

**TÜRK EKONOMİ BANKASI
ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2021**

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of
Türk Ekonomi Bankası A.Ş.
İstanbul

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Türk Ekonomi Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together “the Group”) as of 30 June 2021, and the related condensed consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed financial information in accordance with International Accounting Standard 34, “Interim financial reporting”. 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 International Standards 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 and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim financial reporting”.

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

Yaman Polat
Partner
İstanbul, 27 August 2021

INDEX

	Page No.
Condensed Consolidated Interim Statement of Financial Position	1
Condensed Consolidated Interim Statement of Income	2
Condensed Consolidated Interim Statement of Comprehensive Income	3
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity	4
Condensed Consolidated Interim Statement of Cash Flows	5
Notes to the Condensed Consolidated Interim Financial Statements	6-19
1. Corporate Information	6
2. Summary of Significant Accounting Policies	7
3. Significant Events and Transactions During the Period	10
4. Segment Information	11
5. Loans and Advances to Customers	12
6. Debt Securities Issued	13
7. Fair Value of Financial Instruments	14
8. Related Party Disclosures	16
9. Commitments and Contingencies	17
10. Earnings Per Share	18
11. Subsequent Events	18

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

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

	Notes	30 June 2021	31 December 2020
ASSETS			
Cash and balances with central banks		22,194,847	19,995,626
Financial assets at fair value through profit or loss ("FVPL")	7	2,708,562	3,383,362
Securities		1,310,170	1,630,753
Derivative financial instruments	7	1,398,392	1,752,609
Derivatives used for hedging purposes	7	773,390	1,083,343
Financial assets at fair value through other comprehensive income ("FVOCI")	7	8,364,585	8,652,402
Debt securities		8,351,891	8,641,516
Equity shares		12,694	10,886
Financial assets at amortised cost ("AC")		102,481,198	104,720,218
Loans and advances due from banks	7	4,895,637	8,386,527
Loans and advances to customers	5-7	80,922,044	77,662,059
Factoring receivables	7	2,971,056	2,489,729
Debt securities	7	13,632,432	12,502,532
Other money market placements	7	60,029	3,679,371
Current tax asset		13,999	19,678
Deferred tax asset		633,153	651,589
Property, plant and equipment		841,422	848,653
Intangible assets		130,263	151,378
Goodwill		420,645	420,645
Other assets		2,960,163	2,616,696
Total assets		141,522,227	142,543,590
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from central bank	7	-	31
Financial liabilities at fair value through profit or loss	7	1,755,741	2,260,343
Derivative financial instruments		1,755,741	2,260,343
Derivatives used for hedging purposes	7	300,130	1,068,660
Financial liabilities at amortised cost		119,147,160	121,500,294
Deposits from credit institutions	7	2,722,142	7,468,366
Customers' deposits	7	91,998,978	86,273,086
Other money market deposits	7	2,744,578	6,548,253
Funds borrowed	7	14,332,596	12,205,001
Debt securities issued	6-7	2,549,606	4,810,637
Subordinated debts	7	4,799,260	4,194,951
Current tax liability		168,625	171,990
Provisions		768,309	789,232
Other liabilities		6,873,385	5,064,141
Total liabilities		129,013,350	130,854,691
EQUITY			
Equity attributable to owners of the parent		12,495,394	11,673,392
Share capital issued		2,204,390	2,204,390
Premium in excess of par		2,565	2,565
Adjustment to share capital		200,262	200,262
Financial instruments designated as at FVOCI		(185,437)	(85,790)
Reserve for hedging funds		27,673	(226,704)
Remeasurement on employee benefits		2,111	(4,120)
Retained earnings		10,243,830	9,582,789
Non-controlling interests		13,483	15,507
Total equity		12,508,877	11,688,899
Total liabilities and equity		141,522,227	142,543,590

The accompanying policies and explanatory notes are an integral part of these condensed consolidated financial statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME FOR THE PERIOD ENDED 30 JUNE 2021

