

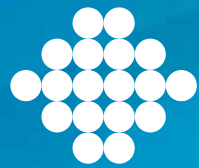
# 2022

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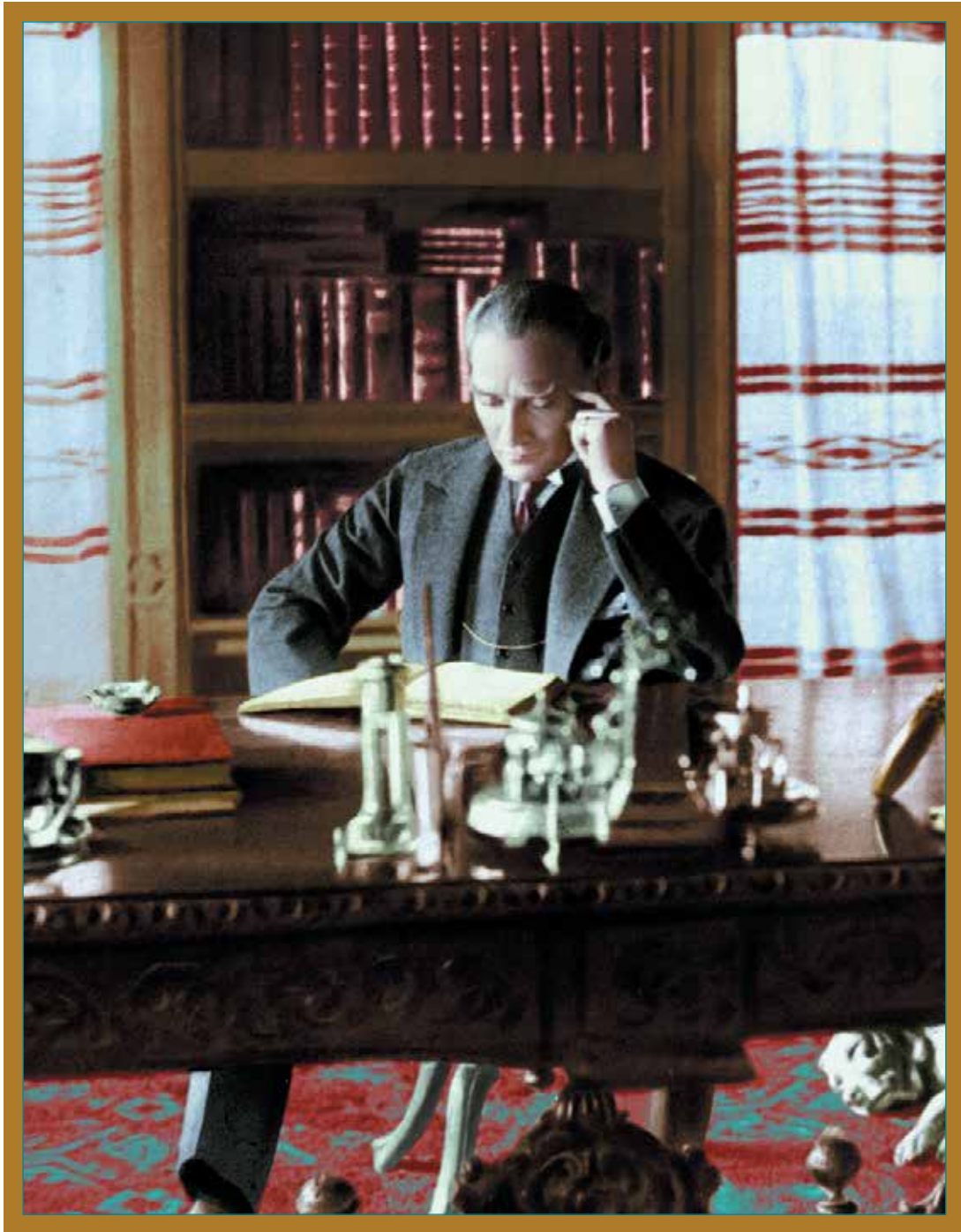
# ANNUAL

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# REPORT



**İLBANK**  
TURKEY'S CONSTRUCTIVE POWER



“ *The Finance Bank should be established for the public services of the municipalities in the construction and installation of the cities.* ”

*H. Ottaviano*

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**İLBANK**  
TURKEY'S CONSTRUCTIVE POWER

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**İller Bankası was established under the name of (Municipalities Bank) with a capital of 15 Million Liras on 11 June 1933 with the Law No. 2301, with the instructions of our great leader Mustafa Kemal Atatürk, within the framework of the development initiative initiated after the War of Independence.**



One of the Republic's oldest established institutions, being founded in 1933 as the Municipalities Bank, İller Bankası is a proud and unique institution in the world's history of development banking.

In accordance with the Establishment Law, the structure of the Bank of Municipalities has been reorganized due to the fact that it operates exclusively for municipalities, the capital of the establishment has not been able to meet the increasing need for loans in parallel with the rapid population growth and urbanization, as well as the villages that have been excluded from this aid and the villages are excluded from this aid.

Within this framework, with the enactment of the Law numbered 4759, which was accepted on 13 June 1945 and published in the Official Gazette on 23.06.1945; The area of activity has been expanded to include all local governments, including provincial special administrations, municipalities and villages, and a new legal status has been created by expanding both the name of the Bank and its duties, powers and responsibilities. In parallel with



the changing economic and social conditions of the world and our country; It is aimed to adapt the country and world conditions by changing the fields of activity, organizational structure, personnel policy and employment of the Bank, and to become an institution that produces more effective and efficient services. With all these needs and obligations, the Bank was restructured with a legal arrangement; The Law on İller Bankası A.Ş. numbered 6107 was accepted by the Parliament on 26 January 2011 and published in the Official Gazette dated 8 February 2011. Thus, the Bank was transformed into "Joint Stock Company" status and was renamed as "İller Bankası A.Ş.".



### Article 3 of the Law no. 6107 governing İller Bankası sets forth that;



#### The Objectives of İller Bankası Are;

- To meet the financing needs of special provincial authorities, municipalities, and their affiliated organizations, and of local administrative associations of which only these may be members,
- To develop projects concerning locally-provided common services for the people dwelling within the boundaries of such administrations,
- To provide such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works,
- To perform any and all functions related to development and investment banking.



#### In order to achieve these summarized objectives, İller Bankası may;

- It can open all kinds of short, medium and long-term cash and non-cash loans to its partners.
- It may or may provide research, project development and consultancy services regarding its activities, and may provide technical assistance.
- It can establish and transfer a company under the leadership of the Bank.
- Can be an Insurance Agent.
- It can open branches and representative offices in the country and abroad, provided that the necessary permissions are obtained.
- It can cooperate with domestic and foreign financial institutions, and become a member of national and international organizations in which they participate. It can provide resources from domestic and foreign financial institutions, money and capital markets and all kinds of funds.
- It carries out all kinds of development and investment banking transactions that will help realize its purpose.
- It carries out or has it done the special projects and urban infrastructure projects and construction works requested by the Ministry.
- In order to procure funds for the Bank, it makes or has it done with profit-oriented real estate investment projects, provided that it does not undertake any debt or conditional obligation for the project resource.

As constitutionally and statutorily prescribed organizations, local governments are the cradle of democracy and have an important place in, and contribution to, the inculcation of democratic ideals and principles in society. İller Bankası is a unique institution, which has no exact analogues anywhere else. Having a special place in the annals of development banking by virtue of its distinctive structure, İller Bankası has been providing local governments with financial support as well as transforming that support into investment ever since the day it was founded. Farsightedness and the Bank since its foundation, reflecting the dynamism of the service concept, "Türkiye's Constructive Power" continues with enthusiasm on the day of its establishment as a service.

**İller Bankası never ceases its efforts to execute its duties, responsibilities, and powers before local governments, with an organization based on 17 Departments as well as Legal Counsel, R&D Board, Board of Directors, Audit Committee Divisions, Secretariat, Media and Public Relations Division, and Recreation Facilities and Nursery Division at the Headquarters, and 18 Regional Directorates in the provinces, employing a total of 2.577 personnel.**

## AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING



**ILBANK**  
TURKEY'S CONSTRUCTIVE POWER

### DATE OF GENERAL ASSEMBLY MEETING

Thursday, 23 February 2023 Time: 14:00

### VENUE

İller Bankası Macunköy Campus Social Facilities  
Address: Çamlıca neighbourhood Anadolu Boulevard No: 24/E Yenimahalle/ANKARA  
(It will be done electronically within the scope of Article 1527 of the Turkish Commercial Code numbered 6102.)

### AGENDA OF THE GENERAL ASSEMBLY MEETING

1. Opening & moment of silence,
2. Formation of the General Assembly Council and the authorization of the Council Chair to sign the Ordinary General Assembly Meeting minutes,
3. Reading, deliberating and approving the Board of Directors' Report and the Statutory Auditors' Report,
4. Reading, reviewing, deliberating and approving the Balance Sheet and Profit/Loss accounts having undergone independent audits, for year 2022,
5. Individual releases of each of the company's directors and statutory auditors
6. Determining the remuneration to be paid to the members of the Board of Directors and Statutory Auditors
7. Authorizing the Board of Directors members as per Articles 395 and 396 of the Turkish Commercial Code
8. Approval of the Independent Audit Institution that will conduct the Independent Audit of the Bank for the years 2023-2024-2025, in accordance with the relevant regulation of the Banking Regulation and Supervision Agency,
9. Petitions and Suggestions,
10. Closing.

## Message From the Republic of Türkiye Minister of Environment, Urbanization and Climate Change



### Murat KURUM

Republic of Türkiye Minister of Environment,  
Urbanization and Climate Change

**“Our Bank has completed the year 2022 with a rising momentum as in previous years. In 2023, we will continue to be the biggest supporter of local administrations by maintaining the same growth. Just like in 2022, in 2023, we will act in accordance with Türkiye's goals, continue our investments, generate new projects, and take bold steps with courage.”**

The State-Owned Bank of Türkiye, İller Bankası, which has left its mark on every development and progress initiative in our country's history, is a 89-year-old institution of great importance. Since its establishment, İller Bankası has contributed to every corner of our country, every stone and every soil, as a silent but powerful helping hand.

Today, this great institution operates globally in harmony with the political and socio-economic strategies of the Republic of Türkiye, and continues to be the biggest supporter of local administrations with its infrastructure and equipment that can compete with the rest of the world.

Currently, as İller Bankası; For our 85 million citizens in Türkiye's 81 provinces; We support thousands of different projects such as infrastructure, superstructure, environment and urban planning projects carried out by our local governments. We continue to provide consultancy services and technical support for our municipalities to produce and develop projects at international standards.

İlbank, with its 89 years of experience, now; While continuing to support the projects of our local governments with all its organi-

zations, units and employees, it diversifies and expands its service areas. It continues to contribute to the sustainable urbanization of our country with the new financial resources and technical support it provides to our local governments.

In 2022, we increased our bank's asset size from TL 62 billion 935 million to TL 92 billion 821 million by increasing 47.49%. In 2022, we provided a total of 15 billion TL from our Bank's own resources for our cities. 2022 investment and financing allowance of our bank; A total of 28 billion TL is planned for loans and grants from the Bank's own resources, foreign loans and grants, and resource development items.

Our Bank has completed the year 2022 with a rising momentum as in previous years. In 2023, we will continue to be the biggest supporter of local administrations by maintaining the same growth. Just like in 2022, in 2023, we will act in accordance with Türkiye's goals, continue our investments, generate new projects, and take bold steps with courage.

With these feelings and thoughts, I wish that İlbank 2022 annual report will be beneficial for both our stakeholders and our İller Bankası.

## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



**Ertan YETİM**  
Chairman of the Board of Directors

**“As İller Bankası, we implement innovative and self-sufficient projects that are open to sustainable urbanization. We strive to transform the requirements of the age into sensitive projects that touch our people.”**

As the İllbank family, we provide services that will leave a mark on future generations in every corner, street and building of the city with urban infrastructure and superstructure projects, and contribute to the development of our cities.

We continue to provide low interest and long-term finance to our local governments for urban infrastructure and superstructure investments. We develop financial instruments that will respond with both domestic and foreign funds and our own equity. As a result of working in coordination with the planned projects and investments; It contributes to the development strategies and plans of cities, so we continue to grow as our cities develop.

