

*CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED UNCONSOLIDATED
INTERIM FINANCIAL STATEMENTS AND
REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH*

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS AND RELATED
DISCLOSURES AT 30 SEPTEMBER 2020 WITH
AUDITOR'S REVIEW REPORT**

(Convenience Translation of the Report on Review of Interim Financial Information Originally Issued in Turkish)

REPORT ON REVIEW OF UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türk Ekonomi Bankası A.Ş. (“the Bank”) as at 30 September 2020, and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial 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 the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information does not present fairly, in all material respects, the financial position of Türk Ekonomi Bankası A.Ş. as at 30 September 2020, and of the results of their operations and their cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the unconsolidated interim financial information provided in the Management’s interim report included in section seven of the accompanying unconsolidated financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed unconsolidated interim financial statements and the explanatory notes.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying unconsolidated financial statements. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated interim financial statements and IFRS.

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

Yaman Polat, SMMM
Partner

İstanbul, 3 November 2020

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

Convenience Translation of
Publicly Announced Unconsolidated Interim Financial Statements and Review Report
Originally Issued in Turkish, See in Note I. of Section Three

UNCONSOLIDATED INTERIM FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

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The unconsolidated interim financial report for the nine-month 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 Bank
- Unconsolidated Financial Statements of the Bank
- Explanations on the Accounting Policies Applied in the Related Period
- Information on Financial Structure and Risk Management of the Bank
- Disclosures and Footnotes on Unconsolidated Financial Statements
- Auditor’s Review Report
- Interim Activity Report

The accompanying unconsolidated interim financial statements for the nine-month period, related disclosures and footnotes which have been reviewed 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 our Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

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

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

Name-Surname/Title : Aslıhan Kaya / External Reporting Senior Manager
Telephone Number : (0216) 635 24 51
Fax Number : (0216) 636 36 36

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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SECTION ONE

GENERAL INFORMATION

I. History of the 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 Bank’s Capital Structure, Shareholders of the Bank who are in Charge of the Management and/or Auditing of the Bank Directly or Indirectly, Changes in these Matters (if any), and the Group the Bank Belongs to

As of 30 September 2020 and 31 December 2019 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	30 September 2020		31 December 2019	
	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 30 September 2020, the Bank’s paid-in-capital consists of 2,204,390,000 shares of TL 1.00 (full TL) nominal each.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(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 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
Jean Paul Sabet	Deputy Chairman of the Board of Directors	University
Ayşe Aşardağ	Member of the Board of Directors and Vice Chairman of the Audit Committee	University
François Andre Jesualdo Benaroya	Member of the Board of Directors	University
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee	University
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
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	Chief Executive Officer and the Executive Member	Master
Assistant General Managers;		
Gökhan Mendi	Senior Assistant General Manager Responsible from Retail and Private Banking Group	Master
Bade Sipahioğlu Işık	Assistant General Manager Responsible from Human Resources Group	Master
Melis Coşan Baban	Chief Legal Advisor and Secretary of the Board of Directors	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
Kubilay Güler	Assistant General Manager Responsible from Banking Operations and Support Services	University
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Dr.Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Akil Özçay	Assistant General Manager Responsible from Fixed Income	Master
Gökhan Özdil	Assistant General Manager Responsible from Corporate Loans	University
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
Ali İhsan Arıdaşır	Assistant General Manager Responsible from SME Loans	University
Ali Gökhan Cengiz	Assistant General Manager Responsible from SME Banking	Master
Group Heads (*);		
Nimet Elif Akpınar	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 Group	University

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

There are no Bank shares owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

IV. Information on the 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 Fortis Bank SA/NV whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNPP Yatırımlar Holding are controlled by BNP Paribas SA.

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

The 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 Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetimi A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 30 September 2020, the Bank has 467 local branches and 4 foreign branches (31 December 2019: 467 local branches, 4 foreign branches). As of 30 September 2020, the number of employees of the Bank is 8,845 (31 December 2019: 8,954).

VI. Differences between the Communiqué on Preparation of 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 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.

The Bank presented TEB ARF Teknoloji A.Ş., which is owned 100% by Bank, in its financial statements as a subsidiary, since it is a non-financial subsidiary, it is carried at cost in the financial statements.

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

None.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet
- II. Statement of Off-Balance Sheet Items
- III. Statement of Profit or Loss
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2020
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Section 5 Note	Reviewed Current Period 30.09.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		20,442,770	20,282,244	40,725,014	8,076,181	22,007,009	30,083,190
1.1 Cash and Cash Equivalents		7,782,893	15,793,036	23,575,929	2,626,642	18,709,959	21,336,601
1.1.1 Cash and Balances with Central Bank	(I-1)	2,200,760	13,899,050	16,099,810	716,053	11,239,917	11,955,970
1.1.2 Banks	(I-4)	2,444,005	1,905,589	4,349,594	1,071,174	7,480,991	8,552,165
1.1.3 Money Markets		3,139,543	-	3,139,543	840,263	-	840,263
1.1.4 Expected Loss Provision (-)		1,415	11,603	13,018	848	10,949	11,797
1.2 Financial Assets at Fair Value Through Profit or Loss		847,386	1,432,833	2,280,219	426,084	869,339	1,295,423
1.2.1 Government Debt Securities	(I-2)	803,302	1,303,041	2,106,343	385,317	782,677	1,167,994
1.2.2 Equity Securities		44,084	129,792	173,876	40,767	84,258	125,025
1.2.3 Other Financial Assets		-	-	-	-	2,404	2,404
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(I-5)	7,838,674	2,805,917	10,644,591	3,323,142	2,216,475	5,539,617
1.3.1 Government Debt Securities		7,827,908	2,805,917	10,633,825	3,315,247	2,216,475	5,531,722
1.3.2 Equity Securities		10,766	-	10,766	7,895	-	7,895
1.3.3 Other Financial Assets		-	-	-	-	-	-
1.4 Derivative Financial Assets		3,973,817	250,458	4,224,275	1,700,313	211,236	1,911,549
1.4.1 Derivative Financial Assets at Fair Value Through Profit and Loss	(I-3)	2,480,247	217,680	2,697,927	1,473,795	196,247	1,670,042
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-12)	1,493,570	32,778	1,526,348	226,518	14,989	241,507
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		72,867,700	15,734,225	88,601,925	57,002,218	13,480,439	70,482,657
2.1 Loans	(I-6)	66,453,547	13,826,910	80,280,457	56,725,319	12,492,716	69,218,035
2.2 Lease Receivables	(I-11)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	(I-7)	9,954,067	2,355,623	12,309,690	3,549,987	1,356,631	4,906,618
2.4.1 Government Debt Securities		9,954,067	2,355,623	12,309,690	3,549,987	1,356,631	4,906,618
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected Credit Loss (-)		3,539,914	448,308	3,988,222	3,273,088	368,908	3,641,996
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)		124,529	-	124,529	131,362	-	131,362
3.1 Held for Sale Purpose	(I-14)	124,529	-	124,529	131,362	-	131,362
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		116,041	-	116,041	115,991	-	115,991
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)	116,036	-	116,036	115,986	-	115,986
4.2.1 Unconsolidated Financial Subsidiaries		115,986	-	115,986	115,986	-	115,986
4.2.2 Unconsolidated Non-Financial Subsidiaries		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)		795,133	-	795,133	877,782	-	877,782
VI. INTANGIBLE ASSETS (Net)		524,612	-	524,612	555,886	-	555,886
6.1 Goodwill		421,124	-	421,124	421,124	-	421,124
6.2 Other		103,488	-	103,488	134,762	-	134,762
VII. INVESTMENT PROPERTIES (Net)	(I-13)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		309,365	-	309,365	10,958	-	10,958
IX. DEFERRED TAX ASSET		252,892	-	252,892	650,094	-	650,094
X. OTHER ASSETS (Net)		2,112,109	904,558	3,016,667	2,345,923	2,096,325	4,442,248
TOTAL ASSETS		97,545,151	36,921,027	134,466,178	69,766,395	37,583,773	107,350,168

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

TÜRK EKONOMİ BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2020

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Section 5 Note	Reviewed Current Period 30.09.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	(II-1)	48,556,431	42,697,193	91,253,624	34,476,076	37,718,252	72,194,328
II. FUNDS BORROWED	(II-3)	281,464	9,220,742	9,502,206	307,801	8,269,181	8,576,982
III. MONEY MARKET FUNDS		631,215	2,712,258	3,343,473	1,317,498	327,167	1,644,665
IV. SECURITIES ISSUED (Net)	(II-3)	5,694,113	-	5,694,113	2,333,877	-	2,333,877
4.1 Bills		5,636,854	-	5,636,854	2,333,877	-	2,333,877
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		57,259	-	57,259	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		2,523,167	236,568	2,759,735	3,404,041	107,517	3,511,558
7.1 Derivative Financial Liabilities at Fair Value Through Profit and Loss	(II-2)	1,548,235	223,168	1,771,403	1,486,334	100,250	1,586,584
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-6)	974,932	13,400	988,332	1,917,707	7,267	1,924,974
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)	(II-5)	548,091	59,173	607,264	614,030	39,677	653,707
X. PROVISIONS	(II-7)	607,652	245,298	852,950	657,461	168,521	825,982
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		391,853	26,260	418,113	352,885	22,713	375,598
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		215,799	219,038	434,837	304,576	145,808	450,384
XI. CURRENT TAX LIABILITY	(II-8)	177,527	-	177,527	213,516	-	213,516
XII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held For Sale		-	-	-	-	-	-
13.2 Held From Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS		-	4,316,468	4,316,468	-	3,190,503	3,190,503
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	4,316,468	4,316,468	-	3,190,503	3,190,503
XV. OTHER LIABILITIES		4,382,040	347,699	4,729,739	4,029,751	454,725	4,484,476
XVI. SHAREHOLDERS' EQUITY	(II-9)	11,350,257	(121,178)	11,229,079	9,705,323	15,251	9,720,574
16.1 Paid-in Capital		2,204,390	-	2,204,390	2,204,390	-	2,204,390
16.2 Capital Reserves		390,297	-	390,297	390,297	-	390,297
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		387,732	-	387,732	387,732	-	387,732
16.3 Other Accumulated Comprehensive Income or Expense that will not be Reclassified at Profit and Loss		328,197	-	328,197	312,187	-	312,187
16.4 Other Accumulated Comprehensive Income or Expense that will be Reclassified at Profit and Loss		(397,934)	(121,178)	(519,112)	(884,581)	15,251	(869,330)
16.5 Profit Reserves		7,664,139	-	7,664,139	6,603,179	-	6,603,179
16.5.1 Legal Reserves		452,086	-	452,086	398,568	-	398,568
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		7,020,021	-	7,020,021	6,194,919	-	6,194,919
16.5.4 Other Profit Reserves		192,032	-	192,032	9,692	-	9,692
16.6 Profit or Loss		1,161,168	-	1,161,168	1,079,851	-	1,079,851
16.6.1 Prior Periods' Profit / Loss		9,497	-	9,497	9,497	-	9,497
16.6.2 Current Periods' Profit / Loss		1,151,671	-	1,151,671	1,070,354	-	1,070,354
16.7 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES		74,751,957	59,714,221	134,466,178	57,059,374	50,290,794	107,350,168

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

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 30 SEPTEMBER 2020

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

	Section 5 Note	Reviewed Current Period 30.09.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		77,652,711	96,758,932	174,411,643	67,739,091	87,362,056	155,101,147
I. GUARANTEES AND WARRANTIES	(III-I)	7,944,505	17,420,420	25,364,925	9,130,519	13,244,967	22,375,486
1.1 Letters of Guarantee		6,200,587	8,439,133	14,639,720	6,481,105	7,071,936	13,553,041
1.1.1 Guarantees Subject to State Tender Law		80,893	98,836	179,729	93,314	79,406	172,720
1.1.2 Guarantees Given for Foreign Trade Operations		305,800	553,523	859,323	319,439	417,745	737,184
1.1.3 Other Letters of Guarantee		5,813,894	7,786,774	13,600,668	6,068,352	6,574,785	12,643,137
1.2 Bank Acceptances		-	19,148	19,148	-	12,915	12,915
1.2.1 Import Letter of Acceptance		-	19,148	19,148	-	12,915	12,915
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		460	5,209,634	5,210,094	260	2,623,591	2,623,851
1.3.1 Documentary Letters of Credit		330	3,601,379	3,601,709	-	1,119,305	1,119,305
1.3.2 Other Letters of Credit		130	1,608,255	1,608,385	260	1,504,286	1,504,546
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		1,742,233	2,844,139	4,586,372	2,649,033	2,382,926	5,031,959
1.9 Other Collaterals		1,225	908,366	909,591	121	1,153,599	1,153,720
II. COMMITMENTS	(III-I)	17,928,876	3,746,243	21,675,119	16,821,291	3,460,708	20,281,999
2.1 Irrevocable Commitments		17,928,876	3,746,243	21,675,119	16,821,291	3,460,708	20,281,999
2.1.1 Asset Purchase Commitments		1,575,314	3,378,520	4,953,834	1,406,402	2,278,420	3,684,822
2.1.2 Deposit Purchase and Sale Commitments		-	-	-	-	759,924	759,924
2.1.3 Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		5,596,138	237,414	5,833,552	5,059,676	174,696	5,234,372
2.1.5 Securities Issuance Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheque Payments		1,766,852	-	1,766,852	1,769,641	-	1,769,641
2.1.8 Tax and Fund Liabilities from Export Commitments		45,503	-	45,503	71,566	-	71,566
2.1.9 Commitments for Credit Card Limits		8,939,147	-	8,939,147	8,506,931	-	8,506,931
2.1.10 Commitments for Credit Cards and Banking Services Promotions		5,922	-	5,922	4,975	-	4,975
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		-	130,309	130,309	2,100	247,668	249,768
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		51,779,330	75,592,269	127,371,599	41,787,281	70,656,381	112,443,662
3.1 Derivative Financial Instruments for Hedging Purposes		12,622,448	12,126,588	24,749,036	16,303,838	9,650,297	25,954,135
3.1.1 Fair Value Hedge		2,158,285	4,493,154	6,651,439	-	1,740,184	1,740,184
3.1.2 Cash Flow Hedge		10,464,163	7,633,434	18,097,597	16,303,838	7,910,113	24,213,951
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Held for Trading Transactions		39,156,882	63,465,681	102,622,563	25,483,443	61,006,084	86,489,527
3.2.1 Forward Foreign Currency Buy/Sell Transactions		5,102,463	8,424,535	13,526,998	3,905,504	6,836,778	10,742,282
3.2.1.1 Forward Foreign Currency Transactions-Buy		2,883,610	3,874,345	6,757,955	2,186,296	3,210,603	5,396,899
3.2.1.2 Forward Foreign Currency Transactions-Sell		2,218,853	4,550,190	6,769,043	1,719,208	3,626,175	5,345,383
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		32,190,727	47,084,450	79,275,177	18,588,736	48,542,952	67,131,688
3.2.2.1 Foreign Currency Swap-Buy		1,705,091	24,999,932	26,705,023	4,003,482	25,326,796	29,330,278
3.2.2.2 Foreign Currency Swap-Sell		17,629,636	11,924,434	29,554,070	12,453,254	16,946,840	29,400,094
3.2.2.3 Interest Rate Swaps-Buy		6,428,000	5,080,042	11,508,042	1,066,000	3,134,658	4,200,658
3.2.2.4 Interest Rate Swaps-Sell		6,428,000	5,080,042	11,508,042	1,066,000	3,134,658	4,200,658
3.2.3 Foreign Currency, Interest Rate and Securities Options		1,081,911	3,482,009	4,563,920	2,952,821	5,548,060	8,500,881
3.2.3.1 Foreign Currency Options-Buy		658,554	1,640,800	2,299,354	1,726,935	2,562,617	4,289,552
3.2.3.2 Foreign Currency Options-Sell		423,357	1,841,209	2,264,566	1,225,886	2,985,443	4,211,329
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		781,781	791,561	1,573,342	36,362	35,164	71,526
3.2.4.1 Foreign Currency Futures-Buy		19,685	770,114	789,799	36,362	-	36,362
3.2.4.2 Foreign Currency Futures-Sell		762,096	21,447	783,543	-	35,164	35,164
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		-	3,683,126	3,683,126	20	43,130	43,150
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		165,479,893	44,321,441	209,801,334	155,126,352	34,382,041	189,508,393
IV. ITEMS HELD IN CUSTODY		21,395,280	5,307,676	26,702,956	22,692,296	3,362,169	26,054,465
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held In Custody		10,970,973	3,809,442	14,780,415	12,683,121	1,926,086	14,609,207
4.3 Cheques Received for Collection		9,701,871	848,913	10,550,784	9,224,197	917,651	10,141,848
4.4 Commercial Notes Received for Collection		434,266	106,800	541,066	501,378	129,625	631,003
4.5 Other assets Received for Collection		125	542,521	542,646	125	388,807	388,932
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items under Custody		288,045	-	288,045	283,475	-	283,475
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		139,833,608	38,529,740	178,363,348	127,978,988	30,359,974	158,338,962
5.1 Marketable Securities		419,287	476,600	895,887	362,798	100,651	463,449
5.2 Guarantee Notes		50,030,635	25,929,683	75,960,318	48,526,817	20,196,846	68,723,663
5.3 Commodity		98,851	-	98,851	50,194	-	50,194
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		79,225,360	8,297,918	87,523,278	69,855,979	7,236,289	77,092,268
5.6 Other Pledged Items		10,059,475	3,825,539	13,885,014	9,183,200	2,826,188	12,009,388
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED BILL, GUARANTEES AND WARRANTIES		4,251,005	484,025	4,735,030	4,455,068	659,898	5,114,966
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		243,132,604	141,080,373	384,212,977	222,865,443	121,744,097	344,609,540