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

Notes	1 January - 30 June 2021	1 January - 30 June 2020
Interest income		
Interest income on loans measured at AC	5,324,889	4,548,594
Interest income on debt securities measured at AC	966,572	396,111
Interest income on debt securities at FVOCI	366,774	347,834
Interest income on debt securities at FVPL	109,798	94,839
Interest income on loans and receivables due from banks measured at AC	369,073	114,603
Interest income on other money market placements measured at AC	95,597	16,078
Interest income on hedging derivatives	547,806	371,619
Total interest income	7,780,509	5,889,678
Interest expenses		
Interest expenses on customer deposits	(3,023,185)	(1,576,020)
Interest expenses on subordinated debt issued	(175,698)	(141,056)
Interest expenses on other money market deposits	(110,449)	(120,185)
Interest expenses on debt securities issued	(221,291)	(180,972)
Interest expenses on funds borrowed and deposits from other banks	(527,200)	(262,810)
Interest expenses on hedging derivatives	(738,421)	(900,733)
Total interest expenses	(4,796,244)	(3,181,776)
Net interest income	2,984,265	2,707,902
Fees and commissions and other operating income	(601,112)	295,102
Fees and commissions income	1,154,670	946,916
Fees and commissions expenses	(629,549)	(429,755)
Net loss on financial instruments at FVPL	(1,189,256)	(163,803)
Net loss on financial instruments at FVOCI	76,569	17,497
Net losses from other activities	(13,546)	(75,753)
Net banking income	2,383,153	3,003,004
Operating expenses	(1,676,137)	(1,461,419)
Salaries and employee benefits	(933,663)	(831,573)
Other operating expenses	(461,532)	(391,085)
Depreciation and amortization	(172,584)	(161,985)
Taxes other than on income	(108,358)	(76,776)
Gross operating income	707,016	1,541,585
Cost of risk	122,155	(494,196)
Operating income	829,171	1,047,389
Net gain on non-current assets	399	332
Pre-tax income	829,570	1,047,721
Income tax – current	(180,139)	(340,251)
Income tax – deferred	14,798	79,567
Net profit for the period from continuing operations	664,229	787,037
Attributable to:		
Equity holders of the Parent	661,041	784,763
Non-controlling interests	3,188	2,274
Net Profit	664,229	787,037
Basic earnings per share (full TL)	0.2999	0.3560
Diluted earnings per share (full TL)	0.2999	0.3560
Basic and diluted earnings per share from continuing operations (full TL)	0.2999	0.3560

The accompanying policies and explanatory notes are an integral part of these condensed consolidated financial statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	1 January - 30 June 2021	1 January - 30 June 2020
Profit for the period	664,229	787,037
Other comprehensive income		
Items that are or may be reclassified to profit or loss	152,984	424,507
Fair value gains/(losses) on financial assets at fair value through other comprehensive income (net of tax)	(101,393)	42,271
Net change in fair values	(44,427)	55,653
Net amount transferred to income	(56,966)	(13,382)
Cash flow hedge (Effective portion of changes in fair value), (net of tax)	254,377	382,236
Items that will not be reclassified to profit or loss	7,948	4,247
Remeasurement of post-employment benefits obligation, (net of tax)	6,231	4,137
Fair value gains/(losses) on financial assets at fair value through other comprehensive income (net of tax)	1,717	110
Other comprehensive (loss) / income for the period, net of tax	160,932	428,754
Total comprehensive income for the period, net of tax	825,161	1,215,791
Attributable to:		
Owners of the Parent	822,002	1,213,491
Non-controlling interest	3,159	2,300
Total comprehensive income for the period	825,161	1,215,791

The accompanying policies and explanatory notes are an integral part of these condensed consolidated financial statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2021

