions | 16,109,946 | 8,394,439 | 165,330 | 24,669,715 |
| Securities Issued | - | - | - | - |
| Miscellaneous Payables | - | - | - | - |
| Derivative Financial Liabilities for Hedging Purposes | 4,201 | - | - | 4,201 |
| Other Liabilities ⁽⁸⁾ | 1,853,288 | 1,413,875 | 76,771 | 3,343,934 |
| Total Liabilities | 47,988,927 | 49,686,785 | 11,576,384 | 109,252,096 |
| Net Balance Sheet Position | (8,079,421) | (12,784,696) | (3,141,594) | (24,005,711) |
| Net Off-Balance Sheet Position | 7,665,448 | 13,045,910 | 3,036,433 | 23,747,791 |
| Financial Derivative Assets ⁽⁹⁾ | 30,271,685 | 44,317,120 | 4,830,894 | 79,419,699 |
| Financial Derivative Liabilities ⁽⁹⁾ | 22,606,237 | 31,271,210 | 1,794,461 | 55,671,908 |
| Non-Cash Loans ⁽¹⁰⁾ | 13,567,563 | 13,803,567 | 2,691,051 | 30,062,181 |
| Prior Period | | | | |
| Total Assets | 22,191,983 | 13,680,795 | 4,522,259 | 40,395,037 |
| Total Liabilities | 25,621,853 | 28,701,864 | 7,671,860 | 61,995,577 |
| Net Balance Sheet Position | (3,429,870) | (15,021,069) | (3,149,601) | (21,600,540) |
| Net Off-Balance Sheet Position | 3,506,359 | 14,570,186 | 2,964,614 | 21,041,159 |
| Financial Derivative Assets ⁽⁹⁾ | 15,993,374 | 25,685,642 | 4,743,380 | 46,422,396 |
| Financial Derivative Liabilities ⁽⁹⁾ | 12,487,015 | 11,115,456 | 1,778,766 | 25,381,237 |
| Non-Cash Loans ⁽¹⁰⁾ | 8,000,422 | 7,226,322 | 1,537,854 | 16,764,598 |

⁽¹⁾ Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey includes the balances of expected credit losses amounting to TL 4,982 (31 December 2020: TL 2,561).

⁽²⁾ The banks include TL 22,153 of expected credit loss provisions. (31 December 2020: TL 9,579)

⁽³⁾ Foreign currency indexed loans amounting to TL 173,195 TL (31 December 2020: TL 233,707) are included in the loan portfolio. As of 31 December 2021, there is no (31 December 2020: TL None) foreign currency indexed factoring receivables. Also, it includes TL 814,077 (31 December 2020: TL 476,466) amounting to expected credit loss.

⁽⁴⁾ Financial assets at amortized cost includes expected credit loss amounting to TL 1,839 (31 December 2020: TL 523)

⁽⁵⁾ There is no derivative financial transaction rediscount income deducted from the derivative financial assets line for hedging purposes. (31 December 2020: TL 31,137)

⁽⁶⁾ Rediscount income from derivative financial transactions amounting to TL 312,610 (31 December 2020: TL 213,071) is deducted from other assets. In the Other Assets line, TL 2,494,644 factoring receivables and TL 3,804 factoring receivables include expected loss provision.

⁽⁷⁾ Precious metal accounts amounting to TL 7,954,654 (31 December 2020: TL 6,002,054) are included in the foreign currency deposits.

⁽⁸⁾ TL 155,500 (31 December 2020: TL 175,503) expense accruals from derivative financial instruments are deducted from other liabilities.

⁽⁹⁾ Forward asset and marketable securities purchase-sale commitments of TL 3,118,150 (31 December 2020: TL 951,630) are added to derivative financial assets and TL 4,589,261 (31 December 2020: TL 1,071,704) has been added to derivative financial assets.

⁽¹⁰⁾ There is no effect on the net off-balance sheet position.

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V. Explanations Related to Consolidated Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Parent Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The priority of the risk management department is to protect from interest rate volatility. Duration, maturity and sensitivity analysis performed within this context are calculated by the risk management department and reported to the Liquidity Risk and Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted macroeconomic indicators used in the budget of the Group.

The Group management monitors the market interest rates on a daily basis and revises the interest rates of the Bank when necessary.

The Group carries interest rate risk within the legal and internal limits and manages the interest rate risk in accordance with the bank's risk appetite.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non-interest Bearing (1) | Total |
|--|--------------------|-------------------|-------------------|-------------------|--------------------|--------------------------|--------------------|
| Current Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽²⁾ | 22,959,105 | - | - | - | - | 12,826,030 | 35,785,135 |
| Banks ⁽³⁾ | 6,570,849 | - | - | - | - | 5,070,342 | 11,641,191 |
| Financial Assets at Fair Value Through Profit or Loss | 252,946 | 718,169 | 619,019 | 805,159 | 96,136 | 302,359 | 2,793,788 |
| Receivables from Money Markets | 3,245 | - | - | - | - | - | 3,245 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 502,497 | 476,140 | 1,672,179 | 4,511,890 | - | 13,250 | 7,175,956 |
| Credits Granted ⁽⁴⁾ | 30,670,723 | 11,835,077 | 35,018,104 | 25,756,608 | 1,293,973 | (714,613) | 103,859,872 |
| Financial Assets Valued at Amortized Cost ⁽⁵⁾ | 663,358 | 576,192 | 10,699,178 | 7,571,596 | 41,376 | (4,399) | 19,547,301 |
| Other Assets ⁽⁶⁾ | 1,984,619 | 1,978,611 | 2,356,779 | 1,702,037 | 285,616 | 9,739,968 | 18,047,630 |
| Total Assets | 63,607,342 | 15,584,189 | 50,365,259 | 40,347,290 | 1,717,101 | 27,232,937 | 198,854,118 |
| Liabilities | | | | | | | |
| Banks Deposit | 1,962,166 | - | - | - | - | 37,570 | 1,999,736 |
| Other Deposits | 60,627,208 | 10,374,268 | 272,254 | 1,378 | - | 58,308,129 | 129,583,237 |
| Payables to Money Markets | 4,763,155 | 2,575,838 | 1,586,822 | 0 | - | - | 8,925,815 |
| Miscellaneous Payables | - | - | - | - | - | - | - |
| Securities Issued | 1,049,232 | 145,293 | - | - | - | - | 1,194,525 |
| Funds Provided from Other Financial Institutions | 5,336,362 | 13,262,496 | 5,581,808 | - | 2,857,546 | - | 27,038,212 |
| Other Liabilities | 147,226 | 538,774 | 177,900 | 1,318,413 | 51,968 | 27,878,312 | 30,112,593 |
| Total Liabilities | 73,885,349 | 26,896,669 | 7,618,784 | 1,319,791 | 2,909,514 | 86,224,011 | 198,854,118 |
| Balance Sheet Long Position | - | - | 42,746,475 | 39,027,499 | - | - | 81,773,974 |
| Balance Sheet Short Position | (10,278,007) | (11,312,480) | - | - | (1,192,413) | (58,991,074) | (81,773,974) |
| Off-Balance Sheet Long Position | 5,039,168 | 11,003,202 | - | - | - | - | 16,042,370 |
| Off-Balance Sheet Short Position | - | - | (12,243,494) | (2,104,686) | (233,696) | - | (14,581,876) |
| Total Position | (5,238,839) | (309,278) | 30,502,981 | 36,922,813 | (1,426,109) | (58,991,074) | 1,460,494 |

(1) The expected loss provisions are presented under the "Non-Interest Bearing" column.

(2) Cash balances (Cash, Effective Deposit, Money in transit, Notes Payable) and the Central Bank of the Republic of Turkey include balances of expected losses amounting to TL 6,160.

(3) Banks include balance of expected loss provisions amounting to TL 23,547.

(4) The revolving loans amounting to TL 13,983,435 are presented under the "Up to 1 Month" column. It includes expected loss provisions amounting to TL 4,045,878.

(5) Financial assets at amortized cost include balance of expected loss provisions of TL 4,399.

(6) Includes factoring receivables amounting to TL 4,636,925 and factoring receivables expected loss provisions amounting to TL 35,600.

The other assets line in the non-interest-bearing column consists of tangible assets amounting to TL 934,456, intangible assets amounting to TL 611,252, assets held for resale amounting to TL 65,933, subsidiaries amounting to TL 50 and non-financial jointly controlled entities under common control joint venture amounting to TL 5 and the other liabilities line includes the shareholders' equity of TL 14,056,270.

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V. Explanations Related to Consolidated Interest Rate Risk (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates) : (continued)

| | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Non-interest Bearing | Total |
|--|---------------------|------------------|-------------------|-------------------|------------------|-------------------------|--------------------|
| Prior Period | | | | | | | |
| Assets | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽²⁾ | 11,452,134 | - | - | - | - | 5,495,853 | 16,947,987 |
| Banks ⁽³⁾ | 4,796,899 | - | - | - | - | 3,209,286 | 8,006,185 |
| Financial Assets at Fair Value Through Profit or Loss | 297,525 | 91,886 | 760,926 | 201,959 | 95,521 | 183,075 | 1,630,892 |
| Money Market Placements ⁽⁴⁾ | 6,180,886 | - | - | - | - | (439) | 6,180,447 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 805,587 | 113,055 | 2,319,571 | 4,657,098 | 746,205 | 10,881 | 8,652,397 |
| Loans ⁽⁵⁾ | 11,140,029 | 6,681,908 | 25,261,054 | 32,741,342 | 3,435,619 | (545,888) | 78,714,064 |
| Financial Assets Measured at Amortized Cost ⁽⁶⁾ | 1,012,657 | 825,220 | 9,171,693 | 1,472,121 | 41,250 | (2,818) | 12,520,123 |
| Other Assets ⁽⁷⁾ | 1,678,659 | 1,506,874 | 696,926 | 672,721 | 299,267 | 5,223,225 | 10,077,672 |
| Total Assets | 37,364,376 | 9,218,943 | 38,210,170 | 39,745,241 | 4,617,862 | 13,573,175 | 142,729,767 |
| Liabilities | | | | | | | |
| Bank Deposits | 7,424,601 | - | - | - | - | 43,796 | 7,468,397 |
| Other Deposits | 47,468,264 | 5,865,710 | 235,318 | 367 | - | 32,703,847 | 86,273,506 |
| Money Market Borrowings | 6,734,127 | - | - | - | - | - | 6,734,127 |
| Miscellaneous Payables | - | - | - | - | - | - | - |
| Securities Issued | 2,160,640 | - | 2,649,997 | - | - | - | 4,810,637 |
| Funds Provided from Other Financial Institutions | 1,827,122 | 1,289,465 | 8,703,539 | 91,158 | 4,194,951 | - | 16,106,235 |
| Other Liabilities | 227,987 | 28,532 | 383,341 | 1,309,066 | 244,413 | 19,143,526 | 21,336,865 |
| Total Liabilities | 65,842,741 | 7,183,707 | 11,972,195 | 1,400,591 | 4,439,364 | 51,891,169 | 142,729,767 |
| Balance Sheet Long Position | - | 2,035,236 | 26,237,975 | 38,344,650 | 178,498 | - | 66,796,359 |
| Balance Sheet Short Position | (28,478,365) | - | - | - | - | (38,317,994) | (66,796,359) |
| Off-Balance Sheet Long Position | 3,031,120 | 3,816,103 | - | - | - | - | 6,847,223 |
| Off-Balance Sheet Short Position | - | - | (796,816) | (5,154,568) | (487,360) | - | (6,438,744) |
| Total Position | (25,447,245) | 5,851,339 | 25,441,159 | 33,190,082 | (308,862) | (38,317,994) | 408,479 |

- (1) The expected loss provisions are presented under the “Non-Interest Bearing” column.
- (2) Cash balances (Cash, Effective Deposit, Money in transit, Notes Payable) and the Central Bank of the Republic of Turkey include balances of expected losses amounting to TL 3,316.
- (3) Banks include balance of expected loss provisions amounting to TL 10,656.
- (4) Money market placements include balance of expected loss provisions amounting to TL 439.
- (5) The revolving loans amounting to TL 6,201,511 are presented under the “Up to 1 Month” column. It includes expected loss provisions amounting to TL 4,047,711.
- (6) Financial assets at amortized cost include balance of expected loss provisions of TL 2,818.
- (7) Includes factoring receivables amounting to TL 2,503,938 and factoring receivables expected loss provisions amounting to TL 17,162.

The other assets line in the non-interest-bearing column consists of tangible assets amounting to TL 846,067, intangible assets amounting to TL 572,547, assets held for resale amounting to TL 112,859, subsidiaries amounting to TL 50 and non-financial jointly controlled entities under common control joint venture amounting to TL 5 and the other liabilities line includes the shareholders’ equity of TL 11,689,673.

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V. Explanations Related to Consolidated Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments:

| | EURO % | USD % | YEN % | TL % |
|---|-----------|----------|----------|---------|
| Current Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | 8.50 |
| Banks | (0.70) | 0.05 | - | 14.13 |
| Financial Assets at Fair Value Through Profit or Loss | 3.36 | 5.24 | - | 20.14 |
| Money Market Placements | - | - | - | 16.85 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 2.70 | 3.84 | - | 17.48 |
| Loans (*) | 1.86 | 3.37 | 5.45 | 20.09 |
| Financial Assets Measured at Amortized Cost | 3.16 | 5.46 | - | 27.53 |
| Liabilities | | | | |
| Bank Deposits | - | - | - | 10.37 |
| Other Deposits | 0.11 | 0.32 | - | 17.41 |
| Money Market Borrowings | 1.04 | - | - | 14.08 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | 1.98 | - | - | 16.59 |
| Funds Provided from Other Financial Institutions | 1.73 | 4.84 | - | 18.18 |

(*) Includes factoring receivables.

| | EURO % | USD % | YEN % | TL % |
|---|-----------|----------|----------|---------|
| Prior Period | | | | |
| Assets | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | - | - | - | 12.00 |
| Banks | (0.25) | 0.21 | (0.26) | 17.79 |
| Financial Assets at Fair Value Through Profit or Loss | 2.60 | 2.65 | - | 10.12 |
| Money Market Placements | - | - | - | 17.98 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 2.91 | 3.86 | - | 12.91 |
| Loans (*) | 2.65 | 3.79 | 5.37 | 14.43 |
| Financial Assets Measured at Amortized Cost | 2.04 | 3.51 | - | 8.26 |
| Liabilities | | | | |
| Bank Deposits | - | - | - | 10.65 |
| Other Deposits | 0.04 | 1.25 | - | 15.12 |
| Money Market Borrowings | 0.88 | - | - | 17.06 |
| Miscellaneous Payables | - | - | - | - |
| Securities Issued | - | - | - | 9.54 |
| Funds Provided from Other Financial Institutions | 1.93 | 4.88 | - | 11.62 |

(*) Includes factoring receivables.

Interest rate risk on banking accounts:

- a) Significant assumptions and frequency of measurement of interest rate risk, including the nature of interest rate risk arising from banking accounts and those related to the movement of deposits other than loan early repayments and time deposits:

Interest rate risk arising from banking accounts is monitored through different scenarios, and the interest risk exposed by presenting the results to the relevant committees is evaluated from different perspectives. There is a limit determined by the Board of Directors regarding the risk amount. It is taken care to ensure a certain harmony between assets and liabilities on the basis of currency, taking into account the market expectations of the bank.

Early repayment rates of loans were determined by examining the historic reaction of housing loans to interest movements in the previous periods. By analyzing the movements of demand deposits on the basis of branches and accounts, it has been determined the duration of demand deposits that remain in the Bank on account basis. Assumptions accepted in parallel with the results reached are reflected in the above mentioned products in interest rate sensitivity calculations.

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V. Explanations Related to Consolidated Interest Rate Risk (Continued)

Interest rate risk on banking accounts: (continued)

b) Economic value differences arising from fluctuations in interest rates in accordance with the “Regulation on Measurement and Evaluation of Interest Rate Risk Arising from Banking Accounts by Standard Shock Method.

| Type of Currency | Shock Applied (+/- x basis point) | Gains/ (Losses) | Gains/Equity– (Losses)/Equity |
|-----------------------------------|--------------------------------------|--------------------|----------------------------------|
| TL | (400) | 853,204 | 4.02% |
| TL | 500 | (969,928) | (4.57) % |
| EURO | (200) | (98,543) | (0.46) % |
| EURO | 200 | 102,182 | 0.48% |
| USD | (200) | (103,865) | (0.49) % |
| USD | 200 | 104,482 | 0.49% |
| Total (of negative shocks) | (800) | 650,796 | 3.07% |
| Total (of positive shocks) | 900 | (763,264) | (3.60) % |

VI. Explanations Related to Share Certificates Position Risk from Consolidated Banking Book

Equity securities which are not publicly traded in the Bank’s financial statements are booked as their fair value, or otherwise booked as their cost value whereby fair value can not be calculated properly.

The Parent Bank has no stocks traded in Borsa Istanbul.

VII. Explanations Related to Consolidated Liquidity Risk Management and Liquidity Coverage Ratio

a) Information on liquidity risk management, such as the Parent Bank's risk capacity, responsibilities and the structure of liquidity risk management, Parent Bank’s internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Asset-Liability Management and Treasury Group is responsible for following up the Parent Bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group use authorized products to provide sufficient liquidity based on liquidity position.

Responsibilities for liquidity management are described in the Liquidity Risk Policy which is reviewed and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long-term liquidity estimates. The Asset-Liability Management Committee is responsible for preparing middle and long-term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Risk Committee, Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the Parent Bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks and at a Market and Liquidity Risk Committee meeting which is held monthly.

b) Information on the centralization degree of liquidity management and funding strategy, and on operations between Parent Bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the Parent Bank's liquidity risk and performs this role only for the bank. Liquidity gap values are monitored within the limits set by the Board of Directors, and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity, and we provide them borrowing facilities within market conditions and legal limits.

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VII. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (Continued)

- c) Information about the Parent Bank's funding strategy including policies on funding types and variety of maturities:

While the Parent Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Parent Bank uses instruments such as long-term syndicated loans, securities issued in TL and foreign currency to diversify funding resources.

- d) Information on liquidity management based on currency which consists of a minimum of 5% of the Parent Bank's total liabilities:

Excluding TL, USD and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the Liquidity Coverage Ratio is calculated daily for Total and Foreign Currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Market and Liquidity Risk Committee which includes the General Manager, Assistant General Manager responsible from Financial Affairs Group, Group Risk Chief Officer, and the Assistant General Manager in charge of the Asset-Liability Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

- e) Information on liquidity risk mitigation techniques:

The Parent Bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The Parent Bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Assets-Liabilities Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the Parent Bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions.

In the short term, liquidity risk is minimized with FX swaps, interbank borrowings and repurchase agreements, while cross currency swap transactions are used to minimize these risks in the long term.

- f) Explanation on the usage of the stress test:

The aim of the liquidity stress test is to analyse how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analysed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Parent Bank and in the whole banking system, in cases of stress event are analysed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

- g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine.

- Whether the liquidity problem is specific to the Parent bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Asset-Liability Management and Treasury Group, the Asset-Liability Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

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VII. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio:

| | Rate of Percentage to Be Taken into Account not Implemented Total Value (*) | | Rate of Percentage to Be Taken into Account Implemented Total Value (*) | |
|--|---|----|---|-------------------|
| | TL+FC | FC | TL+FC | FC |
| Current Period – 31 December 2021 | | | | |
| High Quality Liquid Assets | | | | |
| 1 | High Quality Liquid Assets | | 46,888,056 | 29,282,626 |
| Cash Outflows | | | | |
| 2 | Real Person and Retail Deposits | | 81,720,904 | 42,598,230 |
| 3 | Stable Deposits | | 17,049,779 | - |
| 4 | Less Stable Deposits | | 64,671,125 | 42,598,230 |
| 5 | Unsecured Debts Other than Real Person and Retail Deposits | | 44,985,951 | 23,081,623 |
| 6 | Operational Deposits | | 1,256,434 | 554,315 |
| 7 | Non-operational Deposits | | 34,324,870 | 16,803,402 |
| 8 | Other Unsecured Funding | | 9,404,647 | 5,723,906 |
| 9 | Secured Funding | | - | - |
| 10 | Other Cash Outflows | | 1,286,330 | 4,867,615 |
| 11 | Outflows Related to Derivative Exposures and | | 1,286,330 | 4,867,615 |
| 12 | Other Collateral Requirements | | - | - |
| 13 | Outflows Related to Restructured Financial Instruments | | - | - |
| 14 | Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Market | | - | - |
| 15 | Other Revocable Off-Balance Sheet | | 44,459,083 | 17,681,444 |
| 16 | Total Cash Outflows | | - | - |
| Cash Inflows | | | | |
| 17 | Secured Receivables | | - | - |
| 18 | Unsecured Receivables | | 17,210,930 | 9,936,422 |
| 19 | Other Cash Inflows | | 561,220 | 12,279,927 |
| 20 | Total Cash Inflows | | 17,772,150 | 22,216,349 |
| | | | Upper Limit Applied Values | |
| 21 | Total High Quality Liquid Assets | | 46,888,056 | 29,282,626 |
| 22 | Total Net Cash Outflows | | 23,943,638 | 5,879,702 |
| 23 | Liquidity Coverage Ratio (%) | | 195.83 | 498.03 |

(*) Simple arithmetic average of the last three months data calculated by using monthly simple arithmetic averages.

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VII. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio: (continued)

| Prior Period – 31 December 2020 | Rate of Percentage to Be Taken into Account not Implemented Total Value (*) | | Rate of Percentage to Be Taken into Account Implemented Total Value (*) | |
|--|---|-------------------|---|-------------------|
| | TL+FC | FC | TL+FC | FC |
| High Quality Liquid Assets | | | | |
| 1 High Quality Liquid Assets | | | 36,616,220 | 15,499,469 |
| Cash Outflows | | | | |
| 2 Real Person and Retail Deposits | 61,582,931 | 31,915,012 | 5,475,939 | 3,191,501 |
| 3 Stable Deposits | 13,647,077 | - | 682,354 | - |
| 4 Less Stable Deposits | 47,935,854 | 31,915,012 | 4,793,585 | 3,191,501 |
| 5 Unsecured Debts Other than Real Person and Retail Deposits | 33,093,749 | 14,777,629 | 17,888,232 | 7,359,701 |
| 6 Operational Deposits | 787,661 | 293,937 | 196,915 | 73,484 |
| 7 Non-operational Deposits | 28,302,592 | 12,070,372 | 13,715,146 | 4,872,897 |
| 8 Other Unsecured Funding | 4,003,496 | 2,413,320 | 3,976,171 | 2,413,320 |
| 9 Secured Funding | | | 120,457 | - |
| 10 Other Cash Outflows | 1,665,525 | 2,927,065 | 1,665,525 | 2,927,065 |
| 11 Outflows Related to Derivative Exposures and | 1,665,525 | 2,927,065 | 1,665,525 | 2,927,065 |
| 12 Other Collateral Requirements | - | - | - | - |
| 13 Outflows Related to Restructured Financial Instruments | - | - | - | - |
| 14 Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Market | - | - | - | - |
| 15 Other Revocable Off-Balance Sheet | 34,907,829 | 12,938,807 | 2,830,475 | 1,288,863 |
| 16 Total Cash Outflows | | | 27,980,628 | 14,767,130 |
| Cash Inflows | | | | |
| 17 Secured Receivables | - | - | - | - |
| 18 Unsecured Receivables | 12,262,838 | 5,715,266 | 9,531,260 | 5,304,699 |
| 19 Other Cash Inflows | 966,659 | 9,003,399 | 966,659 | 9,003,399 |
| 20 Total Cash Inflows | 13,229,497 | 14,718,665 | 10,497,919 | 14,308,098 |
| | | | Upper Limit is Applied Values | |
| 21 Total High Quality Liquid Assets | | | 36,616,220 | 15,499,469 |
| 22 Total Net Cash Outflows | | | 17,482,709 | 3,691,783 |
| 23 Liquidity Coverage Ratio (%) | | | 209.44 | 419.84 |

(*) Simple arithmetic average of the last three months data calculated by using monthly simple arithmetic averages.

The amount of high-quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting Liquidity Coverage Ratio.

High quality liquid assets in order to their priority consist of the time accounts, bond portfolio, required reserve, cash and effective deposit. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effect more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

There are concentration limits on funding sources approved by Board of Directors of the Parent Bank. Proportional limits on product type are reported in relation to how much of the funding can be obtained from deposits, group funding, borrowings from banks and repo and other long-term sources.

Liquidity management of the subsidiaries subject to consolidation is carried out by the companies themselves. Although there is a consolidated reporting for the Liquidity Coverage Ratio, there is no centralized liquidity management. Finally, there is no significant cash inflow and cash outflow related to the liquidity profile of the Parent Bank, which is included in the calculation of liquidity coverage ratio, but which is not included in the public disclosure template in the second paragraph of the related communiqué.

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VII. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (Continued)

Liquidity Coverage Ratio: (continued)

Consolidated Liquidity Coverage Ratio for the last three months are presented below:

| | Current Period | |
|---------------|----------------|---------|
| | TL+FC | FC |
| October 2021 | 162.98% | 418.13% |
| November 2021 | 192.56% | 558.19% |
| December 2021 | 214.51% | 465.71% |
| | Prior Period | |
| | TL+FC | FC |
| October 2020 | 191.54% | 351.74% |
| November 2020 | 219.37% | 487.73% |
| December 2020 | 256.32% | 519.02% |

Presentation of assets and liabilities according to their remaining maturities:

| Current Period | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | Over 5 Years | Indistributed ⁽¹⁾ | Total |
|--|---------------------|---------------------|--------------------|-------------------|-------------------|--------------------|------------------------------|--------------------|
| Assets | | | | | | | | |
| Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽²⁾ | 12,832,190 | 22,959,105 | - | - | - | - | (6,160) | 35,785,135 |
| Banks ⁽³⁾ | 6,328,503 | 5,336,235 | - | - | - | - | (23,547) | 11,641,191 |
| Financial Assets at Fair Value Through Profit and Loss | - | 205,178 | 184,115 | 523,936 | 1,482,063 | 96,136 | 302,360 | 2,793,788 |
| Money Market Placements | - | 3,245 | - | - | - | - | - | 3,245 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 13,250 | 39,232 | 269,447 | 948,876 | 5,397,199 | 507,952 | - | 7,175,956 |
| Loans ⁽⁴⁾ | - | 29,089,822 | 11,835,077 | 36,061,088 | 26,294,525 | 1,293,973 | (714,613) | 103,859,872 |
| Financial Assets Measured at Amortized Cost ⁽⁵⁾ | - | - | 532,334 | 2,094,569 | 16,781,216 | 143,581 | (4,399) | 19,547,301 |
| Other Assets ⁽⁶⁾ | - | 4,673,863 | 3,928,406 | 3,044,476 | 1,770,456 | 311,449 | 4,318,980 | 18,047,630 |
| Total Assets | 19,173,943 | 62,306,680 | 16,749,379 | 42,672,945 | 51,725,459 | 2,353,091 | 3,872,621 | 198,854,118 |
| Liabilities | | | | | | | | |
| Bank Deposits | 37,570 | 1,962,166 | - | - | - | - | - | 1,999,736 |
| Other Deposits | 58,308,129 | 60,627,208 | 10,359,259 | 287,263 | 1,378 | - | - | 129,583,237 |
| Funds Provided from Other Financial Institutions | - | 2,928,294 | 8,176,860 | 8,557,205 | 136,817 | 7,239,036 | - | 27,038,212 |
| Money Market Borrowings | - | 4,763,155 | 2,575,838 | 1,586,822 | - | - | - | 8,925,815 |
| Securities Issued | - | 1,049,232 | 145,293 | - | - | - | - | 1,194,525 |
| Miscellaneous Payables | - | - | - | - | - | - | - | - |
| Other Liabilities | 203,885 | 10,055,103 | 1,517,028 | 1,031,655 | 1,715,462 | 281,164 | 15,308,296 | 30,112,593 |
| Total Liabilities | 58,549,584 | 81,385,158 | 22,774,278 | 11,462,945 | 1,853,657 | 7,520,200 | 15,308,296 | 198,854,118 |
| Liquidity Gap | (39,375,641) | (19,078,478) | (6,024,899) | 31,210,000 | 49,871,802 | (5,167,109) | (11,435,675) | - |
| Net Off-Balance Sheet Position | - | 1,157,348 | 180,560 | 1,768,166 | 231,463 | 180,567 | - | 3,518,104 |
| Financial Derivative Assets | - | 29,886,074 | 29,745,541 | 26,100,385 | 18,145,761 | 2,968,553 | - | 106,846,314 |
| Financial Derivative Liabilities | - | 28,728,726 | 29,564,981 | 24,332,219 | 17,914,298 | 2,787,986 | - | 103,328,210 |
| Non-Cash Loans | 10,181,182 | 2,203,512 | 5,450,781 | 13,364,312 | 7,332,490 | - | - | 38,532,277 |
| Prior Period | | | | | | | | |
| Total Assets | 7,953,511 | 36,928,240 | 9,025,132 | 30,273,292 | 49,907,055 | 5,235,185 | 3,407,352 | 142,729,767 |
| Total Liabilities | 32,759,066 | 70,645,813 | 7,408,453 | 12,761,821 | 1,761,900 | 4,712,459 | 12,680,255 | 142,729,767 |
| Liquidity Gap | (24,805,555) | (33,717,573) | 1,616,679 | 17,511,471 | 48,145,155 | 522,726 | (9,272,903) | - |
| Net Off-Balance Sheet Position | - | 223,288 | (240,996) | 117,535 | 126,240 | (3,144) | - | 222,923 |
| Financial Derivative Assets | - | 18,691,080 | 19,520,863 | 9,383,245 | 11,983,043 | 4,199,690 | - | 63,777,921 |
| Financial Derivative Liabilities | - | 18,467,792 | 19,761,859 | 9,265,710 | 11,856,803 | 4,202,834 | - | 63,554,998 |
| Non-Cash Loans | 6,917,238 | 1,354,463 | 2,719,244 | 6,823,344 | 6,430,957 | - | - | 24,245,246 |

⁽¹⁾ Active accounts with fixed assets, associates and subsidiaries, fixed assets, prepaid expenses and non-performing loans, which are required for the continuation of banking activities and which do not have the chance to convert to cash in a short time, are recorded here. The expected loss provisions are also shown here.