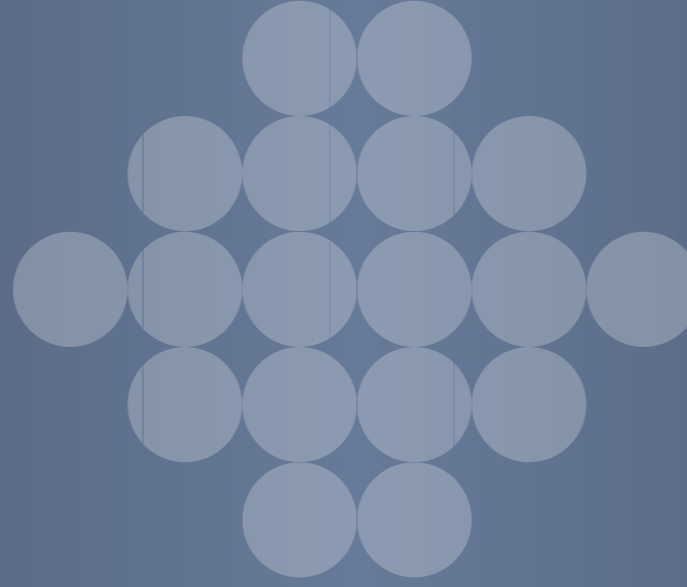
We can easily say that the level we have reached today has been reached with the construction of hearts as well as cities. In other words, with an understanding of urbanization that is human-based, sustainable, efficient and environmentally conscious, we also carry out the reconstruction of the hearts of our people together with the cities. We know that works that do not touch human beings are artificial and will be far from the hope of staying in the future.

The city will continue to maintain its permanence to the extent that technical and social needs are seen as a whole and meet the expectations of the society. Cities created by those who set up this equation correctly are still standing firm today. As İller Bankası, we implement innovative and self-sufficient projects that are open to sustainable urbanization. We strive to transform the requirements of the age into sensitive projects that touch our people.

While our bank continues to grow with its investments and financial resources, it also continues to contribute to the pace of development of our cities.

We know that in order to leave a mark on the future, it is necessary to know the past, but to work with love and enthusiasm today more and more excitedly than yesterday. As our Bank's employees, we have been serving our people for 89 years with the strength and energy we derive from the enthusiasm of the labor we offer, and we will continue to do so.

I wish the 2022 Annual Report of our Provinces Bank to be beneficial for our Local Governments and our Bank.



## GENERAL MANAGER'S ASSESSMENT



**Yusuf BÜYÜK**  
General Manager

**“As İller Bankası, we will contribute to the Turkish century with our projects compatible with the developing world and modern technology; I would like to emphasize that we will take the necessary moves by being at the forefront of our country's development move as always.”**

With its 89 years of experience, our İller Bankası not only increases the number of projects it has carried out from past to present, but also opens new service areas and diversifies its duties.

In order to strengthen the infrastructure of local governments, we have completed our projects such as drinking water, wastewater, roads, geothermal, bicycle paths, noise barriers, environmentally friendly streets, and green walking paths and brought them together with our citizens. If I need to express in numbers, in 2022 throughout Türkiye; 50 wastewater (waste water network, wastewater treatment, deep sea discharge), 95 drinking water (drinking water network, drinking water treatment, drinking water drilling, drinking water storage), 117 superstructures (solar energy system, street beautification), service building, social facility, marketplace, recreation area, facade renovation), 107 urban planning (zoning plan, map, geological survey, geographic information system) and 251 other infrastructure (asphalt, road parquet, curb, bicycle path, solid waste) investment, we have implemented 620 projects worth 4.6 billion TL. We continue to work on 870 projects worth 22.2 billion TL.

We are not limited to infrastructure investments such as traditional drinking water and sewerage, but we also implement new generation climate change projects.

We have been on the field with our team from the very first moment, in all disasters that occur in every part of our country and that will affect the urban infrastructure, as in the recent disasters caused by climate change and the last earthquake we experienced in Düzce. We provided technical and financial support for our

citizens to have water and other services they need as soon as possible. Additionally, we continue to implement innovative urban infrastructure projects such as combating losses and leaks, integrated urban water management, disaster risk management, and resilient city projects. We also carry out renewable energy and energy efficiency projects such as energy savings and smart lighting, as well as smart transportation and infrastructure projects for the cities of the future.

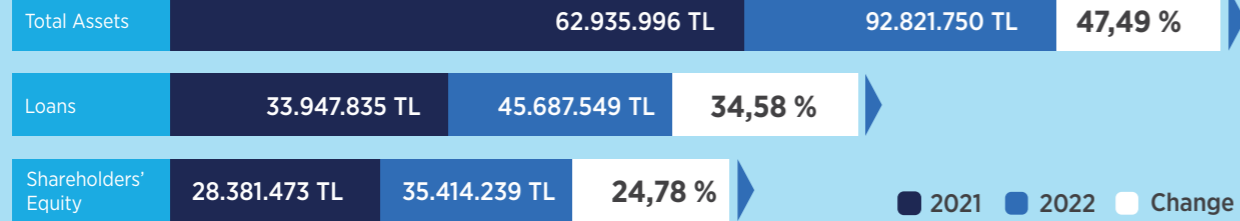
In order to meet the increasing project-based financing needs of our local governments, besides the loan obtained from İller Bankası own resources; We contributed to the financial sustainability of our local governments by providing long-term and low-interest international financing with a grace period.

As in 2022, we will continue our work in infrastructure, urban planning, superstructure and other infrastructure sectors without slowing down. Thus, in order to maintain healthy urbanization and to ensure that no municipalities are left without infrastructure, infrastructure needs of local governments will be solved by solving their infrastructure problems and the quality of life in these settlements will be increased.

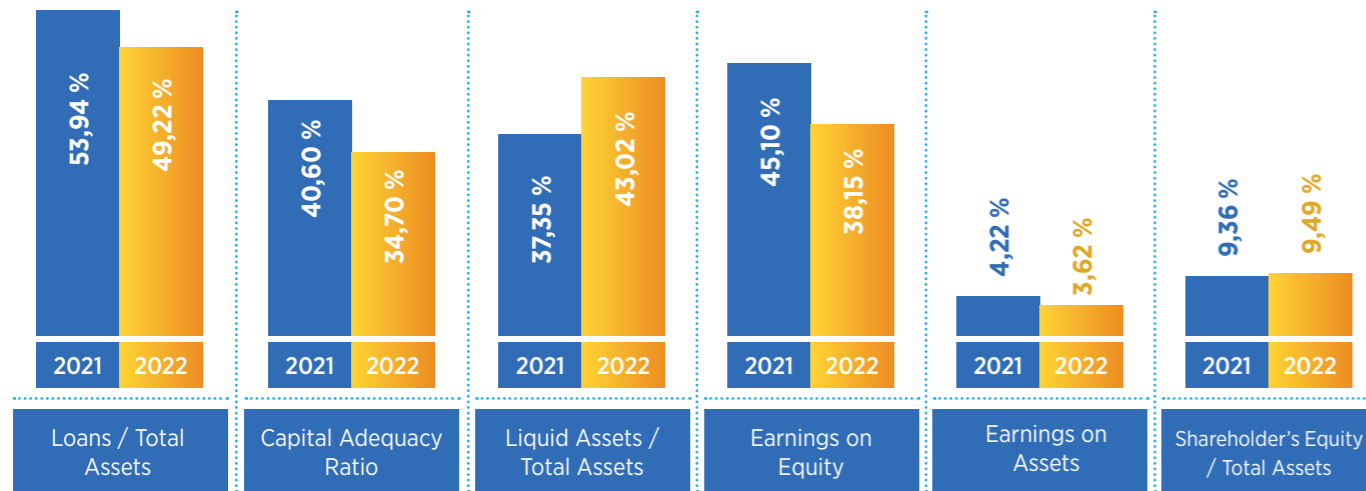
As İller Bankası, we will contribute to the Turkish century with our projects compatible with the developing world and modern technology; I would like to emphasize that we will take the necessary steps by being at the forefront of our country's development move, as always, and I hope that the 2022 annual report will be beneficial for our Local Administrations and our Bank.

## ✓ SUMMARY FINANCIAL RESULTS

(Thousand TL)	2021	2022	Amount of Change	Change Percentage (%)
<b>Total Assets</b>	<b>62.935.996</b>	<b>92.821.750</b>	<b>29.885.754</b>	<b>47,49</b>
Liquid Assets and Banks	23.505.286	39.928.633	16.423.347	69,87
<b>Loans</b>	<b>33.947.835</b>	<b>45.687.549</b>	<b>11.739.714</b>	<b>34,58</b>
<b>Shareholders Equity</b>	<b>28.381.473</b>	<b>35.414.239</b>	<b>7.032.766</b>	<b>24,78</b>
Paid-in capital	22.547.763	28.538.677	5.990.914	26,57
Loans Received	13.397.679	23.568.228	10.170.549	75,91
Interest Incomes	5.317.473	6.871.460	1.553.987	29,22
Interest Expenses	957.005	1.680.770	723.765	75,63
Non-interest expenses	2.324.054	3.421.998	1.097.944	47,24
Non-interest incomes	619.122	1.592.750	973.628	157,26
Profit before tax	3.562.646	4.451.422	888.776	24,95
<b>Net Period Profit / Loss</b>	<b>2.655.536</b>	<b>3.361.442</b>	<b>705.906</b>	<b>26,58</b>



## ✓ RATIOS (%)



## ✓ OUR CORPORATE MESSAGE

### OUR VISION

To be an international development and investment bank which leads modern urban development and whose service quality is proven.

### OUR MISSION

To contribute towards sustainable urbanization by creating and developing projects conforming to international standards, by supplying credit, by acting as a consultant, and by providing technical support in order to satisfy the urban needs of local governments.

### OUR STRATEGY

To serve with a perspective of investment banking and total quality management.

## ✓ OUR CORE VALUES

- Country Benefit
- Activity
- Reliability
- Environmental Awareness
- Social Responsibility
- Openness to Change
- Participation
- Ownership of Ethical Values
- Team Spirit
- Quality
- Transparency
- Impartiality
- Lead

## CAPITAL AND PARTNERSHIP STRUCTURE

**In 2022, the Bank's paid-up capital increased by 26,57% and reached TL 28.538.677 Thousand.**

In paragraph 2 of the article 4 of "the Law No. 6107 on İller Bankası Joint Stock Company" states; that the Bank's capital is TL 9.000.000.000 (Nine Billion TL) and that this capital can be increased up to five times by the Decree of the Council of Ministers,



### Its capital resources will consist of the following:

According to Law no. 5779 on Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities dated 2 July 2008, sums equal to 2% of total tax revenue allotments to be distributed by the Ministry of Finance and İller Bankası, which sums will be deducted monthly, 30% share that will be set aside from the Bank's annual net profit after the Bank's tax and other legal obligations will be deducted, Funds approved to be transferred into the Bank's capital as per the provisions of other legislation, and any and all donations and contributions made to be added to the capital, It is arranged that it will occur.

Owing to this structure, the Bank's capital is not divided into shares and the registered capital system is not employed.

The Bank's nominal capital was increased from TL 18 billion to TL 30 billion with the Presidential Decree No. 1767 published in the Official Gazette No. 30942 dated 8 November 2019, and to TL 45 billion with the Presidential Decree No. 6659 published in the Official Gazette No. 32069 dated 10 January 2023.

As of 31 December 2022, TL 28.538.677 thousand of TL 30 billion of capital is paid.

Neither the chairman nor any member of the Bank's Board of Directors, nor any audit committee member, nor the general manager or any vice president is a shareholder in the Bank.

Nominal capital of the Bank over the years, the collection of capital, paid and unpaid capital situation are presented in the table below.

### İller Bankası Capital Movements In The Past Ten Years (Thousand TL)

Years	Nominal Capital	Annual Capital Collection	Paid-up Capital	Outstanding Capital
2013	9.000.000	793.125	8.528.315	471.685
2014	18.000.000	874.065	9.402.380	8.597.620
2015	18.000.000	1.081.365	10.483.745	7.516.255
2016	18.000.000	1.207.004	11.690.749	6.309.251
2017	18.000.000	1.431.435	13.122.184	4.877.816
2018	18.000.000	1.725.352	14.847.536	3.152.464
2019	30.000.000	2.023.021	16.870.557	13.129.443
2020	30.000.000	2.407.575	19.278.132	10.721.868
2021	30.000.000	3.269.631	22.547.763	7.452.237
<b>2022</b>	<b>30.000.000</b>	<b>5.990.091</b>	<b>28.538.677</b>	<b>1.461.323</b>

## 2022 Investment and Financing Program

### A- BANK SOURCED LOANS TL 15 Billion

- Infrastructure,
- SUKAP
- Superstructure,
- Other Infrastructure,
- Renewable Energy,
- Urban Information Systems,
- Purchase of Materials and Equipment,
- Expropriation
- Notice Severance Pay and Other Personnel Receivables,
- Cash Support Loan (Support Loan for the Restructuring of Corporate and Public Debts),
- Other (Zoning, Mapping, Infrastructure, Survey Project, Geological-Geotechnical Survey, Drilling, Zoning Application, Service Procurement, etc.),
- European Union Environmental Investments Projects,
- Cash Credit.