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

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIOD
ENDED 1 JANUARY – 30 SEPTEMBER 2020

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

III. STATEMENT OF PROFIT OR LOSS

INCOME AND EXPENSE ITEMS		Section 5 Note	Reviewed Current Period 01.01-30.09.2020	Reviewed Prior Period 01.01-30.09.2019	Reviewed Current Period 01.07-30.09.2020	Reviewed Prior Period 01.07-30.09.2019
I.	INTEREST INCOME	(IV-1)	8,112,634	9,452,897	2,780,355	3,205,818
1.1	Interest Income on Loans		6,440,357	8,136,404	2,039,474	2,719,634
1.2	Interest Income on Reserve Requirements		38,026	100,198	22,658	29,435
1.3	Interest Income on Banks		103,429	185,247	45,997	68,987
1.4	Interest Income on Money Market Transactions		47,639	178,976	31,946	50,292
1.5	Interest Income on Securities Portfolio		1,475,943	834,171	637,211	331,299
1.5.1	Financial Assets at Fair Value Through Profit or Loss		146,590	153,115	51,751	83,821
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		583,318	246,515	235,536	88,138
1.5.3	Financial Assets Measured at Amortized Cost		746,035	434,541	349,924	159,340
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		7,240	17,901	3,069	6,171
II.	INTEREST EXPENSE (-)	(IV-2)	3,496,698	5,683,431	1,202,362	1,781,492
2.1	Interest Expense on Deposits		2,418,288	4,687,966	848,637	1,414,421
2.2	Interest Expense on Funds Borrowed		361,859	393,910	123,668	127,327
2.3	Interest Expense on Money Market Transactions		199,247	85,677	48,590	32,944
2.4	Interest Expense on Securities Issued		333,886	419,431	152,914	177,223
2.5	Interest Expense on Leases		73,931	76,896	24,206	27,266
2.6	Other Interest Expenses		109,487	19,551	4,347	2,311
III.	NET INTEREST INCOME (I - II)		4,615,936	3,769,466	1,577,993	1,424,326
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		892,779	1,115,728	260,832	373,468
4.1	Fees and Commissions Received		1,321,440	1,794,470	404,811	619,932
4.1.1	Non-cash Loans		190,375	217,447	65,065	69,913
4.1.2	Other	(IV-9)	1,131,065	1,577,023	339,746	550,019
4.2	Fees and Commissions Paid (-)		428,661	678,742	143,979	246,464
4.2.1	Non-cash Loans		5,021	3,457	1,666	1,414
4.2.2	Other	(IV-9)	423,640	675,285	142,313	245,050
V.	DIVIDEND INCOME		31,218	18,269	205	-
VI.	TRADING INCOME / LOSS (Net)	(IV-3)	(1,108,340)	(602,013)	(494,246)	(429,527)
6.1	Securities Trading Gains / Losses		(39,616)	40,546	(29,758)	7,185
6.2	Gains / Losses on Derivative Financial Instruments		(890,122)	(589,977)	(359,972)	(579,463)
6.3	Foreign Exchange Gains / Losses		(178,602)	(52,582)	(104,516)	142,751
VII.	OTHER OPERATING INCOME	(IV-4)	89,322	82,717	32,101	26,273
VIII.	GROSS OPERATING PROFIT (III+IV+V+VI+VII+VIII)		4,520,915	4,384,167	1,376,885	1,394,540
IX.	EXPECTED CREDIT LOSS (-)	(IV-5)	533,334	1,011,544	38,991	305,665
X.	OTHER PROVISION EXPENSES (-)	(IV-5)	(23,739)	39	1	489
XI.	PERSONNEL EXPENSE (-)		1,188,386	1,071,943	398,818	356,331
XII.	OTHER OPERATING EXPENSES (-)	(IV-6)	1,339,506	1,255,500	466,253	490,970
XIII.	NET OPERATING INCOME/LOSS (VIII-IX-X-XI-XII)		1,483,428	1,045,141	472,822	241,085
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV.	INCOME/LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XVI.	INCOME/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(IV-7)	1,483,428	1,045,141	472,822	241,085
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)		(331,757)	(254,153)	(85,651)	(79,681)
18.1	Current Tax Provision		(20,623)	(495,972)	306,362	(161,768)
18.2	Deferred Tax Income Effect (+)		(701,919)	(66,505)	(463,902)	(9,319)
18.3	Deferred Tax Expense Effect (-)		390,785	308,324	71,889	91,406
XIX.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XVII±XVIII)		1,151,671	790,988	387,171	161,404
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 (XIX-XX)	(IV-7)	-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
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)		-	-	-	-
XXV.	NET INCOME/LOSS (XIX+XXIV)	(IV-8)	1,151,671	790,988	387,171	161,404
25.1	Group's Profit / Loss		1,151,671	790,988	387,171	161,404
25.2	Minority Interest Profit / Loss (-)		-	-	-	-
	Earnings per Share		0.5224	0.3588	0.1756	0.0732

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

TÜRK EKONOMİ BANKASI A.Ş.**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED 1 JANUARY – 30 SEPTEMBER 2020**

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed Current Period 01.01-30.09.2020	Reviewed Prior Period 01.01-30.09.2019
I. CURRENT PERIOD INCOME/LOSS	1,151,671	790,988
II. OTHER COMPREHENSIVE INCOME	356,834	(960,591)
2.1 Other Comprehensive Income that will not be Reclassified through Profit or Loss	6,616	9,672
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 Remeasurements of Defined Benefit Plans	7,757	8,625
2.1.4 Other Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss	416	2,877
2.1.5 Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified through Profit or Loss	(1,557)	(1,830)
2.2 Other Comprehensive Income that will be Reclassified to Profit or Loss	350,218	(970,263)
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	(281,652)	182,734
2.2.3 Income (loss) related with Cash Flow Hedges	716,382	(1,403,668)
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	(84,512)	250,671
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,508,505	(169,603)

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

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE INTERIM PERIOD FROM 1 JANUARY – 30 SEPTEMBER 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			Current Period Profit or (Loss)		Total Equity Except from Minority Shares	Minority Shares	Total Shareholders' Equity	
Reviewed	Paid-in Capital	Share Premiums	Share Cancellation Profit	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	or (Loss)	Minority Shares	Equity	
Period-End Balance 30.09.2019																
(III+IV+V+VI+VII+VIII+IX+X+XI)																
	2,204,390	2,565	-	387,732	266,122	39,602	4,568	-	2,978	(839,063)	6,603,179	9,497	790,988	9,472,558	-	9,472,558
Current Period – 01.01-30.09.2020																
I. Prior Period End Balance	2,204,390	2,565	-	387,732	266,122	41,322	4,743	-	17,421	(886,751)	6,603,179	1,079,851	-	9,720,574	-	9,720,574
II. Corrections According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The Effect of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The Effects of Changes in Accounting Policy	-	-	-	(96,347)	-	-	-	-	-	-	-	-	-	(96,347)	-	(96,347)
III. Adjusted Beginning Balance (I+II)	2,204,390	2,565	-	387,732	266,122	41,322	4,743	-	17,421	(886,751)	6,603,179	1,079,851	-	9,720,574	-	9,720,574
IV. Total Comprehensive Income	-	-	-	-	-	6,205	411	-	(219,689)	569,907	-	-	1,151,671	1,508,505	-	1,508,505
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	-	-	-	-	-	1,060,960	(1,070,354)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	9,394	-	-	-	-	-	1,060,960	(1,070,354)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance 30.09.2020																
(III+IV+V+VI+VII+VIII+IX+X+XI)																
	2,204,390	2,565	-	387,732	275,516	47,527	5,154	-	(202,268)	(316,844)	7,664,139	9,497	1,151,671	11,229,079	-	11,229,079

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 unconsolidated financial statements.

TÜRK EKONOMİ BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD FROM 1 JANUARY – 30 SEPTEMBER 2020
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. STATEMENT OF CASH FLOWS

	Reviewed Current Period 01.01-30.09.2020	Reviewed Prior Period 01.01-30.09.2019
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	3,596,536	3,983,936
1.1.1 Interest received	7,926,035	8,987,288
1.1.2 Interest paid	(3,336,516)	(5,827,055)
1.1.3 Dividend received	31,218	18,269
1.1.4 Fees and commissions received	926,721	1,778,121
1.1.5 Other income	89,622	2,231,442
1.1.6 Collections from previously written off loans	1,129,629	721,014
1.1.7 Payments to personnel and service suppliers	(1,164,586)	(1,055,341)
1.1.8 Taxes paid	(342,411)	(431,058)
1.1.9 Others	(1,663,176)	(2,438,744)
1.2 Changes in operating assets and liabilities	3,737,301	(7,624,758)
1.2.1 Net (increase) in financial asset at fair value through profit or loss	(987,079)	(516,093)
1.2.2 Net (increase) in due from banks and other financial institutions	786	(2,005)
1.2.3 Net (increase) in loans	(7,641,320)	(3,119,052)
1.2.4 Net (increase) in other assets	(921,422)	(3,561,749)
1.2.5 Net increase/ (decrease) in bank deposits	5,665,559	1,060,326
1.2.6 Net increase in other deposits	5,251,441	557,604
1.2.7 Net increase / (decrease) in financial liabilities at fair value through profit or loss	-	-
1.2.8 Net increase/ (decrease) in funds borrowed	957,590	(1,694,408)
1.2.9 Net increase / (decrease) in matured payables	-	-
1.2.10 Net (decrease) / increase in other liabilities	1,411,746	(349,381)
I. Net cash provided from banking operations	7,333,837	(3,640,822)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities	(11,549,310)	(1,240,277)
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	(99,530)	(39,228)
2.4 Cash obtained from sale of tangible assets	3,856	1,908
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(6,314,808)	(1,276,328)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	1,672,232	1,331,466
2.7 Cash paid for purchase of financial assets measured at amortized cost	(7,592,934)	(1,188,410)
2.8 Cash obtained from sale of financial assets measured at amortized cost	807,184	-
2.9 Others	(25,260)	(69,685)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities	3,155,014	2,419,672
3.1 Cash obtained from funds borrowed and securities issued	14,631,331	12,620,976
3.2 Cash used for repayment of funds borrowed and securities issued	(11,295,590)	(10,039,057)
3.3 Equity instruments issued	-	-
3.4 Dividends paid	-	-
3.5 Payments for financial leases	(180,727)	(162,247)
3.6 Others	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	1,079,772	420,969
V. Net increase in cash and cash equivalents	19,313	(2,040,458)
VI. Cash and cash equivalents at beginning of the period	16,328,523	13,034,066
VII. Cash and cash equivalents at end of the period	16,347,836	10,993,608

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

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

A new type of coronavirus (COVID-19), first emerging in China, has been classified as an 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 Bank's financial statements are regularly monitored by the Risk Management as well as the Bank's Management. While preparing the interim financial statements as of 30 September 2020, the Bank 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 30 September 2020, 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 accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained between Notes II and XXV.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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

The Bank 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 Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

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

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

The 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 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 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 balance sheet structure.

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

In accordance with “TAS 27”, investments in associates, subsidiaries and joint ventures are accounted with cost values and are reflected on the financial statements after deducting the provision for impairment, if any.

The dividends received from investments in associates, subsidiaries and joint ventures are reflected to income statements at the date of the right to receive dividend.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The 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 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".

Assets and liabilities arising from derivative transactions are recorded in off-balance sheet through their contractual amounts. Derivative transactions are measured at fair value after initial recognition. In accordance with the classification of derivative financial instruments, they are disclosed under "Derivative Financial Assets at Fair Value Through Profit or Loss" or “Derivative Financial Assets at Fair Value Through Other Comprehensive Income” in financial statements. Differences arising from the fair value changes of derivative financial instruments at fair value through profit or loss are recognized under “Gains / Losses on Derivative Financial Instruments” in “Trading Income / Loss” in the statement of profit or loss. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

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.

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.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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

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 in to 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 are 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. 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.

The Bank has adopted fair value and cash flow hedge accounting. Hedge accounting can be applied in order to prevent short-term fluctuations in the income statement resulting from differences between valuation methods of assets and liabilities exposed to interest rate risk and their hedging derivative instruments.

A part of the 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 Bank is also hedging the cash flow risk arising from financial debts, with interest rate swaps and cross currency swaps.

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.

During period where the relation between hedging instrument and the hedged item is measured;

- a) Within the scope fair value hedge accounting, the fair value change of the hedged item is recognized in profit or loss,
- b) Within the scope of cash flow hedge accounting, the fair value change of the hedged item is recognized in other comprehensive income and the ineffective part of the gain or loss arisen from the hedging instrument is booked in profit or loss.

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 Bank continues to apply the hedge accounting provisions of TAS 39.

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

Financial assets and liabilities for which the future cash payments and collections are known, are discounted by using effective interest rate.