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

Attributable to owners of the parent												
Notes	Share capital	Premium in excess of par	Adjustment to share capital	Financial instruments designated as at fair value through equity	Reserve for hedging funds	Remeasurements on employee benefits	Legal reserves	Other capital reserves	Retained earnings	Total equity attributable to equity holders of the Parent	Non-controlling Interests	Total equity
At 31 December 2019	2,204,390	2,565	200,262	19,528	(886,750)	39,999	434,338	1,084,258	6,801,121	9,899,711	9,406	9,909,117
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserves	-	-	-	-	-	-	56,249	-	(56,249)	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	784,763	784,763	2,274	787,037
Other comprehensive income for the period	-	-	-	42,355	382,236	4,137	-	-	-	428,728	26	428,754
Total comprehensive income	-	-	-	42,355	382,236	4,137	-	-	784,763	1,213,491	2,300	1,215,791
At 30 June 2020	2,204,390	2,565	200,262	61,883	(504,514)	44,136	490,587	1,084,258	7,529,635	11,113,202	11,706	11,124,908
Attributable to owners of the parent												
Notes	Share capital	Premium in excess of par	Adjustment to share capital	Financial instruments designated as at fair value through equity	Reserve for hedging funds	Remeasurements on employee benefits	Legal reserves	Other capital reserves	Retained earnings	Total equity attributable to equity holders of the Parent	Non-controlling Interests	Total equity
At 31 December 2020	2,204,390	2,565	200,262	(85,790)	(226,704)	(4,120)	490,587	1,084,258	8,007,944	11,673,392	15,507	11,688,899
Dividends paid	-	-	-	-	-	-	-	-	-	-	(5,183)	(5,183)
Transfer to legal reserves	-	-	-	-	-	-	60,319	-	(60,319)	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	661,041	661,041	3,188	664,229
Other comprehensive income for the period	-	-	-	(99,647)	254,377	6,231	-	-	-	160,961	(29)	160,932
Total comprehensive income	-	-	-	(99,647)	254,377	6,231	-	-	661,041	822,002	3,159	825,161
At 30 June 2021	2,204,390	2,565	200,262	(185,437)	27,673	2,111	550,906	1,084,258	8,608,666	12,495,394	13,483	12,508,877

The accompanying policies and explanatory notes are an integral part of these condensed consolidated financial statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021**

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

	1 January - 30 June 2021	1 January - 30 June 2020
Cash flows from operating activities		
Interest received	7,299,145	5,786,318
Interest paid	(4,708,579)	(3,178,342)
Fees and commissions received	1,114,686	579,239
Trading loss	(3,059,670)	(2,420,898)
Collection from impaired loans	581,767	538,544
Fees and commissions paid	(629,549)	(429,755)
Cash payments to employees and other parties	(916,161)	(831,573)
Other operating expenses	4,705,853	4,548,849
Income taxes paid	(143,560)	(121,679)
Cash flows from operating activities before changes in operating assets and liabilities	4,243,932	4,470,703
Changes in operating assets and liabilities		
Net decrease / (increase) in financial assets through profit or loss	326,344	(455,295)
Net (increase) / decrease in reserve deposits at central banks	(2,495,819)	1,241,808
Net (increase) / decrease in loans and advances due from banks	(379,847)	926,599
Net (increase) in loans and advances to customers	(3,039,244)	(11,305,025)
Net (increase) / decrease in factoring receivables	(489,241)	306,039
Net (increase) / decrease in other assets	(356,365)	1,432,538
Net (decrease) / increase in deposits from credit institutions	(4,745,336)	3,852,628
Net increase / (decrease) in deposits from customers	415,602	(1,275,229)
Net (decrease) / increase in other money market deposits	(3,803,930)	4,606,064
Net increase in factoring payables	3,983	2,618
Net increase / (decrease) in other liabilities	1,368,904	(210,950)
Net cash provided by / (used in) operating activities	(13,194,949)	(878,205)
Cash flows from investing activities		
Purchases of securities at FVOCI	(2,609,245)	(6,430,810)
Proceeds from sale and redemption of securities at FVOCI	3,151,847	1,275,188
Purchases of securities at amortised cost	(1,638,693)	(7,501,602)
Proceeds from sale and redemption of securities at amortised cost	1,431,698	807,184
Purchases of property, plant and equipment	(37,069)	(22,457)
Proceeds from the sale of premises and equipment	2,606	580
Purchases of intangible assets	(20,522)	(10,027)
Net cash provided by / (used in) investing activities	280,622	(11,881,944)
Cash flows from financing activities		
Proceeds from funds borrowed and issued debt securities	10,147,710	17,618,952
Repayment of funds borrowed and issued debt securities	(10,053,912)	(13,013,888)
Dividends paid to equity holders of the parent	(5,183)	-
Net cash provided by / (used in) financing activities	88,615	4,605,064
Effect of net foreign exchange difference on cash and cash equivalents	731,754	703,487
Net (increase) / decrease in cash and cash equivalents	(7,850,026)	(2,980,895)
Cash and cash equivalents at the beginning of the period	24,235,224	16,352,454
Cash and cash equivalents at the end of the period	16,385,198	13,371,559

The accompanying policies and explanatory notes are an integral part of these condensed consolidated financial statements.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

1. CORPORATE INFORMATION

General

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “The Bank”), 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 have 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 merger of two banks has been completed. As a result of the merger, TEB Holding has the majority stake of 55% in TEB and Çolakoğlu Group and BNP Paribas have 50% shares in TEB Holding.