### B- Grants TL 2 Billion 333 Million 153 Thousand

- Water and Sewerage Infrastructure Projects (SUKAP) Allowance
- TL 1 Billion 12 Million 153 Thousand TL
- Allocation from Bank Profit TL 1 Billion 290 Million
- Urban Infrastructure Equalization Allowance TL 31 Million

### C- External Loans TL 8 Billion 8 Million 504 Thousand

- Drinking Water TL 2 Billion 810 Million 821 Thousand
- Wastewater TL 3 Billion 15 Million 671 Thousand
- Solid Waste TL 646 Million 637 Thousand
- Energy TL 111 Million 465 Thousand
- Transportation TL 1 Billion 423 Million 910 Thousand

### D- External Grants TL 1 Billion 703 Million 640 Thousand

- Drinking Water TL 952 Million 154 Thousand
- Wastewater TL 647 Million 46 Thousand
- Solid Waste TL 71 Million 515 Thousand
- Transportation TL 32 Million 926 Thousand

**E- Resource Development Activities are planned to be TL 1 Billion, totaling TL 28 Billion 45 Million 297 Thousand.**



TL 12.696.980 Thousand is the use of loans from the Bank's equity, TL 1.295.301 Thousand is the use of grant resources transferred from the General Budget and the use of funds transferred to the Bank within the scope of related protocols (SUKAP and Urban Infrastructure Equalization Allowance), TL 1.285.220 Thousand TL from the Bank's profits, TL 3.655.410 Thousand from external loans, TL 861.397 Thousand from external grants, TL 1.415.129 Thousand from Resource Development activities, total expenditures of TL 21.209.437 Thousand were realized at a rate of 75,63%.



Within the scope of the 2022 investment and financing program, İller Bankası transferred a total of TL 19,794,308 thousand to local governments across Türkiye. In addition to the 2022 investment program, a total of TL 5,252,775 thousand in funds transferred to the Bank within the scope of various protocols and TL 1,415,129 thousand in resource expenditures for the Bank's resource development activities, total resource utilization amounted to TL 26,462,212 thousand.



# 2022 ANNUAL OFFICIAL INVESTMENT PROGRAM



The investment program of İller Bankası A.Ş. for the year 2022 was published in the Official Gazette dated 15.01.2022 and numbered 31720 (repeated) and entered into force with the Presidential Decision no. 5123.

### Within the scope of the published Investment Program;

- Energy Sector TL 296.195 Thousand,
- Drinking Water Sector TL 2.695.297 Thousand,
- Sewerage Industry TL 2.901.212 Thousand,
- Solid Waste Sector TL 482.337 Thousand,
- Transportation (Urban Transportation) TL 1.087.999 Thousand,

**TL 7.463.040 Thousand has been allocated.**



It is planned to spend TL 7.463.040 Thousand for projects with foreign loans, TL 31.000 Thousand for urban infrastructure projects and TL 1.012.153 Thousand for SUKAP, which are included in the Investment Program of İller Bankası.

In the investment program, a total of TL 2,695,297 Thousand were allocated for the Drinking Water sector, of which TL 1,073,237 Thousand were spent. For the Sewerage projects, which were allocated TL 2,901,212 Thousand, TL 1,179,419 Thousand were spent. In the Municipal Services (Solid Waste) sector, which was allocated TL 482,337 Thousand, TL 22,212 Thousand were spent. In the Transportation (Urban Transportation) sector, which was allocated TL 1,087,999 Thousand, TL 325,402 Thousand were spent. For the Energy sector, which was allocated TL 296,195 Thousand, TL 52,786 Thousand were spent, making a total expenditure of TL 2,653,056 Thousand. According to the official program, a realization rate of 35.55% was achieved.

## Realization Status of Investment by Year 2022 Official Program

Sector	2022 Investment Program (TL Thousand)					Realization of Investment Program for 2022			
	2022 Project Count	External Loan	The Ministry Of Finance		Total	External Loan Spending	The Ministry Of Finance		Total
			Urban Infrastructure (From The Balance Allowance)	SUKAP			Urban Infrastructure Spending	SUKAP Spending	
Energy	4	296.195	-	-	296.195	52.786	-	-	52.786
Drinking water	10	2.695.297	12.250	412.153	3.119.700	1.073.237	-	804.165	1.877.402
Sewage	9	2.901.212	18.750	600.000	3.519.962	1.179.419	18.750	506.363	1.704.532
Municipal Services (Solid Waste)	7	482.337	-	-	482.337	22.212	-	-	22.212
Transportation (Urban Transportation)	6	1.087.999	-	-	1.087.999	325.402	-	-	325.402
<b>Total</b>	<b>36</b>	<b>7.463.040</b>	<b>31.000</b>	<b>1.012.153</b>	<b>8.506.193</b>	<b>2.653.056</b>	<b>18.750</b>	<b>1.310.528</b>	<b>3.982.334</b>



### Urban Infrastructure Equalization Allowance

Within the framework of Provisional Article 1 of Law No. 5779 on Allocation of Shares from General Budget Tax Revenues to Special Provincial Administrations and Municipalities, the appropriation transferred to the Bank of Provinces within the scope of the "Regulation on the Use of the Appropriation Allocated for Urban Infrastructure Needs of Municipalities" is used to finance mapping, zoning plan, drinking water, wastewater, solid waste, sea discharge, project and construction works carried out by the Bank.

**TL 18.750 Thousand was spent for sewage and treatment plant works.**

### Regarding the loans obtained from Foreign Finance Institutions in 2022;

A total of TL 3,655,410 Thousand were spent from external sources, including TL 684,445 Thousand from the Sustainable Cities Project I provided by the World Bank, TL 221,572 Thousand from the Sustainable Cities Project II, TL 111,596 Thousand from the Additional Financing of the Sustainable Cities Project II, TL 68,440 Thousand from the Municipal Services Development Project, TL 1,582,750 Thousand from the Local Government Infrastructure Development Project provided by the Japan International Cooperation Agency, TL 535,834 Thousand from the Local Government Environmental Development Project, TL 280,906 Thousand from the Urban Transportation and Environment Credit provided by the European Investment Bank, and TL 169,867 Thousand from the Urban Transportation Projects provided by the Islamic Development Bank.

### As for the Grants Provided by Foreign Financial Institutions;

From the World Bank's Sustainable Cities Project, TL 238,933 Thousand was obtained. From the Municipal Services Development Project, TL 81,053 Thousand was obtained. From the Municipal Resilience Program of the European Investment Bank, TL 403,697 Thousand was obtained. From the French Development Agency's Municipal Services Development Project, TL 65,231 Thousand was obtained. From the EU Pre-Accession Financial Assistance Instrument for the Environment and Climate Action Program, TL 72,483 Thousand was obtained. In total, TL 861,397 Thousand in expenses were incurred.



## Works carried out with 100% Credits Financed by Bank Equity



In addition to the Bank's investment program, local administrations have been allocated with credits for the works requested, and combined administrations have been able to implement sewerage, drinking water, maps, zoning, renewable energy, expropriation, road transport system, road construction, Highway intersections, Underpass-Overpass and urban transformation projects.



### From the construction works of local governments

In 2022, a total of 286 of the local administration works have been completed, of which 50 are drinking water, 160 roads, 26 sewage, 3 solid waste, 20 other infrastructure, 27 municipal buildings sectors.

Sector	Number of Works in Progress	Number of Works Completed
Drinking water	126	50
Other Infrastructure	48	20
Sewage	75	26
Solid waste	16	3
Municipality Const.	215	27
Roads	352	160
<b>Total</b>	<b>832</b>	<b>286</b>



### From the project works of local governments;

In 2022, a total of 33 projects works have been completed, 2 zoning plans, 1 geotechnical, 15 renewable energy projects, 1 drinking water project, 13 drinking water drilling, and and 1 wastewater treatment unit project.

Sector	Number of Works in Progress	Number of Works Completed
Zoning Plan	4	-
Geotechnical	6	1
GIS (City Information System)	62	15
Renewable Energy	1	-
Sewerage Project	1	1
Drinking Water Project	18	13
Drinking Water Drilling	4	1
Map	3	2
<b>Total</b>	<b>99</b>	<b>33</b>



## Project Studies

In the project works carried out by the Bank, the project studies of 148 works were completed in 2022. For these works, a total of 13.576 thousand TL was spent, including 3.223 thousand TL loans, 10.097 thousand TL grants and 256 thousand TL from the municipality.

Project Sector	Completed Projects in 2022		Number of Tendered Projects	Number of projects in Progress in 2023	
	Expenditures from bank	Other Works		Expenditures from bank	Other Works
Potable Water Project	Network	30	13	14	37
	Treatment	3	5	5	6
Wastewater Project Sector	Network	12	20	13	26
	Treatment	13	10	-	10
	Marine Discharge/Solid Waste	-	-	-	1
	Solid waste	4	1	11	4
Superstructure Project	Superstructure	22	1	-	5
Renewable Energy Sector	Energy	-	-	-	-
Drinking Water Drilling Works	Drinking	14	-	16	-
<b>Total</b>		<b>98</b>	<b>50</b>	<b>59</b>	<b>105</b>



### Wastewater Treatment Project Studies

Water is a limited resource; It is an inevitable fact that with the increasing population, industrialization, agricultural practices and urbanization, the need for water and the amount of wastewater generated from this use are also increasing. One of the main objectives of our Bank is to develop a management system that will ensure the protection and development of the quality of water resources and their sustainable use.

Wastewater Treatment; As it is known, one of the physical, chemical and biological treatment processes applied in order to regain some or all of the physical, chemical and bacteriological properties of water by turning it into wastewater as a result of various uses, and/or to make the natural physical, chemical, bacteriological and ecological characteristics of the receiving environment intact. or a process involving more than one. One of the most common methods of wastewater treatment is biological treatment. Biological activated sludge systems, which are applied by our bank and are widely used in the world, are a conventional system that has advantages in terms of nutrient removal processes, operation, cost and ease of maintenance.

İller Bankası completes the studies, projects and constructions of wastewater treatment plants in accordance with our country's legislation within the framework of the authorization received from our Municipalities and delivers them to their Municipalities. Since 2005, 366 Wastewater Treatment Plant Projects have been approved, and the projects of 36 works are continuing.



### Wastewater Network Project Studies

Our most basic duty is to collect the domestic wastewater that will be generated in the places where we work within the limits of our duty and authority, and to dispose of them in an environmentally friendly manner and in accordance with the legislation. In this direction, sewerage network projects are designed to meet the 35-year needs of the relevant settlements and to be suitable for the development of the city. Sewage network, collector lines, and if necessary, pumping lines, which constitute the sewage system during the project and will transmit the wastewater to the wastewater treatment plant, sewerage systems are formed as a whole with the pumping center and collector lines. In 2022, there are a total of 32 works designed and ready for construction within the Wastewater Network Project Directorate. Financing throughout Türkiye in 2022 is covered by our Bank's grant and loan resources,

- A total of 2,800 km sewerage network, collector line, pumping line and collector project with a construction cost of TL 4 Billion were completed and approved.
- A total 165 km stormwater network project with a construction cost of TL 780 Million has been completed and approved.

## Works Executed with Financing from the Grants-in-aid from the General Budget and the Grants-in-aid out of the Profits of the Bank



### Water and Sewer Systems Infrastructure Project (SUKAP)

With the President's Decision, 50% of the project amount is granted to the municipalities with a population of 25,000 or less, and a long-term loan is extended to the municipality by İller Bankası for the remaining 50%. The municipalities with a population of more than 25,000 and included in the annex of the President's Decision are allocated by İller Bankası without the condition of complying with the debt stock limit in the Municipality Law No. 5393. In addition, the projects of the municipalities whose projects are not ready are primarily designed by İller Bankası.