Accrued but not collected interests and discounts 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.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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 Bank commissions from insurance companies are recorded as income on accrual basis.

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 expenses in the relevant period according to the cut-off principle.

VII. Explanations on Financial Assets

The Bank 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 the "TFRS 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 Bank recognizes a financial asset in the financial statement when, and only when, the 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 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.

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

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VII. Explanations on Financial Assets (continued)

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.

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 Bank 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.

Financial Assets Measured at Amortized Cost

Financial investments measured at amortized cost:

A financial asset is classified as a financial asset measured at amortized cost when the 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 amortized 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 amortized 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”.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES AND EXPLANATIONS TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

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 amortized 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 “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” 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 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 is 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 on the basis of the instrument’s lifetime expected credit losses. Following criteria 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.

BRSA increased the default definition on loans from 90 days to 180 days with the decision dated 17 March 2020 that will be valid until 31 December 2020. Following the BRSA decision, The Bank regularly reviews probability of default rates for loans those are overdue between 90-180 days and continued to be followed in Stage 2 makes the necessary updates. The effects of these updates are reflected in the financial statements. The regulation change does not include loans those are overdue more than 90 days before 17 March 2020.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

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

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 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 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.

In addition, due to COVID-19, the more than 90 days delay condition, which was used in the definition of default for the classification of loans, began to be applied as "more than 180 days delay" in accordance with the BRSA decision as of 17 March 2020. This implementation will be valid until 31 December 2020. Consistent with the subjected change, provision has been provided in accordance with the Bank's risk policies.

As of 30 September 2020, considering the possible effects of COVID-19 the data obtained with the principle of best effort were reflected to the estimates and assumptions used in the calculation of expected credit losses with the best estimation method. In light of the related information, the Bank has reconsidered its macroeconomic expectations in the expected credit loss calculation. The Bank has also provided additional provisions through individual assessment for customers which may be considered as highly effected.

The 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.

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.

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VIII. Explanations on Impairment of Financial Assets (continued)

Expected Credit Loss Calculation (continued)

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

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.

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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 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 carried at amortized costs, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income 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 repo”) 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 30 September 2020, the Bank has TL 3,139,543 reverse repo transaction (31 December 2019: TL 840,263).

As of 30 September 2020, the Bank does not have any marketable securities lending transaction (31 December 2019: None).

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

Non-current assets held for sale consists of property, plant and equipment acquired for impairment and accounted in financial statements convenient with “IFRS 5 Assets Held for Sale and Discontinued Operations”.

As of 30 September 2020, assets held for sale and discontinued operations of the Bank are TL 124,529 (31 December 2019: TL 131,362). As per the appraisals performed for the real estates held for sale included “Assets Held for Sale” in the financial statements, TL 13,664 (31 December 2019: TL 10,598) has been reserved as provision for impairment losses.

As of 30 September 2020, the Bank 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 statements 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. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities 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 Newspaper 12 February 2011 dated and numbered as 27844, all rights, receivables, (assets and liabilities) of Fortis Bank A.Ş. would be transferred to the 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. 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 as goodwill in the financial statements of the Bank and the equity impact is shown under other shareholder’s equity section.

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 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 Bank 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 used are mainly developed within the Bank by the 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 Bank 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 in to 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 are 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 Bank's business plans.

The 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 Bank 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.

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 Bank'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 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 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. Total benefit is calculated in accordance with TAS 19 Employee Benefits.

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 Bank following the business combination defined in “General Information” of the Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası 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 30 September 2020, the Pension Fund has 1,515 employees and 1,175 pensioners (31 December 2019: 1,552 employees and 1,139 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”.

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 2019. 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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XVII. Explanations on Liabilities Regarding Employee Benefits (Continued)

Since the 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, they believe such liabilities will not bring any additional liability to the 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 September 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for 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.

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 liability for 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 offset against the corporate tax levied in Turkey.

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 preemption 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 Liability/Asset

The Bank 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.

The deferred tax is calculated using the enacted tax rates that are valid as of the balance sheet date in accordance with the tax legislation in force. According to the Law, which was approved in the Grand National Assembly on 28 November 2017 and published in the Official Gazette dated 5 December 2017, the rate of Corporate Tax for the years 2018, 2019 and 2020 was increased from 20% to 22%. Therefore, deferred tax assets and liabilities are measured at the tax rate of 22% that are expected to apply to these periods when the assets is realized or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences are measured by 20%.

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 benefit 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.

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XX. Explanations on Issued Equity Securities

There are no shares issued in 2020.

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 Bank.

XXIII. Explanations on Reporting According to Segmentation

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

Retail and private banking lines of the 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 Bank also provides account products like Marifetli, Fırsat and CEPTETEB along with the standard time deposit products to enable advantageous savings in different currencies and maturities. In regards 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 centre, 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 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.

SME banking provides small and medium-sized enterprises with financial solutions and exclusive services for non-financial matters. The 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 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 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.

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XXIII. Explanations on Reporting According to Segmentation (continued)

The details of the income statement and the balance sheet which the Bank operates as a business lane:

Current Period	Retail and Private Banking	Corporate Banking	SME Banking	Other	Total
Dividend Income	-	-	-	31,218	31,218
Profit Before Tax	323,599	264,121	63,185	832,523	1,483,428
Tax Provision (-)	-	-	-	331,757	331,757
Net Profit for the Period	323,599	264,121	63,185	500,766	1,151,671

Current Period	Retail and Private Banking	Corporate Banking	SME Banking	Other	Total
Segment Assets	28,412,421	28,972,838	17,942,510	59,022,368	134,350,137
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	116,041	116,041
Total Assets	28,412,421	28,972,838	17,942,510	59,138,409	134,466,178
Segment Liabilities	57,898,782	24,664,840	8,538,602	32,134,875	123,237,099
Shareholders' Equity	-	-	-	11,229,079	11,229,079
Total Liabilities	57,898,782	24,664,840	8,538,602	43,363,954	134,466,178

Prior Period(30.09.2019)	Retail and Private Banking	Corporate Banking	SME Banking	Other	Total
Dividend Income	-	-	-	18,269	18,269
Profit Before Tax	419,747	689,147	(84,455)	20,702	1,045,141
Tax Provision (-)	-	-	-	254,153	254,153
Net Profit for the Period	419,747	689,147	(84,455)	(233,451)	790,988

Prior Period(31.12.2019)	Retail and Private Banking	Corporate Banking	SME Banking	Other	Total
Segment Assets	25,750,311	20,792,344	17,290,247	43,401,275	107,234,177
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	115,991	115,991
Total Assets	25,750,311	20,792,344	17,290,247	43,517,266	107,350,168
Segment Liabilities	51,472,544	14,120,899	6,479,553	25,556,598	97,629,594
Shareholders' Equity	-	-	-	9,720,574	9,720,574
Total Liabilities	51,472,544	14,120,899	6,479,553	35,277,172	107,350,168

XXIV. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 26 March 2020 of the Bank, TL 1,070,354 that constitutes the 2019 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 53,518 as Legal Reserves, TL 9,394 as Special Reserves, TL 0.87 (full TL) as profit distributed to the holders of the founder jouissance certificates.

XXV. Reclassifications

In order to comply with the presentation of the financial statements dated 30 September 2020, some classifications were made on the statement of income and statement of cash flows dated 30 September 2019.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders' Equity

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 September 2020, Bank’s total capital has been calculated as TL 16,472,605 (31 December 2019: TL 14,339,636) and capital adequacy ratio is 19.01% (31 December 2019: 16.95%). This ratio is well above the minimum ratio required by the legislation. The credit risk of banking accounts has been calculated by using the “standard approach”, the market risk of purchase and sale accounts by using the “standard method”, counterparty credit risk of derivative and repo transactions by using the “fair value method”, credit valuation adjustments of over counter derivative transactions by using the “standard model” and operational risk by using the “basic indicator approach”.

Information related to the Components of Shareholders' Equity:

	Current Period	Amount related to
	30.09.2020	treatment before
		01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	8,342,338	
Gains Recognized in Equity as per TAS	2,281	
Profit	1,161,168	
Current Period Profit	1,151,671	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Common Equity Tier 1 Capital Before Deductions	11,913,531	
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 Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	16,882	
Leasehold Improvements on Operational Leases	32,111	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	95,113	95,113
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	4,359	
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	569,589	
Total Common Equity Tier 1 Capital	11,343,942	

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I. Explanations Related to Components of Shareholders' Equity (continued)

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

	Current Period 30.09.2020	Amount related to treatment before 01.01.2014(*)
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)	-	
Additional Tier 1 Capital before deductions	-	
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	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	11,343,942	
TIER 2 CAPITAL		
Debt instruments and premiums approved by BRSA	4,206,125	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	928,470	
Tier 2 Capital Before Deductions	5,134,595	
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	5,134,595	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	16,478,537	

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

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

	Current Period 30.09.2020	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	1,445	
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 (-)	4,487	
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 1 Capital, Tier 2 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 1 and Tier 2 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 1 Capital and Tier 2 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	16,472,605	
Total Risk Weighted Assets	86,658,046	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	13.09	
Tier 1 Capital Adequacy Ratio (%)	13.09	
Capital Adequacy Ratio (%)	19.01	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2.50	
a) Capital conservation buffer requirement (%)	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(%)	4.58	
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	173,646	
Amounts arising from the net long positions of investments made in Tier 1 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)	252,892	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,832,623	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(**)	928,470	
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 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 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	177,147	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

(**) 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 Shareholders’ Equity (continued)

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

	Prior Period 31.12.2019	Amount related to treatment before 01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	7,353,433	
Gains Recognized in Equity as per TAS	23,065	
Profit	1,079,851	
Current Period Profit	1,070,354	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Common Equity Tier 1 Capital Before Deductions	10,864,093	
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 Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	3,475	
Leasehold Improvements on Operational Leases	44,877	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	124,530	124,530
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, 4 th 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	594,006	
Total Common Equity Tier 1 Capital	10,270,087	

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

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

	Prior Period 31.12.2019	Amount related to treatment before 01.01.2014 (*)
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)	-	
Additional Tier 1 Capital before deductions	-	
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	-	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	10,270,087	
TIER 2 CAPITAL		
Debt instruments and premiums approved by BRSA	3,145,908	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	932,332	
Tier 2 Capital Before Deductions	4,078,240	
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	4,078,240	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	14,348,327	

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

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

	Prior Period 31.12.2019	Amount related to treatment before 01.01.2014 (*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	2,467	
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 (-)	6,224	
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 1 Capital, Tier 2 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 1 and Tier 2 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 1 Capital and Tier 2 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	14,339,636	
Total Risk Weighted Assets	84,609,081	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.14	
Tier 1 Capital Adequacy Ratio (%)	12.14	
Capital Adequacy Ratio (%)	16.95	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2.50	
a) Capital conservation buffer requirement (%)	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(%)	3.63	
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	124,855	
Amounts arising from the net long positions of investments made in Tier 1 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)	650,094	
Limits related to provisions considered in Tier 2 Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,503,984	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used(**)	932,332	
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 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 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	265,721	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

(**) 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 Shareholders’ Equity (continued)

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

	T	T-1	T-2	T-3	T-4
CAPITAL ITEMS					
Common Equity Tier 1 Capital	11,343,942	11,084,682	10,582,731	10,270,087	9,987,720
Common Equity Tier 1 Capital where the transition impact of TFRS 9 has not been applied (a)	11,166,795	10,907,535	10,405,584	10,004,366	9,721,999
Tier 1 Capital	11,343,942	11,084,682	10,582,731	10,270,087	9,987,720
Tier 1 Capital where the transition impact of TFRS 9 has not been applied (b)	11,166,795	10,907,535	10,405,584	10,004,366	9,721,999
Capital	16,472,605	15,644,097	15,063,625	14,339,636	13,826,973
Capital where the transition impact of TFRS 9 has not been applied (c)	16,295,458	15,466,950	14,886,478	14,073,915	13,561,252
TOTAL RISK WEIGHTED ASSETS					
Total Risk Weighted Assets	86,658,046	87,260,960	97,225,786	84,609,081	83,639,057
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	13.09	12.70	10.88	12.14	11.94
Common Equity Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	12.89	12.50	10.70	11.82	11.62
Tier 1 Capital Adequacy Ratio (%)	13.09	12.70	10.88	12.14	11.94
Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	12.89	12.50	10.70	11.82	11.62
Capital Adequacy Ratio (%)	19.01	17.93	15.49	16.95	16.53
Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	18.80	17.72	15.31	16.63	16.21
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	179,856,846	167,785,998	168,042,884	148,550,077	149,244,078
Leverage Ratio	6.20%	6.57%	6.18%	6.91%	6.69%
FTA not Applied Leverage Ratio (d)	6.11%	6.47%	6.08%	6.73%	6.51%

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.
ç: Capital adequacy ratios calculated with capital items if Temporary Article 5 of the Regulation on banks has not applied.
d: 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	11,229,079
Hedging Funds (effective portion)	316,844
Deductions Made Under Regulation	(564,514)
Transition Impact of TFRS 9 (Temporary 5 th Article)	177,147
Accumulated revaluation and/or classification on gains/losses of financial assets at fair value through other comprehensive income	185,386
Common Equity Tier 1 Capital	11,343,942
Additional Tier 1 Capital	
Tier 1 Capital	11,343,942
General Provisions (Stage 1 and 2)	928,470
Bank's Borrowing Instruments	4,206,125
Deductions Made Under Regulation	(5,932)
Total Equity	16,472,605

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

Information related to debt instruments included in equity calculation

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

Issuer	TEB	TEB	TEB	TEB
Unique identifier of the debt instrument (e.g. CUSIP, ISIN)	XS1895575071	XS2023308278	XS1973559484	XS1845118865
Governing law(s) of the debt instrument	Turkey	Turkey	Turkey	Turkey
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at unconsolidated/consolidated/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)	1,624.2	905.9	543.6	1,132.4
Par value of debt instrument (TL Currency in mil)	1,624.2	905.9	543.6	1,132.4
Accounting classification of the debt instrument	34701100	34701100	34701100	34701100
Original date of issuance	05.11.2018	22.07.2019	14.05.2019	27.06.2018
Perpetual or dated	Time	Time	Time	Time
Original maturity date	05.11.2028	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	05.11.2023	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%	Euribor+7.10%	Euribor+7.10%	Euribor+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 the debt 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.

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II. Explanations Related to Currency Risk

Foreign currency risk indicates the probability of loss that the Bank 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 Bank are taken into consideration and risk is calculated by using the standard method.

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

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

Asset Liability Management and Treasury Department of the 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 Bank’s Asset-Liability Committee on a weekly basis.

As of 30 September 2020, the Bank’s balance sheet short position is TL 22,647,770 (31 December 2019: TL 12,304,371 short position) off-balance sheet long position is TL 22,644,029 (31 December 2019: TL 11,928,995 long position) and as a result net foreign currency short position is TL 3,741 (31 December 2019: net TL 375,376 short position).