⁽²⁾ Cash and cash equivalents (Cash in Vault, Foreign Currency, Cash, Money in Transit, Cheques Purchased) and the Central Bank of Turkey includes expected credit loss amounting to TL 6,160.

⁽³⁾ Banks include balance of expected loss provisions amounting to TL 23,547.

⁽⁴⁾ The revolving loans amounting to TL 13,983,435 are presented under the “Up to 1 Month” column. It includes expected loss provisions amounting to TL 4,045,878.

⁽⁵⁾ Financial assets at amortized cost include balance of expected loss provisions of TL 4,399.

⁽⁶⁾ Includes factoring receivables amounting to TL 4,636,925 and factoring receivables expected loss provisions amounting to TL 32,600.

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VII. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (Continued)

Analysis of financial liabilities by remaining contractual maturities:

| | Demand | Up to 1 Month | 1-3 Months | 3-12 Months | 1-5 Years | 5 Years and Over | Adjustments | Total |
|---|-------------------|-------------------|-------------------|-------------------|------------------|---------------------|--------------------|--------------------|
| 31 December 2021 | | | | | | | | |
| Money Market Borrowings | - | 4,764,898 | 2,598,569 | 1,593,351 | - | - | (31,003) | 8,925,815 |
| Other Deposit | 58,308,129 | 60,759,151 | 10,547,680 | 303,238 | 1,427 | - | (336,388) | 129,583,237 |
| Bank Deposit | 37,570 | 1,963,832 | - | - | - | - | (1,666) | 1,999,736 |
| Funds Provided from Other Financial Institutions | - | 3,187,707 | 8,227,356 | 10,284,405 | 1,968,338 | 8,991,685 | (5,621,279) | 27,038,212 |
| Issued Securities | - | 1,078,661 | 150,058 | - | - | - | (34,194) | 1,194,525 |
| Total | 58,345,699 | 71,754,249 | 21,523,663 | 12,180,994 | 1,969,765 | 8,991,685 | (6,024,530) | 168,741,525 |
| 31 December 2020 | | | | | | | | |
| Money Market Borrowings | - | 6,754,268 | - | - | - | - | (20,141) | 6,734,127 |
| Other Deposit | 32,703,847 | 47,586,464 | 5,941,850 | 241,975 | 367 | - | (200,997) | 86,273,506 |
| Bank Deposit | 43,796 | 7,433,248 | - | - | - | - | (8,647) | 7,468,397 |
| Funds Provided from Other Financial Institutions | - | 1,904,275 | 766,691 | 9,969,331 | 1,129,862 | 5,581,278 | (3,245,202) | 16,106,235 |
| Issued Securities | - | - | 4,413,557 | 739,050 | - | - | (341,970) | 4,810,637 |
| Total | 32,747,643 | 63,678,255 | 11,122,098 | 10,950,356 | 1,130,229 | 5,581,278 | (3,816,957) | 121,392,902 |

Analysis of contractual expiry by maturity of the Group’s derivative financial instruments:

| | Up to 1 Month | 1-3 Month | 3-12 Month | 1-5 Year | 5 Year and Over | Total |
|--|------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| 31 December 2021 | | | | | | |
| Derivative Financial Instruments for Hedging Purposes | | | | | | |
| Fair Value Hedge | - | - | - | - | - | - |
| Cash Flow Hedge | - | 35,186 | 3,887,312 | 636,913 | - | 4,559,411 |
| Trading Transactions | | | | | | |
| Foreign Exchange Forward | | | | | | |
| Contracts-Sell | | 4,716,764 | 3,435,743 | 5,101,585 | 217,898 | 13,471,990 |
| Currency Swaps-Sell | | 19,240,938 | 25,863,945 | 4,280,649 | 9,392,381 | 58,995,052 |
| Interest Rate Swaps-Sell | | - | - | - | - | - |
| Foreign Currency Futures-Sell | | - | 321,698 | 42,622 | - | 364,320 |
| Foreign Currency Options-Sell | | 1,471,166 | 693,877 | 1,465,943 | - | 3,630,986 |
| Total | | 25,428,868 | 30,350,449 | 14,778,111 | 10,247,192 | 81,021,759 |
| 31 December 2020 | | | | | | |
| Derivative Financial Instruments for Hedging Purposes | | | | | | |
| Fair Value Hedge | 1,047,907 | 4,338,325 | - | - | 863,835 | 6,250,067 |
| Cash Flow Hedge | 710,591 | 34,994 | 1,708,688 | 3,238,883 | - | 5,693,156 |
| Trading Transactions | | | | | | |
| Foreign Exchange Forward | | | | | | |
| Contracts-Sell | | 3,000,033 | 2,271,615 | 2,318,963 | 553,143 | 8,143,754 |
| Currency Swaps-Sell | | 10,028,698 | 13,815,112 | 2,175,927 | 3,527,930 | 33,297,673 |
| Interest Rate Swaps-Sell | | - | - | - | - | - |
| Foreign Currency Futures-Sell | | - | 209,828 | 380,096 | - | 589,924 |
| Foreign Currency Options-Sell | | 981,308 | 566,084 | 288,360 | 185,653 | 2,021,405 |
| Total | | 15,768,537 | 21,235,958 | 6,872,034 | 7,505,609 | 55,575,019 |

Cash disposal of derivative instruments is shown in the table above.

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VIII. Explanations Related to Consolidated Leverage Ratio

a) Information on issues that cause differences between current period and previous period leverage ratios:

There is a decrease in the leverage ratio in line with the increase on-balance sheet risks.

b) Summary comparison table of the total risk amount and the total asset amount in the financial statements prepared as per TAS:

| | Current Period (**) | Prior Period (**) |
|--|------------------------|----------------------|
| 1 Total Asset Amount in the Consolidated Financial Statements Prepared as per TAS (*) | 184,154,597 | 140,377,909 |
| 2 The Difference between the Total Asset Amount in the Consolidated Financial Statements Prepared as per TAS and the Asset Amount in the Consolidated Financial statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks | - | - |
| 3 The Difference between the Derivative Financial Instruments and the Loan Derivatives Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts | 612,168 | 492,002 |
| 4 The Difference between the Financial Transactions with Securities or Goods Warranty Amounts in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts | 854,257 | 900,450 |
| 5 The Difference between the Off-balance Sheet Transactions Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts | 66,388,072 | 46,027,051 |
| 6 Other Differences between the Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts | (2,064,182) | (1,943,151) |
| 7 Total risk amount | 249,944,912 | 185,854,261 |

(*) Consolidated financial statements prepared as per the sixth paragraph of Article 5 of the Communiqué on the Preparation of the Consolidated Financial Statements of Banks.

(**) The amounts in the table are calculated by using the 3 months average amounts.

c) Leverage Ratio:

| | Current Period (*) | Prior Period (*) |
|--|-----------------------|---------------------|
| Assets on the Balance Sheet | | |
| Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan | | |
| 1 Derivatives, Including Collaterals) | 180,241,636 | 137,340,711 |
| 2 (Assets Deducted from Core Capital) | (608,185) | (683,621) |
| 3 Total Risk Amount for Assets on the Balance Sheet | 179,633,451 | 136,657,090 |
| Derivative Financial Instruments and Credit Derivatives | | |
| 4 Renewal Cost of Derivative Financial Instruments and Credit Derivatives | 2,456,964 | 1,777,668 |
| 5 Potential Credit Risk Amount of Derivative Financial Instruments and Credit Derivatives | 612,168 | 492,002 |
| 6 Total Risk Amount of Derivative Financial Instruments and Credit Derivatives | 3,069,132 | 2,269,670 |
| Financing Transactions with Securities or Goods Warranties | | |
| 7 Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet) | 854,257 | 900,450 |
| 8 Risk Amount Arising from Intermediated Transactions | - | - |
| 9 Total Risk Amount of Financing Transactions with Securities or Goods Warranties | 854,257 | 900,450 |
| Off-Balance Sheet Transactions | | |
| 10 Gross Nominal Amount of the Off-balance Sheet Transactions | 66,388,072 | 46,027,051 |
| 11 (Adjustment Amount Arising from Multiplying by the Credit Conversion Rate) | - | - |
| 12 Total Risk Amount for Off-balance Sheet Transactions | 66,388,072 | 46,027,051 |
| Capital and Total Risk | | |
| 13 Tier 1 Capital | 12,903,197 | 11,397,559 |
| 14 Total Risk Amount | 249,944,912 | 185,854,261 |
| Leverage Ratio | | |
| 15 Leverage Ratio | 5.16% | 6.13% |

(*) The amounts in the table are calculated by using the quarterly average amounts.

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IX. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

The table below shows the book value and the fair value of financial assets and liabilities that are not shown at the fair value of the Group’s financial statements.

| | Book Value | | Fair Value | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Financial Assets | 146,831,890 | 116,559,992 | 146,273,203 | 116,258,035 |
| Receivables from Money Market | 3,245 | 6,180,447 | 3,245 | 6,180,447 |
| Banks | 11,641,191 | 8,006,185 | 11,641,191 | 8,006,185 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 7,175,956 | 8,652,397 | 7,175,956 | 8,652,397 |
| Financial Assets measured at amortized cost | 19,547,301 | 12,520,123 | 20,080,824 | 12,544,293 |
| Loans (**) | 108,464,197 | 81,200,840 | 107,371,987 | 80,874,713 |
| Financial Liabilities | 178,160,571 | 125,734,718 | 178,580,339 | 125,986,444 |
| Bank Deposit | 1,999,736 | 7,468,397 | 1,999,736 | 7,468,397 |
| Other Deposit | 129,583,237 | 86,273,506 | 129,824,244 | 86,423,699 |
| Funds Borrowed from Other Financial Institutions (*) | 35,964,027 | 22,840,362 | 36,142,788 | 22,941,895 |
| Marketable Securities Issued | 1,194,525 | 4,810,637 | 1,194,525 | 4,810,637 |
| Other Liabilities | 9,419,046 | 4,341,816 | 9,419,046 | 4,341,816 |

(*) Funds provided under repo transactions and subordinated loans are included in funds borrowed from other financial institutions.

(**) Factoring receivables are included in loans.

Investment securities in the current period include financial assets valued at their amortized cost and at fair value through other comprehensive income. The fair value of assets held to maturity assets are determined based on market prices or quoted market prices of other securities subject to redemption in terms of interest, maturity and other similar circumstances, where their prices cannot be determined.

Due to the fact that demand deposits, variable rate placements and overnight deposits are short-term, hence their carrying value reflects their fair value. Estimated fair value of fixed interest deposits and funds provided from other financial institutions is calculated with the presence of discounted cash flow using the current interest rates used for other debts of similar quality and similar maturity structure, by finding the discounted cash flow using the fair value of loans and the current interest rates used for receivables with similar and similar maturities. As the miscellaneous debts are short term, their carrying value approximately reflects their fair value.

The fair value of financial assets and liabilities are determined as follows:

- First level: Financial assets and liabilities are valued at the stock market prices traded in the active market for the same assets and liabilities.
- Second level: Financial assets and liabilities are valued from the inputs used to find the price of the relevant asset or liability directly or indirectly, which can be observed in the market other than the stock exchange price specified in the first level.
- Third level: Financial assets and liabilities are valued from inputs that are not based on any observable data in the market used to find the fair value of the asset or liability.

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IX. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)

The following table contains the analysis of the fair values of the financial instruments carried at fair values, including the stock market prices, valuation techniques, all model data of which can be measured in the market, or using valuation techniques whose data cannot be measured in the market:

| 31 December 2021 | Level 1 | Level 2 | Level 3 | Total |
|--|-------------------|------------------|---------------|-------------------|
| Financial Assets | 9,722,519 | 8,308,644 | 73,026 | 18,104,189 |
| Financial assets at Fair value through profit and loss | 2,599,074 | 6,466,914 | 59,776 | 9,125,764 |
| <i>Public sector debt securities</i> | 2,491,428 | - | - | 2,491,428 |
| <i>Financial assets at Fair value through profit or loss</i> | - | 6,331,976 | - | 6,331,976 |
| <i>Other Financial assets at Fair value through profit or loss</i> | 107,646 | 134,938 | 59,776 | 302,360 |
| Derivative financial assets for hedging purposes | - | 1,802,469 | - | 1,802,469 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 7,123,445 | 39,261 | 13,250 | 7,175,956 |
| <i>Public sector debt securities</i> | 7,123,445 | 39,261 | - | 7,162,706 |
| <i>Other Financial Assets at Fair Value Through Other Comprehensive Income</i> | - | - | 13,250 | 13,250 |
| Financial Liabilities | - | 4,489,788 | - | 4,489,788 |
| Derivative financial liabilities at Fair value through profit or loss | - | 4,159,177 | - | 4,159,177 |
| Derivative financial liabilities for hedging purposes | - | 330,611 | - | 330,611 |
| 31 December 2020 | Level 1 | Level 2 | Level 3 | Total |
| Financial Assets | 10,126,324 | 2,948,440 | 58,652 | 13,133,416 |
| Financial assets at Fair value through profit and loss | 1,507,974 | 2,275,132 | 47,771 | 3,830,877 |
| <i>Public sector debt securities</i> | 1,447,816 | - | - | 1,447,816 |
| <i>Financial assets at Fair value through profit or loss</i> | - | 2,199,985 | - | 2,199,985 |
| <i>Other Financial assets at Fair value through profit or loss</i> | 60,158 | 75,147 | 47,771 | 183,076 |
| Derivative financial assets for hedging purposes | - | 650,142 | - | 650,142 |
| Financial Assets at Fair Value Through Other Comprehensive Income | 8,618,350 | 23,166 | 10,881 | 8,652,397 |
| <i>Public sector debt securities</i> | 8,618,350 | 23,166 | - | 8,641,516 |
| <i>Other Financial Assets at Fair Value Through Other Comprehensive Income</i> | - | - | 10,881 | 10,881 |
| Financial Liabilities | - | 3,343,179 | - | 3,343,179 |
| Derivative financial liabilities at Fair value through profit or loss | - | 2,344,441 | - | 2,344,441 |
| Derivative financial liabilities for hedging purposes | - | 998,738 | - | 998,738 |

There is no transition between the levels in the current year.

The table below shows the movement table of financial assets at Level 3:

| | Current Period | Prior Period |
|---|----------------|---------------|
| Balance at the Beginning of the Period | 58,652 | 48,834 |
| Purchases | - | - |
| Redemption or Sale | - | - |
| Valuation Difference | 14,374 | 9,818 |
| Transfers | - | - |
| Balance at the End of the Period | 73,026 | 58,652 |

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X. Explanations Related to Transactions Carried out on Behalf of Other Parties and Fiduciary Assets

The Group performs trading transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not deal with fiduciary transactions.

XI. Explanations Related to Consolidated Risk Management

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented within the scope of internal rating-based approach have not been presented due to use of standard approach for the calculation of capital adequacy ratio by the Bank.

1. Risk management approach and overview of Risk Weighted Assets

1.1. The Parent Bank’s risk management approach

The objective of the Risk Management system is to provide that the risks that are derived from the bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Risk Management functions of the Parent Bank and all of its subsidiaries have been gathered under the Group Risk Management. Group Risk Management reports to the Boards of Directors of TEB Group through the Risk Committee and Audit Committee within the TEB A.Ş. and is responsible for fulfilling its duties of general supervision, notification and recommendation on behalf of the Boards of Directors in line with the principles laid down in this Regulation.

With Risk Policies, the Parent Bank aims to,

- i) Identify the main risks to which the Parent Bank is exposed and identified risks within the control range;
- ii) Define roles and responsibilities to identify, analyse, measure, monitor, and control the main risks bank faces and other risks which may arise as a consequence of changes in activity structure and economic conditions,
- iii) Identify the volume of transactions which may cause non-controllable risks by considering equity strength or decrease the activities affected by such risks.

Risk policies and the procedures related there to contain written standards set by the Board of Directors and the “Senior Management” consisting of General Manager, Assistant General Managers and Chief Risk Officer.

Risk policies and related procedures are prepared in compliance with the Banking Law, external legislation and general banking practices and presented to the Senior Management / Board of Directors for approval.

It is the principal duty of all managers of the Parent Bank to provide compliance with risk policies containing the criteria required for each unit.

Risk Management Operations consist of;

- i) risk measurement,
- ii) monitoring of risks,
- iii) control of risk and reporting operations

Risk management operations are conducted by Group Risk Management and personnel.

Group Risk Management applies second order controls for quantifiable risks as part of continuous control system.

Head of Group Risk Management reports to the Board of Directors via Risk Committee and Audit Committee.

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XI. Explanations Related to Consolidated Risk Management (Continued)

1. Risk management approach and overview of Risk Weighted Assets (Continued)

1.2. Overview of Risk Weighted Amounts

| | Risk Weighted Amounts | | Minimum capital requirement |
|---|-----------------------|-------------------|-----------------------------|
| | Current Period | Prior Period | Current Period |
| 1 Credit Risk (Excluding Counterparty Credit Risk) (CCR) | 106,230,712 | 77,157,249 | 8,498,457 |
| 2 Of which Standardized Approach (SA) | 106,230,712 | 77,157,249 | 8,498,457 |
| 3 Of which Internal Rating-based (IRB) Approach | - | - | - |
| 4 Counterparty Credit Risk | 2,882,445 | 2,116,406 | 230,596 |
| 5 Of which Standardized Approach for Counterparty Credit Risk (SA-CCR) | 2,882,445 | 2,116,406 | 230,596 |
| 6 Of which Internal Model Method (IMM) | - | - | - |
| 7 Equity positions in banking accounts 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 – 1250% Weighted Risk Approach | - | - | - |
| 11 Settlement Risk | - | - | - |
| 12 Securitization Positions in banking accounts. | - | - | - |
| 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 | 3,023,546 | 2,435,660 | 241,884 |
| 17 Standardized Approach (SA) | 3,023,546 | 2,435,660 | 241,884 |
| 18 Internal Model Approaches (IMM) | - | - | - |
| 19 Operational Risk | 10,943,131 | 9,894,462 | 875,450 |
| 20 Of which Basic Indicator Approach | 10,943,131 | 9,894,462 | 875,450 |
| 21 Of which Standard Approach | - | - | - |
| 22 Of which Advanced Measurement Approach | - | - | - |
| 23 Amounts below the Thresholds for Deduction (Subject to a 250% Risk Weight) | - | - | - |
| 24 Floor Adjustment | - | - | - |
| 25 Total (1+4+7+8+9+10+11+12+16+19+23+24) | 123,079,834 | 91,603,777 | 9,846,387 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

XI. Explanations Related to Consolidated Risk Management (Continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

| Current Period | Carrying values under scope of regulatory consolidation | Carrying values of items in accordance with TAS | | | Not subject to capital requirements or subject to deduction from capital |
|--|---|---|---|--------------------------------------|--|
| | | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the market risk framework | |
| Assets | | | | | |
| Cash and balances at central bank | 35,791,295 | 35,791,295 | - | - | - |
| Banks | 11,664,738 | 11,666,385 | - | - | - |
| Receivables from money markets | 3,245 | - | 3,245 | - | - |
| Financial assets at fair value through profit or loss | 2,793,788 | 302,359 | - | 2,491,428 | - |
| Financial assets at fair value through other comprehensive income | 7,175,956 | 7,177,624 | - | - | - |
| Financial assets measured at amortized cost | 19,551,700 | 19,551,700 | - | - | - |
| Derivative financial assets at fair value through profit and loss | 6,331,976 | - | 6,331,976 | 6,331,976 | - |
| Derivative financial assets at fair value through other comprehensive income | 1,802,469 | - | 1,802,469 | 1,802,469 | - |
| Non-performing financial assets | - | - | - | - | - |
| Expected credit loss (-) | 4,112,584 | 2,286,333 | - | - | - |
| Loans and receivables | 107,905,750 | 107,899,867 | - | - | - |
| Factoring receivables | 4,636,925 | 4,636,925 | - | - | - |
| Non-current assets and disposal groups classified as held for sale (net) | 65,933 | 65,933 | - | - | - |
| Investments in associates (net) | - | - | - | - | - |
| Investments in subsidiaries (net) | 50 | 50 | - | - | - |
| Investments in joint ventures (net) | 5 | 5 | - | - | - |
| Tangible assets (net) | 934,456 | 898,773 | - | - | 35,683 |
| Intangible assets (net) | 611,252 | - | - | - | 611,252 |
| Investment properties (net) | - | - | - | - | - |
| Tax assets | 138,894 | 138,894 | - | - | - |
| Deferred tax assets | 147,376 | 147,376 | - | - | - |
| Other assets | 3,410,894 | 3,133,205 | 277,689 | - | - |
| Total assets | 198,854,118 | 189,124,058 | 8,415,379 | 10,625,873 | 646,935 |
| Liabilities | | | | | |
| Deposits | 131,582,973 | - | - | - | - |
| Loans | 19,799,176 | - | - | - | - |
| Debt to money markets loans | 8,925,815 | - | 8,925,815 | - | - |
| Debt securities in issue | 1,194,525 | - | - | - | - |
| Financial liabilities at fair value through profit or loss | - | - | - | - | - |
| Derivative financial liabilities | 4,489,788 | - | 2,065,014 | - | - |
| Factoring debts | 21,277 | - | - | - | - |
| Lease Liabilities | 577,660 | - | - | - | - |
| Provisions | 1,276,435 | - | - | - | - |
| Tax liability | 272,117 | - | - | - | - |
| Deferred tax liability | - | - | - | - | - |
| Liabilities included in disposal groups classified as held for sale (net) | - | - | - | - | - |
| Subordinated debts | 7,239,036 | - | - | - | - |
| Other liability | 9,419,046 | - | 1,700,528 | - | - |
| Equity | 14,056,270 | - | - | - | - |
| Total liabilities | 198,854,118 | - | 12,691,357 | - | - |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

XI. Explanations Related to Consolidated Risk Management (Continued)

2. Linkages Between Financial Statements and Regulatory Exposures

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (Continued)

| Prior Period | Carrying values under scope of regulatory consolidation | Carrying values of items in accordance with TAS | | | |
|--|---|---|---|--------------------------------------|--|
| | | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| Assets | | | | | |
| Cash and balances at central bank | 16,951,303 | 16,951,303 | - | - | - |
| Banks | 6,684,104 | 6,686,839 | - | - | - |
| Receivables from money markets | 6,180,886 | 2,501,076 | 3,679,810 | - | - |
| Financial assets at fair value through profit or loss | 1,630,892 | 183,074 | - | 1,447,817 | - |
| Financial assets at fair value through other comprehensive income | 8,652,397 | 8,654,367 | - | - | - |
| Financial assets measured at amortized cost | 12,522,941 | 12,522,941 | - | - | - |
| Derivative financial assets at fair value through profit and loss | 1,752,609 | - | 1,752,609 | 1,752,609 | - |
| Derivative financial assets at fair value through other comprehensive income | 1,097,518 | - | 1,097,518 | 1,097,518 | - |
| Non-performing financial assets | - | - | - | - | - |
| Expected credit loss (-) | 4,082,162 | 2,307,403 | - | - | - |
| Loans and receivables | 82,761,835 | 82,761,835 | - | - | - |
| Factoring receivables | 2,503,938 | 2,503,938 | - | - | - |
| Non-current assets and disposal groups classified as held for sale (net) | 112,859 | 112,859 | - | - | - |
| Investments in associates (net) | - | - | - | - | - |
| Investments in subsidiaries (net) | 50 | 50 | - | - | - |
| Investments in joint ventures (net) | 5 | 5 | - | - | - |
| Tangible assets (net) | 846,067 | 808,043 | - | - | 38,025 |
| Intangible assets (net) | 572,547 | - | - | - | 572,547 |
| Investment properties (net) | - | - | - | - | - |
| Tax assets | 19,678 | 19,678 | - | - | - |
| Deferred tax assets | 651,589 | 651,589 | - | - | - |
| Other assets | 3,870,711 | 2,402,494 | 1,468,216 | - | - |
| Total assets | 142,729,767 | 134,452,688 | 7,998,153 | 4,297,944 | 610,572 |
| Liabilities | | | | | |
| Deposits | 93,741,903 | - | - | - | - |
| Loans | 11,911,284 | - | - | - | - |
| Debt to money markets loans | - | - | 6,734,127 | - | - |
| Debt securities in issue | 4,810,637 | - | - | - | - |
| Financial liabilities at fair value through profit or loss | - | - | - | - | - |
| Derivative financial liabilities | 3,343,179 | - | 1,604,879 | - | - |
| Factoring debts | 8,979 | - | - | - | - |
| Lease Liabilities | 604,874 | - | - | - | - |
| Provisions | 1,004,817 | - | - | - | - |
| Tax liability | 343,527 | - | - | - | - |
| Deferred tax liability | - | - | - | - | - |
| Liabilities included in disposal groups classified as held for sale (net) | - | - | - | - | - |
| Subordinated debts | 4,194,951 | - | - | - | - |
| Other liability | 4,341,816 | - | 2,462 | - | - |
| Equity | 11,689,673 | - | - | - | - |
| Total liabilities | 142,729,767 | - | 8,341,468 | - | - |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

XI. Explanations Related to Consolidated Risk Management (Continued)

2. Linkages Between Financial Statements and Regulatory Exposures (continued)

2.2. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

| Current Period | Total | Items | Items subject to | Items |
|--|--------------------|----------------------------------|------------------------------------|----------------------------------|
| | | subject to credit risk framework | counterparty credit risk framework | subject to market risk framework |
| 1 Valued amounts of assets within the scope of legal consolidation in accordance with TAS | 198,854,118 | 189,124,058 | 8,415,379 | 10,625,873 |
| 2 Valued amounts of liabilities within the scope of legal consolidation in accordance with TAS | 12,691,357 | - | 12,691,357 | - |
| 3 Total net amount under legal consolidation | 186,162,761 | 189,124,058 | (4,275,978) | 10,625,873 |
| 4 Off-balance sheet amounts | 75,925,749 | 26,462,489 | 1,112,202 | - |
| 5 Differences in valuations | - | - | - | - |
| 6 Differences due to different netting rules (other than those already included in row 2) | - | - | - | - |
| 7 Differences due to consideration of provisions | - | - | - | - |
| 8 Differences due to prudential filters | - | - | - | - |
| 9 Exposure amounts | 262,088,510 | 215,586,547 | (3,163,776) | 10,625,873 |

| Prior Period | Total | Items | Items subject to | Items subject to |
|--|--------------------|----------------------------------|------------------------------------|--------------------------|
| | | subject to credit risk framework | counterparty credit risk framework | to market risk framework |
| 1 Valued amounts of assets within the scope of legal consolidation in accordance with TAS | 142,729,767 | 134,452,688 | 7,998,153 | 4,297,944 |
| 2 Valued amounts of liabilities within the scope of legal consolidation in accordance with TAS | 8,341,468 | - | 8,341,468 | - |
| 3 Total net amount under legal consolidation | 134,388,299 | 134,452,688 | (343,315) | 4,297,944 |
| 4 Off-balance sheet amounts | 48,123,065 | 18,120,887 | 678,183 | - |
| 5 Differences in valuations | - | - | - | - |
| 6 Differences due to different netting rules (other than those already included in row 2) | - | - | - | - |
| 7 Differences due to consideration of provisions | - | - | - | - |
| 8 Differences due to prudential filters | - | - | - | - |
| 9 Exposure amounts | 182,511,364 | 152,573,575 | 334,868 | 4,297,944 |

2.3. Explanations of differences between accounting and regulatory exposure amounts in accordance with TAS

The market value approach is used to make valuation of the positions in the Bank portfolios. The market data sources used for valuations are identified, defined in the Market Risk Policy, and reviewed annually. The relevant action is taken immediately when it is determined that the data does not reflect the market condition other than annual data source evaluation. Product valuations are checked by using sources such as Reuters and Bloomberg.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosure

3.1. General information about

3.1.1. General qualitative information about credit risk

The objective of the Risk Management system is to provide that the risks that are derived from the Parent Bank’s activities are defined, measured, monitored and controlled through policies, procedures and limits established.