- Between 2011 and 2022, a total of TL 7.504.682 Thousand of appropriation was transferred to the İller Bankası through the Central Government Budget Law.
- As of 31 December 2022, a total of 16,807,422 Thousand TL, of which 9.776.115 Thousand TL is loan and 7.031.307 Thousand is grant, has been allocated for 1.510 drinking water and sewerage investments carried out within the scope of SUKAP.
- In 2022, a total of TL 2.758.958 thousand was spent, of which TL 1.482.407 thousand from loans and TL 1.276.551 thousand from grant.

#### Within the scope of SUKAP; 1.510 Works As Of 31.12.2022;

1.260 Complete

190 Qty. Ongoing Construction

21 Work Business Contract Stage

39 Work The job is at the tender stage.

### Sectoral Breakdown of Works Assigned to Finance with Water and Sewerage Infrastructure Project (SUKAP) (2011-2022) (31.12.2022)

	Potable Water	Waste Water	Total
Number of finished Works	484	776	1.260
Number of Works Under Construction	87	103	190
Number of Works Under Contract	10	11	21
Number of Works Contracted	16	23	39
Number of Works in Progress	597	913	1.510
Amount of Total Appropriation	6.355.858	10.451.564	16.807.422
<i>Amount of Loans Extended</i>	3.723.236	6.052.879	9.776.115
<i>Amount of Grants Extended</i>	2.632.622	4.398.685	7.031.307
<b>Total Disbursement in year 2022</b>	<b>1.151.130</b>	<b>1.607.828</b>	<b>2.758.958</b>
<i>Amount of Disbursements out of Loans in Year 2022</i>	614.935	867.472	1.482.407
<i>Amount of Disbursements out of Grants in Year 2022</i>	536.195	740.356	1.276.551

## The Works Carried Out With the Allowance Allocated From Bank Profit

İller Bankası A.Ş. Pursuant to paragraph 3 of Article 13 of the Law, the Bank has fifty percent of the net profit arising from the balance sheet approved by the General Assembly; urban regeneration practices of local governments, maps, zoning plans, infrastructure and superstructure projects and financing of these projects are used as a grant in financing or supporting the interest arising from the technical and social infrastructure services of the villages, carried out by special provincial administrations.\*

Financing of municipal maps, zoning plan, drinking water, wastewater, treatment plant, sea discharge, solid waste landfill, geothermal energy facility, urban information system, survey and project works by contributing 50% to the remaining 50% It is made by opening a loan to the municipality by the Bank.



An appropriation of TL 1,345,966 Thousand, including 10 % income tax withholding, has been allocated from the Bank's profit for 2021 to finance the above-mentioned works. In accordance with the "Regulation on the Utilization of the Allowance from İller Bankası Annual Profit in Infrastructure Projects and Construction Works of Villages and Municipalities", the utilization is provided.



In 2022, 56 works were completed in the municipal buildings sector in the construction works carried out with the appropriations allocated from the annual profit of the Bank. Grants amounting to TL 61.903 Thousand and credits amounting to TL 23.747 Thousand were used for the construction works carried out.

\* (Replaced by Article 57 of the Law on Amending Tax Laws and Certain Laws and Decree Laws published in the Official Gazette dated 18 January 2019 and numbered 30659.)



**In 2022, a total of 97 works have been completed, including 15 in the map sector, 18 in the zoning plan sector, 14 in the geotechnical sector, 24 in the drinking water project sector, 12 in the sewerage project sector, 3 in the drinking water treatment sector, and 11 in the wastewater treatment sector, in the Project works carried out with the appropriations allocated from the annual Bank profits in 2022. Grants amounting to TL 9.011 Thousand and loans amounting to TL 9.003 Thousand were provided for the project works carried out.**

"Within the scope of the "Regulation on the Use of the Allowance Allocated from the Annual Profit of İller Bankası for Villages and Municipalities in Infrastructure Projects and Construction Works", TL 1.457 Thousand for project works in 2022, together with the amounts transferred from the previous years to the municipalities, TL 1.250.545 Thousand for the work that will provide direct contribution from the Bank's profits. A total of TL 1,285,221 Thousand grants were used, TL 171 Thousand for the works that will provide interest support, and TL 33.048 Thousand for audit and consultancy services. In the grant payments made from the Bank's profit in 2016 and after, a 10% income tax withholding was paid TL 140.990 Thousand.

Republic of Türkiye Minister of Environment,  
Urbanization and Climate Change with

## Works made under the Protocols



### Solid Waste Program (KAP)

KAP Procedures and Principles; Presidency Strategy and Budget Presidency (Türkiye Minister Ministry of Development) was determined by Republic of Türkiye Minister of Environment, Urbanization and Climate Change and İLBANK and signed on May 26, 2017. The protocol for supporting PDP projects was signed by the Republic of Türkiye Minister of Environment, Urbanization and Climate Change and İLBANK on September 4, 2018 and entered into force. II. class landfill facility, existing II. additional lot to the class landfill facility, Pretreatment plant (mechanical separation/compost/bio-drying/biomethanization/waste derived fuel plant) and transfer station project and construction works are within the scope of the protocol.

Within the scope of the said protocol, an appropriation of TL 173,795 Thousand has been transferred to our Bank from the

Ministry of Environment, Urbanization and Climate Change to date. In this context, 22 project works and 9 construction works have been completed. 13 project works and 12 construction works are in progress and 2 projects and 2 construction works are at the tender stage. 9 construction works are in the process of obtaining financing.

In this context, TL 37,284 thousand grant was given for the completed works. A total of TL 156,634 Thousand grant has been allocated for ongoing works, and its expenditure continues. The total amount spent from the grant so far is TL 143.169 Thousand.

The total loan amount allocated by our Bank within the scope of KAP is TL 295,291 Thousand.

### Under the Goal of Greener and Livable Cities

#### 3,000 km Bike and 3,000 km Green Walkway, 60 km Eco-Friendly Street and 60,000 m2 Noise Barrier Construction Support Protocol

Republic of Türkiye Minister of Environment, Urbanization and Climate Change and İller Bankası A.Ş. in cooperation with; Within the scope of the 100 Days Action Plan, for the creation of cities with habitable environment and identity; protocol for the construction of bicycle path, green walking path, environmentally friendly street and noise barrier for the purpose of reducing the effects of traffic pollution and noise exposure, protecting the physical and mental health, improving the quality of life and raising the awareness of environmental protection as well as contributing to the aesthetics of the city. Signed in August 27, 2018.

Republic of Türkiye Minister of Environment, Urbanization and Climate Change and the commission of our Bank, for projects approved by the municipality (completed and ongoing works) for applications for bicycle and green walking tracks, environmentally friendly streets and noise barriers, as our Ministry and our Bank, a total of approximately TL 270 million financial support has been provided so far.

**Studies carried out; A total of 479 applications were made to our bank.**

272 Bicycle Trails 574 km,

171 Walking Trails 209 km,

21 Eco-Friendly Streets 1.274 m,

15 Noise Barriers 67.840 m<sup>2</sup>

The project has been evaluated.



### Protocol on the Construction of Common Infrastructures of the Istanbul International Financial Center (IUFM)

“Protocol Concerning Construction Activities of Istanbul International Financial Center (IUFM) Joint Infrastructure” Republic of Türkiye Ministry of Environment and Urbanization, General Directorate of Spatial Planning, Emlak Konut REIT Inc. and our Bank on 2 October 2014 and entered into force. Within the scope of the protocol; With regard to the Construction of the Istanbul International Financial Center (IUFM) Common Infrastructures Activities, the procurement of supply construction has been carried out by our Bank in 2020. Asset Fund Project located property in Türkiye, the Central Bank, Ziraat REIT, Vakıf REIT, Halk REITs, tracking of payments to be made by Business REIT’s control and inspection services business is conducted by the Bank.



### Ministry-AFAD Permanent Disaster Housing Protocol

“The Protocol on the Construction of Permanent Disaster Structures, Arranged within the Scope of the Law No. 7269 on Assistance to be Taken with Measures to Be Taken for Disasters Affecting Public Life” between our Ministry and the TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) was signed on 23 November 2017 and entered into force. The financing resources transferred to our Bank by AFAD within the scope of the protocol are transferred to the relevant accounts in accordance with the instructions of the General Directorate of Construction Affairs of our Ministry for the progress payments of the projects.



### KÖYDES (Supporting the Infrastructure of Villages) Project

With the Presidential Decision, our Bank is tasked with transferring the KÖYDES (Supporting the Infrastructure of Villages) Project appropriations to 453 Village Service Associations in 51 provinces and realizing the expenditures through our Bank. In this context; For the 2022 KÖYDES Project, a total of TL 3.110.964 Thousand has been allocated to the Village Service Unions.



## Between Our Bank and Public Institutions and Organizations Works Carried out within the Scope of the Protocols



### TOKİ Cooperation Protocol

Between our bank and TOKİ (Housing Development Administration), "İlbank Inc. and TOKİ cooperation protocol" was signed on 12.04.2019 and entered into force. Within the scope of the protocol; Transferring the financial resources to our Bank regarding the works to be carried out by TOKİ, Payments of progress payments prepared and approved by TOKİ for these works are made from the amounts transferred to our Bank and approved by the parties, procedures regarding the additional protocols to be drawn up regarding the works and transactions to be carried out together have been determined.



### AFAD Provincial Service Buildings Protocol

The "Protocol on Financing Transfer and Progress Payment for the Construction Works of AFAD Provincial Service Buildings and Management Centers" between our Bank and TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) was signed on 6 December 2018 and entered into force. Within the scope of the protocol; Progress payments of Provincial Service Buildings and Management Centers that have been tendered, contracted and under construction by AFAD are made to the Contractor's accounts in line with AFAD's demands.



### AFAD Disaster Housing Protocol

The "Protocol on the Transfer of Financing for Disaster Housing and Progress Payments" between our Bank and TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) was signed on 20 December 2019 and entered into force. Progress payments for disaster houses included in the AFAD investment program within the scope of the protocol are made to the Contractor's accounts in line with AFAD's demands.



### Protocol Concerning the Transfer of Financing and Progress Payment for Projects in the Investment Program of AFAD Presidency

The "Protocol on Transfer of Financing and Progress Payment for Projects in the Investment Program of AFAD Presidency" between our Bank and TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) was signed on 25 December 2020 and entered into force. Within the scope of the protocol, the investment allowance allocated for the projects carried out by the AFAD Presidency is transferred to our Bank and the progress payments prepared and approved by AFAD for these works are paid to the Contractor's accounts in line with AFAD's demands.

#### Protocols Signed Between Our Bank and Public and Institutional Organizations (Thousand TL)

Expenditures Made	Spending Amount
TOKİ Cooperation Protocol	604.746
AFAD Disaster Housing Protocol	94.398
AFAD Provincial Service Buildings Protocol	150.731
Protocol Concerning the Transfer of Financing and Progress Payment for the Projects in the Investment Program of AFAD Presidency	84.367
<b>Total Expenditure in 2022</b>	<b>934.242</b>



## Resource Development Activities and Urban Transformation Projects

With the Decree numbered 648 and dated 8 August 2011, İller Bankası A.Ş. Article 3 of the Law titled Bank's activities and topics "Implement or make applications with profitable real estate investment projects so as not to enter into any obligations and conditional obligations for the project resource to provide funds to the Bank" provision has been added.

Within this scope, with the resource development activities, it is aimed to produce brand projects in order to strengthen the "İLBANK" brand in "superstructure" investments besides "infrastructure investments" in the field of activity of our Bank and thus to serve our partners more strongly. For this purpose, our Bank develops jointly profit-oriented real estate projects on its own and on the municipalities of municipalities and special provincial administrations, other public and private institutions and individual.

In this context, in accordance with the relevant legislation, olup land-based revenue sharing method ile has the qualification to be evaluated by the İller Bankası also deemed appropriate by the Municipality real estate;

- Purchase by bank,
- Implementing co-implementation with municipalities by using the land-based income sharing method on these,

With the options, it is possible to offset the debts of Municipalities to İller Bankası.

In addition, İller Bankası also played an active role in the Urban Transformation Projects and Brand Cities Development Project realized under the Law on Transformation of Areas Under Disaster Risk. Within this scope, İller Bankası transfers both the projects and half of the profit from real estate projects to the Ministry Urban Transformation Special Account for use in urban transformation projects.



The following activities are carried out within the scope of İller Bankası resource development activities;



### Revenue Sharing Tenders for Land Sale:

In the real estates owned or in the possession of İller Bankası, İller Bankası prepares contracts and specifications for revenue sharing tenders and realizes contracts and executes the contract within the scope of Tender Regulation for Sale, Lease and Sale of Land.