The announced current foreign exchange buying rates of the Parent Bank at 30 September 2020 and the previous five working days in full TL are as follows:

	23.09.2020	24.09.2020	25.09.2020	28.09.2020	29.09.2020	30.09.2020
USD	7.6767	7.5993	7.6203	7.6203	7.6203	7.7538
JPY	0.0730	0.0721	0.0721	0.0721	0.0721	0.0735
EUR	8.9633	8.8509	8.8509	8.8509	8.8509	9.0472

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 30 September 2020 are as follows:

	Monthly Average Foreign Exchange Rate
USD	7.5149
JPY	0.0711
EUR	8.8591

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II. Explanations Related to Currency Risk (continued)

Information on the foreign currency risk of the Bank:

The table below shows the Bank’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 Bank also monitors the delta-adjusted position of the option transactions. As of 30 September 2020, the Bank has net USD long position TL 16,274 and net EUR long position TL 12,123.

Current Period	EUR	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⁾	6,713,592	5,510,669	1,672,624	13,896,885
Banks ⁽²⁾	241,694	360,730	1,293,727	1,896,151
Financial Assets at Fair Value Through Profit or Loss	310,704	1,122,129	-	1,432,833
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	2,204,406	578,623	22,888	2,805,917
Loans ⁽³⁾	10,173,735	2,459,878	1,038,576	13,672,189
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Financial Assets Measured at Amortized Cost ⁽⁴⁾	1,259,676	1,095,417	-	2,355,093
Derivative Financial Assets for Hedging Purposes ⁽⁵⁾	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets ⁽⁶⁾	755,815	153,545	16,099	925,459
Total Assets	21,659,622	11,280,991	4,043,914	36,984,527
Liabilities				
Bank Deposits	1,298	170,158	13	171,469
Foreign Currency Deposits ⁽⁷⁾	12,423,053	22,220,797	7,881,874	42,525,724
Money Market Borrowings	2,712,258	-	-	2,712,258
Funds Provided From Other Financial Institutions	9,328,596	4,207,456	1,158	13,537,210
Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	13,400	-	-	13,400
Other Liabilities ⁽⁸⁾	226,130	417,110	28,996	672,236
Total Liabilities	24,704,735	27,015,521	7,912,041	59,632,297
Net Balance Sheet Position	(3,045,113)	(15,734,530)	(3,868,127)	(22,647,770)
Net Off-Balance Sheet Position	3,096,757	15,803,555	3,743,717	22,644,029
Financial Derivative Assets ⁽⁹⁾	17,395,879	27,784,484	5,627,046	50,807,409
Financial Derivative Liabilities ⁽⁹⁾	14,299,122	11,980,929	1,883,329	28,163,380
Non-Cash Loans ⁽¹⁰⁾	8,616,394	7,568,877	1,235,149	17,420,420
Prior Period				
Total Assets	19,666,901	14,316,374	3,896,975	37,880,250
Total Liabilities	20,695,152	25,650,183	3,839,286	50,184,621
Net Balance Sheet Position	(1,028,251)	(11,333,809)	57,689	(12,304,371)
Net Off-Balance Sheet Position	797,511	11,133,800	(2,316)	11,928,995
Financial Derivative Assets ⁽⁹⁾	14,804,346	26,844,874	782,678	42,431,898
Financial Derivative Liabilities ⁽⁹⁾	14,006,835	15,711,074	784,994	30,502,903
Non-Cash Loans ⁽¹⁰⁾	6,880,451	5,459,747	904,769	13,244,967

(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 2,165 (31 December 2019 : TL 1,890).

(2) The banks include TL 9,438 of expected credit loss provisions (31 December 2019 : TL 9,059).

(3) Foreign currency indexed loans amounting to TL 293,057 (31 December 2019: TL 495,451) are included in the loan portfolio. Also, it includes TL 447,778 (31 December 2019 : TL 368,603) amounting to expected credit loss.

(4) Financial assets at amortized cost includes expected credit loss amounting to TL 530 (31 December 2019 : TL 305).

(5) TL 32,778 (31 December 2019: TL 14,112) income accruals from derivative financial instruments is deducted from derivative financial assets held for risk management.

(6) TL 196,779 (31 December 2019: TL 184,862) income accruals from derivative financial instruments is deducted from other assets.

(7) Precious metal accounts amounting to TL 6,204,274 (31 December 2019: TL 2,349,023) are included in the foreign currency deposits.

(8) TL 203,102 (31 December 2019: TL 90,922) expense accruals from derivative financial instruments are deducted from other liabilities.

(9) Forward asset and marketable securities purchase-sale commitments of TL 1,648,166 (31 December 2019: TL 1,395,075) are added to derivative financial assets and TL 1,730,354 (31 December 2019: TL 883,345) has been added to derivative financial assets.

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

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III. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the 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 economic indicators used in the budget of the Bank.

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

Since the Bank does not allow maturity mismatches or imposes limits on mismatch, no significant interest rate risk exposure is expected.

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⁾	11,447,351	-	-	-	-	4,649,890	16,097,241
Banks ⁽³⁾	2,955,413	-	-	-	-	1,383,818	4,339,231
Financial Assets at Fair Value Through Profit or Loss	2,106,343	-	-	-	-	173,876	2,280,219
Money Market Placements ⁽⁴⁾	3,139,543	-	-	-	-	(86)	3,139,457
Financial Assets at Fair Value Through Other Comprehensive Income	645,442	-	3,071,218	6,188,066	729,099	10,766	10,644,591
Loans ⁽⁵⁾	8,254,564	4,490,061	27,956,354	31,935,499	3,810,611	(152,084)	76,295,005
Financial Assets Measured at Amortized Cost ⁽⁶⁾	1,133,891	7,425,918	1,960,043	1,749,885	39,953	(2,770)	12,306,920
Other Assets	161,355	257,790	1,271,437	819,224	262,017	6,591,691	9,363,514
Total Assets	29,843,902	12,173,769	34,259,052	40,692,674	4,841,680	12,655,101	134,466,178
Liabilities							
Bank Deposits	4,352,156	-	-	-	-	37,786	4,389,942
Other Deposits	48,544,912	5,844,039	282,504	8,617	-	32,183,610	86,863,682
Money Market Borrowings	3,343,473	-	-	-	-	-	3,343,473
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	2,641,158	213,664	2,839,291	-	-	-	5,694,113
Funds Provided From Other Financial Institutions	2,297,191	5,226,669	1,887,748	90,598	4,316,468	-	13,818,674
Other Liabilities	50,301	270,540	285,900	1,422,208	170,330	18,157,015	20,356,294
Total Liabilities	61,229,191	11,554,912	5,295,443	1,521,423	4,486,798	50,378,411	134,466,178
Balance Sheet Long Position	-	618,857	28,963,609	39,171,251	354,882	-	69,108,599
Balance Sheet Short Position	(31,385,289)	-	-	-	-	(37,723,310)	(69,108,599)
Off-Balance Sheet Long Position	3,688,587	2,573,986	-	-	-	-	6,262,573
Off-Balance Sheet Short Position	-	-	(999,416)	(3,882,693)	(509,508)	-	(5,391,617)
Total Position	(27,696,702)	3,192,843	27,964,193	35,288,558	(154,626)	(37,723,310)	870,956

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

(2) Cash and cash equivalents include cash balances (cash in hand, cash in the safe deposit box, purchased checks) and the Central Bank of Turkey’s outstanding loss provisions in the amount of TL 2,569.

(3) The banks include TL 10,363 of expected loss provisions.

(4) Money market placements include balance of expected loss provisions amounting to TL 86.

(5) The revolving loans amounting to TL 6,131,764 TL are presented under the “Up to 1 Month” column. It includes expected loss provisions amounting to TL 3,985,452.

(6) Financial assets at amortized cost include losses amounting to TL 2,770.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 795,133 intangible assets amounting to TL 524,612 subsidiaries amounting to TL 116,036 and entities under common control joint vent. amounting to TL 5, assets held for sale amounting to TL 124,529 while other liabilities line includes the shareholders’ equity of TL 11,229,079.

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III. Explanations Related to 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 ⁽¹⁾	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⁾	8,951,411	-	-	-	-	3,002,600	11,954,011
Banks ⁽³⁾	6,057,109	-	-	-	-	2,485,247	8,542,356
Financial Assets at Fair Value Through Profit or Loss	180,593	132,240	55,307	669,506	132,752	125,025	1,295,423
Money Market Placements ⁽⁴⁾	840,263	-	-	-	-	(29)	840,234
Financial Assets at Fair Value Through Other Comprehensive Income	1,057,349	529,972	523,340	2,416,056	1,005,005	7,895	5,539,617
Loans ⁽⁵⁾	16,882,302	4,579,167	11,359,041	28,333,166	3,917,453	506,014	65,577,143
Financial Assets Measured at Amortized Cost ⁽⁶⁾	164,665	796,314	2,075,934	1,699,969	169,736	(1,104)	4,905,514
Other Assets	105,790	7,652	315,615	948,324	94,067	7,224,422	8,695,870
Total Assets	34,239,482	6,045,345	14,329,237	34,067,021	5,319,013	13,350,070	107,350,168
Liabilities							
Bank Deposits	362,573	-	-	-	-	23,739	386,312
Other Deposits	49,530,928	4,829,633	677,235	7,293	-	16,762,927	71,808,016
Money Market Borrowings	1,644,665	-	-	-	-	-	1,644,665
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	1,692,304	641,573	-	-	-	-	2,333,877
Funds Provided From Other Financial Institutions	1,736,892	2,987,103	5,676,760	100,473	1,266,257	-	11,767,485
Other Liabilities	23,862	117	711,943	2,330,152	86,263	16,257,476	19,409,813
Total Liabilities	54,991,224	8,458,426	7,065,938	2,437,918	1,352,520	33,044,142	107,350,168
Balance Sheet Long Position	-	-	7,263,299	31,629,103	3,966,493	-	42,858,895
Balance Sheet Short Position	(20,751,742)	(2,413,081)	-	-	-	(19,694,072)	(42,858,895)
Off-Balance Sheet Long Position	5,720,979	4,734,356	-	-	-	-	10,455,335
Off-Balance Sheet Short Position	-	-	(4,006,053)	(5,678,954)	(623,850)	-	(10,308,857)
Total Position	(15,030,763)	2,321,275	3,257,246	25,950,149	3,342,643	(19,694,072)	146,478

(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 1,959.

(3) Banks include balance of expected loss provisions amounting to TL 9,809.

(4) Money market placements include balance of expected loss provisions amounting to TL 29.

(5) The revolving loans amounting to TL 7,177,775 are presented under the “Up to 1 Month” column. It includes expected loss provisions amounting to TL 3,640,892.

(6) Financial assets at amortized cost include balance of expected loss provisions of TL 1,104.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL 877,782 intangible assets amounting to TL 555,886, subsidiaries amounting to TL 115,986 and entities under common control joint vent amounting to TL 5, assets held for sale amounting to TL 131,362 while other liabilities line includes the shareholders’ equity of TL 9,720,574.

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III. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TL %
End of Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	7.00
Banks	0.05	0.20	-	11.85
Financial Assets at Fair Value Through Profit and Loss	3.29	6.03	-	10.22
Money Market Placements	-	-	-	11.95
Financial Assets at Fair Value Through Other Comprehensive Income	4.83	6.07	-	11.46
Loans	2.79	3.99	5.32	14.07
Financial Assets Measured at Amortized Cost	2.93	5.82	-	10.20
Liabilities				
Bank Deposits	-	0.18	-	6.20
Other Deposits	0.18	1.05	0.10	11.09
Money Market Borrowings	-	-	-	10.47
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	9.54
Funds Provided From Other Financial Institutions	2.23	5.51	-	9.02
End of Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	10.00
Banks	-	1.59	-	11.43
Financial Assets at Fair Value Through Profit and Loss	1.52	4.89	-	8.66
Money Market Placements	-	-	-	11.46
Financial Assets at Fair Value Through Other Comprehensive Income	2.11	4.57	-	13.83
Loans	3.23	4.95	5.28	16.42
Financial Assets Measured at Amortized Cost	2.48	4.51	-	14.63
Liabilities				
Bank Deposits	-	1.40	-	5.10
Other Deposits	0.16	1.86	0.25	10.26
Money Market Borrowings	-	-	-	11.02
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	12.05
Funds Provided From Other Financial Institutions	2.16	5.65	-	12.31

IV. Explanations Related to Equity Share Position Risk in Banking Accounts

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 if calculation of fair value is not determined properly.

The Bank does not have any shares traded in Borsa Istanbul.

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V. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio

- a) Information on liquidity risk management, such as the Bank's risk capacity, responsibilities and the structure of liquidity risk management, 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 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 Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the 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 Bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the 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.

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

While the 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 Bank uses instruments such as long-term syndicated loans, securities issued in TL and foreign currency to diversify funding resources. Information on liquidity management based on currency which consists of a minimum of 5% of the Bank's total liabilities:

- d) Information on liquidity management based on currency which consists of a minimum of 5% of the 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 TL 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 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.

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V. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

e) Information on liquidity risk mitigation techniques: (continued)

Within this framework, the 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 and interest rate 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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V. Explanations Related to Liquidity Risk Management 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 – 30 September 2020					
High Quality Liquid Assets					
1	High Quality Liquid Assets			34,201,326	14,773,978
Cash Outflows					
2	Real Person and Retail Deposits	58,183,411	28,804,708	5,123,865	2,880,471
3	Stable Deposits	13,889,523	-	694,476	-
4	Less Stable Deposits	44,293,888	28,804,708	4,429,389	2,880,471
5	Unsecured Debts Other than Real Person and Retail Deposits	28,001,435	10,745,491	14,690,009	4,856,269
6	Operational Deposits	95,586	-	23,897	-
7	Non-Operational Deposits	25,082,545	9,988,079	11,882,934	4,098,857
8	Other Unsecured Funding	2,823,304	757,412	2,783,178	757,412
9	Secured Funding	-	-	-	-
10	Other Cash Outflows	1,641,049	2,406,950	1,641,049	2,406,950
11	Outflows Related to Derivative Exposures and Other Collateral Requirements	1,641,049	2,406,950	1,641,049	2,406,950
12	Outflows Related to Restructured Financial Instruments	-	-	-	-
13	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	33,651,079	11,695,332	2,648,472	1,175,287
16	Total Cash Outflows			24,103,395	11,318,977
Cash Inflows					
17	Secured Receivables	-	-	-	-
18	Unsecured Receivables	10,170,149	3,809,218	7,591,480	3,373,818
19	Other cash Inflows	822,572	5,854,687	822,572	5,854,687
20	Total Cash Inflows	10,992,721	9,663,905	8,414,052	9,228,505
Values to which the upper limit is applied					
21	Total High Quality Liquid Assets			34,201,326	14,773,978
22	Total Net Cash Outflows			15,689,343	2,829,744
23	Liquidity Coverage Ratio (%)			217.99	522.10

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

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V. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

	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
Prior Period – 31 December 2019				
High Quality Liquid Assets				
1 High Quality Liquid Assets			22,314,509	14,243,288
Cash Outflows				
2 Real Person and Retail Deposits	52,470,993	25,987,479	4,616,009	2,598,748
3 Stable Deposits	12,621,803	-	631,090	-
4 Less Stable Deposits	39,849,190	25,987,479	3,984,919	2,598,748
5 Unsecured Debts Other than Real Person and Retail Deposits	21,413,624	11,074,642	11,928,061	5,872,051
6 Operational Deposits	70,441	-	17,610	-
7 Non-Operational Deposits	16,335,675	8,860,962	6,932,951	3,658,371
8 Other Unsecured Funding	5,007,508	2,213,680	4,977,500	2,213,680
9 Secured Funding	-	-	-	-
10 Other Cash Outflows	1,576,774	2,328,433	1,576,774	2,328,433
11 Outflows Related to Derivative Exposures and Other Collateral Requirements	1,576,774	2,328,433	1,576,774	2,328,433
12 Outflows Related to Restructured Financial Instruments	-	-	-	-
13 Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14 Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15 Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	32,629,677	10,716,211	2,666,309	1,124,445
16 Total Cash Outflows			20,787,153	11,923,677
Cash Inflows				
17 Secured Receivables	-	-	-	-
18 Unsecured Receivables	12,666,308	5,508,103	9,352,475	4,874,984
19 Other cash Inflows	1,731,364	8,382,892	1,731,364	8,382,892
20 Total Cash Inflows	14,397,672	13,890,995	11,083,839	13,257,876
			Values to which the upper limit is applied	
21 Total High Quality Liquid Assets			22,314,509	14,243,288
22 Total Net Cash Outflows			9,703,314	2,980,919
23 Liquidity Coverage Ratio (%)			229.97	477.82

(*) Simple arithmetic average of the last three months data calculated by using weekly 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 of their priority consist of the time accounts, bond portfolio, reserve deposit and cash. 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 effects 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. Diversification of funding base of deposits, funding from Group, borrowing, repo and other long term liabilities; and funding limits by product type are monitored and reported.