Credit Risk Management reports aim to supply risk level trends and present risk expectations for the future. Details and content vary depending on the requirements of meetings and are presented in graphs and figures for ease of explanation and taking decisions.

The main report presented to senior management is the Credit Risk General Overview report, which is prepared monthly and discussed by the Risk Policies Committee. This report is also presented to the Board of Directors, Risk Committee and to the Audit Committee. Additionally, Group Risk Management prepares reports with special titles less frequently. Most of these reports is presented to the Risk Policies Committee. These reports may also be used in irregular meetings where emergent subjects are discussed or in meetings where the attendance of Senior Management is not required.

Credit risk policies are prepared in line with the Banking Law, external regulations, and general banking practices, and are approved by the Risk Policies Committee, Risk Committee, and Board of Directors.

The Parent Bank’s credit activities are managed according to the General Credit Policy that is approved by the Risk Policies Committee and the Board of Directors.

The Risk Appetite Declaration is approved by the Board of Directors and audited once a year. The Parent Bank combines risk appetite with existing risk management tools, processes, principles, and policies, using a consistent approach with risk appetite declaration, and ensures that risks taken are within the agreed upon limits. In this way, the consistency of risk practices is improved across the bank.

The Parent Bank controls the credit risk by monitoring loan receivables, limiting certain transactions with counter parties, evaluating the creditworthiness of the counter party regularly, diversifying loan types and products separately based on customer groups and industry to prevent the concentration of deferred payments and receiving guarantees when appropriate.

3.1.2. Credit quality of assets

| Current Period | Gross carrying value in consolidated financial statements prepared as per TAS | | Provisions/ depreciation and impairment | Net Values |
|-----------------------------|---|-------------------------|---|--------------------|
| | Defaulted exposures | Non-defaulted Exposures | | |
| Loans | 3,359,316 | 109,183,359 | 4,078,478 | 108,464,197 |
| Debt Securities | - | 26,714,406 | 4,399 | 26,710,007 |
| Off-balance sheet exposures | - | 72,034,761 | 345,560 | 71,689,201 |
| Total | 3,359,316 | 207,932,526 | 4,428,437 | 206,863,405 |

| Prior Period | Gross carrying value in consolidated financial statements prepared as per TAS | | Provisions/ depreciation and impairment | Net Values |
|-----------------------------|---|-------------------------|---|--------------------|
| | Defaulted exposures | Non-defaulted Exposures | | |
| Loans | 3,520,150 | 81,745,623 | 4,064,933 | 81,200,840 |
| Debt Securities | - | 21,164,457 | 2,818 | 21,161,639 |
| Off-balance sheet exposures | - | 44,269,635 | 311,330 | 43,958,305 |
| Total | 3,520,150 | 147,179,715 | 4,379,081 | 146,320,784 |

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.3. Changes in stock of defaulted loans and debt securities

| | | |
|----------|---|------------------|
| 1 | Defaulted loans and debt securities at end of the 31 December 2020 | 3,520,150 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 1,296,704 |
| 3 | Returned to non-defaulted status | - |
| 4 | Amounts written off(*) | (393,633) |
| 5 | Other changes (**) | (1,063,905) |
| 6 | Defaulted loans and debt securities at end of 31 December 2021 (1+2-3-4±5) | 3,359,316 |

(*) The Group wrote off TL 57,671 of its non-performing loans. Additionally, the portion of the Group's non-performing loan portfolio amounting to TL 335,276 for which a provision of TL 328,704 was provided, was sold in 2021 with a price of TL 43,096 and following the completion of the necessary procedures, non-performing loans were written off from the records.

(**) Includes collections during the period.

| | | |
|----------|---|------------------|
| 1 | Defaulted loans and debt securities at end of the 31 December 2019 | 4,178,852 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | 1,460,100 |
| 3 | Returned to non-defaulted status | - |
| 4 | Amounts written off(*) | (541,732) |
| 5 | Other changes (**) | (1,577,070) |
| 6 | Defaulted loans and debt securities at end of 31 December 2020 (1+2-3-4±5) | 3,520,150 |

(*) The Group wrote off TL 117,263 of its non-performing loans. Additionally, the portion of the Group's non-performing loan portfolio amounting to TL 424,469 for which a provision of TL 410,516 was provided, was sold in 2020 with a price of TL 35,759 and following the completion of the necessary procedures, non-performing loans were written off from the records.

(**) Includes collections during the period.

3.1.4. Additional disclosure related to the credit quality of assets

- a) The scope and definitions of “past due” and “impaired” exposures used for accounting purposes and the differences, if any, between the definition of “past due” and “impaired” for accounting and regulatory purposes

According to the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” non-required delay time loans that is not classified as Stage III Loans, whose principal and interest payment collection delayed more than 30 days are considered as “non-performing loan” in the Accounting Practice.

Receivables past due more than 90 days are considered as “impaired receivables”, and they are classified as group III, IV, and V in accordance with Communiqué. A specific reserve is allocated for such receivables.

- b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this

A specific provision is allocated for receivables which are overdue for more than 90 days in accordance with the Communiqué.

- c) Description of methods used for determining impairments

Provision amount is determined in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves.”

- d) The definition of the restructured exposure

If the borrower fails to make payment to the Parent Bank due to a temporary lack of liquidity, loans and other receivables including deferred interest payments may be restructured to provide the borrower with additional liquidity to enable the Bank to collect its receivables, or a new repayment schedule may be arranged.

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

3.1.4. Additional disclosure related to the credit quality (continued)

e) Breakdown of exposures by geographical ares, industry and residual maturity:

Breakdown of Loans and Receivables by Sector:

| | Current Period | | | |
|---------------------------------|-------------------|---------------|-------------------|---------------|
| | TL | (%) | FC | (%) |
| Agriculture | 1,135,193 | 1.47 | 268,876 | 0.85 |
| Farming and Stockbreeding | 1,122,641 | 1.45 | 265,528 | 0.84 |
| Forestry | - | - | - | - |
| Fishery | 12,552 | 0.02 | 3,348 | 0.01 |
| Manufacturing | 23,748,835 | 30.68 | 21,481,541 | 67.59 |
| Mining and Quarrying | 1,445,539 | 1.87 | 826,133 | 2.60 |
| Production | 21,095,383 | 27.25 | 19,352,946 | 60.89 |
| Electricity, Gas and Water | 1,207,913 | 1.56 | 1,302,462 | 4.10 |
| Construction | 1,395,766 | 1.80 | 452,767 | 1.42 |
| Services | 18,620,706 | 24.06 | 8,756,942 | 27.55 |
| Wholesale and Retail Trade | 7,611,831 | 9.83 | 1,405,625 | 4.42 |
| Accommodation and Dining | 912,544 | 1.18 | 1,762,358 | 5.55 |
| Transportation and Telecom. | 2,856,635 | 3.69 | 1,192,698 | 3.75 |
| Financial Institutions | 3,401,105 | 4.39 | 2,389,845 | 7.52 |
| Real Estate and Rental Services | 1,906,889 | 2.46 | 1,732,708 | 5.45 |
| Self-Employment Services | 699,496 | 0.90 | 273,708 | 0.86 |
| Educational Services | 47,234 | 0.06 | - | 0.00 |
| Health and Social Services | 1,184,972 | 1.53 | - | 0.00 |
| Other | 32,501,739 | 41.99 | 820,994 | 2.58 |
| Total | 77,402,239 | 100.00 | 31,781,120 | 100.00 |

| | Prior Period | | | |
|---------------------------------|-------------------|---------------|-------------------|---------------|
| | TL | (%) | FC | (%) |
| Agriculture | 16,531,288 | 24.51 | 3,056,724 | 21.38 |
| Farming and Stockbreeding | 16,229,235 | 24.06 | 3,055,176 | 21.37 |
| Forestry | - | - | - | - |
| Fishery | 302,053 | 0.45 | 1,548 | 0.01 |
| Manufacturing | 23,878,026 | 35.40 | 7,041,241 | 49.25 |
| Mining and Quarrying | 2,047,083 | 3.03 | 222,809 | 1.56 |
| Production | 21,575,159 | 31.99 | 6,786,670 | 47.47 |
| Electricity, Gas and Water | 255,784 | 0.38 | 31,762 | 0.22 |
| Construction | 1,115,441 | 1.65 | 61,756 | 0.43 |
| Services | 19,621,551 | 29.10 | 3,360,663 | 23.51 |
| Wholesale and Retail Trade | 5,707,923 | 8.47 | 555,967 | 3.89 |
| Accommodation and Dining | 3,355,043 | 4.97 | 792,491 | 5.54 |
| Transportation and Telecom. | 2,113,713 | 3.13 | 311,508 | 2.18 |
| Financial Institutions | 1,717,987 | 2.55 | 98,540 | 0.69 |
| Real Estate and Rental Services | 3,372,261 | 5.00 | 533,301 | 3.73 |
| Self-Employment Services | 2,745,172 | 4.07 | 1,037,743 | 7.26 |
| Educational Services | 313,979 | 0.47 | 17,315 | 0.12 |
| Health and Social Services | 295,473 | 0.44 | 13,798 | 0.10 |
| Other | 6,303,480 | 9.34 | 775,453 | 5.43 |
| Total | 67,449,786 | 100.00 | 14,295,837 | 100.00 |

Breakdown of loans and receivables according to remaining maturities is provided in the note VI. of section four under the “Presentation of assets and liabilities according to their remaining maturities”.

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

1.1.4. Additional disclosure related to the credit quality (continued)

- f) Amounts of impaired exposures on geographical areas and industry basis (according to the definition used by the Bank for accounting purposes) and write-offs with related allowances.

All of the Parent Bank’s loans under follow-up is in Turkey. Amounts of provision allocated receivables based on sector are presented in the note II of section 4 under “Information in terms of major sectors and type of counterparties”

- g) Ageing analysis of accounting past-due exposures

| 31 December 2021 | 1-30 Days | 31-60 Days | 61-90 Days | Total |
|-----------------------|----------------|----------------|----------------|------------------|
| Loans and Receivables | | | | |
| Commercial Loans | 109,242 | 147,629 | 367,804 | 624,675 |
| Consumer Loans | 724,640 | 271,266 | 356,435 | 1,352,341 |
| Credit Cards | 157,470 | 94,918 | 63,437 | 315,825 |
| Total | 991,352 | 513,813 | 787,676 | 2,292,841 |

| 31 December 2020 (*) | 1-30 Days | 31-60 Days | 61-90 Days | Total |
|-----------------------|----------------|----------------|----------------|------------------|
| Loans and Receivables | | | | |
| Commercial Loans | 265,923 | 157,612 | 440,170 | 863,705 |
| Consumer Loans | 520,416 | 180,156 | 256,865 | 957,437 |
| Credit Cards | 77,892 | 77,145 | 56,408 | 211,445 |
| Total | 864,231 | 414,913 | 753,443 | 2,032,587 |

(*) According to the BRSA’s decisions, dated 17 March 2020 and numbered 8948 and, dated 8 December 2020 and numbered 9312, to be effective from 17 March 2020 until 30 June 2021, total amount of loans with delays of 91 to 180 days which are continued to be classified as Stage 2 is TL 626,606 as of 31 December 2020.

- h) Breakdown of restructured exposures between impaired and not impaired exposures:

Not impaired loans:

| Current Period | Gross Amount | Significant Increase in Credit Risk (Stage II) | |
|------------------|------------------|--|------------------|
| | | Net Amount | |
| Commercial Loans | 1,643,640 | 721,330 | 922,310 |
| Consumer Loans | 171,148 | 14,821 | 156,327 |
| Credit Cards | 17,629 | 1,142 | 16,487 |
| Total | 1,832,417 | 737,293 | 1,095,124 |

| Prior Period | Gross Amount | Significant Increase in Credit Risk (Stage II) | |
|------------------|------------------|--|------------------|
| | | Net Amount | |
| Commercial Loans | 1,585,123 | 621,022 | 964,101 |
| Consumer Loans | 154,605 | 32,183 | 122,422 |
| Credit Cards | 22,188 | 1,735 | 20,453 |
| Total | 1,761,916 | 654,940 | 1,106,976 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosure (continued)

3.1. General information about credit risk (continued)

1.1.5. Additional disclosure related to the credit quality (continued)

Impaired loans:

| Current Period | Gross Amount | Default (Stage III) | Net Amount |
|-----------------------|---------------------|--------------------------------|-------------------|
| Commercial Loans | 50,907 | 25,962 | 24,945 |
| Consumer Loans | 65,156 | 41,393 | 23,763 |
| Credit Cards | 12,712 | 9,707 | 3,005 |
| Total | 128,775 | 77,062 | 51,713 |

| Prior Period | Gross Amount | Default (Stage III) | Net Amount |
|---------------------|---------------------|--------------------------------|-------------------|
| Commercial Loans | 65,682 | 37,989 | 27,693 |
| Consumer Loans | 27,484 | 18,913 | 8,571 |
| Credit Cards | 5,953 | 4,519 | 1,434 |
| Total | 99,119 | 61,421 | 37,698 |

3.2. Credit Risk Mitigation

3.2.1. Qualitative disclosure requirements related to credit risk mitigation techniques

- a) Core features of policies and processes for which the Parent Bank makes on and off-balance sheet netting

The Parent Bank does not perform on and off-balance sheet offsetting to decrease credit risk, and credit derivatives are not used.

- b) Core features of policies and processes for collateral evaluation and management.

Financial collaterals are measured at fair value as of reporting date and are included in the risk mitigation process. When allocating the collateral amount to loans provided, the Parent Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The legal validity of the mortgage is ensured by duly registering the mortgage in a timely manner, and significant changes in market conditions are monitored.

In terms of credit risk mitigation, the Parent Bank uses cash, government and treasury bonds, fund, gold, bank guarantee, stock and derivatives as main collateral type. Mortgages on residential and commercial real estate reported under different risk class are other main types of collaterals.

- c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

Guarantor entity's credit risk value is to be considered in credit risk mitigation process in cases where Parent bank credit customers obtained guarantee from other entities.

The Parent Bank mostly prefers cash, securities such as government and Treasury bond for collateral which have low market and credit risk concentration risk.

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosure (continued)

3.2. Credit Risk Mitigation (continued)

3.2.2. Credit risk mitigation techniques - Overview

| Current period | Exposures unsecured: Valued amount in accordance with TAS | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures Secured by financial guarantees | Exposures secured by financial guarantees, of which secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives of which: secured amount |
|--------------------------|---|---------------------------------|---|---|--|---|--|
| 1 Loans (*) | 86,467,923 | 9,173,629 | 8,178,323 | 4,396,706 | 3,193,947 | - | - |
| 2 Debt Securities (*) | 22,655,443 | - | - | - | - | - | - |
| 3 Total | 109,123,366 | 9,173,629 | 8,178,323 | 4,396,706 | 3,193,947 | - | - |
| 4 Of which defaulted (*) | 3,146,377 | 25,138 | 16,168 | 53,540 | 101 | - | - |

(*) With the BRSA decision dated 21 December 2021 and 9996, the average of the Central Bank's foreign exchange buying rates for the last 252 business days was used in the calculations of credit risk.

| Prior period | Exposures unsecured: Valued amount in accordance with TAS | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures Secured by financial guarantees | Exposures secured by financial guarantees, of which secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives of which: secured amount |
|--------------------------|---|---------------------------------|---|---|--|---|--|
| 1 Loans (*) | 64,184,085 | 9,340,977 | 8,438,686 | 5,746,115 | 4,549,485 | - | - |
| 2 Debt Securities (*) | 19,866,035 | - | - | - | - | - | - |
| 3 Total | 84,050,120 | 9,340,977 | 8,438,686 | 5,746,115 | 4,549,485 | - | - |
| 4 Of which defaulted (*) | 3,308,545 | 123,545 | 87,776 | 65,615 | 297 | - | - |

(*) According to BRSA communiqué dated 23/03/2020 and numbered 24049440-045, 31/12/2019 exchange rates are used for credit risk calculations.

3.3. Credit risk under standardized approach

3.3.1. Disclosures on banks' use of credit rating under the standard approach for credit risk

For portfolios that are risk-weighted under the standardized approach for credit risk, banks must disclose the following information:

- Names of the External Credit Assessment Institutions (ECAIs) and Export Credit Agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period

The Parent Bank uses Fitch Ratings International Rating Agency's external ratings.

- The risk classes for which each ECAI or ECA is used

The credit rating of Fitch International Rating is used for all receivables from the central governments or central banks which are included in the risk classes indicated in Article 6 of the Communiqué on Measurement and Assessment Capital Adequacy, and the country risk classification announced by The Organisation for Economic Co-operation and Development (OECD) is used for receivables from banks and intermediary agencies. 20% risk weight is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and 50% risk weight is used for receivables with a maturity period of more than three months, and the risk weight used for all receivables is not lower than the risk concentration corresponding to the OECD credit quality level of the country where the non-rated banks and intermediary agencies are founded.

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosure (continued)

3.3. Credit risk under standardized approach (continued)

3.3.1. Disclosures on banks’ use of credit ratings under the standard approach for credit risk (continued)

- c) A description of the process used to apply the issuer to issue credit ratings onto other issuer assets in the banking book

20% risk weight is used for receivables from non-rated banks and intermediary agencies with a maturity period of three months or less, and a 50% risk weight is used for receivables with a maturity period of more than three months. According to the regulation on capital adequacy, corporates where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

- d) The alignment of the alphanumerical scale of each agency used with risk buckets. (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply)

Risk ratings per the credit quality levels and the risk weights according to exposure categories announced by Fitch Ratings International Rating Agency and Organization for Economic Co-operation and Development (OECD)’s are presented below:

| Credit Quality Level | Fitch Ratings Long-Term Credit Rating | Risk Weight of Receivables from Central Government or Central Banks | Receivables from Banks and Brokerage Houses | | Corporate Receivables |
|----------------------|---------------------------------------|---|---|--------------------------|-----------------------|
| | | | DTM less than 3 months | DTM higher than 3 months | |
| 0 | - | | 20% | 50% | 100% |
| 1 | AAA to AA- | 0% | 20% | 50% | 100% |
| 2 | A+ to A- | 20% | 20% | 50% | 100% |
| 3 | BBB+ to BBB- | 50% | 50% | 50% | 100% |
| 4 | BB+ to BB- | 100% | 100% | 100% | 100% |
| 5 | B+ to B- | 100% | 100% | 100% | 100% |
| 6 | CCC+ and below | 150% | 100% | 100% | 100% |
| 7 | - | | 150% | 150% | 100% |

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

| Current Period | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | Risk weighted Amounts and Risk weighted amounts density | |
|--|------------------------------|--------------------------|----------------------------|--------------------------|---|-------------------------------|
| | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | Risk weighted amounts | Risk weighted amounts density |
| 1 Exposures to central governments or central banks | 44,410,886 | - | 44,707,458 | - | 886,394 | 2% |
| 2 Exposures to regional governments or local authorities | 1,174,357 | 8,474 | 1,103,988 | 3,078 | 553,537 | 50% |
| 3 Exposures to administrative units and non-commercial enterprises | - | - | - | - | - | - |
| 4 Exposures to multilateral development banks | - | - | - | - | - | - |
| 5 Exposures to international organisations | - | - | - | - | - | - |
| 6 Exposures to banks and brokerage firms | 10,622,799 | 3,780,085 | 9,953,900 | 2,215,643 | 3,524,947 | 29% |
| 7 Exposures to corporates | 40,843,738 | 22,963,055 | 39,080,030 | 12,234,060 | 49,729,760 | 97% |
| 8 Retail exposures | 45,808,379 | 22,387,583 | 44,642,607 | 4,281,706 | 42,973,469 | 88% |
| 9 Exposures secured by residential property | 4,086,174 | 297,344 | 4,086,174 | 107,587 | 1,467,816 | 35% |
| 10 Exposures secured by commercial real estate | 6,308,592 | 974,668 | 6,115,491 | 377,729 | 4,361,886 | 67% |
| 11 Past-due loans | 1,038,020 | 193,065 | 1,037,921 | 53,813 | 938,651 | 86% |
| 12 Higher-risk categories by the Agency Board | - | - | - | - | - | - |
| 13 Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14 Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15 Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16 Other Receivables | 6,852,925 | 8,791,479 | 6,852,922 | 2,902 | 1,560,701 | 23% |
| 17 Investments in equities | 233,551 | - | 233,551 | - | 233,551 | 100% |
| 18 Total | 161,379,421 | 59,395,753 | 157,814,042 | 19,276,518 | 106,230,712 | 60% |

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Standardized approach – credit risk exposure and Credit Risk Mitigation (CRM) effects (continued)

| Prior Period | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | Risk weighted Amounts and Risk weighted amounts density | | |
|--------------|---|--------------------------|----------------------------|--------------------------|---|--------------------------|------------|
| | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | |
| 1 | Exposures to central governments or central banks | 35,101,663 | - | 37,188,639 | - | 460,144 | %1 |
| 2 | Exposures to regional governments or local authorities | 1,196,851 | 3,910 | 1,195,677 | 1,851 | 598,769 | %50 |
| 3 | Exposures to administrative units and non-commercial enterprises | - | - | - | - | - | - |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - |
| 5 | Exposures to international organisations | - | - | - | - | - | - |
| 6 | Exposures to banks and brokerage firms | 6,929,130 | 2,113,171 | 6,814,490 | 1,689,485 | 2,362,807 | %28 |
| 7 | Exposures to corporates | 33,011,949 | 17,725,095 | 31,160,953 | 9,418,754 | 39,898,295 | %98 |
| 8 | Retail exposures | 33,199,900 | 15,383,637 | 30,755,418 | 2,836,385 | 25,191,510 | %75 |
| 9 | Exposures secured by residential property | 4,654,019 | 334,268 | 4,654,018 | 127,135 | 1,673,404 | %35 |
| 10 | Exposures secured by commercial real estate | 5,703,402 | 1,117,896 | 5,450,919 | 462,159 | 3,971,642 | %67 |
| 11 | Past-due loans | 1,212,736 | 226,565 | 1,212,440 | 65,240 | 1,128,824 | %88 |
| 12 | Higher-risk categories by the Agency Board | - | - | - | - | - | - |
| 13 | Exposures in the form of covered bonds | - | - | - | - | - | - |
| 14 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - |
| 16 | Other Receivables | 3,717,515 | 2,723,763 | 3,717,505 | 2,889 | 1,704,597 | %46 |
| 17 | Investments in equities | 167,257 | - | 167,257 | - | 167,257 | %100 |
| 18 | Total | 124,894,422 | 39,628,305 | 122,317,316 | 14,603,898 | 77,157,249 | %56 |

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Receivables by risk classes and risk weights

| Current Period Asset Classes / Risk Weights | | 0% | 10% | 20% | 25% | 35% | 50% | 75% | 100% | 150% | 250% | Others | Total credit risk exposure amount (after CCF and CRM) |
|--|---|-------------------|----------|------------------|----------|------------------|-----------------------------------|-------------------|-------------------|------------------|----------|----------|--|
| | | | | | | | secured by real estate (*) | | | | | | |
| 1 | Exposures to regional governments or local authorities | 43,821,064 | - | - | - | - | - | - | 886,394 | - | - | - | 44,707,458 |
| 2 | Exposures to regional governments or local authorities | - | - | - | - | - | 1,107,058 | - | 8 | - | - | - | 1,107,066 |
| 3 | Exposures to public sector entities | - | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - | - | - |
| 5 | Exposures to international organisations | - | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Exposures to banks and financial intermediaries | - | - | 8,594,137 | - | - | 3,539,341 | - | 35,298 | 767 | - | - | 12,169,543 |
| 7 | Exposures to corporates | - | - | 586,701 | - | - | 2,229,939 | - | 48,497,450 | - | - | - | 51,314,090 |
| 8 | Retail exposures | - | - | 485 | - | - | 33,863 | 39,491,984 | 1,519,037 | 7,878,944 | - | - | 48,924,313 |
| 9 | Exposures secured by residential property | - | - | - | - | 4,193,761 | - | - | - | - | - | - | 4,193,761 |
| 10 | Exposures secured by commercial real estate | - | - | - | - | - | 4,262,668 | - | 2,230,552 | - | - | - | 6,493,220 |
| 11 | Past-due loans | - | - | - | - | - | 418,050 | - | 561,801 | 111,883 | - | - | 1,091,734 |
| 12 | Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | - | - | - | - | - |
| 13 | Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Investments in equities | - | - | - | - | - | - | - | 233,551 | - | - | - | 233,551 |
| 17 | Other Receivables | 5,263,210 | - | 39,891 | - | - | - | - | 1,552,723 | - | - | - | 6,855,824 |
| 18 | Total | 49,084,274 | - | 9,221,214 | - | 4,193,761 | 11,590,919 | 39,491,984 | 55,516,814 | 7,991,594 | - | - | 177,090,560 |

(*) The amount shown on the line of “Exposures secured by commercial real estate” is “Exposures secured by real estate” and other amounts shown on this column represented exposures subject to 50% risk weight.