### Real Estate Sales:

İller Bankası carries out real estate purchase, sale, exchange, leasing and renting activities within the scope of the related legislation in order to secure funds.



### Urban Transformation Projects:

İller Bankası is in the field of application declared within the scope of the Law Concerning Transformation of Disaster Risk Areas No 6306 or in the areas declared urban transformation and development area within the scope of Article 73 of Municipality Law No 5393, Republic of Türkiye Minister of Environment, Urbanization and Climate Change and / Or authorized institutions / organizations, performs the urban transformation projects within the scope of the protocols made and makes applications within the scope of the Tender Regulation of the Sales, Leasing and Land Sale Equivalence Revenue Sharing of İller Bankası.

İller Bankası, within which are owned and technical consulting services in exchange for the Bank on transfer as properties acquired in the projects as they deem appropriate and will see the Bank's appropriate rate and sales direct sales, is engaged in real estate investment transactions with revenue sharing and in return method.

Within this context, revenue of TL 902.033 Thousand was obtained from sales transactions in 2022.



### Projects Performed with Municipalities, Public and Private Organizations and Individuals:

We carry out protocols with the aim of carrying out studies to develop a common real estate project on properties owned by İller Bankası, Municipalities, public institutions and real persons / legal entities. Following the planning studies, the said immovables are tendered by means of revenue sharing for the sale of the land, and the obtained revenue is shared with the project stakeholders.

In 2022, TL 1,415,129 Thousand was spent for fundraising activities.



### Karabağlar Urban Transformation Protocol

Pursuant to the Protocol dated December 13, 2018 signed between the Republic of Türkiye Minister of Environment, Urbanization and Climate Change of the Republic of Türkiye and our Bank, the conditions for the payment of immovables to be purchased to be utilized in urban transformation applications in the risky area have been determined. In 2022, TL 321 thousand was spent within the scope of the urban transformation protocol.



# Profile of Credits Provided out of the Equity of İller Bankası



## Works Carried Out By Municipalities and Special Provincial Authorities Under The Local Government In-vestments Program

In year 2022, a total of TL 12.696.980 thousand was budgeted to be offered as loans for Material, Equipment, Vehicles and other Requisites in addition to Cash Support Loan requests and the projects included in the investment programs of local governments.

From the construction works of local governments; 50 drinking water, 26 sewers, 3 solid wastes, 160 roads, 20 other and 27 municipal buildings sectors, 286 jobs in total with project work 2 map, 15 renewable energies, 1 drinking water projects, 13 Drinking Water Drills, 1 wastewater treatment-sea discharge a total of 33 project works, including a total of 319 works were completed.



## Medium and Long Term Directed Loans

Loans on 5 to 10 year terms for various projects and facilities related to local governments' public services which are placed in the Bank's investment program by the Ministry of Development and loans extended since 2005 for infrastructure and superstructure investments which are included in the Bank's and in local governments' investment programs and which are carried out by the Bank and by local governments either directly or through tenders, for;

- Sewage,
- Potable water,
- Rail transportation systems,
- Road constructions,
- Highway intersections,
- Underpass-Overpass,
- Renewable Energy
- City Information System,
- Urban Transformation etc.

are used for the performance of the projects in this framework.



## Short-Term Loans

No. 5779 "Loans for short-term specialized loans given to local administrations for short-term specialized loans for the shares distributed to İller Bankası within the framework of the Law on Granting of Special Provincial Administrations and Municipal Budget Tax Revenues to the municipalities and the municipalities in their investment programs.

İller Bankası ceased to extend short-term credits in 2007 as a matter of principle, save for in exceptional situations. However İller Bankası issues letters of guarantee for loans that local governments obtain from financial institutions other than the bank. When such administrations default on their installments etc., the Bank, in its capacity as guarantor, is responsible for making the payments whenever the beneficiary of the letter so demands. Such payments are booked to the local governments' accounts as "short-term loans".

In addition, a commission fee is charged once every three months on the outstanding balances of letters of guarantee issued by the Bank. These amounts are then charged to local governments' accounts as "short-term credit".



## Cash Support Loans

In addition to loans for investments of Local Administrations, İller Bankası has started to use the cash support loan for; the Payments of severance and indemnity that will be paid to the retirement personnel of the local administrations since 2010, the cadre will receive more personnel and paying for other corporate debts in 2011, Local Government cash payments in 2012, and the urgent current payments of municipalities since 2015, this practice was continued in 2022.

In 2022; He extended a cash support loan of TL 837,256 Thousand in total, of which TL 63,533 Thousand is notification and severance pay, TL 376,847 Thousand is cash, TL 396,875 Thousand is current payments.



## Non-cash Loans

As per "The Law on the Payment of Shares to Special Provincial Administrations and Municipalities out of the Tax Revenues of the General Budget" no. 5779, non-cash loans are extended by issuing letters of credits with reference to the estimated amounts calculated once the debt installments to the Bank and other agencies are deducted out of the shares distributed to local governments by İller Bankası.

In 2022, a total of 280 letters of guarantee were issued to local governments, of which 279 with a total amount of TL 9.136.838 Thousand and one with a total amount of Eur 5.850 Thousand. With the decision of the Board of Directors of İller Bank dated 25 February 2020 and numbered 9/257, the commission rate applied to the letters of guarantee was determined as 1.5%.

In 2022, a total commission income of TL 96.098 Thousand was obtained.



## Loans for Materials, Equipment, Tools and Supplies and Expropriation

In order to meet the needs of all kinds of materials, equipment, tools and materials that local governments need in the fulfillment of their urban services, a total of TL 2,433,135 Thousand, TL 2,323,696 Thousand for Expropriations and TL 109,439 Thousand, has been extended by İller Bankası in 2022.



## SUBSIDIARIES



### Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş (Emlak Konut REIT)

The capital of Emlak Konut REIT located in İstanbul is TL 3.800 Million, İller Bankası stake in the company is 0.000032152%, amounts to 60,284.



# Relations with International Financial Institutions

İller Bankası, in order to keep pace with the globalizing world, is an international service provider that pioneers the processes of building modern, sustainable cities in line with sustainable development goals (SDG) and meeting the needs of our local governments in almost all sectors, while observing international environmental and social impact standards in our projects. In line with its vision of "becoming an investment bank", within the framework of its vision, it continues its efforts to increase its current work and contacts with international financial institutions. Contribution to the green development goals of our country is provided by the support given to the projects of the local governments in line with the climate change fight and adaptation strategies.

Another priority is to ensure that İller Bankası expands abroad due to the necessity of constantly working in close contact with international financial institutions, the size of the international fund volumes it manages, and the breadth of its portfolio. In this context,

it is aimed to create the necessary infrastructure for İller Bankası knowledge, experience and services to contribute to the realization of projects in countries where our country attaches importance to bilateral cooperation. In addition, it is foreseen to open foreign representative offices in order to participate more actively in the negotiations with the European Union and other international organizations and to accelerate the accreditation processes regarding international financial management.

İller Bankası; It provides long-term and long-term cooperation with international institutions and organizations, especially the World Bank, French Development Agency, Japan International Cooperation Agency, European Investment Bank, European Council Development Bank, United Nations Development Program, European Bank for Reconstruction and Development and Islamic Development Bank. continues to direct low-interest foreign resources to the investment needs of local governments.



## World Bank Loan-Municipal Project (I)

Efforts were started in 2003 jointly with the T.C. Prime Ministry Undersecretariat of Treasury and the Ministry of Development to develop the Municipal Services Projects for utilizing the World Bank loan, as a way of securing international financing for improvements in our country's environmental infrastructure.

Carrying out investments needed in the areas of water, wastewater and solid waste categories

Creating a sustainable financing mechanisms

Strengthening of İller Bankası capabilities institutionally

Construction of water, wastewater and solid waste projects The amount of Eur 212,900 thousand will be used for the loan. and the World Bank signed a Loan Agreement on 8 February 2006 and a Guarantee Agreement was signed between the Prime Ministry Undersecretariat of Treasury and the World Bank.

In project scope;

Within the framework of the project, secondary agreements totalling Eur 212.096 thousand were signed with the municipalities of Muğla (Merkez), Ödemiş (İzmir), Bergama (İzmir), Denizli (Merkez), Polatlı (Ankara), Gelibolu (Çanakkale), Kütahya (Merkez), Ilica (Manavgat-Antalya), Elbistan (Kahramanmaraş) and with the MESKI (Mersin Water and Sewage Administration) and ASAT (Antalya) authorities.

98,40 % (amounting to Eur 206.239 thousand) of the Municipal Services Project loan had been used. Loan had been closed as of 31 December 2012. However, in order to make the payments for works, deliveries and services conducted till the closing date, the project expenditures continued until 30 April 2013 and the used had been completed on the same date. Loan repayments were also completed as of 30 June 2022.



## World Bank Loan-Municipal Services Project (II) (Additional Credit)

Within the scope of the financing program of the Country Cooperation Strategy (CPS), which constitutes the framework of the financial and technical support to be provided by the World Bank in the period of 2008-2011, the Ministry of Treasury and Finance, the Presidency, the Strategy and Budget Directorate and the World Bank The negotiations that started in January 2008 have been concluded.

Within the scope of Municipal Services Project - II (Additional Loan), a Loan Agreement of Eur 178,200 thousand was signed between İller Bankası and the World Bank on 29 June 2010 for use in the drinking water, sewerage and solid waste sectors. Guarantee Agreement has been signed.

Secondary loan agreements were signed with the municipalities of Kayseri (Metropolitan), Denizli (Merkez), Kırşehir (Merkez) and Beypazarı (Ankara) and with the ASAT (Antalya), MESKI (Mersin) and İSKİ (Istanbul Water and Sewage Administration) authorities under the Municipal Services Project (II).

94,13% of the loan amount (Eur 167.733 thousand) has been used. The loan has been closed as of 30 November 2016 and project expenditures will continue until 31 March 2017, in order to be able to make payments for work, deliveries and services until the closing date.



## World Bank Sustainable Cities Project-1

In addition to water, waste water, solid waste sectors covered in previous projects financed by the World Bank, this project covers transportation, energy efficiency, and comprehensive city development zoning plans. Regarding the sustainable Cities Project, the sustainability of the three basic elements of international experience in the financial and social and environment sustainability is planned to be implemented in Türkiye.

Project for Sustainable Cities "loan agreement amounting to Eur 121.200 thousand was signed on 26 December 2016 by İller Bankası A.S. and the World Bank, and a Guarantee Agreement was signed between the Undersecretary of Treasury and the World Bank on the same date.

In this frame, Eur 67.450 Thousand for the financing of Muğla Metropolitan Municipality General Directorate of Water and Sewerage Administration (MUSKI) and Muğla Wastewater Project, and Sub-credit agreements amounting to Eur 121.200 thousand, of which Eur 53.750 thousand for the financing of Denizli Metropolitan Municipality Water and Sewage Administration (DESKİ) General Directorate and Denizli Drinking Water, Wastewater and Stormwater Improvement Projects were signed on 28 December 2016.

As of 31 December 2022, 83,80% of the total loan amount (Eur 101.571 thousand) has been used. The loan amount used in 2022 is Eur 34.334 Thousand.



## World Bank Sustainable Cities Project-2

Within the scope of "Sustainable Cities Project-2", the loan agreement amounting to Eur 73.500 thousand was signed between İller Bankası and the World Bank on 16 May 2018 and the guarantee agreement was signed between the Treasury of the Prime Ministry and the World Bank on 16 May 2018.

In this context, Eur 15,500 Thousand for the financing of Muğla Metropolitan Municipality Water and Sewerage Administration (MUSKI) General Directorate and Muğla Wastewater Project-2 and Antalya Metropolitan Municipality Water and Wastewater Administration (ASAT) and Antalya Sustainable Water and Wastewater Project. for the financing of the Bank, amounting to Eur 73.500 Thousand, of which Eur 58 million was signed on 17 May 2018.

As of 31 December 2022, 35,77% of the total loan amount (Eur 26.288 thousand) has been used. The loan amount used in 2022 is Eur 11.115 Thousand.







### World Bank Sustainable Cities Project-2 Use of Additional Financing within the Scope

Within the scope of "Sustainable Cities Project-2" (Additional Financing) Eur 500 Million (Five Hundred Million) Loan Agreement was signed on 10 July 2019, and a Guarantee Agreement was signed between the Ministry of Treasury and Finance and the World Bank on the same date. Within the scope of SCP-II (Additional Financing), it is aimed to increase the access of participating municipalities and administrations to targeted municipal services in their mandates.