The shareholding structure and their respective ownerships are summarized below as of 30 June 2021 together with the comparative information as of 31 December 2020

Name of shareholders	30 June 2021		31 December 2020	
	Paid in capital	%	Paid in capital	%
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNP 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 Ticaret Odası	501	0.02	501	0.02
	2,204,390	100.00	2,204,390	100.00

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

As of 30 June 2021, the Bank’s paid-in-capital consists of 2,204,390,000 shares of TL 1.00 (full TL) nominal each.

The registered office address of TEB is TEB Kampüs C ve D Blok, Saray Mahallesi, Sokullu Caddesi, No: 7A-7B Ümraniye-İstanbul/Turkey.

For the purposes of the accompanying condensed consolidated financial statements, the Bank and its consolidated subsidiaries are referred to as the “Group”.

The condensed consolidated interim financial statements of the Group were authorized for issuance by the Board of Directors on 27 August 2021.

Nature of Activities of the Group

The operations of the Group consist of banking, factoring, securities brokerage and portfolio management, which are conducted mainly for local customers.

The subsidiaries included in the consolidation and the effective shareholding percentages of the Group as of 30 June 2021 and 31 December 2020 are as follows:

	Place of Incorporation	Effective Shareholding And Voting Rights %	
		30 June 2021	31 December 2020
TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım)	Turkey	100.00	100.00
TEB Faktoring A.Ş.	Turkey	100.00	100.00
TEB Portföy Yönetimi A.Ş. (TEB Portföy)	Turkey	54.74	54.74
TEB ARF Teknoloji A.Ş. (TEB ARF)	Turkey	100.00	100.00

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

1. CORPORATE INFORMATION (Continued)

The principal activities of the consolidated subsidiaries are as follows:

TEB Yatırım – Rendering fixed income and equity brokerage and corporate finance services in line with the rules of the Capital Markets Board of Turkey.

TEB Faktoring – Providing both domestic and export factoring services to industrial and commercial enterprises in Turkey.

TEB Portföy – Managing individual customer portfolios and mutual funds which consist of capital market instruments.

TEB ARF – Research and development qualified software development activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The condensed consolidated interim financial statements as of 30 June 2021 have been prepared in accordance with IAS 34 (Interim Financial Reporting). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2020. The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

In order to comply with the financial statement presentation dated 30 June 2021, some reclassifications have been made on the balance sheet and cash flow statement. The relevant classifications have no effect on the Bank's performance.

2.2 New and Revised International Financial Reporting Standards

a) *New and revised IFRS Standards that are effective for the current year:*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The process for the IBOR transition is expected to be completed as of 31 December 2021, and the Bank's studies continues within the scope of compliance with the changes.

b) *New and revised IFRSs in issue but not yet effective*

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020	<i>Amendments to IFRS 1, IFRS 9</i>
Amendments to IFRS 4	<i>Extension of the Temporary Exemption from Applying IFRS 9</i>
Amendments to IFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised International Financial Reporting Standards (Continued)

b) *New and revised IFRSs in issue but not yet effective (continued)*

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment defers the effective date by one year. Amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IAS 16 Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IAS 37 Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Revised International Financial Reporting Standards (Continued)

b) *New and revised IFRSs in issue but not yet effective (continued)*

Annual Improvements to IFRS Standards 2018-2020

Amendments to IFRS 1 *First time adoption of International Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendments to IFRS 9 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IFRS 4 *Extension of the Temporary Exemption from Applying IFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to IFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

The International Auditing and Assurance Standards Board ("IAASB") has published *COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group has not applied the practical expedient to all rent concessions that have met the related criteria included in the amendment.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Statement of Cash Flows

The cash and cash equivalents balance comprises cash and balances with central banks (excluding restricted reserve deposits), deposits with banks and other financial institutions and other money market placements with an original maturity of three months or less.

Changes in cash and cash equivalents related to operating activities reflect cash flows generated by the Group's operations.

Changes in cash and cash equivalents related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, as well as acquisitions and disposals of property, plant and equipment.

Changes in cash and cash equivalents related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders and cash flows related to subordinated debt.

3. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

New type of coronavirus (COVID-19), first emerging in China, has been classified as a pandemic affecting countries globally by the World Health Organization on 11 March 2020. COVID-19 has impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues and it still maintains uncertainty about the future. 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 financial statements as of 30 June 2021, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgements used in the preparation of the financial statements. The 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 June 2021, will be revised in the following reporting periods, considering the effect of the pandemic and future expectations.

While preparing the interim financial statements dated 30 June 2021, the Group reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements.

As of 30 June 2021, 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.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

4. SEGMENT INFORMATION

Operating segments

The Group is organized into four main segments which are organized and managed separately according to the nature of the products and services provided.

As of and for the period ended 30 June 2021

	Retail Banking	Corporate Banking	SME Banking	Other	Eliminations	Group
Net banking income	1,433,675	578,817	428,596	(53,297)	(4,638)	2,383,153
Operating expenses	(1,251,298)	(225,233)	(456,052)	251,808	4,638	(1,676,137)
Cost of risk	(78,911)	37,954	137,642	25,470	-	122,155
Operating income	103,466	391,538	110,186	223,981	-	829,171
Non-operating items	-	-	-	399	-	399
Pre-tax income	103,466	391,538	110,186	224,380	-	829,570
Assets and liabilities						
Segment assets	32,882,671	34,216,242	18,429,937	51,566,351	(572,619)	136,522,582
Unallocated assets	-	-	-	5,001,666	(2,021)	4,999,645
Total assets	32,882,671	34,216,242	18,429,937	56,568,017	(574,640)	141,522,227
Segment liabilities	64,470,752	23,833,554	9,132,899	24,218,045	(452,219)	121,203,031
Unallocated liabilities	-	-	-	7,812,861	(2,542)	7,810,319
Total liabilities	64,470,752	23,833,554	9,132,899	32,030,906	(454,761)	129,013,350

Other segment information

Capital expenditures

Tangible fixed assets	-	-	-	37,069	-	37,069
Intangible fixed assets	-	-	-	20,522	-	20,522
Depreciation	-	-	-	54,945	-	54,945
Amortization	-	-	-	41,684	-	41,684

Period ended 30 June 2020

	Retail Banking	Corporate Banking	SME Banking	Other	Eliminations	Group
Net banking income	1,414,887	475,892	581,800	534,122	(3,697)	3,003,004
Operating expenses	(921,293)	(166,464)	(359,674)	(17,685)	3,697	(1,461,419)
Cost of risk	(218,694)	(49,013)	(230,563)	4,074	-	(494,196)
Operating income	274,900	260,415	(8,437)	520,511	-	1,047,389
Non-operating items	-	-	-	332	-	332
Pre-tax income	274,900	260,415	(8,437)	520,843	-	1,047,721

Year ended 31 December 2020

Assets and liabilities

Segment assets	29,718,917	33,691,714	17,893,841	55,695,685	(497,942)	136,502,215
Unallocated assets	-	-	-	6,043,200	(1,825)	6,041,375
Total assets	29,718,917	33,691,714	17,893,841	61,738,885	(499,767)	142,543,590
Segment liabilities	57,522,449	30,584,907	8,183,945	28,915,569	(377,542)	124,829,328
Unallocated liabilities	-	-	-	6,027,708	(2,345)	6,025,363
Total liabilities	57,522,449	30,584,907	8,183,945	34,943,277	(379,887)	130,854,691

Other segment information

Capital expenditures

Tangible fixed assets	-	-	-	130,040	-	130,040
Intangible fixed assets	-	-	-	89,035	-	89,035
Depreciation	-	-	-	98,120	-	98,120
Amortization	-	-	-	77,833	-	77,833

Geographical information

The Group's geographical information is based on the location of Group's assets. Substantially all of the Group's activities are conducted in Turkey and Turkey is the home country of the Bank, which is also the main operating company. The areas of operation include all the primary operating segments.

Total assets and total liabilities are allocated to the country in which the branch or subsidiary is located. Segment revenue from external customers included in operating income is based on the geographical location of customers or counterparties. The Group conducts substantially all of its business activities with local customers in Turkey.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

5. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2021	31 December 2020
Commercial	53,215,866	52,821,851
Consumer	21,956,615	19,992,424
Credit cards	6,153,991	5,217,962
Other	301,159	175,711
Total performing loans	81,627,631	78,207,948
Non-performing loans (Stage 3)	3,113,722	3,501,882
Less: Stage 1 provisions	(392,209)	(393,446)
Less: Stage 2 provisions	(1,339,876)	(1,360,252)
Less: Stage 3 provisions	(2,087,224)	(2,294,073)
Total	80,922,044	77,662,059

Loans and receivables amounting to TL 10,572,589 (31 December 2020: TL 7,170,245) have floating interest rates and the rest have fixed interest rates.