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V. Explanations Related to Liquidity Risk Management and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

Liquidity management of subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a basis, there is no centralized liquidity management system. Finally, there is no other significant cash inflow or outflow item which are not required by section two of communiqué.

The weeks with lowest and highest liquidity coverage ratio for the last three months calculated by using weekly simple arithmetic averages are presented below:

	Current Period		Prior Period	
	TL+FC	FC	TL+FC	FC
Lowest Week	176.02%	295.51%	153.35%	358.28%
	03.07.2020	25.09.2020	04.10.2019	18.10.2019
Highest Week	255.31%	621.71%	375.55%	610.47%
	11.09.2020	31.07.2020	06.12.2019	06.12.2019

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	Undistributed ⁽¹⁾	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey ⁽²⁾	4,652,459	11,447,351	-	-	-	-	(2,569)	16,097,241
Banks ⁽³⁾	1,958,807	2,390,787	-	-	-	-	(10,363)	4,339,231
Financial Assets at Fair Value Through Profit and Loss	-	366,423	474	1,082,455	440,109	216,882	173,876	2,280,219
Money Market Placements ⁽⁴⁾	-	3,139,543	-	-	-	-	(86)	3,139,457
Financial Assets at Fair Value Through Other Comprehensive Income	10,766	436,587	-	2,757,582	6,459,154	980,502	-	10,644,591
Loans ⁽⁵⁾	-	7,259,456	4,444,855	27,966,632	32,603,162	4,172,983	(152,083)	76,295,005
Financial Assets Measured at Amortized Cost ⁽⁶⁾	-	-	16,919	1,829,156	10,124,220	339,395	(2,770)	12,306,920
Other Assets	-	1,377,893	760,997	1,846,777	915,889	262,017	4,199,941	9,363,514
Total Assets	6,622,032	26,418,040	5,223,245	35,482,602	50,542,534	5,971,779	4,205,946	134,466,178
Liabilities								
Bank Deposits	37,786	4,352,156	-	-	-	-	-	4,389,942
Other Deposits	32,183,610	48,544,912	5,844,039	282,504	8,617	-	-	86,863,682
Funds Provided From Other Financial Institutions	-	2,278,046	5,214,061	1,892,240	117,859	4,316,468	-	13,818,674
Money Market Placements	-	3,343,473	-	-	-	-	-	3,343,473
Securities Issued	-	2,641,158	213,664	2,839,291	-	-	-	5,694,113
Miscellaneous Payables	-	-	-	-	-	-	-	-
Other Liabilities	-	5,174,277	388,482	502,321	1,760,842	448,343	12,082,029	20,356,294
Total Liabilities	32,221,396	66,334,022	11,660,246	5,516,356	1,887,318	4,764,811	12,082,029	134,466,178
Liquidity Gap	(25,599,364)	(39,915,982)	(6,437,001)	29,966,246	48,655,216	1,206,968	(7,876,083)	-
Net Off-Balance Sheet Position	-	215,120	405,132	1,252,156	30,296	23,557	-	1,926,261
Financial Derivative Assets	-	13,778,994	16,260,891	18,931,661	11,420,195	4,257,189	-	64,648,930
Financial Derivative Liabilities	-	13,563,874	15,855,759	17,679,505	11,389,899	4,233,632	-	62,722,669
Non-Cash Loans	6,413,678	1,547,305	3,581,127	6,597,709	7,225,106	-	-	25,364,925
Prior Period								
Total Assets	5,507,510	33,279,118	5,954,430	12,932,885	37,190,039	5,767,493	6,718,693	107,350,168
Total Liabilities	16,786,666	59,083,886	5,940,873	8,557,061	2,792,617	3,642,509	10,546,556	107,350,168
Liquidity Gap	(11,279,156)	(25,804,768)	13,557	4,375,824	34,397,422	2,124,984	(3,827,863)	-
Net Off-Balance Sheet Position	-	217,295	(20,526)	21,127	62,051	1,665	-	281,612
Financial Derivative Assets	-	18,322,414	6,162,762	13,378,270	15,125,169	3,374,022	-	56,362,637
Financial Derivative Liabilities	-	18,105,119	6,183,288	13,357,143	15,063,118	3,372,357	-	56,081,025
Non-Cash Loans	6,078,123	942,642	2,658,433	5,667,723	7,028,565	-	-	22,375,486

⁽¹⁾ The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and loans under follow-up, are classified as under undistributed.

⁽²⁾ Cash and cash equivalents include cash balances (cash in hand, cash in the safe deposit box, purchased checks) and the Central Bank of Turkey's outstanding loss provisions amounting to TL 2,569.

⁽³⁾ The banks include TL 10,363 of expected loss provisions.

⁽⁴⁾ Money market placements include balance of expected loss provisions amounting to TL 86.

⁽⁵⁾ The revolving loans amounting to TL 6,131,764 are presented under the “Up to 1 Month” column. It includes expected loss provisions amounting to TL 3,985,452.

⁽⁶⁾ Financial assets at amortized cost include losses amounting to TL 2,770.

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VI. Explanations Related to 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) Leverage ratio:

Assets on the Balance Sheet	Current Period (*)	Prior Period (*)
1 Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	128,283,109	103,210,045
2 (Assets Deducted from Core Capital)	(551,002)	(580,323)
3 Total Risk Amount for Assets on the Balance Sheet	127,732,107	102,629,722
Derivative Financial Instruments and Credit Derivatives		
4 Renewal Cost of Derivative Financial Instruments and Loan Derivatives	1,739,378	438,483
5 Potential Credit Risk Amount of Derivative Financial Instruments and Loan Derivatives	467,388	560,417
6 Total Risk Amount of Derivative Financial Instruments and Loan Derivatives	2,206,766	998,900
Financing Transactions With Securities Or Goods Warranties		
7 Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	608,258	3,323
8 Risk Amount Arising from Intermediated Transactions	-	-
9 Total Risk Amount of Financing Transactions with Securities or Goods Warranties	608,258	3,323
Off-the-Balance Sheet Transactions		
10 Gross Nominal Amount of the Off-Balance Sheet Transactions	44,283,411	46,734,215
11 (Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12 Total Risk Amount for Off-Balance Sheet Transactions	44,283,411	46,734,215
Capital and Total Risk		
13 Tier 1 Capital	11,140,904	10,224,843
14 Total Risk Amount	174,830,542	150,366,160
Leverage Ratio		
15 Leverage Ratio	6.37%	6.80%

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

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VII. Explanations Related to 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 (“IRB”) have not been presented due to use of standard approach for the calculation of capital adequacy ratio by the Bank.

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)	72,124,873	73,382,817	5,769,990
2 Of which Standardized Approach (SA)	72,124,873	73,382,817	5,769,990
3 Of which Internal Rating-Based (IRB) Approach	-	-	-
4 Counterparty Credit risk	2,152,698	1,203,770	172,216
5 Of which Standardized Approach for Counterparty Credit Risk (SA-CCR)	2,152,698	1,203,770	172,216
6 Of which Internal Model Method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity Investment in Funds - Look-Through Approach	-	-	-
9 Equity Investment in Funds - Mandate-Based Approach	-	-	-
10 Equity Investment 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	2,832,938	1,649,750	226,635
17 Of which Standardized approach (SA)	2,832,938	1,649,750	226,635
18 Of which Internal model approaches (IMM)	-	-	-
19 Operational Risk	9,547,537	8,372,744	763,803
20 Of which Basic Indicator Approach	9,547,537	8,372,744	763,803
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)	86,658,046	84,609,081	6,932,644

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the 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	404,229	2,327,575	410,344	2,031,625
Balances with the Central Bank of Turkey	1,796,531	11,424,693	305,709	8,942,832
Other	-	146,782	-	265,460
Total	2,200,760	13,899,050	716,053	11,239,917

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	1,773,873	-	297,130	-
Unrestricted Time Deposit	-	4,207,283	-	3,932,318
Restricted Time Deposit	22,658	7,217,410	8,579	5,010,514
Total	1,796,531	11,424,693	305,709	8,942,832

Foreign currency unrestricted deposit amounting to TL 4,207,283 (31 December 2019: TL 3,932,318), foreign currency restricted deposit amounting to TL 7,217,410 (31 December 2019: TL 5,010,514), unrestricted deposit balance amounting to TL 1,773,873 (31 December 2019: TL 297,130) and restricted deposit amounting to TL 22,658 (31 December 2019: TL 8,579) comprises of reserve deposits. As of 30 September 2020, the Turkish lira required reserve ratios are determined to be within the range of 1% - 4% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2019: 1% - 2%), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 5% - 21% (31 December 2019: 5% - 21%).

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

- a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None (31 December 2019: None).
- a.2) Financial assets at fair value through profit and loss subject to repurchase agreements: None (31 December 2019: None).

Net book value of unrestricted financial assets at fair value through profit and loss is TL 2,106,343 (31 December 2019: TL 1,167,994).

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	259,845	22,041	144,959	9,474
Swap Transactions	2,194,444	186,122	1,302,918	179,827
Futures Transactions	-	-	-	-
Options	25,958	9,517	25,918	6,946
Other	-	-	-	-
Total	2,480,247	217,680	1,473,795	196,247

4. Information on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	2,391,214	183	1,015,539	185,361
Foreign Banks	52,791	1,905,406	55,635	7,295,630
Foreign Head Offices and Branches	-	-	-	-
Total	2,444,005	1,905,589	1,071,174	7,480,991

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	1,396,594	272,225	333,201	-
Other	-	-	-	-
Total	1,396,594	272,225	333,201	-

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	57,751	2,513,480	77,088	-
Treasury Bills	-	-	-	-
Other Government Debt Securities	-	-	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-	-	-
Asset Backed Securities	-	-	-	-
Other	-	-	-	-
Total	57,751	2,513,480	77,088	-

The book value of debt securities and equity securities in unrestricted financial assets at fair value through other comprehensive income is TL 6,404,541 (31 December 2019: TL 5,129,328).

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

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

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

	Current Period	Prior Period
Debt Securities	10,633,825	5,531,722
Quoted at Stock Exchange	10,610,947	5,511,108
Unquoted at Stock Exchange	22,878	20,614
Share Certificates	10,766	7,895
Quoted at Stock Exchange	-	-
Unquoted at Stock Exchange	10,766	7,895
Impairment Provision (-)	-	-
Total	10,644,591	5,539,617

6. Information on loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	676,842	1,596	182,856
Corporate Shareholders	-	676,842	1,596	182,856
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	150,445	-	139,703	-
Total	150,445	676,842	141,299	182,856

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

Cash Loans	Loans under Close Monitoring			
	Standard Loans	Loans Not Subject to Restructuring	Restructured	
			Loans with Revised Contract Terms	Refinance
Non-specialized Loans	68,259,366	6,385,646	106,054	1,696,022
Working Capital Loans	5,023,428	940,823	62,142	664,976
Export Loans	9,507,554	91,397	-	95,365
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,857,418	-	-	-
Consumer Loans	16,180,050	2,714,077	3,055	158,098
Credit Cards	4,268,796	605,513	29,761	-
Other	31,422,120	2,033,836	11,096	777,583
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	68,259,366	6,385,646	106,054	1,696,022

	Current Period		Prior Period	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	388,960	-	394,194	-
Significant increase in Credit Risk	-	1,163,684	-	894,153
Total	388,960	1,163,684	394,194	894,153

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

6. Information on loans: (continued)

c) 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	402,552	17,882,559	18,285,111
Housing Loans	1,260	4,694,040	4,695,300
Vehicle Loans	6,277	383,213	389,490
General Purpose Loans	395,015	12,805,306	13,200,321
Other	-	-	-
Consumer Loans –Indexed to FC	-	17,126	17,126
Housing Loans	-	17,126	17,126
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC (**)	-	23,151	23,151
Housing Loans	-	5,700	5,700
Vehicle Loans	-	2,735	2,735
General Purpose Loans	-	14,716	14,716
Other	-	-	-
Individual Credit Cards-TL	3,330,887	27,948	3,358,835
With Instalments	1,084,720	27,948	1,112,668
Without Instalments	2,246,167	-	2,246,167
Individual Credit Cards-FC	5,314	-	5,314
With Instalments	-	-	-
Without Instalments	5,314	-	5,314
Personnel Loans-TL	11,110	104,389	115,499
Housing Loans	-	411	411
Vehicle Loans	-	-	-
General Purpose Loans	11,110	103,978	115,088
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	31,146	69	31,215
With Instalments	10,146	69	10,215
Without Instalments	21,000	-	21,000
Personnel Credit Cards-FC	66	-	66
With Instalments	-	-	-
Without Instalments	66	-	66
Overdraft Accounts-TL(Real Persons) (*)	614,388	-	614,388
Overdraft Accounts-FC(Real Persons)	5	-	5
Total	4,395,468	18,055,242	22,450,710

(*) Overdraft accounts include personnel loans amounting to TL 3,665.

(**) Loans granted via branches abroad.

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

6. Information on loans: (continued)

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

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	567,813	15,880,140	16,447,953
Housing Loans	3,287	5,334,276	5,337,563
Vehicle Loans	18,385	422,741	441,126
General Purpose Loans	546,141	10,123,123	10,669,264
Other	-	-	-
Consumer Loans –Indexed to FC	-	18,308	18,308
Housing Loans	-	18,308	18,308
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC (**)	-	27,949	27,949
Housing Loans	-	6,031	6,031
Vehicle Loans	-	3,655	3,655
General Purpose Loans	-	18,263	18,263
Other	-	-	-
Individual Credit Cards-TL	3,135,899	54,120	3,190,019
With Instalments	1,012,747	54,120	1,066,867
Without Instalments	2,123,152	-	2,123,152
Individual Credit Cards-FC	11,775	-	11,775
With Instalments	-	-	-
Without Instalments	11,775	-	11,775
Personnel Loans-TL	13,520	89,484	103,004
Housing Loans	-	517	517
Vehicle Loans	-	-	-
General Purpose Loans	13,520	88,967	102,487
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	31,920	-	31,920
With Instalments	10,293	-	10,293
Without Instalments	21,627	-	21,627
Personnel Credit Cards-FC	393	-	393
With Instalments	-	-	-
Without Instalments	393	-	393
Overdraft Accounts-TL(Real Persons) (*)	608,567	-	608,567
Overdraft Accounts-FC(Real Persons)	4	-	4
Total	4,369,891	16,070,001	20,439,892

(*) Overdraft accounts include personnel loans amounting to TL 4,386.