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XI. Explanations Related to Consolidated Risk Management (Continued)

3. Consolidated Credit Risk Disclosures (continued)

3.3. Credit risk under standardized approach (continued)

3.3.2. Receivables by risk classes and risk weights (continued)

| Prior Period | Asset Classes / Risk Weights | | | | | | | | | | | Total credit risk exposure amount (after CCF and CRM) |
|--------------|---|-------------------|----------|------------------|------------------|--------------------------------|-------------------|-------------------|----------------|----------|----------|---|
| | | 0% | 10% | 20% | 35% | 50% secured by real estate (*) | 75% | 100% | 150% | 200% | 250% | |
| 1 | Exposures to regional governments or local authorities | 36,728,495 | - | - | - | - | - | 460,144 | - | - | - | 37,188,639 |
| 2 | Exposures to regional governments or local authorities | - | - | - | - | 1,197,519 | - | 9 | - | - | - | 1,197,528 |
| 3 | Exposures to public sector entities | - | - | - | - | - | - | - | - | - | - | - |
| 4 | Exposures to multilateral development banks | - | - | - | - | - | - | - | - | - | - | - |
| 5 | Exposures to international organisations | - | - | - | - | - | - | - | - | - | - | - |
| 6 | Exposures to banks and financial intermediaries | - | - | 6,348,462 | - | 2,124,798 | - | 30,714 | 1 | - | - | 8,503,975 |
| 7 | Exposures to corporates | - | - | 127,440 | - | 1,158,920 | - | 39,293,347 | - | - | - | 40,579,707 |
| 8 | Retail exposures | - | - | 1,121 | - | 6,904 | 33,583,778 | - | - | - | - | 33,591,803 |
| 9 | Exposures secured by residential property | - | - | - | 4,781,153 | - | - | - | - | - | - | 4,781,153 |
| 10 | Exposures secured by commercial real estate | - | - | - | - | 3,882,873 | - | 2,030,205 | - | - | - | 5,913,078 |
| 11 | Past-due loans | - | - | - | - | 408,750 | - | 757,892 | 111,038 | - | - | 1,277,680 |
| 12 | Higher-risk categories by the Agency Board | - | - | - | - | - | - | - | - | - | - | - |
| 13 | Exposures in the form of covered bonds | - | - | - | - | - | - | - | - | - | - | - |
| 14 | Exposures to institutions and corporates with a short-term credit assessment | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Investments in equities | - | - | - | - | - | - | 167,257 | - | - | - | 167,257 |
| 17 | Other receivables | 1,969,069 | - | 58,410 | - | - | - | 1,692,915 | - | - | - | 3,720,394 |
| 18 | Total | 38,697,564 | - | 6,535,433 | 4,781,153 | 8,779,764 | 33,583,778 | 44,432,483 | 111,039 | - | - | 136,921,214 |

(*) The amount shown on the line of “Exposures secured by commercial real estate” is “Exposures secured by real estate” and other amounts shown on this column represented exposures subject to 50% risk weight.

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XI. Explanations Related to Consolidated Risk Management (Continued)

4. Counterparty Credit Risk

4.1. Qualitative disclosure related to counterparty credit risk

Limit requests of clients demanding derivative transactions are evaluated based on the related line of business in different credit committees. Limit amounts approved by credit committee are risk weighted limits. In calculation of risk amount that traced to risk weighted limits is multiplied by ratios based on each factor’s historical movement and that varies according to transaction’s nominal amount, transaction’s maturity, type, currency and purpose. Updates are generally conducted on a yearly basis except for the times of strict market fluctuations. In other words, if current tables do not cover risk calculations efficiently in case of strict market volatility, all tables are reviewed without waiting for annual period.

In table calculations, different time periods are considered while making analyses. If there is a period in data set with strictly fluctuating period, historical period after this period might be crucial. Also, in historical fluctuations, similar work meant for a data is organized separately. References provided by BNPP are also considered in the process. Eventually, all results are discussed firstly among line of business and then in the Market Risk Committee. Final decision is made by Risk Policy Committee and one of the alternatives is chosen. Approval of the Board of Directors members is obtained if the Risk Policy Committee members deem necessary.

Customers demanding derivative transactions are separated into two based on the purpose of the transaction. Decision of allocating the client to a group is given with taking into consideration client’s all transactions. Related Credit Department decides on the evaluation of client either in trading derivative transaction limit or in hedging derivative transaction limit.

In principle, all individual customers are evaluated as in trading portfolio, and The Bank works with 100% cash and cash equivalent collaterals. Commercial and corporate customers are evaluated different for each firm and based on the decision given, are subject to different collateral conditions. Risks are monitored daily based on the collateral conditions set with the client, and additional collaterals are demanded when a necessity arises according to internally set principles.

For derivative transactions made with banks, ISDA, CSA and GMRA agreements are requested from counterparties in principle, derivative transactions are not made with banks that do not sign these agreements. Collateral management is made on a daily basis with banks considering agreement conditions so that counterparty risk is minimized.

All open derivative transactions are evaluated daily by using market data and resulting evaluation amount is installed to system. As a new transaction is made, risk amount calculated with risk weights is reflected automatically to the system. In other words, counterparty risk regarding all derivative transactions is monitored on banking system. Collateral amount required for customer transactions, transaction evaluation amount and risk weighted nominal amount is monitored daily by considering collateral condition and limit monitoring principles set up by the Bank.

Simulations of transactions are conducted in order to be able to see the level of capital consumption on transaction basis. Ratings and Basel II portfolios of derivative customers and banks are reviewed and updated monthly. These are considered in the calculation of capital requirement and evaluation of collateral conditions

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XI. Explanations Related to Consolidated Risk Management (Continued)

4. Counterparty Credit Risk (continued)

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

| Current Period | Replacement cost | Potential future exposure | EEPE (*) | Alpha used for Computing regulatory Exposure at Default | Exposure at Default post Credit Risk Mitigation | Risk Weighted Assets |
|--|------------------|---------------------------|----------|---|---|----------------------|
| Standardized Approach - CCR (For Derivatives) Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | 3,523,661 | 839,905 | | 1.4 | 4,357,589 | 1,571,130 |
| Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | | | - | | - | - |
| Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | | | | | - | - |
| VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions | | | | | 1,087,753 | 454,032 |
| Total | | | | | | 2,025,162 |

(*) Effective Expected Positive Exposure

| Prior Period | Replacement cost | Potential future exposure | EEPE (*) | Alpha used for Computing regulatory Exposure at Default | Exposure at Default post Credit Risk Mitigation | Risk Weighted Assets |
|--|------------------|---------------------------|----------|---|---|----------------------|
| Standardized Approach - CCR (For Derivatives) Internal Model Method (for derivatives, repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | 1,452,674 | 498,722 | | 1.4 | 1,923,504 | 1,229,934 |
| Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | | | - | | - | - |
| Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) | | | | | - | - |
| VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions | | | | | 1,047,631 | 420,982 |
| Total | | | | | | 1,650,916 |

(*) Effective Expected Positive Exposure

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XI. Explanations Related to Consolidated Risk Management (Continued)

4. Counterparty Credit Risk (continued)

4.3. Credit valuation adjustment (CVA) capital charge

| | Exposure at Default post-Credit Risk Mitigation | Risk Weighted Assets |
|--|---|----------------------------|
| Current Period | | |
| Total portfolios subject to the Advanced CVA capital charge | - | - |
| (i) Value at Risk component (including the 3*multiplier) | - | - |
| (ii) Stressed Value at Risk component (including the 3*multiplier) | - | - |
| All portfolios subject to the Standardized CVA capital charge | 4,357,589 | 857,283 |
| Total subject to the CVA capital charge | 4,357,589 | 857,283 |
| Prior Period | | |
| Total portfolios subject to the Advanced CVA capital charge | - | - |
| (i) Value at Risk component (including the 3*multiplier) | - | - |
| (ii) Stressed Value at Risk component (including the 3*multiplier) | - | - |
| All portfolios subject to the Standardized CVA capital charge | 1,923,504 | 465,490 |
| Total subject to the CVA capital charge | 1,923,504 | 465,490 |

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

XI. Explanations Related to Consolidated Risk Management (Continued)

4. Counterplay Credit Risk (continued)

4.4. CCR exposures by regulatory portfolio and risk weights

| Current Period Risk Weight/ Regulatory portfolio | 0% | 10% | 20% | 50% | 75% | 100% | 150% | Others | Total credit exposure (*) |
|--|------------------|----------|----------------|------------------|---------------|------------------|----------|----------|------------------------------|
| Claims from central governments and central banks | 2,485,616 | - | - | - | - | - | - | - | 2,485,616 |
| Claims from regional and local governments | - | - | - | - | - | - | - | - | - |
| Claims from administration and non-commercial entity | - | - | - | - | - | - | - | - | - |
| Claims from multilateral development banks | - | - | - | - | - | - | - | - | - |
| Claims from international organizations | - | - | - | - | - | - | - | - | - |
| Receivables from banks and intermediary institutions | - | - | 142,519 | 1,467,226 | - | - | - | - | 1,609,745 |
| Corporate receivables | - | - | 12,010 | 128,680 | - | 1,158,673 | - | - | 1,299,363 |
| Retail receivables | - | - | 599 | 18 | 50,001 | - | - | - | 50,618 |
| Other receivables (**) | - | - | - | - | - | - | - | - | - |
| Total | 2,485,616 | - | 155,128 | 1,595,924 | 50,001 | 1,158,673 | - | - | 5,445,342 |

(*) Total credit risk: Amount related to capital adequacy calculation after the counterparty credit risk measurement techniques are applied.

(**) Other assets: The amounts not included in the credit risk of the counterparty reported in the risks table to the Central Counterparty.

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XI. Explanations Related to Consolidated Risk Management (Continued)

4. Counterparty Credit Risk (continued)

4.4. CCR exposures by regulatory portfolio and risk weights (continued)

| Prior Period Risk Weight/ Regulatory portfolio | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total credit exposure (*) |
|--|----------------|----------|----------------|----------|------------------|---------------|------------------|----------|----------|---------------------------|
| Claims from central governments and central banks | 529,441 | - | - | - | - | - | - | - | - | 529,441 |
| Claims from regional and local governments | - | - | - | - | - | - | - | - | - | - |
| Claims from administration and non-commercial entity | - | - | - | - | - | - | - | - | - | - |
| Claims from multilateral development banks | - | - | - | - | - | - | - | - | - | - |
| Claims from international organizations | - | - | - | - | - | - | - | - | - | - |
| Claims from banks and financial intermediaries | - | - | 254,344 | - | 1,137,118 | - | - | - | - | 1,391,462 |
| Corporates | - | - | 6,359 | - | 17,753 | - | 1,006,996 | - | - | 1,031,108 |
| Retail portfolios | - | - | - | - | - | 19,124 | - | - | - | 19,124 |
| Claims on landed real estate | - | - | - | - | - | - | - | - | - | - |
| Past due loans | - | - | - | - | - | - | - | - | - | - |
| Claims which are determined as high risk by the board of BRSA | - | - | - | - | - | - | - | - | - | - |
| Mortgage securities | - | - | - | - | - | - | - | - | - | - |
| Securitization positions | - | - | - | - | - | - | - | - | - | - |
| Claims from corporates, banks and financial intermediaries which have short term credit rating | - | - | - | - | - | - | - | - | - | - |
| Investments which are qualified as collective investment institutions | - | - | - | - | - | - | - | - | - | - |
| Stock investment | - | - | - | - | - | - | - | - | - | - |
| Other claims | - | - | - | - | - | - | - | - | - | - |
| Other assets (**) | - | - | - | - | - | - | - | - | - | - |
| Total | 529,441 | - | 260,703 | - | 1,154,871 | 19,124 | 1,006,996 | - | - | 2,971,135 |

(*) Total credit risk: Amount related to capital adequacy calculation after the counterparty credit risk measurement techniques are applied.

(**) Other assets: The amounts not included in the credit risk of the counterparty reported in the risks table to the Central Counterparty.

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XI. Explanations Related to Consolidated Risk Management (Continued)

4. Counterparty Credit Risk (continued)

4.5. Composition of collateral for counterparty credit risk exposure

| | Collateral used in derivative transactions | | | | Collateral used in other transactions | |
|--------------------------|--|--------------|---------------------------------|--------------|---------------------------------------|---------------------------------|
| | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | Fair value of posted collateral |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Current Period | | | | | | |
| Cash – domestic currency | - | 603 | - | - | - | - |
| Cash – other currencies | - | 4,823 | - | - | - | - |
| Domestic sovereign debt | - | - | - | - | - | - |
| Other sovereign debt | - | 551 | - | - | - | - |
| Government agency debt | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - |
| Total | - | 5,977 | - | - | - | - |

| | Collateral used in derivative transactions | | | | Collateral used in other transactions | |
|--------------------------|--|---------------|---------------------------------|--------------|---------------------------------------|---------------------------------|
| | Fair value of collateral received | | Fair value of posted collateral | | Fair value of collateral received | Fair value of posted collateral |
| | Segregated | Unsegregated | Segregated | Unsegregated | | |
| Prior Period | | | | | | |
| Cash – domestic currency | - | 1,220 | - | - | - | - |
| Cash – other currencies | - | 3,711 | - | - | - | - |
| Domestic sovereign debt | - | 1,055 | - | - | - | - |
| Other sovereign debt | - | 21,906 | - | - | - | - |
| Government agency debt | - | - | - | - | - | - |
| Corporate bonds | - | - | - | - | - | - |
| Equity securities | - | - | - | - | - | - |
| Other collateral | - | - | - | - | - | - |
| Total | - | 27,892 | - | - | - | - |

4.6. Credit Derivatives

None.

4.7. Exposures to central counterparties

None.

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FOR THE PERIOD ENDED 31 DECEMBER 2021**

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XI. Explanations Related to Consolidated Risk Management (Continued)

5. Securitization Disclosures

Since the Parent Bank does not hold securitization position, the notes to be presented according to the ‘Communiqué on Disclosures about Risk Management to be announced to Public by Banks’ have not been presented.

6. Market Risk Disclosures

The market risk section includes the market risk capital requirements calculated for trading book and banking book exposures that are subject to a market risk charge. It also includes capital requirements for securitisation positions held in the trading book. However, it excludes the counterparty credit risk capital charges that apply to the same exposures, which are reported in Section 5 – Counterparty credit risk.

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to be announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are given in this section.

6.1. Qualitative disclosure requirements related to market risk

Interest rate and foreign exchange rate risks, arising from the volatility in the financial markets, of the financial positions taken by the Parent Bank related to balance sheet and off-balance sheet accounts are measured and while calculating the capital adequacy and the amount subject to Value at Risk (VAR), as summarized below, is taken into consideration by the standard method. Beside the standard method, VAR is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by historic simulation. These results are also reported daily to the management.

For FX position, limits in different breakdowns are determined by Board of Directors and option operations are considered with delta conjugates.

In regular analysis, net interest income effects originating from interest rates changes are calculated for all interest rates sensitive products and the results are followed up in limits determined by Board of Directors. The shocks which are given to interest rates are changes by each currency and not only linear but also sudden shocks are evaluated. These analyses may be performed for both current and targeted financial figures.

According to economic cost approach, changes in market interest rates may affect the Parent Bank’s assets, liabilities and off-balance sheet items values. The Parent Bank’s economic value’s sensitivity to interest rate is an important issue for stockholders, management and auditors.

Economic value of a product is net present value that is calculated by discounting expected cash flow.

Economic value of the Parent Bank is the net present value of the cash flows that is subtracting expected cash flows of liabilities from net present value of assets and adding off balance sheet items expected cash flows. Economic value approach represents value of the Bank’s sensitivity to interest rate fluctuations.

Market value of equity is defined as the difference between the market value of assets and liabilities. The Board of Directors predefines a limit for market value of equity; shock method is applied to all items to be able to see equity’s influence on market value. Shocks applied may vary based on currencies.

As Economical Value approach considers effects of interest rate changes on all future cash flows, it enables to comprehensively understand effects of interest rate changes in the long run.

In addition to these analyses, Group Risk Management, based on current position, conducts stress testing to be able to predict possible losses as a consequence of exceptional fluctuations. Stress testings prepared by BNP Paribas and TEB Group Risk Management measure the sensitivity created as a result of market price changes based on scenarios.

Scenario analysis both on historical and hypothetical basis are conducted.

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XI. Explanations Related to Consolidated Risk Management (Continued)

6. Market Risk Disclosures (continued)

6.1. Qualitative disclosure requirements related to market risk (continued)

Other than scenario analysis, various stress testings are applied to current portfolio; in order to see the effects of prior events on current position.

Nominal amount limits defined for bond portfolio, VAR (value at risk) limit for trading portfolio, and PV01 limits set for tracking interest rate risk are calculated daily, tracked and reported to the management. Both interest rate and liquidity gap calculations are made for each item of the balance sheet. For both calculations, as product based cash flows are formed, repricing, maturity and product based acceptances are also considered.

Monthly reports are prepared for Market and Liquidity Risk Committees. Reports include end of the day positions, monthly/annual cumulative profit/loss balances and some positions taken in that month.

All Limit and risk positions are represented to Risk Policies Committee, Risk Committee and to The Board of Directors.

6.2. Standardized Approach

| Current Period | | Risk Weighted Amounts |
|-------------------|---|-----------------------|
| Outright products | | |
| 1 | Interest rate risk (general and specific) | 1,377,018 |
| 2 | Equity risk (general and specific) | - |
| 3 | Foreign exchange risk | 560,312 |
| 4 | Commodity risk | 945,141 |
| Options | | |
| 5 | Simplified approach | - |
| 6 | Delta-plus method | 141,075 |
| 7 | Scenario approach | - |
| 8 | Securitization | - |
| 9 | Total | 3,023,546 |

| Prior Period | | Risk Weighted Amounts |
|-------------------|---|-----------------------|
| Outright products | | |
| 1 | Interest rate risk (general and specific) | 1,561,156 |
| 2 | Equity risk (general and specific) | - |
| 3 | Foreign exchange risk | 232,944 |
| 4 | Commodity risk | 588,523 |
| Options | | |
| 5 | Simplified approach | - |
| 6 | Delta-plus method | 53,037 |
| 7 | Scenario approach | - |
| 8 | Securitization | - |
| 9 | Total | 2,435,660 |

7. Explanations Related to the Consolidated Operational Risk

- Operational risk has been calculated using the basic indicator approach. Market risk measurements are performed monthly.
- In case of Basic Indicator Approach the following:

| | 31.12.2018 | 31.12.2019 | 31.12.2020 | Total/Positive Year | Rate (%) | Total |
|---|------------|------------|------------|---------------------|----------|------------|
| Gross Income | 5,363,912 | 6,191,758 | 5,953,339 | 5,836,336 | 15 | 875,450 |
| Operational Risk Capital Requirement (Total*12,5) | | | | | | 10,943,131 |

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XI. Explanations Related to Consolidated Risk Management (Continued)

7. Explanations Related to the Consolidated Operational Risk (continued)

| | 31.12.2017 | 31.12.2018 | 31.12.2019 | Total/Positive Year | Rate (%) | Total |
|--|------------|------------|------------|------------------------|----------|-----------|
| Gross Income | 4,275,468 | 5,363,915 | 6,191,758 | 5,277,046 | 15 | 791,557 |
| Operational Risk Capital Requirement (Total*12,5) | | | | | | 9,894,462 |

- c) The Group does not use the standard method.
- d) The Group does not use any alternative approach in standard method.
- e) The Group does not use advanced measurement approach.

8. Explanations Related to Remuneration Policy in Banks

TEB pays net salaries on the last working day of each month, after the required legal deductions are made. In addition to receiving a monthly salary, all TEB employees are assessed based on meeting their qualitative and quantitative targets, and the Bank may pay performance-based success and sales premiums or annual performance bonuses to reward employees' collective and individual success.

An annual performance bonus is determined based on the Bank's profitability, the results of Bank activities, and the realization of targets in line with market practices (local and/or professional). A performance bonus is only paid when the target realized in a particular year is at least 80%. Employees included in the success and sales premium scheme are paid success and sales premiums based to the targets realized during the year.

The remuneration policy of the Bank was prepared in line with the BRSA's "Communiqué on Corporate Management of Banks" and "Guidance on Good Remuneration Practices" in Banks, and within the scope of the principle of proportionality, the content, structure, and strategies of the Bank's activities, long-term targets, and the risk management structure of the Bank and local regulations. These regulations aim to prevent taking excessive risks and evaluate actual contributions to risk management.

The remuneration policy supports the Bank in managing risks in line with the principles and parameters determined and approved by the Board of Directors. The remuneration policy aims to attract and retain expert employees who will contribute to the Bank reaching its strategic targets in both business line and support functions.

SECOM (Selection and Compensation Committee) is responsible, on behalf of the Board of Directors, for ensuring that the remuneration policy is prepared in line with local and BNP Paribas regulations. SECOM manages the principles of the remuneration policy, taking opinions from the human resources, financial affairs, risk, compliance, and internal control groups. The remuneration policy is reviewed and approved by SECOM and submitted to the Board of Directors. The remuneration policy is reviewed annually.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Consolidated Assets

1. a) Information on Cash and Balances with the Central Bank of the Republic of Turkey:

| | Current Period | | Prior Period | |
|--|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Cash in TL/Foreign Currency | 480,825 | 6,992,493 | 382,963 | 1,948,389 |
| Balances with the Central Bank of Turkey | 5,237,670 | 22,851,875 | 3,048,958 | 11,382,722 |
| Other | - | 228,432 | - | 188,271 |
| Total | 5,718,495 | 30,072,800 | 3,431,921 | 13,519,382 |

b) Information related to the account of the Central Bank of the Republic of Turkey:

| | Current Period | | Prior Period | |
|-----------------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Unrestricted Demand Deposit | 5,130,440 | - | 2,979,546 | - |
| Unrestricted Time Deposit | - | 7,072,426 | - | 4,626,036 |
| Restricted Time Deposit | 107,230 | 15,779,449 | 69,412 | 6,756,686 |
| Total | 5,237,670 | 22,851,875 | 3,048,958 | 11,382,722 |

Foreign currency unrestricted deposit amounting to TL 7,072,426 (31 December 2020: TL 4,626,036), foreign currency restricted deposit amounting to TL 15,779,449 (31 December 2020: TL 6,756,686), unrestricted deposit balance amounting to TL 5,130,440 (31 December 2020: TL 2,979,546), and restricted deposit amounting to TL 107,230 (31 December 2020: TL 69,412) comprises of reserve deposits.

2. Information on financial assets at fair value through profit or loss (net):

- a.1) Information on financial assets at fair value through profit or loss given as collateral / blocked: None (31 December 2020: None).
- a.2) Financial assets at fair value through profit or loss subject to repurchase agreements: None (31 December 2020: None).

Net book value of unrestricted financial assets at fair value through profit or loss is TL 2,491,428. (31 December 2020: TL 1,447,816).

| | Current Period | | Prior Period | |
|--|------------------|----------------|----------------|------------------|
| | TL | FC | TL | FC |
| Government Debt Securities | 1,942,260 | 549,168 | 463,550 | 984,266 |
| Securities Representing Share in Capital | 59,388 | 135,326 | 47,540 | 75,378 |
| Other Financial Assets | - | 107,646 | - | 60,158 |
| Total | 2,001,648 | 792,140 | 511,090 | 1,119,802 |

3. Positive differences related to derivative financial assets held-for-trading:

| | Current Period | | Prior Period | |
|----------------------|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Forward Transactions | 739,292 | 23,542 | 392,758 | 56,660 |
| Swap Transactions | 5,160,990 | 258,119 | 1,091,529 | 165,479 |
| Futures Transactions | - | - | - | - |
| Options | 106,295 | 43,738 | 36,244 | 9,939 |
| Other | - | - | - | - |
| Total | 6,006,577 | 325,399 | 1,520,531 | 232,078 |

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

4. Information on banks:

| | Current Period | | Prior Period | |
|-----------------------------------|------------------|-------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| Domestic Banks | 1,532,763 | 1,247,634 | 1,917,454 | 801,216 |
| Foreign Banks | 86,455 | 8,797,886 | 56,939 | 5,241,232 |
| Foreign Head Offices and Branches | - | - | - | - |
| Total | 1,619,218 | 10,045,520 | 1,974,393 | 6,042,448 |

An expected loss provision of TL 23,547 (31 December 2020: TL 10,656) has been set aside for receivables from banks.

b) Information on foreign banks account:

| | Unrestricted Amount | | Restricted Amount | |
|---------------------------|---------------------|------------------|-------------------|--------------|
| | Current Period | Current Period | Prior Period | Prior Period |
| EU Countries | 1,724,460 | 3,064,955 | 380,464 | - |
| USA, Canada | 3,192,869 | 1,518,644 | - | - |
| OECD Countries (*) | 2,332,760 | 135,873 | - | - |
| Off-Shore Banking Regions | 16 | 10 | - | - |
| Other | 1,096,610 | 578,689 | 157,162 | - |
| Total | 8,346,715 | 5,298,171 | 537,626 | - |

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

5. Information on financial assets at fair value through other comprehensive income:

a.1) Information on financial assets at fair value through other comprehensive income given as collateral / blocked:

| | Current Period | | Prior Period | |
|---|------------------|------------------|----------------|----------------|
| | TL | FC | TL | FC |
| Equity Securities | - | - | - | - |
| Bond, Treasury Bill and Similar Investment Securities | 1,448,659 | 1,739,641 | 876,626 | 272,329 |
| Other | - | - | - | - |
| Total | 1,448,659 | 1,739,641 | 876,626 | 272,329 |

a.2) Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

| | Current Period | | Prior Period | |
|--------------------------------------|------------------|------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Government Bonds | 1,045,152 | 1,658,916 | 869,642 | 2,567,087 |
| Treasury Bills | - | - | - | - |
| Other Government Debt Securities | - | - | - | - |
| Bank Bonds and Bank Guaranteed Bonds | - | - | - | - |
| Asset Backed Securities | - | - | - | - |
| Other | - | - | - | - |
| Total | 1,045,152 | 1,658,916 | 869,642 | 2,567,087 |

The book value of debt securities and equity securities in unrestricted financial assets at fair value through other comprehensive income is TL 1,283,588 (31 December 2020: TL 4,066,713).

b.1) Information on financial assets at fair value through other comprehensive income:

| | Current Period | Prior Period |
|----------------------------|------------------|------------------|
| | Debt Securities | 7,162,706 |
| Quoted on a Stock Exchange | 7,123,445 | 8,618,350 |
| Unquoted | 39,261 | 23,166 |
| Equity Securities | 13,250 | 10,881 |
| Quoted on a Stock Exchange | - | - |
| Unquoted | 13,250 | 10,881 |
| Impairment Provision (-) | - | - |
| Total | 7,175,956 | 8,652,397 |

An expected loss provision of TL 1,668 (31 December 2020: TL 1,969) has been reserved for financial assets at fair value through other comprehensive income.