The movement of loss allowances for loans and advances to customers as of 30 June 2021 is as follows;

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loans and Advances to Customers				
31 December 2020	393,446	1,360,252	2,294,073	4,047,771
Transfers;				
- Transfer from Stage 1 to Stage 2	(28,481)	164,594	-	136,113
- Transfer from Stage 1 to Stage 3	(649)	-	19,021	18,372
- Transfer from Stage 2 to Stage 3	-	(128,172)	181,428	53,256
- Transfer from Stage 2 to Stage 1	14,774	(68,811)	-	(54,037)
Recoveries and Reversals	79,854	226,043	(73,656)	232,241
Provision for the period other than write-offs	(75,262)	(272,308)	(144,484)	(492,054)
Write-offs	-	-	(31,542)	(31,542)
NPL sale	-	-	(157,616)	(157,616)
Foreign exchange differences	8,527	58,278	-	66,805
Loss allowance as at 30 June 2021	392,209	1,339,876	2,087,224	3,819,309

Past due receivables amounting to TL 176,861 for which TL 172,095 of provision had been allocated, is sold for TL 19,245 during year 2021. After all sales procedures were completed, these past due receivables have been written off from the portfolio.

There is no change in cure and reverse transfer logic, assessment of the significant increase in credit risk, internal rating and model inputs or low credit risk assumptions compared to year-end IFRS financial statements.

In line with the guidance of IASB dated 27 March 2020, IFRS 9 requires the application of judgements and both requires and allows entities to adjust their approach to determining ECLs in different circumstances.

With the aim of mitigating the impact of COVID-19, various international bodies, local regulators have made pronouncements aimed at allowing flexibility in the implementation of the accounting and prudential frameworks. Financial and regulatory measures, such as tax payment deferrals, wage support and extension of the payments of the consumer and car loans, have been taken by the Turkish government and other local regulators to minimize the economic impact of COVID-19.

The measures by the local regulator

In accordance with the decisions of BRSA dated 17 June 2021 the following measures would be in force until 30 September 2021:

- The 30-day past due criteria used for loans to be classified under group 2 loans pursuant to the BRSA Regulation on Classification of Loans and Provisions, has been changed to 90 days,
- The 90-day past due criteria used for loans to be classified as non-performing loans has been changed to 180 days.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

5. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The Bank's approach

The Bank previously adopted an approach that past due more than 30 and 90 days were a qualitative indicator that automatically required an exposure to be transferred to Stage 2 and Stage 3. For the current period the Bank has not applied the existing methodology mechanically and tried to avoid the application of strong procyclical assumptions for IFRS 9.

The Bank started to implement payment holiday schemes in line with the guidance from local banking regulator and other banks' supervisors. These payment holiday schemes are not automatically considered as forbearance and/or a Stage 2 trigger and the same rationale is applied for the categorization of non-performing loans for payment breaks over 90 days considering the temporarily liquidity shortage of customers because of COVID-19.

As a result of this changes increasing the number of past due days from 30 to 90 days for stage 2 criteria, which is a part of the definition of "Restructured Loans", the Bank has classified and followed up the restructured loans in accordance with the new definition. However, this definition change was not reflected in the provision calculations, and loans with a delay of more than 30 days continued to be followed in Stage 2. Therefore, the repeal of this practice is not resulted an impact on the Cost of Risk.

Considering the above, the Bank classified amounting TL 744,618 (31 December 2020: TL 626,606) of loans which have past due more than 90 days, as Stage 2.

The Bank develops estimates based on the best available information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions, the Bank considers both effects of COVID-19 and the significant government support measures being undertaken.

6. DEBT SECURITIES ISSUED

	Currency	Maturity	Interest Rate (%)	30 June 2021
Bank Bonds	TL	July 2021 - August 2021	9.50-19.15	2,549,606

	Currency	Maturity	Interest Rate (%)	31 December 2020
Bank Bonds	TL	February 2021 – July 2021	9.43-10.80	4,810,637

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Group's major financial instruments that are carried in the financial statements at other than fair values.