In this context, our Bank and Kozaklı Municipality, Niksar Municipality, İsehisar Municipality, Niğde Municipality, Konya Metropolitan Municipality, Konya Water and Sewerage Administration (KOSKI), Manisa Water and Sewerage Administration (MASKI), Balıkesir Water and Sewerage Administration (BASKI), Ankara Water and Sewerage Administration (ASKI), Çilimli Municipality, Emet Municipality, Yerköy Municipality, Gümüşhane Municipality, Merzifon Municipality, Kemerhisar Municipality, Kargı Municipality, Fethiye Municipality, Suluova Municipality and Akçakoca Municipality.

As of 31 December 2022, 1.71% (Eur 5,598 Thousand) of the total loan amount has been used. The loan amount used in 2022 is Eur 5,598 Thousand.



### Sustainable City Project Component A "Sustainable City Planning and management systems" Grant

For the Sustainable Cities Project, Component A "Sustainable Cities Planning and Management Systems", a Grant Agreement of Eur 23,125 Thousand was signed between the World Bank and İller Bankası on 28 September 2017 regarding the grant provided by the European Bank and provided by İller Bankası through the World Bank. Within the framework of the Grant Agreement, technical assistance is provided to Municipalities / Administrations to provide comprehensive and integrated planning, including support for spatial, social, environmental and financial investment planning and management of Municipalities / Administrations.

Component A: It produces contributions that will enable municipalities to deal with short and medium-term planning activities and investment programs with a sustainable approach, not only for the infrastructure investments currently underway. Subprojects under the Grant Component have the potential to benefit from ongoing lending projects because they provide an analytical framework for making future investments and monitoring them for their contribution to enhancing urban sustainability. Within the scope of Component A, it has updated not only the planning tools but also the project development studies with a sustainability perspective. In this framework, İLBANK has determined various priorities for project selection, such as climate change, energy efficiency, and contribution to sustainable development goals, both in the sectors it has supported for many years and in innovative sectors where it has started to strategically direct its investments. İLBANK has started to develop an infrastructure to monitor its contribution to sustainable development goals. İLBANK transfers its experience and knowledge gained through international projects to the use of national resources and management processes, and tries to ensure the integrity of implementation by internalizing the sustainability approach. The original design of the project offers a holistic and integrated approach to the concept of sustainable cities.

With this project, İLBANK is not only a source of finance for municipalities, but also gained significant experience in new approaches in urban development and in the municipal sector.

Within the scope of Component A; Studies are carried out for Current Situation Assessment and Needs Analysis, Integrated Urban Water Management Plan, Capital Investment Plan (CIP) and Sustainable Energy and Climate Action Plan (SECAP).

As of 31 December 2022, 87.13% of the total grant amount (Eur 20.149 Thousand) has been used. The grant amount used in 2022 is (Eur 11.986).



### Japan International Cooperation Agency (JICA- I) Loan – Municipal Sewer System and Waste Water Treatment Plants Development Projecti

With a view to ensuring the widespread use of sewage and waste water treatment systems in Türkiye and improving the water quality in the receptive environments, the "Municipal Sewer System and Waste Water Treatment Plants Development Project" Credit Agreement at an amount of 12.784 Million thousand Japanese Yen was signed under Treasury guarantee on 22 June, 2011 by and between the Bank and Japan International Cooperation Agency (JICA), for the improvement of sewage and waste water treatment systems of medium-sized municipalities. Within the scope of the loan, Sub-Loan Agreements have been signed with Biga Municipality, Orhangazi Municipality (BUSKI), Çan Municipality, Kadirli Municipality, Kuşadası Municipality, Kütahya Municipality, Osmaniye Municipality, Reyhanlı Municipality (HATSU), Tekirdağ Municipality (TESKI).

Within the scope of the project, 97.07% of the loan amount was used as JPY 11,623,717 Thousand, and as of 26 July 2021, the Development of Municipal Sewerage Network and Wastewater Treatment Plants Project was closed. However, in order to make payments for the works, deliveries and services carried out until the closing date, the project expenditures continued until 26 November 2021 and the uses were completed as of this date. Loan repayments continue.



### Japan International Cooperation Agency (JICA- II), Local Governments Infrastructure Development Project

Water of local governments where the Syrians under temporary protection in our country, in order to meet the demand for wastewater and solid waste projects in the sector, 15 May 2015 Japan International Cooperation Agency (JICA) and the Provincial Bank Inc 45 billion in Japanese yen amounting Treasury guaranteed "Local Government Infrastructure Development Project" is the Loan Agreement is signed, Within the scope of the mentioned project, Gaziantep Water and Sewerage Administration (GASKI), Hatay Water and Sewerage Administration (HATSU), Kahramanmaraş Water and Sewerage Administration (KASKI), Adana Water and Sewerage Administration (ASKI), Kilis Municipality, Şanlıurfa Water and Sewerage Administration (ŞUSKI), Malatya Water and Sewerage Administration (MASKI), Osmaniye Municipality, Gaziantep Metropolitan Municipality and Adıyaman Municipality, sub-loan agreements have been signed and implemented.

As of 31 December 2022, 82.81% of the total loan amount has been used, JPY 37,262,759 Thousand. The loan amount used in 2022 is JPY 11,201,262 Thousand.



### Japan International Cooperation Agency (JICA-III) Loan, Local Authorities Environmental Improvement Project

In support of meeting the increasing infrastructure needs in the cities where Syrians under temporary protection live in our country, As a continuation of the 'Local Governments Infrastructure Development Project-TK P21' financed by the Japan International Cooperation Agency (JICA) and carried out by our Bank, and within the scope of TK-P22 "Local Governments Environment Improvement Project," on 20 August 2021 with the Japan International Cooperation Agency (JICA). A Loan Agreement amounting to 45 Billion Japanese Yen was signed between İller Bankası and a Guarantee Protocol was signed between our Bank and the TR Ministry of Treasury and Finance on 23 August 2021.

Within the scope of the said loan, Sub-Loan Agreements were signed and implemented between our Bank and Elazığ Municipality, Şanlıurfa Metropolitan Municipality, Malatya Metropolitan Municipality, Konya Metropolitan Municipality, Konya Water and Sewerage Administration (KOSKI), Ankara Water and Sewerage Administration (ASKI) and Muş Municipality. .

As of 31 December 2022, 12.08% of the total loan amount has been used, JPY 3,792,149 Thousand. The amount of loan used in 2022 The amount of loan used is JPY 3,792,149 Thousand.



### European Investment Bank (EIB) I Loan- Urban Infrastructure Projects I

In order to cooperate in the fields of water, wastewater and solid waste in the field of environment, which is one of the priority sectors in Türkiye's European Union (EU) Membership Negotiation process, a Treasury guaranteed "Urban Infrastructure Projects" Loan Agreement amounting to Eur 150 Million was signed between the European Investment Bank (EIB) and İller Bankası A.Ş. on 28 June 2012. On 19 July 2019, an amendment agreement amounting to Eur 3 Million Thousand was signed between our Bank and the EIB.

Within the scope of the loan; a sub-credit agreement amounting to 3 Million Thousand Euros was signed with Yerköy Municipality on 9 August 2018.

As of 31 December 2022, 98.09% of the total loan amount was used with Eur 2,943 Thousand, and the project loan disbursement has been completed and the repayments are still ongoing.



### Studies on Projects Financed by the European Union Instrument for Pre-Accession Assistance (IPA)

Municipality contributions for municipal environmental infrastructure projects that use grants under the EU Instrument for Pre-Accession Assistance (IPA) Environment Operational Programme Budget are covered by İller Bankası loans upon the request of grant beneficiary municipalities and administrations. EU projects for which municipal contribution payments are covered by İller Bankası loans are monitored by our General Directorate and Regional Organisations.

The Bank has allocated a loan amounting to TL 184.709 thousand to 30 municipalities/administrations and the loan has expired as of 31 December 2017.

Municipality contributions for municipal environmental infrastructure projects using grants under the Environment and Climate Action Programme Budget of the EU Instrument for Pre-Accession Assistance (IPA II) period are covered

by İller Bankası loans upon the request of the grant beneficiary municipalities and administrations. EU projects for which municipal contribution payments are covered by İller Bankası loans are monitored by our General Directorate and Regional Organisations.

In this framework, Çarşamba (Samsun) Wastewater Treatment Plant Construction Project, Sorgun (Yozgat) Wastewater Treatment Plant Construction Project, Niksar (Tokat) Integrated Water Project, Elbistan (Kahramanmaraş) Wastewater Treatment Plant Construction Project, Şırnak (Center) Municipality Wastewater Treatment Plant Construction Project, Bandırma (Balıkesir) Integrated Water Project, Iğdır (Center) Municipality Wastewater Treatment Plant, Main Collector Line and Sewerage Network Construction Project, Trabzon Drinking Water Supply Project, Sivas (Center)

Municipality, Kızılırmak Right and Left Bank Collector Line Construction Project, Çankırı (Center) Municipality, Wastewater Treatment Plant and Sewerage Collector Line Construction Project, Collector Line-Wastewater Plant Construction Work and Consultancy Project for Rize (Center) Municipality, Kastamonu Union of Local Authorities (KASMIIB) Kastamonu Integrated Solid Waste Management, For Giresun Wastewater Project and Yüksekova (Hakkari) Wastewater Treatment Plant Construction Project, financing from our Bank is used by the relevant local administrations.

Within the scope of these projects; 13 municipalities/administrations were allocated financing amounting to 264.083 thousand TL by our Bank.

As of 31 December 2022, the total amount of financing used is Eur 10.500 thousand. The amount of financing utilised in 2022 is Eur 3.636 thousand.



### European Investment Bank (EIB) Loan II-Urban Infrastructure Projects II

In order to finance the priority investment projects of the local governments in the urban transport, water, wastewater and solid waste sectors, to improve public health and the environment and to contribute to the implementation of the EU acquis in Türkiye in the scope of Urban Transportation and Environmental Loan, a Eur 250 million worth Loan Agreement with the guarantee by Prime Ministry, Treasury Undersecretariat was signed on 6 October 2015, by and between the European Investment (EIB) and İller Bankası.

On 22 May 2019, an amendment agreement of Eur 200 million was signed between our Bank and the EIB. Within the scope of the loan; A Revised Sub-Loan Agreement was signed between Bursa Water and Sewerage Administration (BUSKİ) on 27 March 2019 and on 31 December 2021. Sub-Loan Agreements were signed between our Bank and Burdur Municipality on 13 June 2016, between Eskişehir Metropolitan Municipality on 16 August 2021, between Yozgat Municipality on 24 February 2022 and between Yalova Municipality on 18 April 2022.

As of 31 December 2022, 14.45% of the loan amount was used, Eur 30,418 Thousand. The loan amount used in 2022 is Eur 14,091 Thousand.



### (FRIT-II) Project and Related Studies

Financial Assistance Program for Refugees in Türkiye (FRIT-II) covered (Water, Wastewater, Solid Waste, Recreation and Technical Assistance), including "Municipal Infrastructure Sector" for loans under the blending of Eur 380 million grant and Eur 135.500 Thousand amount. It is carried out through İller Bankası and under the coordination of the Presidency FRIT Office. With this fund, it is aimed to meet the infrastructural needs arising due to the increasing population in our provinces where Syrians live heavily. On 15 March 2019, International Financial Institutions submitted their project proposals to the European Commission. However, only the proposals of the World Bank and the French Development Agency (AFD) were accepted. A Framework Agreement was signed between AFD and the European Commission on 20 December 2019 to finance a portfolio of Eur 155.890 Thousand, and a Municipal Services Project I Grant Agreement was signed between our Bank and AFD on 13 April 2020, amounting to Eur 147.350 Thousand.

Within the scope of the said Agreements; Sub-Grant Agreements between our Bank and Adıyaman Municipality, Elbeyli (Kilis) Municipality, Polateli (Kilis) Municipality, Kilis Municipality, Gaziantep Water and Sewerage Administration (GASKİ), Şanlıurfa Water and Sewerage Administration (ŞUSKİ) on 22 July 2020, Mardin Water and Sewerage Administration (MARSU) on 17 August 2020 and Mersin Water and Sewerage Administration (MESKİ) on 1 September 2020. Sub-Grant Agreement was signed and put into practice.

Within the scope of FRIT II (Package 2), in addition to the Grant Agreement signed on 13 April 2020, the Grant Amendment Agreement with the French Development Agency (AFD) on December 6, 2021 amounting to Eur 55,779 Thousand, the Loan Agreement amounting to Eur 63 Million, and the Turkish Treasury and Finance Agreement with our Bank. The Guarantee Agreement was signed on 6 December 2021.