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans:

a) A Information on all types of loans and advances given to shareholders and employees of the Parent Bank:

| | Current Period | | Prior Period | |
|--|----------------|----------------|----------------|----------------|
| | Cash Loans | Non-Cash Loans | Cash Loans | Non-Cash Loans |
| Direct Loans Granted to Shareholders | - | 389,230 | - | 438,193 |
| Corporate Shareholders | - | 389,230 | - | 438,193 |
| Real Person Shareholders | - | - | - | - |
| Indirect Loans Granted to Shareholders | - | - | - | - |
| Loans Granted to Employees | 116,057 | - | 153,482 | - |
| Total | 116,057 | 389,230 | 153,482 | 438,193 |

b) Information on the standard loans, loans under close monitoring and restructured loans under close monitoring:

Current Period:

| Cash Loans | Standard Loans | Loans Under Close Monitoring | | |
|---------------------------------|-------------------|--------------------------------------|-----------------------------------|------------------|
| | | Not Under the Scope of Restructuring | Loans Under Restructuring | |
| | | | Loans with Revised Contract Terms | Refinancing |
| Non-specialized loans | 94,890,546 | 7,851,522 | 106,238 | 1,726,179 |
| Working Capital Loans | 8,292,445 | 938,278 | 68,954 | 1,191,876 |
| Export Loans | 15,734,234 | 150,052 | - | 4,939 |
| Import Loans | - | - | - | - |
| Loans Given to Financial Sector | 4,592,585 | - | - | - |
| Consumer Loans | 19,586,048 | 4,218,653 | 12,207 | 158,941 |
| Credit Cards | 7,079,515 | 1,069,945 | 17,629 | - |
| Other | 39,605,719 | 1,474,594 | 7,448 | 370,423 |
| Specialized Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Total | 94,890,546 | 7,851,522 | 106,238 | 1,726,179 |

Prior Period:

| Cash Loans | Standard Loans | Loans Under Close Monitoring | | |
|---------------------------------|-------------------|--------------------------------------|-----------------------------------|------------------|
| | | Not Under the Scope of Restructuring | Loans Under Restructuring | |
| | | | Loans with Revised Contract Terms | Refinancing |
| Non-specialized loans | 71,307,608 | 6,190,429 | 92,352 | 1,669,564 |
| Working Capital Loans | 5,389,404 | 835,979 | 54,422 | 796,995 |
| Export Loans | 9,300,529 | 62,917 | - | 89,456 |
| Import Loans | - | - | - | - |
| Loans Given to Financial Sector | 2,655,503 | - | - | - |
| Consumer Loans | 16,922,139 | 2,915,680 | 3,912 | 150,693 |
| Credit Cards | 4,540,033 | 655,741 | 22,188 | - |
| Other | 32,500,000 | 1,720,112 | 11,830 | 632,420 |
| Specialized Loans | - | - | - | - |
| Other Receivables | - | - | - | - |
| Total | 71,307,608 | 6,190,429 | 92,352 | 1,669,564 |

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

- b) Information on the standard loans, loans under close monitoring and restructured loans under close monitoring:
(Continued)

| | Current Period | | Prior Period | |
|-------------------------------------|----------------|------------------------------|----------------|------------------------------|
| | Standard Loans | Loans Under Close Monitoring | Standard Loans | Loans Under Close Monitoring |
| 12 Month Expected Credit Loss | 428,726 | - | 393,446 | - |
| Significant increase in Credit Risk | - | 1,351,897 | - | 1,360,252 |
| Total | 428,726 | 1,351,897 | 393,446 | 1,360,252 |

- c) Distribution of cash loans by maturity structure:

| | Standard Loans | Loans Under Close Monitoring | |
|----------------------------|-------------------|------------------------------------|------------------|
| | | Loans not subject to Restructuring | Restructured |
| Short-term loans | 49,294,310 | 2,130,065 | 57,948 |
| Medium and Long-term loans | 45,596,236 | 5,721,457 | 1,774,469 |
| Total | 94,890,546 | 7,851,522 | 1,832,417 |

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

| Current Period | Short Term | Medium and Long Term | Total |
|---|-------------------|-----------------------------|-------------------|
| Consumer Loans-TL | 677,026 | 22,060,956 | 22,737,982 |
| Housing Loans | 1,018 | 4,162,567 | 4,163,585 |
| Vehicle Loans | 4,816 | 370,634 | 375,450 |
| General Purpose Loans | 671,192 | 17,527,755 | 18,198,947 |
| Other | - | - | - |
| Consumer Loans –Indexed to FC | - | 12,845 | 12,845 |
| Housing Loans | - | 12,845 | 12,845 |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans-FC (**) | - | 21,592 | 21,592 |
| Housing Loans | - | 6,189 | 6,189 |
| Vehicle Loans | - | 830 | 830 |
| General Purpose Loans | - | 14,573 | 14,573 |
| Other | - | - | - |
| Individual Credit Cards-TL | 5,422,837 | 16,109 | 5,438,946 |
| With Instalments | 1,901,078 | 16,109 | 1,917,187 |
| Without Instalments | 3,521,759 | - | 3,521,759 |
| Individual Credit Cards-FC | 13,015 | - | 13,015 |
| With Instalments | 154 | - | 154 |
| Without Instalments | 12,861 | - | 12,861 |
| Personnel Loans-TL | 10,476 | 59,826 | 70,302 |
| Housing Loans | - | 249 | 249 |
| Vehicle Loans | - | - | - |
| General Purpose Loans | 10,476 | 59,577 | 70,053 |
| Other | - | - | - |
| Personnel Loans- Indexed to FC | - | - | - |
| Housing Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans-FC | - | - | - |
| Housing Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards-TL | 40,726 | 52 | 40,778 |
| With Instalments | 14,548 | 52 | 14,600 |
| Without Instalments | 26,178 | - | 26,178 |
| Personnel Credit Cards-FC | 145 | - | 145 |
| With Instalments | - | - | - |
| Without Instalments | 145 | - | 145 |
| Overdraft Accounts-TL (Real Persons) (*) | 1,133,120 | - | 1,133,120 |
| Overdraft Accounts-FC (Real Persons) | 8 | - | 8 |
| Total | 7,297,353 | 22,171,380 | 29,468,733 |

(*) Overdraft accounts include personnel loans amounting to TL 4,832.

(**) Loans granted via branches abroad.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:
(continued)

| Prior Period | Short Term | Medium and Long Term | Total |
|---|------------------|----------------------|-------------------|
| Consumer Loans-TL | 450,376 | 18,715,717 | 19,166,093 |
| Housing Loans | 663 | 4,502,862 | 4,503,525 |
| Vehicle Loans | 6,877 | 451,829 | 458,706 |
| General Purpose Loans | 442,836 | 13,761,026 | 14,203,862 |
| Other | - | - | - |
| Consumer Loans –Indexed to FC | - | 15,510 | 15,510 |
| Housing Loans | - | 15,510 | 15,510 |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Consumer Loans-FC (**) | - | 19,914 | 19,914 |
| Housing Loans | - | 5,349 | 5,349 |
| Vehicle Loans | - | 1,909 | 1,909 |
| General Purpose Loans | - | 12,656 | 12,656 |
| Other | - | - | - |
| Individual Credit Cards-TL | 3,497,240 | 21,003 | 3,518,243 |
| With Instalments | 1,160,176 | 21,003 | 1,181,179 |
| Without Instalments | 2,337,064 | - | 2,337,064 |
| Individual Credit Cards-FC | 4,898 | - | 4,898 |
| With Instalments | - | - | - |
| Without Instalments | 4,898 | - | 4,898 |
| Personnel Loans-TL | 10,001 | 107,618 | 117,619 |
| Housing Loans | - | 356 | 356 |
| Vehicle Loans | - | - | - |
| General Purpose Loans | 10,001 | 107,262 | 117,263 |
| Other | - | - | - |
| Personnel Loans- Indexed to FC | - | - | - |
| Housing Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Loans-FC | - | - | - |
| Housing Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Personnel Credit Cards-TL | 32,257 | 52 | 32,309 |
| With Instalments | 9,979 | 52 | 10,031 |
| Without Instalments | 22,278 | - | 22,278 |
| Personnel Credit Cards-FC | 32 | - | 32 |
| With Instalments | - | - | - |
| Without Instalments | 32 | - | 32 |
| Overdraft Accounts-TL (Real Persons) (*) | 673,283 | - | 673,283 |
| Overdraft Accounts-FC (Real Persons) | 5 | - | 5 |
| Total | 4,668,092 | 18,879,814 | 23,547,906 |

(*) Overdraft accounts include personnel loans amounting to TL 3,522.

(**) Loans granted via branches abroad.

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

e) Information on commercial loans with instalments and corporate credit cards:

| Current Period | Short Term | Medium and Long Term | Total |
|---|------------------|-------------------------|-------------------|
| Commercial Loans with Instalment - TL | 1,147,802 | 10,429,698 | 11,577,500 |
| Business Loans | 1,170 | 176,736 | 177,906 |
| Vehicle Loans | 95,163 | 2,256,981 | 2,352,144 |
| General Purpose Loans | 1,051,469 | 7,995,981 | 9,047,450 |
| Other | - | - | - |
| Commercial Loans with Instalment - Indexed to FC | - | 109,730 | 109,730 |
| Business Loans | - | 7,579 | 7,579 |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | 102,151 | 102,151 |
| Other | - | - | - |
| Commercial Loans with Instalment - FC | - | - | - |
| Business Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Corporate Credit Cards-TL | 2,670,477 | 191 | 2,670,668 |
| With Instalments | 1,101,764 | 191 | 1,101,955 |
| Without Instalments | 1,568,713 | - | 1,568,713 |
| Corporate Credit Cards-FC | 3,537 | - | 3,537 |
| With Instalments | - | - | - |
| Without Instalments | 3,537 | - | 3,537 |
| Overdraft Accounts-TL (Legal Entities) | 836,380 | - | 836,380 |
| Overdraft Accounts-FC (Legal Entities) | - | - | - |
| Total | 4,658,196 | 10,539,619 | 15,197,815 |

| Prior Period | Short Term | Medium and Long Term | Total |
|---|------------------|-------------------------|-------------------|
| Commercial Loans with Instalment - TL | 2,173,068 | 8,946,399 | 11,119,467 |
| Business Loans | 257 | 163,797 | 164,054 |
| Vehicle Loans | 61,037 | 1,257,926 | 1,318,963 |
| General Purpose Loans | 2,111,774 | 7,524,676 | 9,636,450 |
| Other | - | - | - |
| Commercial Loans with Instalment - Indexed to FC | - | 148,076 | 148,076 |
| Business Loans | - | 6,192 | 6,192 |
| Vehicle Loans | - | 23,201 | 23,201 |
| General Purpose Loans | - | 118,683 | 118,683 |
| Other | - | - | - |
| Commercial Loans with Instalment - FC | - | - | - |
| Business Loans | - | - | - |
| Vehicle Loans | - | - | - |
| General Purpose Loans | - | - | - |
| Other | - | - | - |
| Corporate Credit Cards-TL | 1,660,003 | 917 | 1,660,920 |
| With Instalments | 601,673 | 917 | 602,590 |
| Without Instalments | 1,058,330 | - | 1,058,330 |
| Corporate Credit Cards-FC | 1,560 | - | 1,560 |
| With Instalments | - | - | - |
| Without Instalments | 1,560 | - | 1,560 |
| Overdraft Accounts-TL (Legal Entities) | 741,420 | - | 741,420 |
| Overdraft Accounts-FC (Legal Entities) | - | - | - |
| Total | 4,576,051 | 9,095,392 | 13,671,443 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

f) Distribution of loans by users:

| | Current Period | Prior Period |
|--------------|--------------------|-------------------|
| Public | 1,974,740 | 2,048,390 |
| Private | 102,599,745 | 77,211,563 |
| Total | 104,574,485 | 79,259,953 |

g) Domestic and foreign loans:

| | Current Period | Prior Period |
|----------------|--------------------|-------------------|
| Domestic Loans | 103,893,581 | 78,767,136 |
| Foreign Loans | 680,904 | 492,817 |
| Total | 104,574,485 | 79,259,953 |

h) Loans granted to subsidiaries and associates:

These amounts are eliminated in the consolidated financial statements.

i) Specific or non-performing loan (Stage 3) provisions for loans:

| | Current Period | Prior Period |
|--|------------------|------------------|
| Loans and Receivables with Limited Collectability | 275,137 | 104,606 |
| Loans and Receivables with Doubtful Collectability | 256,267 | 198,193 |
| Uncollectible Loans and Receivables | 1,733,851 | 1,991,274 |
| Total | 2,265,255 | 2,294,073 |

j) Information on non-performing loans (Net):

j.1) Information on loans and other receivables included in loans under follow-up which are restructured or rescheduled:

| | Group III Loans and Receivables with Limited Collectability | Group IV Loans and Receivables with Doubtful Collectability | Group V Uncollectable Loans and Receivables |
|---------------------------------|---|--|---|
| Current Period | | | |
| Gross Amounts before Provisions | 72,529 | 14,239 | 42,007 |
| Restructured Loans | 72,529 | 14,239 | 42,007 |
| Prior Period | | | |
| Gross Amounts before Provisions | 22,018 | 24,809 | 52,292 |
| Restructured Loans | 22,018 | 24,809 | 52,292 |

j.2) Movement of loans under follow-up:

| Current Period | Group III Loans and Receivables with Limited Collectability | Group IV Loans and Receivables with Doubtful Collectability | Group V Uncollectable Loans and Receivables |
|--|--|---|--|
| Prior Period | 168,152 | 313,729 | 3,020,001 |
| Additions (+) | 1,120,768 | 27,262 | 130,406 |
| Transfers from Other Categories of Loans under Follow-up (+) | - | 734,335 | 546,402 |
| Transfers to Other Categories of Loans under Follow-up (-) | 734,335 | 546,402 | - |
| Collections (-) | 170,615 | 149,952 | 777,200 |
| Write-offs (-) | - | - | 57,671 |
| Sold Portfolio (-) (*) | 66 | 792 | 334,418 |
| Corporate and Commercial Loans | 21 | 716 | 123,404 |
| Retail Loans | - | 10 | 141,370 |
| Credit Cards | 45 | 66 | 69,644 |
| Other | 64,589 | 18,373 | (41,301) |
| Current Period End Balance | 448,493 | 396,553 | 2,486,219 |
| Provision (-) | 275,137 | 256,267 | 1,733,851 |
| Net Balances on Balance Sheet | 173,356 | 140,286 | 752,368 |

(*) Past due receivables amounting to TL 335,276 for which TL 328,704 of provision had been allocated, is sold for TL 43,096 during 2021. After all sales procedures were completed, these past due receivables have been written off from the portfolio.

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

j) Information on non-performing loans (Net):

j.3) Information on foreign currency loans under follow-up:

| | Group III | Group IV | Group V |
|-------------------------------------|---|---|---|
| | Loans and Receivables with Limited Collectability | Loans and Receivables with Doubtful Collectability | Uncollectable Loans and Receivables |
| 31 December 2021 | | | |
| Current Period End Balance | 90,621 | 19,011 | 181,764 |
| Provision (-) | 77,359 | 12,802 | 131,304 |
| Net Balance on Balance Sheet | 13,262 | 6,209 | 50,460 |
| 31 December 2020 | | | |
| Prior Period End Balance | | | |
| Provision (-) | 13,274 | 82,483 | 206,622 |
| Net Balance on Balance Sheet | 7,729 | 57,368 | 158,053 |
| 31 December 2021 | 5,545 | 25,115 | 48,569 |

j.4) Information regarding gross and net amounts of loans under follow-up with respect to user groups:

| | Group III | Group IV | Group V |
|---|---|---|---|
| | Loans and Receivables with Limited Collectability | Loans and Receivables with Doubtful Collectability | Uncollectable Loans and Receivables |
| Current Period (Net) | | | |
| Loans to Real Persons and Legal Entities (Gross) | 448,493 | 396,553 | 2,486,219 |
| Provision (-) | 275,137 | 256,267 | 1,733,851 |
| Loans to Real Persons and Legal Entities (Net) | 173,356 | 140,286 | 752,368 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |
| Prior Period (Net) | | | |
| Loans to Real Persons and Legal Entities (Gross) | 168,152 | 313,729 | 3,020,001 |
| Provision (-) | 104,606 | 198,193 | 1,991,274 |
| Loans to Real Persons and Legal Entities (Net) | 63,546 | 115,536 | 1,028,727 |
| Banks (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Banks (Net) | - | - | - |
| Other Loans and Receivables (Gross) | - | - | - |
| Provision (-) | - | - | - |
| Other Loans and Receivables (Net) | - | - | - |

j.5) Information on interest accruals, rediscounts and valuation differences calculated for nonperforming loans and their provisions:

| | Group III | Group IV | Group V |
|--|---|---|---|
| | Loans and Receivables with Limited Collectability | Loans and Receivables with Doubtful Collectability | Uncollectable Loans and Receivables |
| Current Period (Net) | | | |
| Interest Accruals, Rediscounts and Valuation Differences | 1,434 | 3,340 | 34,109 |
| Interest Accruals, Rediscounts and Valuation Differences | 45,534 | 52,087 | 573,512 |
| Provision Amount (-) | 44,100 | 48,747 | 539,403 |
| Prior Period (Net) | 1,649 | 2,775 | 46,489 |
| Interest Accruals, Rediscounts and Valuation Differences | 20,070 | 39,689 | 637,348 |
| Provision Amount (-) | 18,421 | 36,914 | 590,859 |

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

k) Outline of the liquidation policy for losses and other receivables:

Loans and other receivables, which are deemed not possible to be collected according to the “Regulation on Classification of Loans and Provisions and Provisions for Reserves” published in the Official Gazette dated 22 June 2016 and numbered 29750, are fulfilled by the requirements of the Tax Procedure Law in line with the decision taken by the Bank's senior management classified as a loan as a loss.

l) Disclosures regarding the unregistered policy:

Loans that will be subject to write-off are applied for loans that are classified as 5 Group - Loans classified as Bad Debt and provided with life-long expected credit loss provision due to the debtor's default and there is no reasonable expectation of their recovery within the scope of TFRS 9 standard Write-off is an accounting practice and does not result in giving up the right on the receivable. Loans which are written-off do not affect the legal follow-up of the Parent Bank. Indicators are utilized concerning the absence of reasonable expectations regarding the recovery of loans. The write-off is examined on an incident basis with predefined criteria's. And the following write-off criteria's are considered:

- The possibility of recovery is limited: Loans with low collateralization, limited collateral capability, limited assets that provide foreclosure collection, and less than expected cost income for collection are evaluated,
- Financial indicators: Financial indicators that show that the entire loan does not have the ability to recover, or that the monetary cost to be incurred due to lawsuit/prosecution to be filed is higher than the collection to be made, are evaluated.,
- Long-term follow-up: Those who do not have reasonable collection expectations are evaluated in order to recover the loans that have been pursuing for a long time.

The Parent Bank makes an objective and subjective evaluation while determining whether there is a reasonable expectation. Loans above the threshold amount determined in the Special Loan Provisions Implementation Instruction can be evaluated within the scope of the regulation and written off, regardless of portfolio.

For all portfolios below the threshold; All of the loans that meet the following conditions are considered by the Parent Bank as having completely lost their ability to collect, and in this context, they can be written off based on the positive opinion of the relevant units.

- I. Monitored as non-performing loans for at least 2 years,
- ii. No collection has been made in the last 3 months,
- iii. The absence of a qualified guarantee,
- iv. The income to be obtained from the enforcement/bankruptcy process is very low,
- v. If there is evidence that the entire receivable cannot be repaid, the portion of the receivable that is deemed unpaid is deducted from the record.

In addition, the Parent Bank part conducts an individual file assessment to determine the collection ability of the relevant receivable for write-off. In this context, the possible collection amount is determined and partial write-off is applied to the part that is deemed not to be paid.

The following practices for the loans bank monitors, although the loans have been written-off by the Bank, cannot be different from its registered loans.

- a) The methods applied for legal collection of loans from debtors,
- b) Decisions to be subjected to the sale of non-performing loans,
- c) Decisions to waive the the credit by waiving the loans.

Within the scope of TFRS 9, the deducted amount during the period is TL 57,671 (31 December 2020: TL 97,496) and its effect on NPL ratio is 0.06% (31 December 2020: 0.12%). The follow-up conversion rate, after deductions, is 3.08% (31 December 2020 4.22%) in the current period frozen loan figures, while the calculated rate including the loans deducted during the year is 3.14 % (31 December 2020: 4.34%).

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

m) Other explanations and disclosures:

| Current Period | Commercial | Consumer | Credit Cards | Other | Total |
|--|-------------------|-------------------|-------------------------|--------------|--------------------|
| Standard Loans | 68,224,983 | 19,586,048 | 7,079,515 | - | 94,890,546 |
| Close Monitoring Loans | 4,206,564 | 4,389,801 | 1,087,574 | - | 9,683,939 |
| Loans Under Follow-Up | 1,280,878 | 1,808,745 | 241,642 | - | 3,331,265 |
| Total | 73,712,425 | 25,784,594 | 8,408,731 | - | 107,905,750 |
| 12 month expected credit loss (StageI) (-) | 203,624 | 160,661 | 64,441 | - | 428,726 |
| Significant increase in credit risk (Stage II) (-) | 1,091,318 | 209,746 | 50,833 | - | 1,351,897 |
| Default (Stage III) (-) | 855,823 | 1,221,062 | 188,370 | - | 2,265,255 |
| Total | 2,150,765 | 1,591,469 | 303,644 | - | 4,045,878 |
| Net Credit Balance on Balance Sheet | 71,561,660 | 24,193,125 | 8,105,087 | - | 103,859,872 |
| Prior Period | Commercial | Consumer | Credit Cards | Other | Total |
| Standard Loans | 49,845,436 | 16,922,139 | 4,540,033 | - | 71,307,608 |
| Close Monitoring Loans | 4,204,131 | 3,070,285 | 677,929 | - | 7,952,345 |
| Loans Under Follow-Up | 3,096,177 | 315,522 | 90,183 | - | 3,501,882 |
| Total | 57,145,744 | 20,307,946 | 5,308,145 | - | 82,761,835 |
| 12 month expected credit loss (StageI) (-) | 176,623 | 162,525 | 54,298 | - | 393,446 |
| Significant increase in credit risk (Stage II) (-) | 1,033,284 | 263,142 | 63,826 | - | 1,360,252 |
| Default (Stage III) (-) | 1,996,399 | 228,731 | 68,943 | - | 2,294,073 |
| Total | 3,206,306 | 654,398 | 187,067 | - | 4,047,771 |
| Net Credit Balance on Balance Sheet | 53,939,438 | 19,653,548 | 5,121,078 | - | 78,714,064 |

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

The following is a reclassification of provision for impairment on loans by stage;

Current Period

| Commercial | Standard Loans (Stage 1) | Loans under close monitoring (Stage 2) | Non-performing loans (Stage 3) | Total |
|--|-------------------------------------|---|---|------------------|
| 31 December 2020 | 176,623 | 1,033,284 | 1,996,399 | 3,206,306 |
| Transfers; | | | | |
| - Stage 1 to Stage 2 | (6,296) | 17,266 | - | 10,970 |
| - Stage 1 to Stage 3 | (775) | - | 24,630 | 23,855 |
| - Stage 2 to Stage 3 | - | (88,038) | 90,252 | 2,214 |
| - Stage 2 to Stage 1 | 3,960 | (20,577) | - | (16,617) |
| - Stage 3 to Stage 2 | - | - | - | - |
| Transferred within the period | 104,257 | 211,577 | (869,052) | (553,218) |
| Collections | (101,505) | (326,605) | (239,832) | (667,942) |
| Sold Portfolio | - | - | (112,757) | (112,757) |
| Write-offs | - | - | (55,520) | (55,520) |
| Currency differences | 27,360 | 264,411 | 21,703 | 313,474 |
| Total expected credit losses 31 December 2021 | 203,624 | 1,091,318 | 855,823 | 2,150,765 |

Prior Period

| Commercial | Standard Loans (Stage 1) | Loans under close monitoring (Stage 2) | Non-performing loans (Stage 3) | Total |
|--|-------------------------------------|---|---|------------------|
| 31 December 2019 | 192,135 | 686,025 | 2,009,282 | 2,887,442 |
| Transfers; | | | | |
| - Stage 1 to Stage 2 | (8,724) | 49,433 | - | 40,709 |
| - Stage 1 to Stage 3 | (1,029) | - | 34,371 | 33,342 |
| - Stage 2 to Stage 3 | - | (70,704) | 259,761 | 189,057 |
| - Stage 2 to Stage 1 | 2,529 | (19,907) | - | (17,378) |
| - Stage 3 to Stage 2 | - | - | - | - |
| Transferred within the period | 87,699 | 574,689 | 141,749 | 804,137 |
| Collections | (110,444) | (285,376) | (189,132) | (584,952) |
| Sold Portfolio | - | - | (163,411) | (163,411) |
| Write-offs | - | - | (96,221) | (96,221) |
| Currency differences | 14,457 | 99,124 | - | 113,581 |
| Total expected credit losses 31 December 2020 | 176,623 | 1,033,284 | 1,996,399 | 3,206,306 |

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

Current Period

| Consumer | Loans under | | | Total |
|--|-----------------------------|-------------------------------|-----------------------------------|------------------|
| | Standard Loans (Stage 1) | close monitoring (Stage 2) | Non-performing loans (Stage 3) | |
| 31 December 2020 | 162,525 | 263,142 | 228,731 | 654,398 |
| Transfers; | | | | |
| - Stage 1 to Stage 2 | (11,426) | 52,675 | - | 41,249 |
| - Stage 1 to Stage 3 | (2,574) | - | 71,107 | 68,533 |
| - Stage 2 to Stage 3 | - | (58,101) | 114,361 | 56,260 |
| - Stage 2 to Stage 1 | 4,100 | (35,657) | - | (31,557) |
| - Stage 3 to Stage 2 | - | - | - | - |
| Transferred within the period | 39,799 | 59,480 | 951,475 | 1,050,754 |
| Collections | (31,763) | (71,793) | (23,338) | (126,894) |
| Sold Portfolio | - | - | (119,123) | (119,123) |
| Write-offs | - | - | (2,151) | (2,151) |
| Currency differences | - | - | - | - |
| Total Expected Credit Losses 31 December 2021 | 160,661 | 209,746 | 1,221,062 | 1,591,469 |

Prior Period

| Consumer | Loans under | | | Total |
|--|-----------------------------|-------------------------------|-----------------------------------|----------------|
| | Standard Loans (Stage 1) | close monitoring (Stage 2) | Non-performing loans (Stage 3) | |
| 31 December 2019 | 144,831 | 161,159 | 250,895 | 556,885 |
| Transfers; | | | | |
| - Stage 1 to Stage 2 | (9,009) | 69,594 | - | 60,585 |
| - Stage 1 to Stage 3 | (1,226) | - | 27,155 | 25,929 |
| - Stage 2 to Stage 3 | - | (16,472) | 65,561 | 49,089 |
| - Stage 2 to Stage 1 | 4,209 | (30,446) | - | (26,237) |
| - Stage 3 to Stage 2 | - | - | - | - |
| Transferred within the period | 72,237 | 122,632 | 29,704 | 224,573 |
| Collections | (48,517) | (43,325) | (18,399) | (110,241) |
| Sold Portfolio | - | - | (124,910) | (124,910) |
| Write-offs | - | - | (1,275) | (1,275) |
| Currency differences | - | - | - | - |
| Total Expected Credit Losses 31 December 2020 | 162,525 | 263,142 | 228,731 | 654,398 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

Current Period

| Credit Cards | Loans under | | | Total |
|--|-----------------------------|-------------------------------|-----------------------------------|----------------|
| | Standard Loans (Stage 1) | close monitoring (Stage 2) | Non-performing loans (Stage 3) | |
| 31 December 2020 | 54,298 | 63,826 | 68,943 | 187,067 |
| Transfers; | | | | |
| - Stage 1 to Stage 2 | (5,019) | 26,181 | - | 21,162 |
| - Stage 1 to Stage 3 | (1,490) | - | 41,681 | 40,191 |
| - Stage 2 to Stage 3 | - | (19,857) | 44,873 | 25,016 |
| - Stage 2 to Stage 1 | 6,064 | (18,256) | - | (12,192) |
| - Stage 3 to Stage 2 | - | - | - | - |
| Transferred within the period | 15,726 | 12,638 | 92,696 | 121,060 |
| Collections | (5,138) | (13,699) | - | (18,837) |
| Sold Portfolio | - | - | (59,823) | (59,823) |
| Write-offs | - | - | - | - |
| Currency differences | - | - | - | - |
| Total expected credit losses 31 December 2021 | 64,441 | 50,833 | 188,370 | 303,644 |

Prior Period

| Credit Cards | Loans under | | | Total |
|--|-----------------------------|-------------------------------|-----------------------------------|----------------|
| | Standard Loans (Stage 1) | close monitoring (Stage 2) | Non-performing loans (Stage 3) | |
| 31 December 2019 | 57,228 | 46,969 | 92,368 | 196,565 |
| Transfers; | | | | |
| - Stage 1 to Stage 2 | (5,373) | 35,955 | - | 30,582 |
| - Stage 1 to Stage 3 | (1,144) | - | 22,014 | 20,870 |
| - Stage 2 to Stage 3 | - | (5,174) | 32,122 | 26,948 |
| - Stage 2 to Stage 1 | 6,441 | (16,903) | - | (10,462) |
| - Stage 3 to Stage 2 | - | - | - | - |
| Transferred within the period | 4,183 | 14,254 | 22,475 | 40,912 |
| Collections | (7,037) | (11,275) | - | (18,312) |
| Sold Portfolio | - | - | (100,036) | (100,036) |
| Write-offs | - | - | - | - |
| Currency differences | - | - | - | - |
| Total expected credit losses 31 December 2020 | 54,298 | 63,826 | 68,943 | 187,067 |

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

6. Information on loans: (continued)

m) Other explanations and disclosures: (continued)

The fair value of collaterals of non-performing loans, capped with the respective outstanding loan balance, as of 31 December 2021 is TL 1,453,443 (31 December 2020: TL 1,902,570).