	Carrying amount		Fair value	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Financial assets at amortized cost				
Loans and advances due from banks	4,895,637	8,386,527	4,895,637	8,386,527
Other money market placements	60,029	3,679,371	60,029	3,679,371
Loans and advances to customers	80,922,044	77,662,059	80,178,986	77,335,932
Debt securities	13,632,432	12,502,532	13,468,729	12,526,702
Factoring receivables	2,971,056	2,489,729	2,971,056	2,489,729
Financial liabilities at amortized cost				
Deposits from other banks , funds borrowed and subordinated debts	21,853,998	23,868,349	21,853,998	23,868,349
Deposits from customers	91,998,978	86,273,086	92,162,461	86,423,279
Other money market deposits	2,744,578	6,548,253	2,744,578	6,548,253
Issued debt securities	2,549,606	4,810,637	2,549,606	4,810,637

Loans and Advances to Customers

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received. Since the expected cash flows are discounted at current market rates to determine fair value, the fair value hierarchy is evaluated as Level 2.

Debt Securities Measured at Amortised Cost

Since the fair value for debt securities at amortised cost is based on market prices or broker/dealer price quotations, the fair value hierarchy is evaluated as Level 1.

Deposits and Borrowings

The estimated fair value of deposits from credit institutions and deposits from customers with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest bearing deposits and funds borrowed without quoted market price is based on discounted cash flows using interest rates for new deposits and debts with similar remaining maturity. The fair value hierarchy is evaluated as Level 2.

Fair values of remaining financial assets and liabilities carried at amortised cost, including balances with central banks, loans and advances due from banks, other money market placements, factoring receivables and payables are considered to approximate their respective carrying values due to their short-term nature.

Fair Value of Financial Instruments

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

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other variables used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. An unobservable input is a parameter for which there are no market data available and that is therefore derived from proprietary assumptions about what other market participants would consider when assessing fair value.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

30 June 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,163,029	1,492,312	53,221	2,708,562
Securities	1,163,029	93,920	53,221	1,310,170
Derivative financial instruments	-	1,398,392	-	1,398,392
Derivatives used for hedging purposes	-	773,390	-	773,390
Financial assets at fair value through other comprehensive income	8,325,983	25,908	12,694	8,364,585
Debt securities	8,325,983	25,908	-	8,351,891
Equity securities	-	-	12,694	12,694
Total	9,489,012	2,291,610	65,915	11,846,537
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	1,755,741	-	1,755,741
Derivatives used for hedging purposes	-	300,130	-	300,130
Total	-	2,055,871	-	2,055,871

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,447,677	1,887,914	47,771	3,383,362
Securities	1,447,677	135,305	47,771	1,630,753
Derivative financial instruments	-	1,752,609	-	1,752,609
Derivatives used for hedging purposes	-	1,083,343	-	1,083,343
Financial assets at fair value through other comprehensive income	8,618,350	23,166	10,886	8,652,402
Debt securities	8,618,350	23,166	-	8,641,516
Equity securities	-	-	10,886	10,886
Total	10,066,027	2,994,423	58,657	13,119,107
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	-	2,260,343	-	2,260,343
Derivatives used for hedging purposes	-	1,068,660	-	1,068,660
Total	-	3,329,003	-	3,329,003

There were no reclassifications between the levels in the current and the previous period.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

8. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. For the purpose of these consolidated financial statements, associates, shareholders, Çolakoğlu Group companies, and BNP Paribas Group entities including Fortis Bank Group are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Group's Board of Directors and their families.

In the normal course of its business, the Group conducted various business transactions with related parties on normal commercial terms and conditions. These transactions primarily include loans, deposits and borrowing transactions. The significant outstanding balances and transactions with related parties at period-ends and relating expense and income for the period are as follows:

30 June 2021:

Related party (*)	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial instruments assets	Other liabilities	Derivative financial instruments liabilities	Notional amount of derivative transactions	Interest income	Interest expenses	Other operating income	Other operating expenses
Direct shareholders	-	-	-	36,581	-	-	4,505	-	-	15	1,717	405	15,746
Indirect shareholders	-	564,669	4,079,165	4,500,797	177,806	1,186,587	7,739	1,192,182	25,224,346	893	418,209	-	-
Others	920,242	128,830	1,350,899	1,595,040	117,519	15	3,847	16,152	647,244	16,611	79,923	16,148	27,686