(**) Loans granted via branches abroad.

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

6. Information on loans: (continued)

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

Current Period	Short Term	Medium and Long Term	Total
Commercial loans with instalment – TL	2,721,596	9,035,043	11,756,639
Business Loans	1,558	172,367	173,925
Vehicle Loans	28,400	952,062	980,462
General Purpose Loans	2,691,638	7,910,614	10,602,252
Other	-	-	-
Commercial loans with instalment - Indexed to FC	-	188,895	188,895
Business Loans	-	7,068	7,068
Vehicle Loans	-	39,585	39,585
General Purpose Loans	-	142,242	142,242
Other	-	-	-
Commercial loans with instalment – FC	93	-	93
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	93	-	93
Other	-	-	-
Corporate Credit Cards-TL	1,505,965	1,242	1,507,207
With Instalments	504,739	1,242	505,981
Without Instalments	1,001,226	-	1,001,226
Corporate Credit Cards-FC	1,433	-	1,433
With Instalments	-	-	-
Without Instalments	1,433	-	1,433
Overdraft Accounts-TL(Legal Entities)	740,351	-	740,351
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	4,969,438	9,225,180	14,194,618

Prior Period	Short Term	Medium and Long Term	Total
Commercial loans with instalment – TL	1,006,177	9,781,970	10,788,147
Business Loans	1,000	170,690	171,690
Vehicle Loans	26,836	682,638	709,474
General Purpose Loans	978,341	8,928,642	9,906,983
Other	-	-	-
Commercial loans with instalment - Indexed to FC	-	331,604	331,604
Business Loans	-	5,899	5,899
Vehicle Loans	-	83,943	83,943
General Purpose Loans	-	241,762	241,762
Other	-	-	-
Commercial loans with instalment – FC	478	-	478
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	478	-	478
Other	-	-	-
Corporate Credit Cards-TL	1,504,191	-	1,504,191
With Instalments	385,150	-	385,150
Without Instalments	1,119,041	-	1,119,041
Corporate Credit Cards-FC	2,439	-	2,439
With Instalments	-	-	-
Without Instalments	2,439	-	2,439
Overdraft Accounts-TL(Legal Entities)	849,525	-	849,525
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	3,362,810	10,113,574	13,476,384

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

6. Information on loans: (continued)

e) Domestic and foreign loans:

	Current Period	Prior Period
Domestic Loans	75,900,089	64,523,379
Foreign Loans	546,999	547,750
Total	76,447,088	65,071,129

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans Granted to Subsidiaries and Associates	57,984	277,729
Indirect Loans Granted to Subsidiaries and Associates	-	-
Total	57,984	277,729

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

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	141,317	349,033
Loans and Receivables with Doubtful Collectability	298,150	572,537
Uncollectible Loans and Receivables	1,993,341	1,430,975
Total	2,432,808	2,352,545

h) Information on loans under follow-up (Net):

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

	III. Group Loans and Receivables with Limited Collectability	IV. Group Loans and Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Receivables
Current Period			
Gross Amounts before Provisions	19,806	17,335	58,309
Restructured Loans	19,806	17,335	58,309
Prior Period			
Gross Amounts before Provisions	55,867	41,008	18,928
Restructured Loans	55,867	41,008	18,928

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

	III. Group Loans and Receivables with Limited Collectability	IV. Group Loans and Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Receivables
Prior period end balance	624,321	1,168,994	2,353,591
Additions (+)	749,094	63,247	359,084
Transfers from other Categories of Loans under Follow-up (+)	-	978,615	1,420,438
Transfers to other Categories of Loans under Follow-up (-)	978,615	1,420,438	-
Collections (-)	188,919	334,841	579,709
Write-Offs (-)	3	681	54,164
Sold Portfolio (-)(*)	3	4,792	321,850
Corporate and Commercial Loans	-	4,572	137,548
Retail Loans	2	-	98,734
Credit Cards	1	220	85,568
Other	-	-	-
Current period end balance	205,875	450,104	3,177,390
Provision (-)	141,317	298,150	1,993,341
Net Balances on Balance Sheet	64,558	151,954	1,184,049

(*) Past due receivables amounting to TL 326,645 for which TL 315,605 of provision had been allocated, is sold for TL 26,160 during 2020. After all sales procedures were completed, these past due receivables have been written off from the portfolio.

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

6. Information on loans: (continued)

h) Information on loans under follow-up (Net) (continued) :

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	Receivables	Receivables	Loans and
	with Limited	with Doubtful	Receivables
	Collectability	Collectability	
30 September 2020			
Period End Balance	64,959	105,221	229,958
Provision (-)	36,753	73,609	141,976
Net Balance on Balance Sheet	28,206	31,612	87,982
31 December 2019			
Prior Period End Balance	40,984	76,556	153,192
Provision (-)	22,125	42,944	121,969
Net Balance on Balance Sheet	18,859	33,612	31,223

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	Receivables	Receivables	Loans and
	with Limited	with Doubtful	Receivables
	Collectability	Collectability	
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)	205,875	450,104	3,177,390
Provision (-)	141,317	298,150	1,993,341
Loans to Real Persons and Legal Entities (Net)	64,558	151,954	1,184,049
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)	624,321	1,168,994	2,353,591
Provision (-)	349,033	572,537	1,430,975
Loans to Real Persons and Legal Entities (Net)	275,288	596,457	922,616
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

6. Information on loans: (continued)

h.5) Information on interest accruals, discounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period(Net)	2,713	17,786	376,044
Interest Accruals, Discounts and Valuation Differences	25,777	63,351	636,948
Provision (-)	23,064	45,565	260,904
Prior Period (Net)	18,822	77,767	229,640
Interest Accruals, Discounts and Valuation Differences	76,914	175,092	394,218
Provision (-)	58,092	97,325	164,578

i) Explanations on write-off policy:

Group 5 - Loans classified as Bad Debt, with at least one reporting period remaining in this group, and provided with life-long expected credit loss provision due to the debtor's default, constitute the bank's loans to be written-off. 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 criterias. And the following write-off criterias are considered:

- Limited possibility of recovery: Loans with low collateralization rates, limited collateral capability, limited assets that provide foreclosure collection opportunities, loans with higher collection costs and lower collection expectations are evaluated,

- Financial indicators: Financial indicators regarding the inability to recover the entire loan are evaluated,

- Long-term follow-up: Loans which do not have reasonable collection expectations, among the loans that have been in legal follow-up for a long time, are evaluated,

The following applications regarding the loans which is under follow-up and written-off cannot be different form registered loans.

- The methods applied for legal collection of loans from debtors,
- Decisions regarding the inclusion to the non-performing loans sale,
- Decisions to waive the receivables by waiving the loans.

The amount written-off by the Parent Bank within the scope of TFRS 9 during the financial period is TL 52,824 (31 December 2019: TL 171,832) and its effect on NPL ratio is 0.07% (31 December 2019: 0.23%). The follow-up conversion rate is 4.77% (31 December 2019: 5.99%) with the current period non-performing loans after write-offs, while the calculated rate including the loans written-off during the year is 4.84% (31 December 2019: 6.22%).

7. Information on financial assets measured at amortized cost:

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Equity Securities	-	-	-	-
Bond, Treasury bill and similar investment securities	346,034	1,190,554	1,194,716	405,580
Total	346,034	1,190,554	1,194,716	405,580

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I. Explanations and Disclosures Related to the 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	6,506,656	1,165,069	1,978,084	-
Other	-	-	-	-
Total	6,506,656	1,165,069	1,978,084	-

Unrestricted financial assets measured at amortized cost are TL 3,101,377 (31 December 2019: TL 1,328,238).

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

	Current Period	Prior Period
Government Bonds	12,309,690	4,906,618
Treasury Bills	-	-
Other Public Sector Debt Securities	-	-
Total	12,309,690	4,906,618

a.4) Information government debt securities measured at amortized cost:

	Current Period	Prior Period
Debt securities	12,309,690	4,906,618
Quoted on a Stock Exchange	12,309,690	4,906,618
Unquoted	-	-
Impairment Provision (-)	-	-
Total	12,309,690	4,906,618

a.5) Movement of financial assets measured at amortized cost:

	Current Period	Prior Period
Beginning Balance	4,906,618	2,792,080
Foreign Currency Differences on Monetary Assets	425,684	-
Purchases During the Year ^(*) ^(**)	7,784,572	2,114,538
Disposals Through Sales and Redemptions	(807,184)	-
Impairment Provision (-)	-	-
Closing Balance	12,309,690	4,906,618

(*) This line includes discount amounts.

(**) In the current period, the securities portfolio of the Chief Investment Office were transferred to the Asset-Liability Management and Treasury Group due to the change in the business model of the Bank management. During this transition, securities held as Financial Assets at Fair Value through Other Comprehensive Income amounting to TL 291,603 were classified as Financial Assets Measured at Amortized Cost. After this reclassification, the valuation difference amounting to TL 20,141 has been reversed from equity.

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

8. Information on associates (Net):

- a.1) Information on unconsolidated associates according to Communiqué on Preparing Banks’ Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2019: None).
- a.2) Information on the unconsolidated associates: None (31 December 2019: None).
- a.3) Explanations of consolidated associates: None (31 December 2019: None).
- a.4) Information on sector information on consolidated associates: None (31 December 2019: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2019: None).

9. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:

Subsidiaries do not use internal capital adequacy assessment approach.

	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	30,000	28,794	6,860
Reserves	120,955	48,340	6,779
Net income for the period and prior period income	29,345	76,934	15,557
Income/ Loss recognized under equity in accordance with TAS	-	-	(121)
Leasehold Improvements on Operational Leases (-)	215	123	37
Goodwill and intangible asset and the related deferred tax liability (-)	2,949	2,841	419
Total Common Equity Tier 1 Capital	177,136	151,104	28,619
General Provision	4,236	-	-
Total Equity	181,372	151,104	28,619

- b) Information on the consolidated subsidiaries:

- b.1) Information on the consolidated subsidiaries:

	Address (City/ Country)	The Bank’s share percentage-If different voting percentage (%)	Other shareholders’ share percentage (%)
1	TEB Faktoring A.Ş.	100.00	-
2	TEB Yatırım Menkul Değerler A.Ş.	96.62	3.38
3	TEB Portföy Yönetimi A.Ş.	25.60	29.14

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	2,215,606	180,300	3,682	132,185	-	18,307	28,611	-
2	255,478	154,068	3,235	17,794	-	51,800	21,923	-
3	35,456	29,075	1,540	1,823	75	8,300	2,597	-

(*) These figures are shown per BRSA financial statements as of 30 September 2019.

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

9. Information on subsidiaries (Net): (continued)

b.2) Information on consolidated subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	115,986	115,986
Movements during the period	-	-
Purchases	-	-
Bonus shares obtained	-	-
Share in current year income	-	-
Sales	-	-
Revaluation increase	-	-
Provision for impairment	-	-
Balance at the end of the period	115,986	115,986
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

b.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	43,417	43,417
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	72,569	72,569
Total	115,986	115,986

b.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2019: None).

c) Information on the non-financial subsidiaries that are not consolidated:

TEB ARF Teknoloji A.Ş. was established by the Bank with 50,000 TL paid-in capital and 100% ownership; It was registered in the Trade Registry Gazette on 16 July 2020.

10. Explanations 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 Bank (%)	Share of the Group (%)	Current Asset	Non-current Asset	Long-term Receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	99,959	48,930	25,078	157,406	(138,076)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated the Bank’s financial statements:

The 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, it is carried by cost value since necessary requirements for consolidation is not met.

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

11. Information on financial lease receivables (Net): None (31 December 2019: None).

12. Positive differences related to derivative financial assets for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	508,076	32,778	7,024	14,112
Cash Flow Hedge	985,494	-	219,494	877
Foreign Net Investment Hedge	-	-	-	-
Total	1,493,570	32,778	226,518	14,989

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 Bank, accumulated valuation differences amounted TL 17,135 (31 December 2019: TL 20,286) is recorded under equity as of 30 September 2020 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

13. Information on investment properties: None (31 December 2019: None).

14. Information on assets held for sale and discontinued operations:

	Current Period	Prior Period
Beginning of Period Cost	131,362	109,104
Beginning of Period Accumulated Depreciation (-)	-	-
Net Book Value	131,362	109,104
Opening Balance	131,362	109,104
Acquired	80,308	149,647
Disposed(-)	84,076	122,922
Impairment (-)	3,065	4,467
Depreciation Value (-)	-	-
Period End Cost	124,529	131,362
Period End Accumulated Depreciation (-)	-	-
Closing Net Book Value	124,529	131,362

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II. Explanations and Disclosures Related to the 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	3,537,929	-	12,220,259	9,589,591	100,465	20,757	29,017	-	25,498,018
Foreign Currency Deposits	18,176,761	-	6,895,482	10,978,626	98,376	103,880	68,325	-	36,321,450
Residents in Turkey	16,887,442	-	6,580,120	10,584,651	67,035	52,573	46,602	-	34,218,423
Residents Abroad	1,289,319	-	315,362	393,975	31,341	51,307	21,723	-	2,103,027
Public Sector Deposits	445,208	-	55,952	219,585	9,111	-	-	-	729,856
Commercial Deposits	3,934,672	-	3,842,863	6,961,912	635,612	4,425	25,573	-	15,405,057
Other Institutions Deposits	194,769	-	62,295	2,421,751	25,902	79	231	-	2,705,027
Precious Metals Deposits	5,894,271	-	38,937	139,089	20,251	105,450	6,276	-	6,204,274
Bank Deposits	37,786	-	4,352,156	-	-	-	-	-	4,389,942
Central Bank of Turkey	281	-	-	-	-	-	-	-	281
Domestic Banks	10	-	-	-	-	-	-	-	10
Foreign Banks	37,495	-	4,352,156	-	-	-	-	-	4,389,651
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	32,221,396	-	27,467,944	30,310,554	889,717	234,591	129,422	-	91,253,624

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	2,913,675	-	11,685,382	8,760,022	198,974	159,316	142,791	-	23,860,160
Foreign Currency Deposits	8,689,233	-	9,179,868	16,994,157	220,469	75,587	91,126	-	35,250,440
Residents in Turkey	8,125,778	-	8,724,284	16,524,666	196,404	32,768	74,233	-	33,678,133
Residents Abroad	563,455	-	455,584	469,491	24,065	42,819	16,893	-	1,572,307
Public Sector Deposits	424,598	-	73,628	50,872	7,475	-	-	-	556,573
Commercial Deposits	3,315,957	-	3,921,717	1,904,438	101,496	3,210	55,398	-	9,302,216
Other Institutions Deposits	143,878	-	65,741	266,882	12,458	91	554	-	489,604
Precious Metals Deposits	1,275,586	-	90,788	700,588	38,080	142,511	101,470	-	2,349,023
Bank Deposits	23,739	-	362,573	-	-	-	-	-	386,312
Central Bank of Turkey	25	-	-	-	-	-	-	-	25
Domestic Banks	16	-	-	-	-	-	-	-	16
Foreign Banks	23,698	-	358,772	-	-	-	-	-	382,470
Special Financial Institutions	-	-	3,801	-	-	-	-	-	3,801
Other	-	-	-	-	-	-	-	-	-
Total	16,786,666	-	25,379,697	28,676,959	578,952	380,715	391,339	-	72,194,328