The fair value of the collateral of non-performing loans that do not exceed the risk:

| | Current Period | Prior Period |
|--------------|------------------|------------------|
| Mortgage | 1,080,929 | 1,459,066 |
| Vehicle | 129,617 | 118,677 |
| Cash | 440 | 878 |
| Other (*) | 242,457 | 323,949 |
| Total | 1,453,443 | 1,902,570 |

(*) Other amount includes Treasury backed and Portfolio guaranteed CGF guarantee amounting to TL 242,457 (31 December 2020: TL 323,949).

As of 31 December 2021, the fair value of the collaterals of the customers' total principal risk related to the loans under close monitoring is TL 3,742,470 (31 December 2020: TL 3,911,887).

Fair value of the part of the collaterals of the closely monitored loans that do not exceed the risk:

| | Current Period | Prior Period |
|------------------------|------------------|------------------|
| Mortgage | 3,171,659 | 3,263,239 |
| Vehicle | 328,721 | 282,443 |
| Cash, Government Bonds | 207,134 | 230,542 |
| Other | 34,956 | 135,663 |
| Total | 3,742,470 | 3,911,887 |

As of 31 December 2021, and 31 December 2020, the details of the commodities and real estates that the bank has acquired for disposal of credit receivables are as follows:

| 31 December 2021 | Commercial | Consumer | Total |
|--|----------------|--------------|----------------|
| Residential, commercial or industrial property | 64,440 | 1,493 | 65,933 |
| Other | - | - | - |
| Total | 64,440 | 1,493 | 65,933 |
| 31 December 2020 | Commercial | Consumer | Total |
| Residential, commercial or industrial property | 108,709 | 4,150 | 112,859 |
| Other | - | - | - |
| Total | 108,709 | 4,150 | 112,859 |

7. Information on financial assets measured at amortized cost:

a) a.1) Information on financial assets measured at amortised cost and subject to repurchase agreements:

| | Current Period | | Prior Period | |
|---|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Equity Securities | - | - | - | - |
| Bond, Treasury bill and similar investment securities | 2,592,783 | 5,020,254 | 2,971,137 | 1,153,219 |
| Total | 2,592,783 | 5,020,254 | 2,971,137 | 1,153,219 |

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

7. Information on financial assets measured at amortized cost: (continued)

a.2) Information on financial assets measured at amortized cost and given as collateral / blocked:

| | Current Period | | Prior Period | |
|---|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Equity Securities | - | - | - | - |
| Bond, Treasury bill and similar investment securities | 3,025,653 | 2,970,779 | 6,698,645 | 1,171,868 |
| Other | - | - | - | - |
| Total | 3,025,653 | 2,970,779 | 6,698,645 | 1,171,868 |

Financial assets valued over their amortized cost classified as free warehouse TL 5,942,231 (31 December 2020: TL 528,072).

a.3) Information on held-to-maturity investments given as collateral or blocked:

| | Current Period | Prior Period |
|-------------------------------------|-------------------|-------------------|
| Government Bonds | 19,551,700 | 12,522,941 |
| Treasury Bills | - | - |
| Other Public Sector Debt Securities | - | - |
| Total | 19,551,700 | 12,522,941 |

a.4) Information on government debt securities measured at amortized cost:

| | Current Period | Prior Period |
|----------------------------|-------------------|-------------------|
| Debt securities | 19,551,700 | 12,522,941 |
| Quoted on a Stock Exchange | 19,551,700 | 12,522,941 |
| Unquoted | - | - |
| Impairment Provision (-) | - | - |
| Total | 19,551,700 | 12,522,941 |

a.5) Movement of financial assets measured at amortized cost:

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Beginning Balance | 12,522,941 | 4,906,618 |
| Foreign Currency Differences on Monetary Assets | 841,915 | 377,092 |
| Purchases during the Year (*) | 8,203,718 | 8,062,415 |
| Disposals Through Sales and Redemptions | (2,016,874) | (823,184) |
| Impairment Provision (-) | - | - |
| Closing Balance | 19,551,700 | 12,522,941 |

(*) Includes rediscount amounts.

8. Information on associates (Net):

- a.1) Information on consolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2020: None).
- a.2) Information on the unconsolidated associates: None (31 December 2020: None).
- a.3) Information on the consolidated associates: None (31 December 2020: None).
- a.4) Information on sector information on consolidated associates: None (31 December 2020: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2020: None).

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

9. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:

| | TEB Faktoring A.Ş. | TEB Yatırım Menkul Değerler A.Ş. | TEB Portföy Yönetimi A.Ş. |
|--|-----------------------|--|------------------------------|
| Paid-in Capital to be Entitled for Compensation after All Creditors | 50,000 | 28,794 | 6,860 |
| Reserves | 128,429 | 45,723 | 6,186 |
| Net income for the period and prior period income | 65,359 | 209,315 | 27,437 |
| Income/ Loss recognized under equity in accordance with TAS | - | - | (233) |
| Leasehold Improvements on Operational Leases (-) | 131 | 226 | 1210 |
| Goodwill and intangible asset and the related deferred tax liability (-) | 3,562 | 5,428 | 653 |
| Total Common Equity Tier 1 Capital | 240,095 | 278,178 | 38,387 |
| Provision | 5,639 | - | - |
| Total Equity | 245,734 | 278,178 | 38,387 |

The Parent Bank has no capital requirements arising from its subsidiaries included in the Consolidated Capital Adequacy Standard Ratio.

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirements: None (31 December 2020: None).
- c) Information on the unconsolidated subsidiaries: None (31 December 2020: None).
- d) Information on the consolidated Financial subsidiaries:

- d.1) Information on the consolidated Financial subsidiaries:

| Title | Address (City / Country) | Group’s share percentage-If different voting percentage (%) | Other shareholders’ share percentage (%) |
|------------------------------------|-----------------------------|---|--|
| 1 TEB Faktoring A.Ş. | İstanbul/Turkey | 100.00 | - |
| 2 TEB Yatırım Menkul Değerler A.Ş. | İstanbul/Turkey | 100.00 | - |
| 3 TEB Portföy Yönetimi A.Ş. | İstanbul/Turkey | 54.74 | 45.26 |

Information on the consolidated subsidiaries with the order as presented in the table above:

| | Total Assets | Shareholders’ Equity | Total Fixed Assets | Interest Income | Income on Marketable Securities Portfolio | Current Period Profit/Loss | Prior Period Profit/Loss (*) | Fair Value |
|---|-----------------|-------------------------|--------------------------|--------------------|--|----------------------------------|---------------------------------|---------------|
| 1 | 4,761,834 | 243,788 | 6,371 | 432,969 | - | 54,321 | 29,417 | - |
| 2 | 734,110 | 283,832 | 6,895 | 90,635 | - | 105,250 | 78,931 | - |
| 3 | 56,836 | 40,250 | 5,686 | 6,577 | 90 | 18,042 | 13,590 | - |

(*) These figures are shown per BRSA financial statements as of 31 December 2020.

- d.2) Information on consolidated subsidiaries:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Balance at the Beginning of the Period | 126,597 | 124,918 |
| Movements during the Period | 3,542 | 1,679 |
| Purchases | - | - |
| Bonus Shares Obtained | - | - |
| Share in Current Year Income | - | - |
| Sales | - | - |
| Revaluation Increase / (Decrease) | 3,542 | 1,679 |
| Impairment Provisions | - | - |
| Balance at the End of the Period | 130,139 | 126,597 |
| Capital Commitments | - | - |
| Share Percentage at the End of the Period (%) | - | - |

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

9. Information on subsidiaries (Net): (continued)

d) Information on the consolidated financial subsidiaries: (continued)

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

| | Current Period | Prior Period |
|--|----------------|----------------|
| Banks | - | - |
| Insurance Companies | - | - |
| Factoring Companies/TEB Faktoring A.Ş. | 43,417 | 43,417 |
| Leasing Companies | - | - |
| Finance Companies | - | - |
| Other Financial Subsidiaries | 86,722 | 83,180 |
| Total | 130,139 | 126,597 |

The carrying amounts of the subsidiaries above have been eliminated in the consolidated financial statements.

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2020: None).

e) Information on the non-financial subsidiaries that are not consolidated:

TEB ARF Teknoloji A.Ş. was established by the Bank with TL 50,000 paid-in capital and 100% ownership; was registered in the Trade Registry Gazette on 16 July 2020.

10. Information on entities under common control (joint ventures):

a) Information on entities under common control (joint ventures):

| Entities under common control (joint ventures) | Share of the Parent Bank | | Current Asset | Non-current Asset | Long-term Receivable | Profit | Loss |
|---|--------------------------|------------------------|---------------|-------------------|----------------------|---------|---------|
| | (%) | Share of the Group (%) | | | | | |
| Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş. | 0.1 | 33.3 | 160,638 | 70,595 | 28,577 | 285,191 | 243,408 |

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated parent bank’s financial statements.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

11. Information on financial lease receivables (Net): None (31 December 2020: None).

12. Positive differences related to derivative financial assets for hedging purposes

| | Current Period | | Prior Period | |
|------------------------------|------------------|--------------|------------------|---------------|
| | TL | FC | TL | FC |
| Fair Value Hedge | - | - | 416,239 | 31,137 |
| Cash Flow Hedge | 1,796,596 | 5,873 | 650,142 | - |
| Foreign Net Investment Hedge | - | - | - | - |
| Total | 1,796,596 | 5,873 | 1,066,381 | 31,137 |

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset.

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences amounted TL 60,244 (31 December 2020: TL 18,266) is recorded under equity as of 31 December 2021 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

13. Information on tangible assets:

| | 31 December 2020 | Additions | Disposals | Other | 31 December 2021 |
|--|---------------------|----------------|------------------|--------------|------------------------|
| Cost: | | | | | |
| Real Estate | 109,437 | 192 | - | 8,311 | 117,940 |
| Right of Use | 1,019,957 | 237,384 | (232,501) | - | 1,024,840 |
| Furniture, Furnishings, Office Machines and Other Securities | 1,004,794 | 231,135 | (50,671) | - | 1,185,258 |
| Total Cost | 2,134,188 | 468,711 | (283,172) | 8,311 | 2,328,038 |
| | | | | | |
| | 31 December 2020 | Additions | Disposals | Other | 31 December 2021 |
| Accumulated Depreciation: | | | | | |
| Real Estate | 54,996 | 3,225 | - | 255 | 58,476 |
| Right of Use Depreciation | 544,392 | 153,250 | (116,512) | (92) | 581,038 |
| Furniture, Furnishing and Office Machines and Other Securities | 688,733 | 112,907 | (47,572) | - | 754,068 |
| Total Accumulated Depreciation | 1,288,121 | 269,382 | (164,084) | 163 | 1,393,582 |
| Net Book Value | 846,067 | | | | 934,456 |

- The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None.

14. Information on intangible assets:

| | 31 December 2020 | Additions | Disposals | Other | 31 December 2021 |
|---------------------------------------|------------------|----------------|--------------|----------|------------------|
| Cost: | | | | | |
| Other intangible assets | 575,684 | 122,121 | (888) | - | 696,917 |
| Total Cost | 575,684 | 122,121 | (888) | - | 696,917 |
| | | | | | |
| | 31 December 2020 | Additions | Disposals | Other | 31 December 2021 |
| Accumulated Depreciation: | | | | | |
| Other intangible assets | 424,261 | 82,560 | (32) | - | 506,789 |
| Total Accumulated Depreciation | 424,261 | 82,560 | (32) | - | 506,789 |
| Net Book Value | 151,423 | | | | 190,128 |

- Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None.
- Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None.
- The book value of intangible fixed assets that are pledged or restricted for use: None.
- Amount of purchase commitments for intangible fixed assets: None.
- Information on revalued intangible assets according to their types: None.
- Amount of total research and development expenses recorded in income statement within the period if any: None.
- Positive or negative consolidation goodwill on entity basis: None.

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

i) Information on goodwill:

Following the publication of the BRSA's permission dated 10 February 2011 in the Official Gazette dated 12 February 2011 and numbered 27844, all rights by the termination of the legal personality of Fortis Bank A.Ş. .The merger of two banks was realized through the transfer of receivables, liabilities and liabilities to the Bank in the form of ashes. The shareholders of Fortis Bank A.Ş., which was dismissed due to the merger, were given 1.0518 registered TEB shares for each share with a nominal value of 1 TL to be replaced with their existing shares. Since the enterprises subject to this merger are not controlled by the same person or persons before and after the business merger, the transaction has been evaluated within the scope of TFRS 3. In the merger transaction, Fortis Bank A.Ş. determined as an acquired business, the fair value of the equity shares subject to the change as a result of the merger, as of 14 February 2011, is taken into account as the transferred price, and the difference between this value and the fair value of the identifiable net assets of Fortis Bank A.Ş. is recorded as goodwill.

j) Beginning and ending balance of the goodwill and movements on goodwill in the current period:

| | Current Period | Prior Period |
|------------------------------|-----------------------|---------------------|
| Beginning balance | 421,124 | 421,124 |
| Foreign currency differences | - | - |
| Acquisitions | - | - |
| Period End Balance | 421,124 | 421,124 |

15. **Information on investment property:** None (31 December 2020: None).

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I. Explanations and Disclosures Related to the Consolidated Assets (Continued)

16. Information on deferred tax asset:

- As of 31 December 2021, deferred tax asset computed on the temporary differences and reflected to the balance sheet is TL 147,376 (31 December 2020: TL 651,589). There are no tax exemptions or deductions over which deferred tax asset is computed.
- Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None
- Allowance for deferred tax and deferred tax assets from reversal of allowance: None
- Movement of deferred tax:

| | Current Period | Prior Period |
|---|----------------|----------------|
| As of 1 January | 651,589 | 667,146 |
| TFRS 16 Transition Effect | (133) | - |
| Deferred Tax Income / (Expense) | (424,609) | 115,800 |
| Deferred Tax Accounted for Under Equity Merger Effect | (79,471) | (131,357) |
| Deferred Tax Asset | 147,376 | 651,589 |

After net off the net deferred tax asset is presented as deferred tax asset on the balance sheet and net deferred tax liability presented as deferred tax liability on balance sheet. The deferred tax charge of TL 424,609 is stated under the tax provision in the income statement (31 December 2020: TL 115,800 deferred tax income). The portion of the deferred tax that is directly attributable to equity which is presented in the table below has been netted within the relevant accounts in the statement of shareholders' equity.

| | Current Period | Prior Period |
|---|-----------------|------------------|
| Financial Assets at Fair Value through Other Comprehensive Income | 29,576 | 26,926 |
| Cash Flow Hedge | (138,725) | (169,324) |
| Actuarial Profit or Loss | 29,678 | 11,041 |
| Total | (79,471) | (131,357) |

17. Information on assets for sale fixed and discontinued operations:

| | Current Period | Prior Period |
|--|----------------|----------------|
| Beginning of Period Cost | 112,859 | 131,362 |
| Beginning of Period Accumulated Depreciation (-) | - | - |
| Net Book Value | 112,859 | 131,362 |
| Opening Balance | 112,859 | 131,362 |
| Acquired | 116,792 | 137,125 |
| Disposed (-) | 166,760 | 160,897 |
| Impairment (-) | (3,042) | (5,269) |
| Depreciation Value (-) | - | - |
| End of Period Cost | 65,933 | 112,859 |
| End of Period Accumulated Depreciation (-) | - | - |
| Closing Net Book Value | 65,933 | 112,859 |

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

18. Information on factoring receivables of Group:

a) Maturity analysis explanation:

| | Current Period | | Prior Period | |
|-----------------------|------------------|------------------|------------------|----------------|
| | TL | FC | TL | FC |
| Short Term (*) | 2,138,839 | 2,494,644 | 1,548,931 | 955,007 |
| Mid and Long Term | 3,442 | - | - | - |
| Stage 1 Provision (-) | 1,540 | 115 | 1,861 | 115 |
| Stage 2 Provision (-) | 3,975 | 9 | 1,856 | - |
| Stage 3 Provision (-) | 23,281 | 3,680 | 11,293 | 2,037 |
| Total | 2,113,485 | 2,490,840 | 1,533,921 | 952,855 |

(*) Includes factoring receivables which is impaired amounting to TL 28,051 (31 December 2020: TL 18,268).

b) Other explanations and disclosures:

| Current Period | Commercial | Consumer | Total |
|--|------------------|----------|------------------|
| Standard Loans | 4,137,945 | - | 4,137,945 |
| Close Monitoring Loans | 470,929 | - | 470,929 |
| Loans Under Follow-Up | 28,051 | - | 28,051 |
| Total | 4,636,925 | - | 4,636,925 |
| 12 month expected credit loss (Stage I) (-) | 1,655 | - | 1,655 |
| Significant increase in credit risk (Stage II) (-) | 3,984 | - | 3,984 |
| Default (Stage III) (-) | 26,961 | - | 26,961 |
| Total allowance for impairment (-) | 32,600 | - | 32,600 |
| Net credit balance on balance sheet | 4,604,325 | - | 4,604,325 |
| Prior Period | Commercial | Consumer | Total |
| Standard Loans | 2,327,472 | - | 2,327,472 |
| Close Monitoring Loans | 158,198 | - | 158,198 |
| Loans Under Follow-Up | 18,268 | - | 18,268 |
| Total | 2,503,938 | - | 2,503,938 |
| 12 month expected credit loss (Stage I) (-) | 1,976 | - | 1,976 |
| Significant increase in credit risk (Stage II) (-) | 1,856 | - | 1,856 |
| Default (Stage III) (-) | 13,330 | - | 13,330 |
| Total allowance for impairment (-) | 17,162 | - | 17,162 |
| Net credit balance on balance sheet | 2,486,776 | - | 2,486,776 |

c) Aging analysis of accounting past-due exposures

| 31 December 2021 | 1-30 Days | 31-60 Days | 61-90 Days | Total |
|------------------|----------------|----------------|----------------|------------------|
| Commercial Loans | 109,242 | 147,629 | 365,250 | 622,121 |
| Consumer Loans | 724,640 | 271,266 | 356,435 | 1,352,341 |
| Credit Cards | 157,470 | 94,918 | 63,437 | 315,825 |
| Total | 991,352 | 513,813 | 785,122 | 2,290,287 |
| 31 December 2020 | 1-30 Days | 31-60 Days | 61-90 Days | Total |
| Commercial Loans | 358 | 1,782 | 2,085 | 4,225 |
| Consumer Loans | - | - | - | - |
| Credit Cards | - | - | - | - |
| Total | 358 | 1,782 | 2,085 | 4,225 |

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19. Information on other assets

Other Assets item of the balance sheet amounting to TL 3,410,894 (31 December 2020: TL 2,537,974) does not exceed 10% of the total amount of balance sheet except for off-balance sheet commitments.

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II. Explanations and Disclosures Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

| | Demand | 7 Day Call Accounts | Up to 1 Month | 1-3 Months | 3-6 Months | 6 Month - 1 Year | 1 Year and Over | Accumulated Deposits | Total |
|-----------------------------------|-------------------|------------------------|-------------------|-------------------|----------------|---------------------|--------------------|-------------------------|--------------------|
| Saving Deposits | 4,278,511 | - | 14,264,883 | 11,870,281 | 96,810 | 13,847 | 26,937 | - | 30,551,269 |
| Foreign Currency Deposits | 39,648,035 | - | 10,242,404 | 18,190,816 | 82,942 | 42,412 | 70,690 | - | 68,277,299 |
| Residents in Turkey | 37,424,416 | - | 9,783,843 | 17,651,543 | 69,065 | 31,523 | 63,345 | - | 65,023,735 |
| Residents Abroad | 2,223,619 | - | 458,561 | 539,273 | 13,877 | 10,889 | 7,345 | - | 3,253,564 |
| Public Sector Deposits | 623,121 | - | 12,318 | 181,742 | - | - | - | - | 817,181 |
| Commercial Deposits | 5,708,716 | - | 6,349,627 | 8,270,253 | 98,577 | 47 | 74,049 | - | 20,501,269 |
| Other Institutions Deposits | 249,537 | - | 43,734 | 1,044,713 | 143,065 | 89 | 427 | - | 1,481,565 |
| Precious Metals Deposits | 7,800,209 | - | 31,527 | 87,947 | 12,525 | 20,060 | 2,386 | - | 7,954,654 |
| Bank Deposits | 37,570 | - | 1,962,166 | - | - | - | - | - | 1,999,736 |
| Central Bank of Turkey | - | - | - | - | - | - | - | - | - |
| Domestic Banks | 1 | - | - | - | - | - | - | - | 1 |
| Foreign Banks | 37,569 | - | 1,962,166 | - | - | - | - | - | 1,999,735 |
| Special Financial Institutions | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 58,345,699 | - | 32,906,659 | 39,645,752 | 433,919 | 76,455 | 174,489 | - | 131,582,973 |

Currency-protected deposit product, the operating rules of which is determined by the Ministry of Treasury and Finance and the CBRT, and which ensures that TL deposits are valued with interest rates and are protected against foreign currency exchange rates, started to be offered to bank customers as of the current accounting period reported. As of 31 December 2021, TL deposit amount includes 1,034,667 TL deposits within this scope.

a.2) Prior period:

| | Demand | 7 Day Call Accounts | Up to 1 Month | 1-3 Months | 3-6 Months | 6 Month - 1 Year | 1 Year and Over | Accumulated Deposits | Total |
|-----------------------------------|-------------------|------------------------|-------------------|-------------------|----------------|---------------------|--------------------|-------------------------|-------------------|
| Saving Deposits | 3,343,473 | - | 13,247,327 | 9,248,027 | 174,061 | 15,303 | 31,868 | - | 26,060,059 |
| Foreign Currency Deposits | 18,424,730 | - | 7,600,065 | 11,882,963 | 97,381 | 92,277 | 52,616 | - | 38,150,032 |
| Residents in Turkey | 17,200,394 | - | 7,316,504 | 11,506,796 | 67,244 | 42,090 | 36,070 | - | 36,169,098 |
| Residents Abroad | 1,224,336 | - | 283,561 | 376,167 | 30,137 | 50,187 | 16,546 | - | 1,980,934 |
| Public Sector Deposits | 431,997 | - | 59,843 | 136,651 | 8,020 | - | - | - | 636,511 |
| Commercial Deposits | 4,489,927 | - | 3,928,324 | 5,879,776 | 158,781 | 1,448 | 13,824 | - | 14,472,080 |
| Other Institutions Deposits | 206,580 | - | 145,091 | 539,426 | 61,442 | 63 | 168 | - | 952,770 |
| Precious Metals Deposits | 5,807,140 | - | 31,022 | 94,004 | 15,788 | 50,503 | 3,597 | - | 6,002,054 |
| Bank Deposits | 43,796 | - | 7,424,601 | - | - | - | - | - | 7,468,397 |
| Central Bank of Turkey | 31 | - | - | - | - | - | - | - | 31 |
| Domestic Banks | 8 | - | - | - | - | - | - | - | 8 |
| Foreign Banks | 43,757 | - | 7,424,601 | - | - | - | - | - | 7,468,358 |
| Special Financial Institutions | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - |
| Total | 32,747,643 | - | 32,436,273 | 27,780,847 | 515,473 | 159,594 | 102,073 | - | 93,741,903 |

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

| Saving Deposits | Under the Guarantee of Insurance (*) | | Exceeding the Limit of Insurance (*) | |
|--|--------------------------------------|-------------------|--------------------------------------|-------------------|
| | Current Period | Prior Period | Current Period | Prior Period |
| Saving Deposits | 15,675,439 | 14,783,424 | 14,553,028 | 10,931,481 |
| Foreign Currency Saving Deposits | 10,609,693 | 7,067,339 | 27,744,894 | 14,081,460 |
| Other Deposits in the Form of Saving Deposits | 2,368,105 | 2,567,019 | 4,756,372 | 2,854,708 |
| Foreign Branches' Deposits under Foreign Authorities' Insurance | - | - | - | - |
| Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance | - | - | - | - |
| Total | 28,653,237 | 24,417,782 | 47,054,294 | 27,867,649 |

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

b) Information on saving deposits under the guarantee of saving deposit insurance: (continued)

b.1) Saving deposits exceeding the limit of insurance: (continued)

ii) Deposit of real persons not under the guarantee of saving deposit insurance:

| | Current Period | Prior Period |
|--|----------------|--------------|
| Foreign Branches’ Deposits and Other Accounts | 956,353 | 639,161 |
| Deposits of Controlling Shareholders and Their Close Families | 2,749,556 | 1,130,777 |
| Deposits of Chairman and Members of the Board of Directors and Their Close Families | 81,965 | 66,845 |
| Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004. | - | - |
| Saving Deposits in Banks Established in Turkey exclusively for Off-shore Banking Activities | - | - |

2. Information on derivative financial liabilities:

a) Negative differences related to derivative financial liabilities held-for-trading:

| | Current Period | | Prior Period | |
|----------------------|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Forward Transactions | 1,360,622 | 19,529 | 71,044 | 6,778 |
| Swap Transactions | 2,503,569 | 104,698 | 1,977,574 | 179,821 |
| Futures Transactions | - | 124 | - | - |
| Options | 131,168 | 39,467 | 18,600 | 6,526 |
| Other | - | - | - | - |
| Total | 3,995,359 | 163,818 | 2,067,218 | 193,125 |

3. Information on funds borrowed and debt securities issued:

a) Information on banks and other financial institutions:

| | Current Period | | Prior Period | |
|--|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Funds Borrowed from Central Bank of Turkey | - | - | - | - |
| From Domestic Banks and Institutions | 2,234,687 | 66,852 | 1,338,253 | 34,399 |
| From Foreign Banks, Institutions and Funds | 133,810 | 17,363,827 | 224,638 | 10,313,994 |
| Total | 2,368,497 | 17,430,679 | 1,562,891 | 10,348,393 |

As of 31 December 2021, the Group has borrowings from its related parties amounting to TL 8,606,953 (31 December 2020: TL 5,013,477).

b) Maturity analysis of borrowings:

| | Current Period | | Prior Period | |
|----------------------|------------------|-------------------|------------------|-------------------|
| | TL | FC | TL | FC |
| Short-term | 2,194,000 | 9,153,798 | 1,562,891 | 5,872,731 |
| Medium and Long-term | 174,497 | 8,276,881 | - | 4,475,662 |
| Total | 2,368,497 | 17,430,679 | 1,562,891 | 10,348,393 |

c) Additional explanations regarding the areas where the Parent Bank's obligations are concentrated:

The Parent Bank diversifies its funding sources with customer deposits, loans from abroad, securities issued and borrowings from money markets. Deposits are the most important source of funding of the Parent Bank and do not present any risk concentration with its stable structure spread over a wide base. Loans received mainly consist of funds obtained from various foreign financial institutions with different features and maturity-interest structure. There is no risk concentration in the Parent Bank's funding sources.