Within the scope of the said Agreements; Between our Bank and Mersin Water and Sewerage Administration (MESKİ) on 26 September 2022, Credit and Grant, between Malatya Water and Sewerage Administration (MASKİ) on 01 September 2022, Credit Grant, between Şanlıurfa Metropolitan Municipality, Credit on 03 October 2022, between Gaziantep Metropolitan Municipality On 01 November 2022, Sub-Financial Agreements were signed between the Credit and Grant and Adıyaman Municipality and the Loan on 21 November 2022 and started to be implemented.

As of 31.12.2022, 2.31% of the total grant amount was used as Eur 3.407 Thousand. The grant amount used in 2022 is Eur 3.272 Thousand.

Within the scope of the financing to be made available through the World Bank (DB) under the European Union's Financial Assistance Program for Refugees in Türkiye (FRIT II) budget, the Management Agreement (Administration Agreement) between the European Commission and the World Bank on 29 September 2020, and between our Bank and the World Bank. A loan and grant agreement of Eur 268,990 Thousand in total, of which Eur 135,360 Thousand and Eur 133,640 Thousand grant, was signed on 17 March 2021.

Within the scope of the said Agreements; Sub-Financing Agreements between our Bank and Kahramanmaraş Metropolitan Municipality, Osmaniye Municipality, Kahramanmaraş Water and Sewerage Administration (KASKİ), Kayseri Water and Sewerage Administration (KASKİ), Adana Water and Sewerage Administration (ASKİ), and Konya Water and Sewerage Administration, (KOSKİ) Sub-Grant Agreements were signed on 20 May 2021 and started to be implemented.

As of 31.12.2022, 3.14% of the total grant amount was used as Eur 4.195 Thousand. The grant amount used in 2022 is Eur 4,066 Thousand.

As of 31.12.2022, 2.65% of the total loan amount was used as Eur 3,581 Thousand. The loan amount used in 2022 is Eur 3.433 Thousand.



### Studies on EIB-MADAD Project

In order to meet the additional infrastructure needs of the local governments, where Syrian guests, who are under temporary protection in our country, live intensely due to the increasing population due to immigration, by the European Commission with the decision of 10 December 2014, a European Union Regional Trust Fund (MADAD) has a value of Eur 71.600 Thousand. Grant funds have been allocated. Infrastructure projects of Kilis, Adıyaman, Gaziantep, Şanlıurfa and Hatay provinces are planned to be benefited from MADAD grant. The Grant Agreement between the European Investment Bank (EIB) and İller Bankası was signed on 16, May 2019 under the "Municipal Resilience Program-I".

Within the scope of the project, Sub-Financial Agreements were signed between our Bank and Kilis Municipality, Besni Municipality, Adıyaman, Gaziantep Water and Sewerage Administration (GASKİ), Şanlıurfa Water and Sewerage Administration (ŞUSKİ), Hatay Water and Sewerage Administration (HATSU) on 15 November 2019 and put into practice. has been passed.

As of 31 December 2022, 41.08% of the total grant amount was used as Eur 30,236 Thousand. The grant amount used in 2022 is Eur 20,251 Thousand.



### Islamic Development Ban Loan for Urban Transportation Projects

Within the scope of "Urban Transportation Projects", the Framework Agreement with the amount of 150 million Euros was signed between İller Bankası and Islamic Development Bank on 29 August 2016 in order to provide local governments with financing of urban transportation projects and the Guarantee Agreement was signed between the Undersecretary of Treasury and the Islamic Development Bank on the same date. In this context, a sub-financing agreement was signed on 31 August 2016 amounting to Eur 29.388 Thousand so as to finance the project "Antalya 2nd Stage Square- Airport- Expo Rail System Vehicle Purchase and Additional Construction Works".

Sub-Financing Agreements between Kayseri Metropolitan Municipality and our Bank within the scope of the "Kayseri Light Rail System Project" amounting to 30 million Euros and within the scope of the "Gaziray Commuter Line Project" with the Metropolitan Municipality of Gaziantep and 63 million Euros were signed on 18 November 2019.

As of 31 December 2022, 37.72% of the total financing amount was Eur 46,181 Thousand. The loan amount used in 2022 is Eur 8,521 Thousand.

# 2023 INVESTMENT, BUDGET AND FINANCING PROGRAM

İller Bankası A.Ş. The investment and financing allowance for 2023 is planned as TL 47.418.486 Thousand.

İller Bankası A.Ş. Investment and Financing Program;	
<b>From Bank Resources; TL 10.000.000 Thousand</b>	Infrastructure, SUKAP, Superstructure, Other Infrastructure, Renewable Energy, Urban Information Systems, Material and Equipment Purchase, Expropriation, Notice Severance Pay and Other Personnel Receivables, Cash Support Loan, Other, European Union Environmental Investments Projects, Cash Loan)
<b>From Grant Resources; TL 3.092.175 Thousand</b>	(SUKAP Allowance TL 1.500.000 Thousand, Bank Profit Allowance TL 1.550.000 Thousand, Urban Infrastructure Equalization Allowance TL 42.175 Thousand)
<b>From Foreign Sourced Loans; TL 29.282.518 Thousand</b>	(Drinking Water TL 8.542.744 Thousand, Wastewater TL 10.774.209 Thousand, Municipal Services TL 3.403.312 Thousand, Energy TL 1.797.618 Thousand, Transportation TL 4.764.635 Thousand)
<b>Outsourced Grants; TL 3.543.793 Thousand</b>	(Drinking Water TL 1.833.015 Thousand, Wastewater TL 1.258.829 Thousand, Municipal Services TL 352.274 Thousand, Transportation TL 99.675 Thousand)
<b>It is planned to be a total of TL 47,418,486 Thousand, TL 1,500,000 Thousand from Resource Development Activities.</b>	

## Financing of these investments;

From Loan Principal Returns	TL 6.600.000 Thousand,
From Capital Collection	TL 6.300.000 Thousand,

## From the Resources to be Transferred from the General Budget;

SUKAP and Urban Infrastructure Equalization Allowance	TL 1.542.175 Thousand,
External sources (World Bank, JICA and EIB)	TL 32.826.311 Thousand,
From Interest and Other Collections	TL 8.227.791 Thousand,
From Resource Development and Urban Transformation Activities anticipated to be provided.	TL 1.050.030 Thousand,

TL 28.550.080 Thousand of this program, which hits 42 jobs, will be carried out under the investment program of İller Bankası, and other works will be carried out within the scope of investment programs of municipalities and special provincial administrations.

## İller Bankası A.Ş. Summary Of Investment Program For 2022-2025 (Thousand TL)

Sector	Number of Projects	Project Amount		Cumulative Expenditure Until the End of 2022		2023 Investment			
		Foreign Credits	Total	Foreign Credits	Total	Non-Total		Foreign Credits	Total
						Grant	Other		
Energy	5	7.032.511	8.218.625	18.569	18.569	-	-	1.681.411	1.959.499
Drinking water	11	18.523.334	27.539.767	3.866.333	5.927.537	2.485.420	64.526	5.912.431	7.438.996
Sewage	11	27.156.242	34.827.848	5.201.981	6.385.650	2.188.757	10.000	8.137.024	9.945.413
Municipal Services (Solid Waste)	8	9.142.135	11.455.804	844.040	1.033.151	352.274	-	3.212.135	3.831.984
Transportation (Urban Transportation)	7	15.204.521	17.705.423	1.305.210	1.375.610	99.675	-	4.700.852	5.374.188
<b>Total</b>	<b>42</b>	<b>77.058.743</b>	<b>99.747.467</b>	<b>11.236.133</b>	<b>14.740.517</b>	<b>5.126.126</b>	<b>74.526</b>	<b>23.643.853</b>	<b>28.550.080</b>

## Statutory Shares Transferred to Local Governments



### Allotments Made to Municipalities

Under Laws nr. 5779 on "Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities", and on the Amendment of Certain Laws and Decrees with the Force of Law" (Lawno. 5237 until 1 March 1981 and subsequently by Law no. 2380 until 15 August 2008), İller Bankası has, based on population and development index criteria, been required to distribute:

- Municipalities other than Metropolitan 1,50
- Metropolitan district municipalities 4,50

The Amount of the Shares by Years is shown in the Table below.

### Municipal Shares Transferred to İller Bankası Broken Down By Year (Thousand TL)

Years	Transferred Municipal Shares	Distributed During the Year	Carried Forward to the Next Year*
1948-2002	7.790.701	7.457.351	333.350
2003	2.920.323	2.970.453	283.220
2004	4.496.119	4.237.926	541.413
2005	5.287.598	5.261.485	567.527
2006	6.247.598	6.171.950	643.174
2007	7.048.162	6.885.751	805.586
2008	8.368.934	8.331.671	842.849
2009	8.854.892	8.890.731	807.010
2010	11.271.002	10.892.290	1.185.722
2011	13.242.202	13.037.973	1.389.951
2012	14.441.742	14.253.326	1.578.367
2013	16.908.947	16.716.796	1.770.518
2014	19.518.799	19.184.212	2.105.105
2015	23.734.206	23.474.843	2.364.468
2016	26.721.739	25.821.952	3.264.255
2017	31.095.285	30.857.214	3.502.326
2018	36.635.518	36.062.135	4.075.709
2019	38.789.814	38.463.859	4.401.664
2020	48.079.315	46.372.857	6.108.122
2021	66.614.968	63.780.295	8.942.795
<b>2022</b>	<b>132.686.539</b>	<b>122.898.915</b>	<b>18.730.419</b>
<b>Total</b>	<b>530.754.403</b>	<b>512.023.985</b>	

\* The transfer balance for the following year in 2022 is the amounts sent from the Treasury as the share of November at the end of December, and will be distributed to the municipalities until 10 January 2023 in accordance with the principles of the Law No. 5779.

### Accruals, Remittances and Deductions to Municipalities in 2022 (Thousand TL)

	Accrual	Transfer	Interruption
<b>2022</b>	<b>122.898.915</b>	<b>103.715.239</b>	<b>19.183.676</b>



### Shares Distributed to Special Provincial Administrations

According to the Law No. 5779 on esi Share of General Budget Tax Revenues to Provincial Special Administrations and Municipalities ve transferred to İller Bankası and

- 50% According to population,
- 10% According to land area,
- 10% According to number of villages,
- 15% According to rural population,
- 15% According to the Development Index of the provinces, According to the Amount of 0.50% of the Shares Distributed to Special Provincial Administrations According to Years, is shown in the Table below.

### Amounts of Special Provincial Administration Allotments Transferred to İller Bankası Broken Down By Year (Thousand TL)

Years	Shares of Provincial Special Administrations	Distributed During the Year	Carried Forward to the Next Year*
1981 - 2002	1.464.160	1.401.935	62.225
2003	636.372	635.156	63.441
2004	853.010	815.399	101.052
2005	987.286	982.417	105.921
2006	1.172.625	1.158.583	119.963
2007	1.315.764	1.285.351	150.376
2008	1.673.120	1.642.344	181.152
2009	1.908.628	1.916.314	173.466
2010	2.423.822	2.342.414	254.874
2011	2.847.457	2.803.159	299.172
2012	3.104.434	3.064.338	339.268
2013	3.635.595	3.594.287	380.576
2014	2.100.669	2.305.820	175.425
2015	1.977.972	1.956.358	197.039
2016	2.226.821	2.151.841	272.019
2017	2.591.271	2.571.430	291.860
2018	3.052.972	3.005.190	339.642
2019	3.329.580	3.302.418	366.804
2020	4.006.710	3.864.504	509.010
2021	5.551.229	5.315.007	745.232
<b>2022</b>	<b>11.057.134</b>	<b>10.241.500</b>	<b>1.560.866</b>
<b>Total</b>	<b>57.916.631</b>	<b>56.355.765</b>	

\* The transfer balance for the following year in 2022 is the amounts sent from the Treasury as the share of November at the end of December, and will be distributed to the municipalities until 10 January 2023 in accordance with the principles of the Law No. 5779.

### Accrual, Remittance and Deductions to Special Administrations in 2022 (Thousand TL)

	Accrual	Transfer	Interruption
<b>2022</b>	<b>10.241.500</b>	<b>9.666.071</b>	<b>575.429</b>

## Debts Subjected to Reconciliation

Under the Provisional Article 3 of the Metropolitan Municipalities Act (Statute 5216) and the Provisional Article 5 of the Municipalities Act (Statute 5393), a reconciliation commission was set up and charged with “clearing, offsetting, and deducting” unpaid obligations owed to public agencies and organizations by metropolitan municipalities and their affiliated organizations, or by companies, in which metropolitan or county municipalities control more than a 50% capital interest. From 2004 to 2008, the commission reported such debt reconciliations for 2.464 municipalities to İller Bankası.