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	14,383,632	14,607,157	10,768,265	8,731,764
Foreign Currency Saving Deposits	6,724,105	6,075,469	14,689,526	12,928,549
Other Deposits in the Form of Saving Deposits	2,556,526	781,197	3,060,073	1,320,538
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-
Total	23,664,263	21,463,823	28,517,864	22,980,851

(*) 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 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) Deposits of real persons not under the guarantee of saving deposit insurance:

	Current Period	Prior Period
Foreign Branches’ Deposits and Other Accounts	659,274	615,203
Deposits of Controlling Shareholders and Their Close Families	1,171,739	3,823,134
Deposits of Chairman and Members of the Board of Directors and Their Close Families	67,149	68,002
Deposits Obtained Through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated 26 September 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	292,536	12,340	97,772	25,075
Swap Transactions	1,191,763	203,878	1,362,074	71,890
Futures Transactions	-	-	-	-
Options	63,936	6,950	26,488	3,285
Other	-	-	-	-
Total	1,548,235	223,168	1,486,334	100,250

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	281,464	253,473	307,801	169,120
From Foreign Banks, Institutions and Funds	-	8,967,269	-	8,100,061
Total	281,464	9,220,742	307,801	8,269,181

As of 30 September 2020, the Bank has borrowings from its related parties amounting to TL 4,518,884 (31 December 2019: TL 3,507,164).

b) Maturity analysis of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	281,464	4,983,801	307,801	4,735,058
Medium and long-term	-	4,236,941	-	3,534,123
Total	281,464	9,220,742	307,801	8,269,181

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II. Explanations and Disclosures Related to the Liabilities (continued)

c) Information on Debt Securities Issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bank Bonds	5,636,854	-	2,333,877	-
Treasury Bills	57,259	-	-	-
Total	5,694,113	-	2,333,877	-

4. 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 1,973,145 (31 December 2019: TL 1,293,901) do not exceed 10% of the total balance sheet.

5. 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 “Liabilities from Leasing” as a liability. As of 30 September 2020 the banks has leasing liability amounting to TL 607,264 (31 December 2019 : TL 653,707)

6. Negative differences related to derivative financial liabilities for hedging purposes:

	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedge	39,894	-	-	-
Cash Flow Hedge	935,038	13,400	1,917,707	7,267
Foreign Net Investment Hedge	-	-	-	-
Total	974,932	13,400	1,917,707	7,267

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 Bank, accumulated valuation differences as of 30 September 2020 amounted TL 17,135 (31 December 2019: TL 20,286) is recorded under equity. These accumulated differences are transferred into income statement by considering maturity date of hedged items.

7. 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 2019: None).
- b) The specific provisions provided for unindemnified non-cash loans or expected credit loss for non-cash loans:

	Current Period	Prior Period
Stage 1	51,863	55,551
Stage 2	209,721	145,818
Stage 3	37,721	42,111
Total	299,305	243,480

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II. Explanations and Disclosures Related to the Liabilities (continued)

c) Liabilities on unused vacation, bonus, health and employee termination benefits :

As of 30 September 2020, TL 23,539 (31 December 2019: TL 12,344) unused vacation provision, TL 215,802 (31 December 2019: TL 192,002) employee termination benefit provision, TL 143,372 (31 December 2019: TL 139,152) bonus provision, TL 3,300 health provision, and TL 32,100 (31 December 2019: TL 32,100) other expense provision are presented under “Reserve for Employee Benefit” in financial statements.

d) Information on other provisions :

	Current Period	Prior Period
Provision for Non-Cash Loans	299,305	243,480
Provision for Legal Cases	82,555	51,069
Provision for Promotions of Credit Cards and Banking Services	12,074	12,936
Other	40,903	142,899
Total	434,837	450,384

8. Explanations on taxes payable:

a) Information on current tax liability:

	Current Period	Prior Period
Corporate Tax Payable	-	29,289
Taxation on Securities	67,244	70,139
Property Tax	1,132	2,569
Banking Insurance Transaction Tax (BITT)	42,448	59,307
Foreign Exchange Transaction Tax	16,323	2,430
Value Added Tax Payable	1,070	5,073
Other (*)	26,623	23,408
Total	154,840	192,215

(*) Others include income taxes deducted from wages amounting to TL 23,355 (31 December 2019: TL 19,419) and stamp taxes payable amounting to TL 1,568 (31 December 2019: TL 1,518).

b) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employee	9,729	9,114
Social Security Premiums-Employer	10,768	10,133
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	825	775
Unemployment Insurance-Employer	1,365	1,279
Other	-	-
Total	22,687	21,301

c) Explanations on deferred tax liabilities, if any: Bank has no deferred tax liabilities as of 30 September 2020 (31 December 2019: None).

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II. Explanations and Disclosures Related to the Liabilities (continued)

9. 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 the 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, 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 Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the 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 test prevents the risks of effect. The profitability of the Bank is followed up and estimated by the Bank’s Planning and Performance Management in short and long 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	(93,054)	(109,214)	(3,474)	20,895
Foreign Exchange Difference	-	-	-	-
Total	(93,054)	(109,214)	(3,474)	20,895

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III. Explanations and Disclosures Related to the 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	8,939,147	8,506,931
Loan Granting Commitments	5,833,552	5,234,372
Asset Purchase and Sale Commitments	4,953,834	3,684,822
Payment Commitments for Cheques	1,766,852	1,769,641
Tax and Fund Liabilities from Export Commitments	45,503	71,566
Commitments for Promotions Related with Credit Cards and Banking Activities	5,922	4,975
Time Deposit Purchase and Sale Commitments	-	759,924
Other Irrevocable Commitments	130,309	249,768
Total	21,675,119	20,281,999

b) Possible losses and commitments related to off-balance sheet items:

The Bank, 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	5,210,094	2,623,851
Bank Acceptances	19,148	12,915
Other Commitments	4,586,372	5,031,959
Other Contingencies	909,591	1,153,720
Total	10,725,205	8,822,445

b.2) Guarantees, surety ships, and similar transactions:

	Current Period	Prior Period
Guarantee Letters	10,378,623	9,855,883
Advance Guarantee Letters	1,995,731	1,481,220
Guarantee Letters Given for Customs	446,742	429,999
Temporary Guarantee Letters	391,156	286,101
Other Guarantee Letters	1,427,468	1,499,838
Total	14,639,720	13,553,041

c) Total amount of non-cash loans:

	Current Period	Prior Period
Non-cash Loans Given Against Achieving Cash Loans	1,427,469	1,499,838
With Maturity of One Year or Less Than One Year	97,957	130,687
With Maturity of More Than One Year	1,329,512	1,369,151
Other Non-Cash Loans	23,937,456	20,875,648
Total	25,364,925	22,375,486

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IV. Explanations and Disclosures Related to the 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	2,403,805	173,538	3,654,046	274,670
Medium and long term loans	3,544,665	181,569	3,836,449	205,292
Interest on loans under follow-up	136,780	-	165,947	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	6,085,250	355,107	7,656,442	479,962

(*) Includes fees and commissions obtained from cash loans amounting to TL 113,610 (30 September 2019: TL 118,559).

b) Information on interest income on banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	22,728
Domestic banks	93,411	446	99,388	1,881
Foreign banks	2,372	7,200	14,045	47,205
Branches and head office abroad	-	-	-	-
Total	95,783	7,646	113,433	71,814

c) Information on interest income on marketable securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	111,915	34,675	135,952	17,163
Financial Assets at Fair Value Through Other Comprehensive Income	520,394	62,924	213,762	32,753
Financial Assets Measured at Amortized Cost	683,051	62,984	408,740	25,801
Total	1,315,360	160,583	758,454	75,717

d) Interest Income on Subsidiaries and Associates:

	Current Period	Prior Period
Interest received from Subsidiaries and Associates	12,318	11,990

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 Turkey	-	-	-	-
Domestic banks	21,735	3,419	32,040	14,189
Foreign banks	-	336,705	-	347,681
Branches and head office abroad	-	-	-	-
Other financial institutions				
Total	21,735	340,124	32,040	361,870

(*) Includes fees and commission expenses of cash loans amounting to TL 7,876 (30 September 2019: TL 19,489).

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

2. Explanations on Interest Expense (continued)

b) Information on interest expense on associates and subsidiaries:

	Current Period	Prior Period
Interest expenses to associates and subsidiaries	1,213	2,094

c) Information on interest expenses on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expense on securities issued	333,886	-	419,431	-
Total	333,886	-	419,431	-

d) Distribution of interest expenses on deposits based on maturity of deposits:

Current Period Account Name	Demand Deposits	Time Deposits					Accumulate d Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank Deposits	-	81,218	-	-	-	-	-	81,218
Saving Deposits	-	797,567	571,538	9,744	4,256	14,040	-	1,397,145
Public Sector Deposits	-	1,298	11,399	529	-	-	-	13,226
Commercial Deposits	-	331,154	385,472	13,507	211	4,621	-	734,965
Other Deposits	-	5,239	91,064	3,218	6	34	-	99,561
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	-	1,216,476	1,059,473	26,998	4,473	18,695	-	2,326,115
FC								
Foreign Currency Deposits	9	17,237	65,351	1,114	487	801	-	84,999
Bank Deposits	-	276	-	-	-	5	-	281
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	238	2,430	469	2,199	1,557	-	6,893
Total	9	17,751	67,781	1,583	2,686	2,363	-	92,173
Grand Total	9	1,234,227	1,127,254	28,581	7,159	21,058	-	2,418,288

Prior Period Account Name	Demand Deposits	Time Deposits					Accumulated Deposits	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
TL								
Bank Deposits	-	28,458	-	-	-	-	-	28,458
Saving Deposits	9	1,271,716	1,654,342	129,572	37,735	25,869	-	3,119,243
Public Sector Deposits	-	4,149	4,422	1,919	-	-	-	10,490
Commercial Deposits	235	355,286	464,162	49,087	28,435	39,626	-	936,831
Other Deposits	-	5,867	142,182	14,221	73,981	4,849	-	241,100
7 Days Call Accounts	-	-	-	-	-	-	-	-
Total	244	1,665,476	2,265,108	194,799	140,151	70,344	-	4,336,122
FC								
Foreign Currency Deposits	-	74,287	243,574	4,489	4,150	3,340	-	329,840
Bank Deposits	-	7,834	-	-	-	-	-	7,834
7 Days Call Accounts	-	-	-	-	-	-	-	-
Precious Metal Deposits	1	487	9,929	648	2,586	519	-	14,170
Total	1	82,608	253,503	5,137	6,736	3,859	-	351,844
Grand Total	245	1,748,084	2,518,611	199,936	146,887	74,203	-	4,687,966

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

3. Information on trading gain / loss:

	Current Period	Prior Period
Gains	43,785,288	27,920,673
Gains on capital market operations	242,662	314,857
Gains on derivative financial instruments ⁽¹⁾	13,215,567	11,952,217
Foreign exchange gains	30,327,059	15,653,599
Losses (-)	44,893,628	28,522,686
Losses on capital market operations	282,278	274,311
Losses on derivative financial instruments ⁽¹⁾	14,105,689	12,542,194
Foreign exchange losses	30,505,661	15,706,181

⁽¹⁾ Includes exchange rate fluctuations of hedging transactions net profit of TL 1,015,121 (30 September 2019: TL 54,666 loss), exchange rate fluctuations of derivative financial instruments amounting to TL 236,595 (30 September 2019: TL 286,528) net exchange income.

4. Information on other operating income:

Other operating income of the Bank mainly consists of all transaction costs collected from clients and disposal of assets.

5. Provision expenses of banks for loans and other receivables:

a) Allowance for Expected Credit Losses and Other Provisions:

	Current Period	Prior Period
Expected Credit Losses	533,334	1,011,544
12-Month Expected Credit Losses (Stage 1)	(27,202)	(1,511)
Significant Increase in Credit Risk (Stage 2)	183,540	69,110
Credit-Impaired (Stage 3)	376,996	943,945
Impairment Provisions for Securities	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment Provision Related to Investments in Associates, Subsidiaries and Joint Ventures	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other ⁽¹⁾	(23,739)	39
Total	509,595	1,011,583

⁽¹⁾ Includes reversal of provisions amounting to TL 27,537 (30 September 2019: TL 19,601).

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

6. Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits ⁽¹⁾	23,800	16,602
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	943	-
Depreciation expenses of fixed assets	180,873	165,690
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	56,136	51,423
Impairment for investments accounted with equity method	-	-
Impairment expenses of assets to be disposed	3,065	3,725
Depreciation expenses of assets to be disposed	-	-
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	776,991	775,270
Leasing Expenses on TFRS 16 Exceptions	24,566	40,994
Maintenance expenses	19,021	19,944
Advertisement expenses	26,999	49,527
Other expenses	706,405	664,805
Loss on sales of assets	2,881	9,082
Other ⁽²⁾	318,617	250,310
Total	1,363,306	1,272,102

⁽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 141,954 (30 September 2019: TL 98,609) and other taxes and fees paid in the amount of TL 136,592 (30 September 2019: TL 111,990).

7. Information on tax provision for continued and discontinued operations:

- a) As of 30 September 2020, the current tax expense is TL 20,623 (30 September 2019: TL 495,972 expense). Deferred tax expense is TL 311,134 (30 September 2019: TL 241,819 deferred tax expense) and there is no current and deferred tax income/expense from discontinued operations (30 September 2019: None).
- b) Deferred tax expense on temporary differences resulted from continued operations is TL 311,134 (30 September 2019: TL 241,819 deferred tax expense).
- c) Tax reconciliation:

	Current Period	Prior Period
Profit before tax	1,483,428	1,045,141
Additions	60,635	148,612
Nonallowable expenses	30,471	88,654
Effect of different tax rate	-	59,958
Other	30,164	-
Deductions	(36,078)	(39,242)
Dividend income	(31,532)	(18,218)
Effect of different tax rate	(4,546)	-
Other	-	(21,024)
Taxable Profit/ (Loss)	1,507,985	1,154,511
Corporate tax rate	22%	22%
Tax calculated	331,757	253,992
Prior year tax correction	-	161
Tax charge	331,757	254,153

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IV. Explanations and Disclosures Related to the Statement of Income (continued)

8. 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 (30 September 2019: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (30 September 2019: None).
- c) Profit/ loss attributable to minority interest: None (30 September 2019: None).