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

3. Information on funds borrowed and debt securities issued: (continued)

c) Explanations on debt securities issued:

| | Current Period | | Prior Period | |
|----------------|------------------|----------|------------------|----------|
| | TL | FC | TL | FC |
| Bank Bonds | 1,194,525 | - | 4,766,623 | - |
| Treasury Bills | - | - | 44,014 | - |
| Total | 1,194,525 | - | 4,810,637 | - |

4. Funds provided through repurchase transactions:

Information on funds provided through repurchase transactions:

| | Current Period | | Prior Period | |
|--|------------------|------------------|------------------|------------------|
| | TL | FC | TL | FC |
| Domestic Transactions | 3,923,853 | - | 4,016,659 | - |
| Financial Institutions and Organizations | 3,839,747 | - | 3,830,785 | - |
| Other Institutions and Organizations | 84,106 | - | 185,874 | - |
| Individuals | - | - | - | - |
| Foreign Transactions | - | 5,001,962 | - | 2,717,468 |
| Financial Institutions and Organizations | - | 5,001,962 | - | 2,717,468 |
| Other Institutions and Organizations | - | - | - | - |
| Individuals | - | - | - | - |
| Total | 3,923,853 | 5,001,962 | 4,016,659 | 2,717,468 |

5. Other external funding payables which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total

Other external funding payables amounting to TL 9,419,046 (31 December 2020: TL 4,341,816) do not exceed 10% of the total balance sheet.

6. Explanations on financial lease obligations (Net):

With the “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognized under “Tangible Fixed Assets” as an asset (tenure) and under “Liabilities from Leasing” as a liability. As of 31 December 2021, Parent Bank has leasing liability amounting to TL 577,660 (31 December 2020: TL 604,874).

7. Negative differences table of derivative financial liabilities for hedging purposes:

| | Current Period | | Prior Period | |
|------------------------------|----------------|--------------|------------------|---------------|
| | TL | FC | TL | FC |
| Fair Value Hedge | - | - | 84,098 | - |
| Cash Flow Hedge | 326,410 | 4,201 | 983,837 | 14,901 |
| Foreign Net Investment Hedge | - | - | - | - |
| Total | 326,410 | 4,201 | 1,067,935 | 14,901 |

In case the fair value hedge accounting is terminated, any adjustment made to the book value of the hedged financial instrument determined by using the effective interest method within the scope of fair value hedge accounting is amortized through profit or loss until the maturity of the financial instrument.

As of 31 December 2021, there are accumulated valuation differences of TL 60,244 (31 December 2020: TL 18,266) under equity as of 31 December 2021. Regarding the cash flow hedging transactions terminated by the Parent Bank, this amount is spread over the remaining terms of the hedged items by the Parent Bank and transferred to the income statement.

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

8. Information on provisions:

- a) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: There are no provision on the foreign currency indexed loans that is offset from the loans on the balance sheet (31 December 2020: None).
- b) The specific provisions provided for unidentified non-cash loans or expected credit loss for non-cash loans:

| | Current Period | Prior Period |
|--------------|----------------|----------------|
| Stage 1 | 67,930 | 58,241 |
| Stage 2 | 233,196 | 165,265 |
| Stage 3 | 44,434 | 87,824 |
| Total | 345,560 | 311,330 |

- c) Liabilities on unused vacation, bonus, health, employee termination benefits

As of 31 December 2021, the Parent Bank received TL 17,454 (31 December 2020: TL 15,249) allowance, TL 499,936 (31 December 2020: TL 297,060) and TL 276,914 (31 December 2020: TL 185,722) related to the premiums to be paid to bank personnel, and TL 37,100 reflected the provision of other personnel expenses the “Provisions of Employee Rights” account in the financial statements.

c.1) Termination Benefits:

In determining the liability, the Parent Bank makes use of independent actuaries and makes assumptions on issues such as discount rate, employee turnover rate and future salary increases. These assumptions are reviewed annually.

| | 31 December 2021 | 31 December 2020 |
|---|---------------------|---------------------|
| Discount Rate (%) | 20.01 | 14.50 |
| Expected Inflation Rate (%) | 16.03 | 10.03 |
| Salary Increase Rate above Inflation Rate (%) | 1.00 | 1.00 |

Movement of employee termination benefits:

| | Current Period | Prior Period |
|-------------------------|----------------|----------------|
| As of 1 January | 297,060 | 200,712 |
| Service cost | 28,612 | 19,392 |
| Interest cost | 41,843 | 24,358 |
| Settlement cost | 8,250 | 2,742 |
| Actuarial loss / (gain) | 164,670 | 65,687 |
| Benefits paid | (40,499) | (15,831) |
| Total | 499,936 | 297,060 |

c.2) Retirements Benefits:

The employees who have joined the Bank as a consequence of the merger of the Parent Bank and Fortis Bank are members of the “Pension Fund Foundation” established in accordance with the Social Security Law No.506, Article No.20.

The liabilities described in the Retirement Fund Section 3 No. XVI “Explanations on Liabilities related to Rights of Employees” which may arise during the transfer have been calculated by the actuary based on the principles of the related regulation, whereas the liabilities in connection with other social rights and benefits which will not be undertaken by the SSI after the transfer have been calculated by the actuary based on TAS 19 principles. The Parent Bank is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2021 and 31 December 2020. Since the Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

8. Information on provisions: (continued)

c) Liabilities on unused vacation, bonus, health, employee termination benefits: (continued)

c.2) Pension Rights: (continued)

Within the frame of the assumptions determined;

| | 31 December 2021 | 31 December 2020 |
|--|---------------------|---------------------|
| Period Based Pension and Health Obligations: | | |
| Net Present Value of Transferrable Retirement Liabilities | (1,450,105) | (1,081,794) |
| Net Present Value of Transferrable Retirement and Health Contributions | 397,240 | 371,589 |
| General Administration Expenses | (14,501) | (10,818) |
| Present Value of Pension and Medical Benefits Transferable to SSF (1) | (1,067,366) | (721,023) |
| Fair Value of Plan Assets (2) | 3,607,657 | 2,998,581 |
| Asset Surplus over Transferable Benefits ((2)-(1) = (3)) | 2,540,291 | 2,277,558 |
| Non-Transferable Benefits (4) | (960,056) | (624,502) |
| Asset Surplus over Total Benefits ((3)-(4)) | 1,580,235 | 1,653,056 |

As of 31 December 2021, and 31 December 2020, the distribution of the fair value of the total assets of the Pension Fund is as follows:

| | 31 December 2021 | 31 December 2020 |
|-----------------|------------------|------------------|
| Bank placements | 3,368,742 | 2,804,241 |
| Tangible assets | 121,397 | 119,573 |
| Other | 117,518 | 74,767 |
| Total | 3,607,657 | 2,998,581 |

Actuarial assumptions used in the calculation of liabilities excluding the period-based liabilities according to TAS 19 are as follows:

| | 31 December 2021 | 31 December 2020 |
|-------------------------|---------------------|---------------------|
| Discount Rate | 20.01% | 14.50% |
| Expected Inflation Rate | 16.03% | 10.03% |

As of 31 December 2021, health inflation is assumed to be 20% (31 December 2020: 20%) above inflation. It is assumed that the general wage increase and the SSI ceiling increase rates will be 25% and 39.9%, respectively, for the year 2022, and wage increases for the following years will be 1% above inflation, and the SSI ceiling increase will be at the same rate as inflation. The CSO 2001 (31 December 2020: CSO 2001) Female/Male mortality table is used to represent expected death (mortality) rates both before and after retirement.

d) Information on other provisions

| | Current Period | Prior Period |
|---|----------------|----------------|
| Provision for Non-cash Loans | 345,560 | 311,330 |
| Provision for Legal Cases | 83,179 | 93,625 |
| Provision for Promotions of Credit Cards and Banking Services | 17,562 | 11,935 |
| Other | 35,830 | 52,796 |
| Total | 482,131 | 469,686 |

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

8. Information on provisions: (continued)

d) Information on other provisions: (continued)

The following table is represented reconciliation on the provision for impairment of non-cash loans.

| Current Period | Standard Loans (Stage 1) | Loans under close monitoring | | Non-performing loans (Stage 3) | Total |
|--|-----------------------------|---------------------------------|--|-----------------------------------|----------------|
| | | (Stage 2) | | | |
| 31 December 2020 | 58,241 | 165,265 | | 87,824 | 311,330 |
| Transfers; | - | - | | - | - |
| - Stage 1 to Stage 2 | (1,178) | 6,565 | | - | 5,387 |
| - Stage 1 to Stage 3 | (67) | - | | 914 | 847 |
| - Stage 2 to Stage 3 | - | (1,576) | | 41,347 | 39,771 |
| - Stage 2 to Stage 1 | - | - | | - | - |
| - Stage 3 to Stage 2 | 734 | (2,554) | | - | (1,820) |
| Transferred within the period | 14,255 | 84,776 | | (43,567) | 55,464 |
| Collections | (16,332) | (95,551) | | (51,654) | (163,537) |
| Currency differences | 12,277 | 76,271 | | 9,570 | 98,118 |
| Total expected credit losses 31 December 2021 | 67,930 | 233,196 | | 44,434 | 345,560 |

| Prior Period | Standard Loans (Stage 1) | Loans under close monitoring | | Non-performing loans (Stage 3) | Total |
|--|-----------------------------|---------------------------------|--|-----------------------------------|----------------|
| | | (Stage 2) | | | |
| 31 December 2019 | 55,551 | 145,818 | | 42,111 | 243,480 |
| Transfers; | - | - | | - | - |
| - Stage 1 to Stage 2 | (3,464) | 22,238 | | - | 18,774 |
| - Stage 1 to Stage 3 | (78) | - | | 1,489 | 1,411 |
| - Stage 2 to Stage 3 | - | (12,704) | | 85,543 | 72,839 |
| - Stage 2 to Stage 1 | 3,162 | (9,071) | | - | (5,909) |
| - Stage 3 to Stage 2 | - | - | | - | - |
| Transferred within the period | 15,206 | (213) | | (35,539) | (20,546) |
| Collections | (17,063) | (21,075) | | (5,780) | (43,918) |
| Currency differences | 4,927 | 40,272 | | - | 45,199 |
| Total expected credit losses 31 December 2020 | 58,241 | 165,265 | | 87,824 | 311,330 |

9. Explanations on taxes payable:

a) Information on tax provision:

As of 31 December 2021, the Group’s corporate tax provision is TL 13,357 (31 December 2020: TL 171,984). As of 31 December 2021, the Group’s debt on total taxes and premiums is TL 272,117 (31 December 2020: TL 343,527)

b) Information on current tax liability:

| | Current Period | Prior Period |
|--|----------------|----------------|
| Corporate Tax Payable | 13,357 | 171,984 |
| Taxation on Securities | 48,920 | 45,038 |
| Property Tax | 2,875 | 1,223 |
| Banking Insurance Transaction Tax (BITT) | 87,846 | 53,917 |
| Foreign Exchange Transaction Tax | 31,498 | 4,556 |
| Value Added Tax Payable | 16,774 | 6,695 |
| Other (*) | 42,606 | 32,586 |
| Total | 243,876 | 315,999 |

(*) Others include income taxes deducted from wages amounting to TL 27,243 (31 December 2020: TL 25,404) and stamp taxes payable amounting to TL 2,077 (31 December 2020: TL 1,784).

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

9. Explanations on taxes payable: (continued)

c) Information on Premiums:

| | Current Period | Prior Period |
|--|----------------|---------------|
| Social Security Premiums-Employee | 12,192 | 11,813 |
| Social Security Premiums-Employer | 13,305 | 13,052 |
| Bank Social Aid Pension Fund Premium-Employee | - | - |
| Bank Social Aid Pension Fund Premium-Employer | - | - |
| Pension Fund Membership Fees and Provisions-Employee | - | - |
| Pension Fund Membership Fees and Provisions-Employer | - | - |
| Unemployment Insurance-Employee | 1,023 | 997 |
| Unemployment Insurance-Employer | 1,721 | 1,666 |
| Other | - | - |
| Total | 28,241 | 27,528 |

d) Explanations on deferred tax liabilities, if any: The Group does not have any deferred tax liability of the Group as of 31 December 2021 (31 December 2020: None).

10. **Information on fixed assets payables related to activities held and discounted for sale:** None.
(31 December 2020: None).

11. **Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

The Parent Bank was issued Subordinated debt instrument on 5 November 2018, which has two Call Dates: falling on the fifth anniversary notes and the Interest Payment Date falling thereafter amounting USD210 million with the final maturity of 10 years. The interest rate of the issuance is 10.40% per annum and will be continued at the end of the 5th year with an annual interest rate of 6 months Libor + 7.32% after the first early redemption date. The “T2 capital” was provided by BNP Paribas Fortis SA / NV.

The Parent Bank, aligned its Board of Directors’ decision dated 8 May 2012, had issued a debt instrument as T2 Capital Subordinated debt instrument with a value of USD 65 million on 14 May 2012 and the debt instrument was redeemed on 14 May 2019 with the decision of the Board of Directors and upon the approval of Banking Regulation and Supervision Agency (BRSA). On 14 May 2019, the Parent Bank issued a subordinated debt security with amount of 60 million EURO with the final maturity of 10 years, with no call till the 5th anniversary of the notes. The Notes have two Call Dates, falling on the fifth anniversary notes and the Interest Payment Date falling thereafter. The interest rate of the issuance is six months Euribor + 7.10% annually. The “T2 capital” was provided by BNP Paribas Fortis SA / NV.

On 20 July 2012, the Parent Bank had issued a debt instrument of EUR 100 million as T2 capital and the debt instrument was redeemed on 22 July 2019 after the decision of the relevant Board of Directors and the approval of the BRSA. On 22 July 2019, the Parent Bank issued a subordinated debt security with amount of 100 million EURO, with the final maturity of 10 years, with no call till 5th anniversary of the notes. The Notes have two Call Dates, falling on the fifth anniversary notes and the Interest Payment Date falling thereafter. The interest rate of the issuance is six months Euribor + 7.10% annually. The “T2 capital” was provided by BNP Paribas Fortis SA / NV.

The Parent Bank issued subordinated debt instrument, which has early redemption right on 27 June 2023, with the final maturity of 10 years in the amount of EUR125 million on 27 June 2018. The interest rate of the issuance is 6-month Euribor + 5.10% per annum. The “T2 capital” was provided by BNP Paribas Fortis SA / NV.

The above mentioned four subordinated loans are utilized in-line with the “loan capital” definition of BRSA and will positively affect the capital adequacy ratio of the Parent Bank as well as utilizing long term funding.

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II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

11. Explanations on the number of subordinated loans the Parent Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any: (continued)

Information on subordinated loans:

| | Current Period | | Prior Period | |
|--|----------------|------------------|--------------|------------------|
| | TL | FC | TL | FC |
| Debt Instruments to be Included in the Additional Capital Calculation | - | - | - | - |
| Subordinated loans | - | - | - | - |
| Subordinated Debt Instruments | - | - | - | - |
| Debt Instrument to be Included in the Contribution Capital Calculation | - | 7,239,036 | - | 4,194,951 |
| Subordinated Loans | - | - | - | - |
| Subordinated Debt Instruments | - | 7,239,036 | - | 4,194,951 |
| Total | - | 7,239,036 | - | 4,194,951 |

| | Current Period | | Prior Period | |
|----------------------------------|----------------|------------------|--------------|------------------|
| | TL | FC | TL | FC |
| From Domestic Banks | - | - | - | - |
| From Other Domestic Institutions | - | - | - | - |
| From Foreign Banks | - | 7,239,036 | - | 4,194,951 |
| From Other Foreign Institutions | - | - | - | - |
| Total | - | 7,239,036 | - | 4,194,951 |

12. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

| | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common Stock | 2,204,390 | 2,204,390 |
| Preferred Stock | - | - |

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank if so amount of registered share capital ceiling:

| Capital System | Paid-in capital | Ceiling |
|---------------------------|-----------------|---------|
| Registered Capital System | 2,204,390 | - |

c) Information on share capital increases and their sources and other information on increased capital shares in current period: None.

d) Information on share capital increases from revaluation funds: None.

e) Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Parent Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Parent Bank's equity due to the uncertainty of these indicators:

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these tests prevents the risks of effect. The profitability of the Parent Bank is followed up and estimated by the Parent Bank's Planning and Performance Management in short, long and medium term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

g) Information on preferred shares: None

h) Information on marketable securities valuation differences:

| | Current Period | | Prior Period | |
|--|-----------------|------------------|------------------|---------------|
| | TL | FC | TL | FC |
| From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.) | - | - | - | - |
| Valuation Difference | (22,120) | (177,639) | (149,320) | 61,169 |
| Foreign Exchange Difference | - | - | - | - |
| Total | (22,120) | (177,639) | (149,320) | 61,169 |

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations and Disclosures Related to the Consolidated Liabilities (Continued)

13. **Information on minority interest:** As of 31 December 2021, part of the Group equity that belongs to minority shares is TL 18,217 (31 December 2020: TL 15,507).

14. **Information on factoring liabilities:** As of 31 December 2021, the Group has factoring debt of TL 21,277 (31 December 2020: TL 8,979).

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Commitments for Credit Card Expenditure Limits | 12,007,806 | 8,978,512 |
| Asset Purchase and Sale Commitments | 11,251,216 | 3,031,018 |
| Loan Granting Commitments | 7,173,859 | 5,736,570 |
| Payment Commitment for Cheques | 2,135,381 | 1,741,408 |
| Tax and Fund Liabilities from Export Commitments | 51,363 | 47,494 |
| Commitments for Promotions Related with Credit Cards and Banking Activities | 5,797 | 5,767 |
| Time Deposits Purchase and Sale Commitments | - | 94,524 |
| Other Irrevocable Commitments | 877,062 | 389,096 |
| Total | 33,502,484 | 20,024,389 |

b) Possible losses and commitments related to off-balance sheet items:

The Group, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

| | Current Period | Prior Period |
|---------------------|-------------------|-------------------|
| Letters of Credit | 10,343,834 | 5,025,525 |
| Bank Acceptances | 33,680 | 16,573 |
| Other Commitments | 5,663,908 | 3,976,672 |
| Other Contingencies | 1,396,766 | 1,043,082 |
| Total | 17,438,188 | 10,061,852 |

b.2) Guarantees, surety ships, and similar transactions:

| | Current Period | Prior Period |
|-------------------------------------|-------------------|-------------------|
| Guarantee Letters | 13,828,475 | 9,864,566 |
| Advance Guarantee Letters | 3,937,404 | 2,244,080 |
| Guarantee Letters Given for Customs | 662,089 | 481,964 |
| Temporary Guarantee Letters | 616,871 | 332,396 |
| Other Guarantee Letters | 2,049,250 | 1,260,388 |
| Total | 21,094,089 | 14,183,394 |

c.1) Total amount of non-cash loans:

| | Current Period | Prior Period |
|---|-------------------|-------------------|
| Non-Cash Loans Given Against Achieving Cash Loans | 2,051,917 | 1,262,302 |
| With Maturity of One Year or Less Than One Year | 328,711 | 94,973 |
| With Maturity of More Than One Year | 1,723,206 | 1,167,329 |
| Other Non-Cash Loans | 36,480,360 | 22,982,944 |
| Total | 38,532,277 | 24,245,246 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items (Continued)

1. Information on off-balance sheet liabilities: (continued)

c.2) Information on sectoral risk breakdown of non-cash loans:

| | Current Period | | | | Prior Period | | | |
|----------------------------------|------------------|---------------|-------------------|---------------|------------------|---------------|-------------------|---------------|
| | TL | (%) | FC | (%) | TL | (%) | FC | (%) |
| Agricultural | 26,762 | 0.32 | 8,145 | 0.03 | 20,404 | 0.28 | 22,980 | 0.14 |
| Farming and raising livestock | 25,289 | 0.30 | 8,145 | 0.03 | 18,338 | 0.25 | 22,980 | 0.14 |
| Forestry | - | - | - | - | - | - | - | - |
| Fishery | 1,473 | 0.02 | - | - | 2,066 | 0.03 | - | - |
| Manufacturing | 3,015,251 | 35.60 | 12,659,113 | 42.11 | 2,294,148 | 30.67 | 5,969,293 | 35.62 |
| Mining and Quarry | 162,871 | 1.92 | 656,530 | 2.18 | 106,832 | 1.43 | 295,929 | 1.77 |
| Production | 2,730,960 | 32.24 | 11,937,958 | 39.71 | 2,109,458 | 28.20 | 5,560,042 | 33.17 |
| Electricity, Gas and Water | 121,420 | 1.43 | 64,625 | 0.21 | 77,858 | 1.04 | 113,322 | 0.68 |
| Construction | 1,333,966 | 15.75 | 5,512,742 | 18.34 | 1,322,830 | 17.68 | 3,711,776 | 22.14 |
| Services | 3,914,534 | 46.22 | 9,281,790 | 30.88 | 3,605,121 | 48.19 | 5,095,080 | 30.38 |
| Wholesale and Retail Trade | 2,244,993 | 26.50 | 3,625,225 | 12.06 | 1,585,385 | 21.19 | 2,108,405 | 12.58 |
| Hotel and Restaurant Services | 128,509 | 1.52 | 451,138 | 1.50 | 121,734 | 1.63 | 105,933 | 0.63 |
| Transportation and Communication | 507,134 | 5.99 | 888,727 | 2.96 | 416,936 | 5.57 | 511,955 | 3.05 |
| Financial Institutions | 400,544 | 4.73 | 1,056,623 | 3.51 | 463,495 | 6.20 | 713,275 | 4.25 |
| Real Estate and Renting | 412,861 | 4.87 | 2,191,885 | 7.29 | 929,698 | 12.43 | 1,410,419 | 8.41 |
| Self-employment Services | 202,745 | 2.39 | 1,067,378 | 3.55 | 73,121 | 0.98 | 243,457 | 1.45 |
| Education Services | 5,272 | 0.06 | 595 | 0.00 | 5,517 | 0.07 | 336 | - |
| Health and Social Services | 12,476 | 0.15 | 219 | 0.00 | 9,235 | 0.12 | 1,300 | 0.01 |
| Other | 179,583 | 2.12 | 2,600,391 | 8.65 | 238,145 | 3.18 | 1,965,469 | 11.72 |
| Total | 8,470,096 | 100.00 | 30,062,181 | 100.00 | 7,480,648 | 100.00 | 16,764,598 | 100.00 |

c.3) Information on Stage 1 and Stage 2 non-cash loans:

| Current Period | Stage I | | Stage II | |
|-------------------------------------|------------------|-------------------|----------------|------------------|
| | TL | FC | TL | FC |
| Non-cash loans | | | | |
| Letters of guarantee | 6,574,741 | 12,912,708 | 482,202 | 1,124,438 |
| Bank acceptances | - | 33,680 | - | - |
| Letters of credit | - | 10,333,813 | - | 10,021 |
| Endorsements | - | - | - | - |
| Underwriting commitments | - | - | - | - |
| Factoring commitments | - | - | - | - |
| Other commitments and contingencies | 1,353,507 | 5,521,330 | 59,646 | 126,191 |
| Total | 7,928,248 | 28,801,531 | 541,848 | 1,260,650 |

The Group provided a reserve for TL 240,978 (31 December 2020: TL 263,951) of non-cash loans not indemnified which equals to amounting to TL 44,434 (31 December 2020: TL 87,824).

| Prior Period | Stage I | | Stage II | |
|-------------------------------------|------------------|-------------------|----------------|----------------|
| | TL | FC | TL | FC |
| Non-cash loans | | | | |
| Letters of guarantee | 5,498,751 | 7,423,249 | 552,798 | 708,596 |
| Bank acceptances | - | 16,573 | - | - |
| Letters of credit | - | 4,893,122 | - | 132,403 |
| Endorsements | - | - | - | - |
| Underwriting commitments | - | - | - | - |
| Factoring commitments | - | - | - | - |
| Other commitments and contingencies | 1,393,047 | 3,439,901 | 36,052 | 150,754 |
| Total | 6,891,798 | 15,772,845 | 588,850 | 991,753 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items (Continued)

2. Information related to derivative financial instruments:

| | Derivative transactions according to purposes | | | |
|---|---|--------------------|-------------------|-------------------|
| | Trading | | Hedging | |
| | Current Period | Prior Period | Current Period | Prior Period |
| Types of trading transactions | | | | |
| Foreign currency related derivative transactions (I): | 149,362,128 | 80,856,033 | - | - |
| Forward transactions | 26,910,085 | 16,798,167 | - | - |
| Swap transactions | 114,361,290 | 58,803,224 | - | - |
| Futures transactions | 806,991 | 1,133,911 | - | - |
| Option transactions | 7,283,762 | 4,120,731 | - | - |
| Interest related derivative transactions (II): | 29,272,626 | 19,509,018 | - | - |
| Forward rate transactions | - | - | - | - |
| Interest rate swap transactions | 23,197,546 | 19,509,018 | - | - |
| Interest option transactions | 6,075,080 | - | - | - |
| Futures interest transactions | - | - | - | - |
| Marketable securities call-put options (III) | - | - | - | - |
| Other trading derivative transactions (IV) | 2,084,252 | 2,960,427 | - | - |
| A. Total trading derivative transactions (I+II+III+IV) | 180,719,006 | 103,325,478 | - | - |
| Types of hedging transactions | | | | |
| Fair value hedges | - | - | - | 6,250,067 |
| Cash flow hedges | - | - | 29,455,518 | 17,757,374 |
| Net investment hedges | - | - | - | - |
| B. Total hedging related derivatives | - | - | 29,455,518 | 24,007,441 |
| Total Derivative Transactions (A+B) | 180,719,006 | 103,325,478 | 29,455,518 | 24,007,441 |

Related to agreements of forward transactions and options; the information based on the type of forward and options transactions are disclosed separately, specified with related amounts, type of agreement, purpose of transaction, nature of risk, strategy of risk management, hedging relationship, possible effects on the bank’s financial position, timing of cash flows, reasons of unrealized transactions which previously projected to be realized, income and expenses that could not be linked to income statement in the current period because of the agreements:

Forward foreign exchange and swap transactions are based on protection from interest and currency fluctuations. According to TAS, they do not qualify as hedging instruments and are remeasured at fair value as trading transactions by the Parent Bank.

i) Derivative instruments for fair value hedging purposes:

In 2021, the Parent Bank applied fair value hedge accounting in order to avoid the effects of interest rate fluctuations in the market by matching its swap portfolio with its loans and marketable securities. As of 31 December 2021, there are no derivative instruments for hedging purposes.

| | Current Period | | | Prior Period | | |
|----------------------|----------------|------------|-----------|------------------|----------------|---------------|
| | Nominal | Fair Value | | Nominal | Fair Value | |
| | | Asset | Liability | | Asset | Liability |
| Cross Currency Swaps | - | - | - | 6,250,067 | 447,376 | 84,098 |
| Interest Rate Swaps | - | - | - | - | - | - |
| Total | - | - | - | 6,250,067 | 447,376 | 84,098 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items (Continued)

2. Information related to derivative financial instruments: (continued)

ii) Derivative instruments for cash flow hedge purposes:

The Parent Bank has applied cash flow hedge accounting by matching its swap portfolio with total notional amounting to TL 29,455,518 (31 December 2020: TL 17,757,374) and 1-90 days of maturity deposit portfolio together with selected borrowing portfolio. Effective portion of TL 374,849 (31 December 2020: TL 283,380 credit) credit accounted for under equity is presented after deducting its deferred tax effect of TL 82,051 (31 December 2020: TL 56,676 debit) debit in the financial statements. In 2021, ineffective portion of TL 60,244 (31 December 2020: TL 18,266) income is accounted for under income statement.

| | Current Period | | | Prior Period | | |
|----------------------|-------------------|------------------|----------------|-------------------|----------------|----------------|
| | Nominal | Fair Value | | Nominal | Fair Value | |
| | | Asset | Liability | | Asset | Liability |
| Cross Currency Swaps | 4,195,454 | - | 145,122 | 4,852,334 | 615,008 | 471,891 |
| Interest Rate Swaps | 25,260,064 | 1,802,469 | 185,489 | 12,905,040 | 35,134 | 526,847 |
| Total | 29,455,518 | 1,802,469 | 330,611 | 17,757,374 | 650,142 | 998,738 |

3. Credit derivatives and risk exposures on credit derivatives: None.

4. Explanations on contingent liabilities and assets

- a) a.1) The Group's share in contingent liabilities arising from entities under common control (joint ventures) together with another venturer: None.
- a.2) Share of entity under common control (joint ventures) in its own contingent liabilities: None.
- a.3) The Group's contingent liabilities resulting from liabilities of other venturers in entities under common control (joint ventures): None.
- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes: As of 31 December 2021, there are no contingent assets that need to be explained (31 December 2020: None).
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can be reliably determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes. The Bank and financial institution subject to consolidation have provided provision amounting to TL 83,179 (31 December 2020: TL 93,625) for various lawsuits filed by various individuals and institutions with high probability of occurrence and cash outflow. This amount is presented under index “Other Provisions” in the financial statements.