31 December 2020:

Related party (*)	Cash loans	Non-cash loans	Funds borrowed	Deposits taken	Deposits with banks	Derivative financial instruments assets	Other liabilities	Derivative financial instruments liabilities	Notional amount of derivative transactions	Interest income (**)	Interest expenses (**)	Other operating income (**)	Other operating expenses (**)
Direct shareholders	-	-	-	30,278	-	-	3,488	-	-	3	1,081	597	15,064
Indirect shareholders	-	438,193	3,915,889	5,566,432	161,422	1,032,553	5,564	1,550,364	28,536,282	3,924	211,253	135	-
Others	665,440	89,477	1,097,588	1,281,302	76,533	7,636	1,406	620	284,453	7,562	48,594	13,324	18,954

(*) "Direct shareholders" of the Group corresponds to TEB Holding A.Ş., BNP Yatırımlar Holding A.Ş. and BNP Paribas Fortis Yatırımlar Holding A.Ş.. "Indirect shareholders" of the Group corresponds to BNP Paribas SA, Çolakoğlu family members, Denak Depoculuk ve Nakliyecilik A.Ş., Çolakoğlu Metalurji A.Ş., Galata Yatırım Holding A.Ş.. "Others" corresponds to all other Çolakoğlu Group companies and BNP Paribas Group companies.

(**) Figures indicate results for six month period ended 30 June 2020.

Compensation of Key Management Personnel of the Group

The executive and non-executive members of Board of Directors and management received remuneration and fees totaling approximately TL 42,799 as of 30 June 2021 (30 June 2020: TL 36,211) comprising mainly salaries and other short-term benefits.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

9. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Group undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	30 June 2021	31 December 2020
Letters of guarantee issued	15,303,180	14,183,394
Letters of credit	7,533,492	5,025,525
Acceptance credits	11,388	16,573
Other guarantees	5,716,428	5,019,754
Total non-cash loans	28,564,488	24,245,246
Credit card limit commitments	10,340,715	8,978,512
Loan granting commitments	6,387,260	5,736,570
Asset purchase and sale commitments	4,232,652	3,031,018
Payment commitment for checks	2,154,057	1,741,408
Other commitments	916,046	536,881
Total	52,595,218	44,269,635

Fiduciary Activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying consolidated financial statements.

Investment fund participation certificates held in custody which belong to the customers and the related portfolio are not recognised on the statement of financial position. As of 30 June 2021 the total nominal value and number of certificates are TL 5,972,869 and 5,972,869 thousand, respectively (31 December 2020: TL 4,218,738 and 4,218,738 thousand, respectively).

The Group has earned TL 41,927 (30 June 2020: TL 40,110) fund management commission income for the period ended 30 June 2021.

The Group also manages twenty eight investment funds and thirty nine pension funds, which were established under the regulations of the Turkish Capital Markets Board. In accordance with the funds' charters, the Group purchases and sells marketable securities on behalf of funds, markets their participation certificates and provides other services in return for a management fee and undertakes management responsibility for their operations.

Letters of Guarantee Given to Borsa Istanbul (BIST), İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank) and Istanbul Gold Market (IGM)

As of 30 June 2021, in line with the requirements of IGM, letters of guarantee amounting to TL 3,439 (31 December 2020: TL 3,029) had been obtained from local banks and were provided to IGM for transactions conducted in that market.

Litigation

In the normal course of its operations, the Group can be constantly faced with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice. The Group has provided TL 69,263 (31 December 2020: TL 93,625) provision for legal cases.

TÜRK EKONOMİ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

10. EARNINGS PER SHARE

Basic earnings per share (EPS) are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

In Turkey, companies can increase their share capital by making a pro rata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from profit reserves such as retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share issues are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Bank, are regarded similarly.

The following reflects the income (in full TL) and share data (in thousand) used in the basic earnings per share computations:

	30 June 2021	30 June 2020
Net profit attributable to ordinary shareholders	661,041	784,763
Weighted average number of ordinary shares for basic earnings per share	2,204,390	2,204,390
Basic earnings per share	0.2999	0.3560
Diluted earnings per share	0.2999	0.3560

There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the reporting period and before the authorization of these consolidated financial statements for issue.

11. SUBSEQUENT EVENTS

TEB signed a cooperation agreement of 50,000,000 USD with the European Bank for Reconstruction and Development (EBRD) on August 27, 2021. The agreement with the EBRD will be used to support foreign trade.