9. 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
<u>Other fees and commissions received</u>		
Card Fee and Commissions	582,047	1,018,651
Insurance Commissions	209,925	130,285
Prepayment Commissions	72,204	25,404
General Limit Revision Commissions	38,857	35,606
Fund Management Fees	36,081	20,495
Transfer Commissions	32,370	29,196
Settlement Expense Provision, Eft, Swift, Agency Commissions	31,047	32,903
Periodic Service Commissions	28,230	137,710
Other	100,304	146,773
Total	1,131,065	1,577,023
<u>Other fees and commissions paid</u>		
Credit Cards Commissions and Fees	295,468	552,154
Commission and Fees Paid to Correspondent Banks	26,529	31,250
Settlement Expense Provision, Eft, Swift, Agency Commissions	18,248	14,509
Other	83,395	77,372
Total	423,640	675,285

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V. Explanations and Disclosures Related to Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Balance sheet items of previous periods are presented as of 31 December 2019 and income/expense items of previous periods are presented as of 30 September 2019.

a) Current Period:

Related Parties	Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and Other Receivables					
Balance at Beginning of Period	277,729	716	15,616	182,856	248,301	101,145
Balance at End of Period	57,984	807	28,308	676,842	476,650	113,735
Interest and Commission Income	12,318	23	3,936	1,071	9,493	516

Direct and indirect shareholders of the Bank balance above includes TL 28,308 and other entities included in the risk group balance above includes TL 53,514 placement in “Banks”.

b) Prior Period:

Related Parties	Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)		Direct and indirect Shareholders of the Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and Other Receivables					
Balance at Beginning of Period	97,952	971	73,228	260,569	281,838	20,136
Balance at end of Period	277,729	716	15,616	182,856	248,301	101,145
Interest and Commission Income	11,990	30	25,546	2,028	6,847	1,015

Direct and indirect shareholders of the Bank balance above includes TL 14,020 and other entities included in the risk group balance above includes TL 60,244 placement in “Banks”.

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the 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	16,476	57,033	3,313,150	1,497,789	648,747	1,055,942
Balance at End of Period	23,143	16,476	5,145,927	3,313,150	1,087,766	648,747
Interest on Deposits	1,213	2,094	75,710	53,242	19,050	73,916

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, associates and entities under common control (Joint Vent.)		Direct and Indirect Shareholders of the 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 and Loss					
Beginning of Period	-	34,685	30,904,435	28,512,967	109,762	1,210,586
End of Period	-	-	22,036,130	30,904,435	175,213	109,762
Total Profit/Loss	-	1,031	(887,704)	1,101,491	(31,938)	(12,900)
Hedging Transactions purposes						
Beginning of Period	-	-	19,143,820	17,581,390	-	-
End of Period	-	-	12,574,093	19,143,820	-	-
Total Profit/Loss	-	-	721,726	(998,285)	-	-

d) As of 30 September 2020, the total amount of remuneration and benefits provided for the senior management of the Bank is TL 44,896 (30 September 2019: TL 37,826).

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VI. Explanations and Disclosures Related to Subsequent Events

On 30 October 2020, Bank has secured a syndicated loan from international banks amounting to 250,000,000 Euro and 41,500,000 USD with 367 days maturity, from international banks. The total cost of the 367-day loan which will be used in foreign trade financing is Euribor + 2.25% for the Euro tranche and Libor + 2.50% for the US Dollar tranche.

SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. Explanations on the Independent Auditor’s Review Report

The unconsolidated financial statements of the Bank were reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the auditor’s interim review report dated 3 November 2020 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by the Independent Auditors

None.

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SECTION SEVEN (*)

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim Period Reports Included Chairman Of The Board of Directors and CEO’s of the Bank Assessments For The Interim Activities

A. Chairman of Board of Directors and CEO’s of the Bank Assessments for The Interim Activities

Chairman of Board of Director’s Message

Valued stakeholders,

Global economy has spent the first half of 2020 under strict precautions due to coronavirus. Global economic activity started to recover in June with the relaxation of quarantine conditions and opening up of regional economies. In this period, large-scale of financial incentives given by the governments and expansionary monetary policies of the Central Banks limited the economic damages caused by the epidemic and supported the economic recovery beginning from the third quarter.

In the third quarter, in line with the partial economic recovery, the global risk appetite started to rise again and fund flows to developing countries exceeded the levels seen in second quarter. Increasing risk appetite has relatively eased the pressure on developing country currencies but due to ongoing epidemic uncertainty, they have stayed weaker compared to developed country currency basket.

Turkish economy, which grew by 4.5% in the first quarter of 2020, contracted 9.9% in the second quarter due the measures taken against Covid-19, such as travel restrictions and partial quarantine rules. However, as the bans were lifted after the June, economy revived and the lower interest rates ensured the continuation of production and increase in demand. In the second quarter of the year, industrial production contracted by 16.7% compared to same period last year. In August, however industrial production increased by 10.4% annually. Leading indicators, point to a strong recovery in the third quarter.

Increase in the unit costs, exchange rate developments and rising food prices due to the epidemic caused higher levels of inflation in the third quarter. Central Bank of the Republic of Turkey increased the policy rate from 8.25% to 10.25%, to limit the risk on economic outlook and control inflation in the context of a fast recovering economy supported by strong loan impulse.

In September, Turkey Ministry of Treasury and Finance announced the New Economic Program for 2021-2023. According to this program, growth for 2021 is forecasted at 5.8%, whereas for 2022 and 2023 5% growth is predicted. Leading indicators point to a strong V-type recovery that might lead to 0.3% growth in 2020. Consumer inflation is targeted to 10.5% in 2020 and 8% in 2021.

International Monetary Fund (IMF) revised its global growth expectation from - 5.2% to - 4.4% for 2020 global economy in its recent “Global Economic Outlook” report emphasizing that the world economy has recovered faster than expected in the third quarter. The organization has not altered Turkish economy growth expectations and kept its growth forecast at - 5% in 2020, 5% in 2021. Risks and uncertainty on global growth increases as vaccine studies against the epidemic continues and number of Covid-19 cases rises during the winter.

In a process that embodies both risks and opportunities, TEB’s goal as one of the leading players in Turkey’s banking industry has always been and always will be to continue contributing to the Turkish economy and to create increasingly more value for all of its stakeholders through higher growth and productivity.

Yours respectfully,
Yavuz Canevi

(*) Amounts in section seven expressed in full Turkish Lira (“TL”) amount unless otherwise stated.

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A. Chairman of Board of Directors and CEO’s of the Bank Assessments for The Interim Activities (continued)

CEO’s Message

In the nine months to 30 September 2020, TEB’s total assets increased by 25% and reached TL 134.5 billion, on which the bank registered a net profit of TL 1,151.7 million. Loans, the most important indicator of TEB’s support for the economy and its customers, made up 60% of the bank’s total assets.

Giving importance to risk management and asset quality as it always does, TEB’s total lendings amounted to TL 80.3 billion in Q3 2020, while total deposits grew by 26% and stood at TL 91.3 billion in value. Continuing to maintain solid growth with a strong capital structure, TEB’s shareholders’ equity was TL 11.2 billion in the third quarter of the year while the bank’s 19.01% capital adequacy ratio was well above the targeted 12% figure.

As of end-2020 Q3, while the rate of using alternative distribution channels by TEB customers was 83.2%, the number of active online banking customers exceeded 1.8 million and the number of active mobile banking customers exceeded 1.7 million. During the third quarter of the year, TEB also continued to invest in its CEPTETEB mobile banking app with no loss of momentum.

TEB continues to encourage saving habits among people in Turkey through its Marifetli Account product. A preferred choice of savers, TEB Marifetli Account continued to grow in the third quarter of the year as savers directed increasingly more of their TL assets into them. Earning daily interest and ensuring that the capital and interest are regularly put to work, Marifetli Account serve customers through TEB branches and CEPTETEB Marifetli Account serve customers by digital banking channels.

Joining the efforts to come to the aid of small businesses impacted by flood disaster in Giresun and Rize, TEB Business Banking is taking part in the Small & Medium Enterprises Development Organization’s (KOSGEB) “Emergency Support Loan Program” in Giresun province and in Rize’s Çayeli county. Under the program, firms proving that they have suffered from flood disaster may use loan facility up to TL 100 thousand with 12 months non-payment and then payable in equal installments at three-month intervals on terms of 36 months.

TİM-TEB Startup Business House acceleration programs that boost the efforts of entrepreneurs and technology firms are continuing online. As a result of the online presentation events that were organized in seven provinces during September, individualized Technology Company Acceleration Programs were initiated for close to a hundred entrepreneurs whose projects had been selected. With the addition of these new arrivals, the number of technology firms receiving TİM-TEB Startup Business House support has reached a thousand.

Having helped numerous entrepreneurs to benefit from grant support within TÜBİTAK’s (Scientific and Technological Research Council of Turkey) Individual Young Enterprise (BiGG) Program since 2015, TEB was once again selected due to its’ success as implementing agency for another two years. In the five years since the bank was admitted to the BiGG program, TEB has helped channel about TL 15 million worth of TÜBİTAK grants to 89 entrepreneurs. During the next two years, TEB will continue to accept BiGG Program applications from entrepreneurs with technology-oriented business ideas through TİM-TEB Startup Business Houses and help them gain access to TL 200 thousand worth of grants while also supporting them in other ways as well.

Distinguishing itself in the financial services industry through its innovative banking products and services, TEB was the recipient of numerous international awards and recognitions during the third quarter of the year.

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A. Chairman of Board of Directors and CEO’s of the Bank Assessments for The Interim Activities (continued)

CEO’s Message (continued)

CEPTETEB, TEB’s mobile banking app noted for its innovative features and outstanding product and service offerings, was chosen by Global Finance as the best retail banking digital platform in the magazine’s “World’s Best Digital Banks 2020” awards program.

CEPTETEB İŞTE, a commercial-banking app that allows SME, corporate, and commercial customers to take care of much of their banking needs quickly and easily, was chosen by The Asian Banker as “The Best Mobile Banking App” in the magazine’s latest round of Financial Technology Innovation Awards. CEPTETEB İŞTE also picked up an award in the Mobile category of The Banker magazine’s Digital Banking Innovation Awards program.

In the 2020 round of International Finance magazine’s finance-industry awards, TEB Private Banking was once again given the publication’s “Most Innovative Private Banking” award. TEB Private Banking has won this award three times in a row since 2018 as a result of its problem-solving approach in addressing the needs of investment advisory and digital services as well as its pioneering efforts in the private banking business line.

In recognition of its outstandingly innovative cash-management solutions designed for SME and corporate customers, TEB also received the “Best Cash Management Bank in Turkey” awards from Asian Banking and Finance.

Yours respectfully,
Ümit Leblebici

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B. Shareholding Structure

As of 30 September 2020;

Name of Shareholders	TL 2,204,390,000.00 Paid in Capital	
	Share	Ratio
TEB Holding A.Ş.	1,212,414,500.002	55.0000%
BNPP Yatırımlar Holding A.Ş.	518,342,498.520	23.5141%
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879,148.835	21.2249%
BNP Paribas SA	5,253,352.000	0.2383%
Kocaeli Chamber of Commerce	500,500.643	0.0227%
Total	2,204,390,000.00	100.00%

C. Management And Corporate Governance Practices

The Chairman and the Members of Board of Directors

Name	Title
Yavuz Canevi	Chairman of the Board of Directors
Dr. Akın Akbaygil	Deputy Chairman of the Board of Directors
Jean Paul Sabet	Deputy Chairman of the Board of Directors
Ayşe Aşardağ	Member of the Board of Directors and Vice Chairman of the Audit Committee
François Andre Jesualdo Benaroya	Member of the Board of Directors
Yvan L.A.M. De Cock	Member of the Board of Directors and Audit Committee
Sabri Davaz	Member of the Board of Directors and Audit Committee
Xavier Henri Jean Guilmineau	Member of the Board of Directors
Özden Odabaşı	Member of the Board of Directors
Hans Wilfried J. Broucke	Member of the Board of Directors
Nicolas de Baudinet de Courcelles	Member of the Board of Directors and Chairman of the Audit Committee
Ümit Leblebici	Chief Executive Officer and the Executive Member

Information on Participation of Board Members and Committee Members into Respective Meetings

As of 30 September 2020, the Board of Directors have accepted 174 resolutions and Audit Committee 39 resolutions. The Board Members and Committee Members have participated into respective meetings at sufficient levels.

Executive Management

General Manager, Assistant General Managers and Their Responsibilities in the Bank

Name	Title
Ümit Leblebici	Chief Executive Officer and the Executive Member
Gökhan Mendi	Senior Assistant General Manager, Retail and Private Banking Group
Mustafa Aşkın Dolaştır	Assistant General Manager, Financial Affairs
Bade Sipahioğlu Işık	Assistant General Manager, Human Resources Group
Gökhan Özdil	Assistant General Manager, Corporate Credits Group
Osman Durmuş	Assistant General Manager, Retail and Micro SME Credits Group
Melis Coşan Baban	Secretary of the Board of Directors, Head of Legal Affairs
Mehmet Ali Cer	Assistant General Manager, Information Technologies
Kubilay Güler	Assistant General Manager, Banking Operations and Support Services
Akil Özçay	Assistant General Manager, Fixed Income
Ömer Abidin Yenidoğan	Assistant General Manager, Corporate Investment Banking
Dr. Tuğrul Özbakan	Assistant General Manager, Treasury & ALM
Gülümser Özgün Henden	Assistant General Manager, Corporate Banking
Ali İhsan Arıdaşır	Assistant General Manager, SME Credits
Ali Gökhan Cengiz	Assistant General Manager, SME Banking
Nimet Elif Akpınar	Chief Risk Officer
Hakan Tıraşın	Head of Internal Audit
Biröl Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer

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D. Significant Events and Transactions in the Current Period

Amendments to Main Contract in 1 January – 30 September 2020:

There have been no changes to the main contract during the period of 1 January – 30 September 2020.

Significant Events and Transactions in the Current Period:

Past due receivables amounting to TL 326,645 for which TL 315,605 of provision had been allocated, is sold for TL 26,160 during 2020. After all sales procedures were completed, these past due receivables have been written off from the portfolio.

Summary of Financial Results:

(million TL)	30 September 2020 Unconsolidated Financial Statements	31 December 2019 Unconsolidated Financial Statements
Loans, Net	76,295	65,577
Loans	76,447	65,071
Non-Performing Loans	3,833	4,147
Expected Loses	(3,985)	(3,641)
Total Assets	134,466	107,350
Deposits	91,254	72,194
Shareholder’s Equity	11,229	9,721
Net Income (Prior Period 30 September 2019)	1,152	791

Summary on Financial Ratios

	30 September 2020 Unconsolidated Financial Statements	31 December 2019 Unconsolidated Financial Statements
Loans / Total Assets	56.74%	64.48%
Deposits / Total Assets	67.86%	67.25%
Return on Equity (Prior Period 30 September 2019)	15.27%	11.48%
NPL Ratio	4.77%	5.99%
Capital Adequacy Ratio	19.01%	16.95%
Coverage Ratio	63.46%	56.73%

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E. Credit Ratings Assigned By Rating Agencies and Information on Their Contents (*)

TEB maintained its position as one of the most highly rated banks in Turkey. As of the third quarter of 2020, TEB’s ratings were as follows:

Moody’s Investor Services:

Baseline Credit Assessment	b3
Adjusted Baseline Credit Assessment	b1
Long Term FC Bank Deposits	Caa1
Short Term FC Bank Deposits	NP
Long Term LC Bank Deposits	B1
Short Term LC Bank 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
Viability Rating	b+

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

F. Donations

The Bank has donated TL 9,095,742 with 88 items to the several agencies and institutions during the period of 1 January 2020 – 30 September 2020.