5. Custodian and intermediary services:

The Group provides trading and safe keeping services in the name and account of third parties, which are presented in the statement of the Consolidated Off-Balance Accounts.

Investment fund participation certificates held in custody which belong to the customers and the portfolio are accounted for with their nominal values. As of 31 December 2021, the total nominal value and number of certificates are TL 7,112,025 and 7,112,025 (31 December 2020: TL 4,218,738 and 4,218,738) and the total fair value is TL 7,999,604 (31 December 2020: TL 4,310,479).

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items (Continued)

6. The information on the banks’ rating by the international rating introductions (*):

TEB maintained its position as one of the most highly rated banks in Turkey. As of 31 December 2021, TEB’s ratings were as follows:

Moody’s Investor Services:

| | |
|-------------------------------------|----------|
| Baseline Credit Assessment | b3 |
| Adjusted Baseline Credit Assessment | b1 |
| Long Term FC Deposits | B2 |
| Short Term FC Deposits | NP |
| Long Term TL Deposits | B1 |
| Short Term TL Deposits | NP |
| Outlook | Negative |

Fitch Ratings:

| | |
|----------------------------|----------|
| Foreign Currency | |
| Long-term | B+ |
| Short-term | B |
| Outlook | Negative |
| Turkish Lira | |
| Long-term | BB- |
| Short-term | B |
| Outlook | Negative |
| National | AA (tur) |
| Outlook | Stable |
| Financial Strength | b+ |
| Shareholder Supported Note | b+ |

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations and Disclosures Related to the Consolidated Statement of Income

1. Explanations on Interest Income

a) Information on interest income on loans:

| | Current Period | | Prior Period | |
|--|-------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Interest income on loans (*) | | | | |
| Short Term Loans | 5,294,706 | 307,573 | 3,378,061 | 221,584 |
| Medium- and Long-Term Loans | 5,813,984 | 292,761 | 4,697,498 | 242,614 |
| Interest on Loans under Follow-Up | 162,289 | - | 142,039 | - |
| Premiums Received from Resource Utilization Support Fund | - | - | - | - |
| Total | 11,270,979 | 600,334 | 8,217,598 | 464,198 |

(*) Includes fees and commissions obtained from cash loans amounting to TL 236,001 (31 December 2020: TL 153,388).

b) Information on interest income on banks:

| | Current Period | | Prior Period | |
|---------------------------------|----------------|----------------|----------------|--------------|
| | TL | FC | TL | FC |
| The Central Bank of Turkey | - | - | - | - |
| Domestic Banks | 141,883 | 299 | 161,918 | 496 |
| Foreign Banks | 7,351 | (2,643) | 3,470 | 3,219 |
| Branches and Head Office Abroad | - | - | - | - |
| Total | 149,234 | (2,344) | 165,388 | 3,715 |

c) Information on interest income on marketable securities portfolio:

| | Current Period | | Prior Period | |
|--|------------------|----------------|------------------|----------------|
| | TL | FC | TL | FC |
| Financial Assets Valued at Fair Value Through Profit or Loss | 218,551 | 39,211 | 135,137 | 43,247 |
| Financial Assets at Fair Value Through Other | | | | |
| Comprehensive Income | 623,556 | 86,248 | 708,398 | 91,874 |
| Financial Assets at Amortized Cost | 1,976,013 | 163,971 | 1,078,923 | 90,253 |
| Total | 2,818,120 | 289,430 | 1,922,458 | 225,374 |

d) Information on interest income on associates and subsidiaries:

These amounts are eliminated in the consolidated financial statements.

2. Explanations on Interest Expense

a) Information on interest expense on funds borrowed (*):

| | Current Period | | Prior Period | |
|--|----------------|----------------|----------------|----------------|
| | TL | FC | TL | FC |
| Banks | | | | |
| The Central Bank of the Republic of Turkey | - | - | - | - |
| Domestic Banks | 270,985 | 2,386 | 81,025 | 4,145 |
| Foreign Banks | 26,843 | 575,032 | 50,835 | 450,824 |
| Branches and Head Office Abroad | - | - | - | - |
| Other Financial Institutions | | | | |
| Total | 297,828 | 577,418 | 131,860 | 454,969 |

(*) Includes fees and commission expenses related to cash loans amounting to TL 32,784 (31 December 2020: TL 10,870).

b) Information on interest expense on associates and subsidiaries:

These amounts are eliminated in the consolidated financial statements.

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EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

2. Explanations on Interest Expense (continued)

c) Information on interest expense on securities issued:

| | Current Period | | Prior Period | |
|---------------------------------------|----------------|----------|----------------|----------|
| | TL | FC | TL | FC |
| Interest expense on securities issued | 451,610 | - | 454,149 | - |
| Total | 451,610 | - | 454,149 | - |

d) Distribution of interest expense on deposits based on maturity of deposits:

| Current Period: | | Time Deposits | | | | | | Accumulated Deposits | Total |
|---------------------------|-----------------|------------------|------------------|----------------|--------------|------------------|----------|----------------------|------------------|
| Hesap Adı | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | | |
| TL | | | | | | | | | |
| Bank Deposits | - | 530,239 | - | - | - | - | - | - | 530,239 |
| Saving Deposits | - | 2,441,873 | 1,930,253 | 16,305 | 1,718 | 4,864 | - | - | 4,395,013 |
| Public Sector Deposits | - | 7,155 | 32,401 | 431 | - | - | - | - | 39,987 |
| Commercial Deposits | - | 869,590 | 1,107,802 | 30,705 | 1,168 | 5,673 | - | - | 2,014,938 |
| Other Deposits | - | 11,728 | 156,674 | 34,829 | 10 | 36 | - | - | 203,277 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - | - |
| Total | - | 3,860,585 | 3,227,130 | 82,270 | 2,896 | 10,573 | - | - | 7,183,454 |
| FC | | | | | | | | | |
| Foreign Currency Deposits | - | 6,357 | 73,489 | 272 | 189 | 994 | - | - | 81,301 |
| Bank Deposits | - | 22 | - | - | - | 10 | - | - | 32 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 1 | 3 | 1 | 12 | 2 | - | - | 19 |
| Total | - | 6,380 | 73,492 | 273 | 201 | 1,006 | - | - | 81,352 |
| Grand Total | - | 3,866,965 | 3,300,622 | 82,543 | 3,097 | 11,579 | - | - | 7,264,806 |
| Prior Period: | | Time Deposits | | | | | | Accumulated Deposits | Total |
| Account Name | Demand Deposits | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year | | | |
| TL | | | | | | | | | |
| Bank Deposits | - | 178,541 | - | - | - | - | - | - | 178,541 |
| Saving Deposits | - | 1,219,565 | 862,589 | 14,228 | 4,701 | 14,788 | - | - | 2,115,871 |
| Public Sector Deposits | - | 2,002 | 17,514 | 768 | - | - | - | - | 20,284 |
| Commercial Deposits | - | 457,318 | 599,495 | 20,442 | 210 | 4,987 | - | - | 1,082,452 |
| Other Deposits | - | 11,147 | 141,728 | 4,119 | 7 | 36 | - | - | 157,037 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - | - |
| Total | - | 1,868,573 | 1,621,326 | 39,557 | 4,918 | 19,811 | - | - | 3,554,185 |
| FC | | | | | | | | | |
| Foreign Currency Deposits | 9 | 19,810 | 103,064 | 1,179 | 510 | 987 | - | - | 125,559 |
| Bank Deposits | - | 285 | - | - | - | 5 | - | - | 290 |
| 7 Days Call Accounts | - | - | - | - | - | - | - | - | - |
| Precious Metal Deposits | - | 238 | 2,432 | 470 | 2,249 | 1,569 | - | - | 6,958 |
| Total | 9 | 20,333 | 105,496 | 1,649 | 2,759 | 2,561 | - | - | 132,807 |
| Grand Total | 9 | 1,888,906 | 1,726,822 | 41,206 | 7,677 | 22,372 | - | - | 3,686,992 |

3. Information on dividend income:

| | Current Period | Prior Period |
|---|----------------|--------------|
| Financial assets at fair value through profit and loss | - | - |
| Financial assets at fair value through other comprehensive income | 3,503 | 3,557 |
| Other | - | - |
| Total | 3,503 | 3,557 |

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ

EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

4. Information on trading gain/loss (Net):

| | Current Period | Prior Period |
|---|--------------------|-------------------|
| Gains | 120,081,055 | 61,968,025 |
| Gains on capital market operations | 288,642 | 295,308 |
| Gains on derivative financial instruments ⁽¹⁾ | 29,594,889 | 15,988,223 |
| Foreign exchange gains | 90,197,524 | 45,684,494 |
| Losses (-) | 122,068,058 | 63,704,662 |
| Losses on capital market operations | 354,987 | 347,791 |
| Losses on derivative financial instruments ⁽¹⁾ | 32,356,721 | 17,047,618 |
| Foreign exchange losses | 89,356,350 | 46,309,253 |

⁽¹⁾ Includes exchange rate fluctuations of hedging transactions net profit of TL 1,501,025 (31 December 2020: TL 801,149 profit), derivative financial instruments exchange rate changes in profit / loss accounts amounting to TL 134,704 (31 December 2020: TL 235,299) net exchange income.

5. Information on other operating income:

Other operating income of the Group mainly consists of all transaction costs collected from clients and disposal of assets.

6. Provision expenses of banks for loans and other receivables:

a) Expected Credit Losses and Other Provisions:

| | Current Period | Prior Period |
|--|----------------|----------------|
| Expected Credit Losses | (8,173) | 752,055 |
| 12-Month Expected Credit Losses (Stage 1) | 9,369 | (14,561) |
| Significant Increase in Credit Risk (Stage 2) | (278,979) | 346,048 |
| Credit-Impaired (Stage 3) | 261,437 | 420,568 |
| Impairment Losses on Securities | - | - |
| Financial Assets Measured at Fair Value through Profit or Loss | - | - |
| Financial Assets Measured at Fair Value through Other Comprehensive Income | - | - |
| Impairment Losses on Associates, Subsidiaries and Joint Ventures | - | - |
| Associates | - | - |
| Subsidiaries | - | - |
| Joint Ventures | - | - |
| Others ⁽¹⁾ | 1,572 | (22,683) |
| Total | (6,601) | 729,372 |

⁽¹⁾ Includes the remaining provision amounting to TL 17,149 (31 December 2020: TL 53,259).

7. Information on other operating expenses:

| | Current Period | Prior Period |
|---|------------------|------------------|
| Reserve for employee termination benefits ⁽¹⁾ | 38,206 | 30,661 |
| Bank social aid fund deficit provision | - | - |
| Impairment expenses of fixed assets | - | 943 |
| Depreciation expenses of fixed assets | 269,382 | 246,882 |
| Impairment expenses of intangible assets | - | - |
| Impairment expense of goodwill | - | - |
| Depreciation expenses of intangible assets | 82,560 | 77,833 |
| Impairment for investments accounted with equity method | - | - |
| Impairment expenses of assets to be disposed | (3,042) | (5,269) |
| Depreciation expenses of assets to be disposed | - | - |
| Impairment expenses of assets held for sale and discontinued operations | - | - |
| Other operating expenses | 1,373,700 | 1,125,161 |
| Rent expenses related to TFRS16 Exceptions | 43,946 | 36,525 |
| Maintenance expenses | 46,995 | 37,604 |
| Advertisement expenses | 89,021 | 59,954 |
| Other expenses | 1,193,738 | 991,078 |
| Loss on sales of assets | 6,950 | 6,581 |
| Other ⁽²⁾ | 504,495 | 458,443 |
| Total | 2,272,251 | 1,941,235 |

⁽¹⁾ The provision for employment termination benefits is included in the personnel expenses item in the financial statements.

⁽²⁾ Includes other premiums and expenses paid to the Savings Deposit Insurance Fund amounting to TL 219,692 (31 December 2020: TL 191,325) and other taxes and fees paid in the amount of TL 208,932 (31 December 2020: TL 179,916).

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

8. Information of the profit/loss on continued and discontinued operations before tax:

- a) The portion of the profit before tax amounting to TL 7,066,192 (31 December 2020: TL 6,253,166) consists of net interest income, while TL 1,590,432 (31 December 2020: TL 1,331,799) consists of net fee and commission income; total operating expenses amount to TL 4,170,258 (31 December 2020: TL 3,574,950).
- b) Explanations on discontinued operations profit loss:
None.

9. Information on tax provision for continued and discontinued operations:

- a) As of 31 December 2021, the current tax expense is TL 218,125 (31 December 2020: TL 523,814) and deferred tax income is TL 424,609 (31 December 2020: TL 115,800), and there is no current income/expense from discontinued operations. (31 December 2020: None).
- b) Deferred tax expense on temporary differences resulted from continued operations is TL 424,609 (31 December 2020: TL 115,800).
- c) Tax reconciliation:

| | Current Period | Prior Period |
|-----------------------------------|------------------|------------------|
| Profit Before Taxes | 2,723,608 | 1,676,920 |
| Additions | 59,589 | 182,091 |
| Nonallowable Expenses | 59,589 | 52,398 |
| The Effect of Different Tax Rates | - | 86,615 |
| Other | - | 43,078 |
| Deductions | (210,820) | (3,834) |
| Dividend Income | (2,165) | (3,834) |
| Effect of different tax rate | (122,357) | - |
| Other | (86,298) | - |
| Taxable Profit/Loss | 2,572,377 | 1,855,177 |
| Corporation Tax Rate | 25% | 22% |
| Calculated Tax | 643,094 | 408,139 |
| Prior Year Tax Correction | (360) | (125) |
| Tax Charge | 642,734 | 408,014 |

10. Information on net profit/loss on continued and discontinued operations before tax:

Net profit of the Group from the activities carried out as of 31 December 2021 TL is 2,080,874 (31 December 2020: TL 1,268,906), as of 31 December 2021 there is no net profit from discontinued operations (31 December 2020: None).

11. The explanations on net income/loss for the period:

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period: None (31 December 2020: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (31 December 2020: None).
- c) Profit/loss attributable to minority interest:

| | Current Period | Prior Period |
|-------------------------------|----------------|--------------|
| Minority interest profit/loss | 8,166 | 6,151 |

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (Continued)

12. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items:

| | Current Period | Prior Period |
|---|----------------|----------------|
| Other Interest Income | | |
| Interest Received from Factoring Transactions | 431,561 | 196,519 |
| Other | 65,905 | 22,452 |
| Total | 497,466 | 218,971 |

| | Current Period | Prior Period |
|--|------------------|------------------|
| Other Fees and Commissions Received | | |
| Credit Card Fee and Commissions | 1,338,493 | 798,932 |
| Insurance Commissions | 257,476 | 178,300 |
| Brokerage Commissions | 157,555 | 170,741 |
| Funds Management Fees | 105,340 | 85,505 |
| Early Closing Commissions | 24,368 | 76,263 |
| General Limit Revision Commissions | 82,751 | 49,332 |
| Transfer Commissions | 84,292 | 48,859 |
| Settlement Expense Provision, Eft, Swift, Agency Commissions | 41,597 | 41,331 |
| Periodic Service Commission | - | 28,225 |
| Consultancy Commission | 53,858 | 9,535 |
| Other | 216,730 | 210,451 |
| Total | 2,362,460 | 1,697,474 |

| | | |
|--|------------------|----------------|
| Other Fees and Commissions Given | | |
| Credit Cards Commissions and Fees | 824,306 | 418,324 |
| Commissions and Fees Paid to Correspondent Banks | 89,408 | 62,254 |
| Settlement Expense Provision, Eft, Swift, Agency Commissions | 36,990 | 33,471 |
| Other | 136,170 | 104,669 |
| Total | 1,086,874 | 618,718 |

13. Fees for Services Received from Independent Auditor / Independent Audit Firm:

The fee for services for the reporting period regarding the services received from the independent auditor or independent audit firm in accordance with the decision of the POA dated 26 March 2021 is given in the table below. These fees include the fees for services rendered to the Parent Bank's foreign and domestic subsidiaries and unconsolidated non-financial partnerships.

| (Amounts in thousand TL, excluding VAT) | Current Period | Prior Period |
|--|----------------|--------------|
| Independent audit fee for the reporting period | 5,345 | 4,060 |
| Fees for tax advisory services | - | - |
| Fee for other assurance services | 119 | 64 |
| Fees for services other than independent audit | 135 | 120 |
| Total | 5,599 | 4,244 |

V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders' Equity

- The effect of changes in the fair value of financial assets at fair value through profit or loss is recognized in the “Marketable Securities Valuation Differences” account under the equity. In 2021, the relevant amount is decreased by TL 141,172 (31 December 2020: TL 132,450 decreased) and change effect to deferred tax is TL 29,564 (31 December 2020: TL 27,057).
- Increase in cash flow risk hedging items:

The Parent bank uses interest rate and cross currency swaps for reducing cash flow risk arising from short term deposit and borrowing. In this context, the effective portion is accounted for under equity in “Hedging Funds” account. The related amount in 2021 decreased by TL 658,228 (31 December 2020: TL 829,370 decreased) and the effect of this change to deferred tax is TL 138,725 (31 December 2020: TL 169,324).

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V. Explanations and Disclosures Related to Consolidated Statement of Changes in Shareholders’ Equity

c) Explanations on profit distribution:

It has been resolved in the Ordinary General Assembly dated 26 March 2021 of the Parent Bank, TL 1,177,314 that constitutes the 2020 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL 58,866 as Legal Reserves, TL 935 as special reserves, TL 0.96 (full TL) as profit distributed to the holders of the founder jouissance certificates.

Profit appropriation will be resolved in the General Assembly meeting which has not been conducted as of the date of the accompanying financial statements are authorized for issue.

VI. Explanations and Disclosures Related to Statement of Consolidated Cash Flows

1. The effect of other items in the Statement of Cash Flows and the change in the exchange rate on cash and cash equivalents:

“Other items” amounting to TL 4,793,712 (31 December 2020: TL 2,439,324) in “Operating profit before changes in operating assets and liabilities” consists of fees and commissions paid and other expenses except for leasing expenses, reserve for employee termination benefits, depreciation charges and taxes paid.

The “net increase in other liabilities” item in the “change in assets and liabilities subject to banking activities “amounting to TL 5,825,105 (31 December 2020: TL 1,012,184 increased) consists of various liabilities, other foreign sources, and changes in money markets. “Net decrease in other assets” item amounting to TL 8,442,255 (31 December 2020: TL 1,111,815 increased) consists of changes in blocked reserve requirements, miscellaneous receivables, and other assets.

“Other” item amounting to TL 122,121 (31 December 2020: TL 89,347) in “Net cash provided from investment activities” consists of cash outflows for intangible assets received in the current period.

The effect of change in foreign exchange rate on cash and cash equivalents includes the foreign exchange rate difference resulting from the conversion of foreign currency cash and cash equivalents to TL at the beginning and end of mostly the period rates , it was realized as 2,128,252 TL for 2021 (31 December 2020: 1,432,624 TL).

2. Cash and cash equivalents at the beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flow statement:

| Beginning of the period | Current Period | Prior Period |
|--|-----------------------|---------------------|
| Cash | 10,125,205 | 6,936,878 |
| Cash in TL/Foreign Currency | 2,331,352 | 2,441,970 |
| Central Bank – Unrestricted amount | 7,605,582 | 4,229,448 |
| Other | 188,271 | 265,460 |
| Cash equivalents | 14,110,019 | 11,273,591 |
| Banks | 7,932,019 | 10,433,550 |
| Money market placements | 6,178,000 | 840,041 |
| Total cash and cash equivalents | 24,235,224 | 18,210,469 |
| End of the period | Current Period | Prior Period |
| Cash | 19,904,616 | 10,125,205 |
| Cash in TL/Foreign Currency | 7,473,318 | 2,331,352 |
| Central Bank – Unrestricted amount | 12,202,866 | 7,605,582 |
| Other | 228,432 | 188,271 |
| Cash equivalents | 11,510,249 | 14,110,019 |
| Banks | 11,507,004 | 7,932,019 |
| Money market placements | 3,245 | 6,178,000 |
| Total cash and cash equivalents | 31,414,865 | 24,235,224 |

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VII. Explanations and Disclosures Related to Risk Group of the Parent Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Balance sheet items and income/expense items of previous periods are presented as of 31 December 2020.

a) Current Period:

| Risk Group Involving The Parent Bank | Subsidiaries, Associates and Entities under Common Control (Joint Vent.) | | Direct and Indirect Shareholders of the Parent Bank | | Other Entities Included in the Risk Group | |
|--------------------------------------|--|----------|---|----------|--|----------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans | | | | | | |
| Balance at Beginning of Period | - | - | 161,422 | 438,193 | 810,094 | 89,477 |
| Balance at End of Period | - | - | 238,949 | 389,230 | 1,775,528 | 129,424 |
| Interest and Commission Income | - | - | 4,838 | 3,333 | 54,971 | 316 |

Direct and indirect shareholders of the Group balance above includes TL 238,949 and other entities included in the risk group balance above includes TL 812,103 placement in “Banks”.

b) Prior Period:

| Risk Group Involving The Parent Bank | Subsidiaries, Associates and Entities under Common Control (Joint Vent.) | | Direct and Indirect Shareholders of the Parent Bank | | Other Entities Included in the Risk Group | |
|--------------------------------------|--|----------|---|----------|--|----------|
| | Cash | Non-cash | Cash | Non-cash | Cash | Non-cash |
| Loans | | | | | | |
| Balance at Beginning of Period | - | - | 19,196 | 182,856 | 393,152 | 101,145 |
| Balance at End of Period | - | - | 161,422 | 438,193 | 810,094 | 89,477 |
| Interest and Commission Income | - | 4 | 7,596 | 2,125 | 16,452 | 629 |

Direct and indirect shareholders of the Group balance above includes TL 161,422 and other entities included in the risk group balance above includes TL 76,533 placement in “Banks”.

c) c.1) Information on related party deposits balances:

| Risk Group Involving The Parent Bank | Subsidiaries, Associates and Entities under Common Control (Joint Vent.) | | Direct and Indirect Shareholders of the Parent Bank | | Other Entities Included in the Risk Group | |
|--------------------------------------|--|-----------------|---|-----------------|--|-----------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Deposits | | | | | | |
| Balance at Beginning of Period | 1 | - | 5,596,710 | 3,313,150 | 1,281,302 | 648,747 |
| Balance at End of Period | - | 1 | 4,577,873 | 5,596,710 | 1,263,224 | 1,281,302 |
| Interest on Deposits | - | - | 423,573 | 162,488 | 110,248 | 39,047 |

c.2) Information on forward and option agreements and other similar agreements made with related parties:

| Risk Group Involving The Parent Bank | Subsidiaries, Associates and Entities under Common Control (Joint Vent.) | | Direct and Indirect Shareholders of the Parent Bank | | Other Entities Included in the Risk Group | |
|--|--|-----------------|---|-----------------|--|-----------------|
| | Current Period | Prior Period | Current Period | Prior Period | Current Period | Prior Period |
| Financial Assets at Fair Value Through Profit or Loss | | | | | | |
| Beginning of Period | - | - | 18,396,561 | 29,930,097 | 284,453 | 913,846 |
| End of Period | - | - | 36,494,649 | 18,396,561 | 729,855 | 284,453 |
| Total Profit/Loss | - | - | (521,049) | (1,106,802) | (63,701) | (23,948) |
| Hedging Transactions Purposes | | | | | | |
| Beginning of Period | - | - | 10,139,721 | 17,648,505 | - | - |
| End of Period | - | - | 9,575,676 | 10,139,721 | - | - |
| Total Profit/Loss | - | - | 421,932 | 949,648 | - | - |

d) As of 31 December 2021, the total amount of remuneration and fees provided for the senior management of the Group is TL 81,530 (31 December 2020: TL 62,363).

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VIII. Explanations on the Parent Bank’s Domestic, Abroad, Off-Shore Branches or Subsidiaries, and Agencies Abroad

1. Explanation on the Subject in Case the Parent Bank Opens or Closes a Branch or Representation Office in Turkey and Abroad, and Changes Its Organization Significantly:

| | Numbers | Employees | | | |
|--------------------|---------|-----------|--------|--------------|---------|
| Domestic branches | 451 | 8,506 | | | |
| Rep-offices abroad | | | | Country | |
| Branches abroad | 4 | 66 | Cyprus | Total Assets | Capital |
| Off-shore branches | | | | 2,024,997 | 20,000 |

2. Explanations on Branch and Agency Openings or Closings of the Parent Bank:

The Parent Bank closed 2 branches in 2021, and 2 branches were opened during the year.

IX. Explanations on Significant Events and Matters Arising Subsequent to Balance Sheet Date

None.

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations on Activities of the Parent Bank

None.

SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report

The consolidated financial statements of the Group were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 8 February 2022 is presented preceding the consolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors

None.