In accordance with Article 7 of the Law No. 5779, it is notified by the relevant institutions and cuts from the shares of local governments distributed by İller Bankası. These shares are transferred to the related institutions according to the Council of Ministers Decree No. 2010/238. The payer institutions, the payments made during the year and the transfer balances of 2023 are shown in the table below. In addition, in the following table, there are debts which are followed within the scope of the reconciliation pursuant to the provisional article 2 of Law No. 6552.

### Debts Subjected to Reconciliation (Thousand TL)

Creditor Institution Name	Carried Forward to 2022	Debited in 2022	Cancelled or Paid (*)	Carried Forward to 2023
TEDAŞ	51.065	450	26.637	24.878
SGK(SSK)	120.031	1.273.214	1.321.440	71.805
SGK (State Retirement Fund)	3.773	32.268	34.446	1.595
Tuberculosis Association	7.861	-	7.557	304
Provincial Directorate of Youth and Sports	2.441	-	1.258	1.183
Municipalities	805	-	143	662
Special Provincial Administrations	27.995	-	10.400	17.595
Metropolitan Municipalities	144.543	6.676	58.206	93.013
Affiliated Agencies	1.316	-	935	381
Association of Municipalities	4.102	-	1.853	2.249
Ministry of Finance	252.124	17.198	129.606	139.716
Undersecretariat of Treasury	66.805	-	8.583	58.222
Finance (6552 SK)	48.782	2.294	17.847	33.229
SGK (6552 SK)	1.859	629.977	600.467	31.369
SGK (Pension fund.6552 SK)	66	1.881	1.839	108
<b>Total</b>	<b>733.568</b>	<b>1.963.958</b>	<b>2.221.217</b>	<b>476.309</b>

## Debts not Subjected to Reconciliation

The following chart shows the outstanding obligations of municipalities and special provincial authorities reported by Tax Office, Social Insurance Institution, State Retirement Fund and various agencies subject to Law no. 6183, which are required to be deducted from the allotments distributed by İller Bankası to local governments under Article 7 of Law no. 5779, and paid to relevant agencies as per the Council of Ministers Decree 2010/238.

### Debts not Subjected to Reconciliation (Thousand TL)

Creditor Institution Name	Carried Forward to 2022	Debited in 2022	Cancelled or Paid *	Carried Forward to 2023
Tax Offices	514.388	759.665	764.486	509.567
Tax Offices (6736-7020-7143... S.K.)	8.259.571	656.074	2.438.980	6.476.665
SGK (S.S.K.)	634.789	41.888.640	38.445.136	4.078.293
SGK (6736-7020-7143 S.K.)	980.067	11.142.850	11.358.837	764.080
SGK (State Retirement Fund)	459.853	12.092.747	11.640.287	912.313
SGK (State Retirement Fund6736-7020-7143... S.K.)	1.078.624	12.286.116	12.339.676	1.025.064
Special Provincial Administrations (Real Estate Tax)	7.474	-	578	6.896
Social Assistance and Solidarity Fund	675	3	218	460
Other Institutions (Installment Payables)	940.564	327.465	346.671	921.358
Immovable Culture Tax Contributions	743.625	3.208.138	2.034.196	1.917.567
Association of Municipalities	168.535	167.535	214.703	121.367
Other Institutions	396.199	329.538	385.218	340.519
Development Agencies	445.435	272.351	375.008	342.778
Medical Institutions	226	-	174	52
Association of Municipalities of Türkiye	15.912	227.363	232.083	11.192
General Lighting Expense	77.030	1.900.031	1.903.124	73.937
TEDAŞ	758.540	149.412	297.564	610.388
Treasure	4.837	25.923	23.938	6.822
DSİ	125.846	239.502	244.082	121.266
<b>Total</b>	<b>15.612.190</b>	<b>85.673.353</b>	<b>83.044.959</b>	<b>18.240.584</b>

(\*) Reasons for the increase in debt / credit columns of Settlement and Non-Settlement debts in 2022:

- Debt updates reported by public institutions and organizations,

- Our Bank account is Türkiye Union of Municipalities of the Metropolitan Municipality and the Ministry of Finance Treasury dues to be collected from the General Directorate of the cancellation of our registration required,

## Other Activities Carried Out By İller Bankası

In the early years after İller Bankası was set up, materials, machinery, tools, and other supplies required for the potable water and sewer systems, mapping, surveying, project development, construction, and drilling services needed by local governments had been procured by contractors.

However, in view of the gradually growing volume of work, the difficulties brought on by frequent changes in domestic and foreign trade and customs regimes, the fiscal capacities of local governments while making large-volume joint procurements, contractors' lack of funds, and a desire to procure better-quality supplies faster and more economically, it was thought advisable for such procurements to be made by the Bank.

For many years it was the practice for İller Bankası to procure and stock the materials required for local governments' investments and to use them to meet local governments' needs.

In 2003, the Bank began surrendering such materials directly to the facilities concerned of local governments rather than booking them as inventory first. In 2004, the Bank began extending credit to local governments so that they could procure their own materials, vehicles, tools, equipment, etc. themselves. When such credit-financed supplies are to be procured, they may be purchased by local governments (if it has been authorized) by the Bank.



**The amount of the material amounting to TL 2.433.135 Thousand, which was delivered to the municipalities in 2022 by using loans or by making purchases, All credit materials, machinery, tools and equipment purchases by its expropriation costs.**

The chart below provides information about procurements, which municipalities requested İller Bankası to make in 2012-2022 together with details of transactions whose payments were financed on credit. (Thousand TL)

Years	Amount of Credit Extended for Heavy-Duty Equipment	Amount of Credit Extended for Service Vehicles	Amount of Credit Extended for Pipe Pumps	Amount of Credit Extended for Construction Materials	Loan Amount for Expropriation	Amount of Credit Extended for Office Equipment	Amount of Credit Extended for Other Materials	Total Amount of Credit Paid Out
2012	133.370	178.605	12.779	241.195	207.711	2.335	40.514	816.509
2013	74.377	176.373	18.348	426.382	199.257	2.794	61.562	959.093
2014	74.377	176.373	18.348	426.382	199.257	2.794	61.562	959.093
2015	179.097	171.522	4.965	150.023	299.809	481	17.156	823.053
2016	209.034	237.305	80.915	181.412	350.070	7681	64.550	1.130.967
2017	114.960	197.166	69.092	383.763	261.156	6.288	94.804	1.127.229
2018	39.669	92.380	18.776	484.667	169.662	225	36.405	841.784
2019	48.141	63.412	2.778	171.928	42.639	225	36.455	365.578
2020	120.504	149.742	8.919	261.053	54.779	92	17.084	612.173
2021	164.937	181.113	54.058	337.298	215.290	2.037	51.252	1.005.545
<b>2022</b>	<b>261.810</b>	<b>280.702</b>	<b>284.437</b>	<b>1.251.345</b>	<b>109.438</b>	<b>7.246</b>	<b>238.157</b>	<b>2.433.135</b>



The material amounting to TL 13.842 Thousand belongs to stationery, computer consumables and workshop materials in stocks for İller Bankası needs. Material availability and distribution are presented in the adjacent table.

### Material Availability (Thousand TL)

Local Government Material Stocks	10.087
Computer Consumables	1.477
Stationery	1.431
Stock Material in the Warehouse	847
<b>Total Material Availability</b>	<b>13.842</b>



### Electronic Fund Transfer Transactions

In order to increase the productivity of its resources while also lowering its funding costs, İller Bankası makes extensive use of electronic funds transfers (EFT) in the conduct of its banking business and Within 1 hour period transactions. By making effective use of modern technology at its own EFT center, local governments' shares, progress entitlement so wed to contractors under lending agreements to which the Bank is a party, and all disbursements related to the Bank's current expenditures are made within one hour directly to the recipients' accounts in line with their instructions and without the involvement of any other intermediary bank whatsoever.

In 2022, 106,190 outgoing remittance transactions amounting to TL 1,242,649,927 Thousand and 15,764 incoming remittance transactions amounting to TL 1,242,658,379 Thousand were made to various banks and financial institutions by İller Bankası EFT center.



### Banking Operations

İller Bankası is a development and investment bank whose activities are governed by article 77 of the Banking Law (no.5411). Within the framework of Law no. 6107 governing İller Bankası A.Ş. and of the "İller Bankası Articles of Incorporation and Lending Regulations" issued pursuant to that law, the Bank extends short-, medium-, and long-term credit to local governments while also providing them with non-cash credit.

Pursuant to Article 60 (4) of the Banking Law and the amendment of the Public Treasury General Communiqué published in the Official Gazette dated 28 February 2018 and numbered 30346, the Bank provides funds from special provincial administrations, municipalities and borrowers.



### Treasury Management

With the decision of the Board of Directors dated 16 November 2017 and numbered 35/968, İller Bankası made the city special with the amendment made in the General Communiqué of the Public Treasury published in the Official Gazette dated 28 February 2018 and numbered 30346 with the decision of the 60th article of the Banking Law No. 5411. funds can be accepted from our administrations, municipalities and borrowers.

In 2022, TL 39.674.542 Thousand fund collection and TL 35.091.713 Thousand payment transactions were made from our partners, of which TL 4.582.829 Thousand was transferred to 2023. TL 711,491 Thousand interest was paid to İller Bankası shareholders and borrowers related to these transactions.

In 2022, TL 3.353.299 Thousand interest income was obtained from the evaluation of the Bank's liquid surplus in the interbank money markets. On the other hand, as a result of borrowing from interbank markets and long-term loans to meet the short-term cash needs of the Bank, TL 900.697 Thousand interest expense was paid and a net interest income of TL 1.741.111 Thousand was obtained from treasury transactions.



### Training Activities

İller Bankası pays special attention to training activities for human resources. In order to increase the competencies and know-how of the Bank staff, courses and seminars are organized in the country, and the participation of the staff in the courses and seminars organized at home and abroad is ensured.

111 personnel were trained within the scope of the trainings received by İller Bankası in 2022.



### Quality Management System

Our Bank has taken the TS EN ISO 9001: 2008 Quality Management System Certificate for the first time from the Turkish Standards Institute (TSE) on December 3, 2013, and put the quality management system into practice. The International Organization for Standardization (ISO) published the ISO 9001: 2015 version based on risk-based process management on 15 September 2015 and made it mandatory to transition to the 2015 version. Our Bank received the TS EN ISO 9001: 2015 certificate as a result of the first surveillance and transition audit conducted in 2018.

Risk-based process management is applied within the scope of TS EN ISO 9001: 2015 as a management system approach in our bank. The quality management system implemented in our bank has been integrated with the work of our internal system units as a result of the studies carried out in 2019. The processes and risks determined by the Internal Control Department and Risk Management Department, which are our internal system units, are also monitored within the framework of the quality management system under the coordination of the Planning Coordination Department. The continuity and up-to-dateness of the system is provided by the work of the three departments in question.

With the relocation of our Bank to its new service building in 2022, the Address Change and II. Surveillance Inspection was carried out, and the certificate renewal inspection was carried out by TSE authorities on 25-29 April 2022 and our certificate was renewed.



### Insurance

Insurance business Groupama Sigorta Inc., Güneş Sigorta Inc. Ankara Insurance Inc. and Bereket Sigorta Inc., acting as an agency for the insurance transactions of local government, bank personnel and other individuals and companies' facilities, vehicles, materials and buildings, İller Bankası issued 5579 policies in 2022 and earned TL 2.404 thousand commission income.

## Research-Development Activities for New Services and Operations

Pursuant to its governing law, İller Bankası performs project development, offers consultancy services and secures credit-financing for the projects for the infrastructure and superstructure investments needed by local governments. The bank keeps a close eye on advancing technology and the products used in Türkiye and abroad, in parallel with the services it renders.

Within the framework of new fields of activity, work on resource development projects, urban transformation projects, Geographical Information System and Urban Information System are in progress.

*In this respect;*



### Street Refinement Projects

There are a total of 217 street rehabilitation works handled by our Bank based on the demands of the municipalities.

For the aforementioned 217 street improvement works, our Bank; A total financing amount of TL 653,000 Thousand, of which TL 118.000 Thousand is loan and TL 535.000 Thousand is grant, was/will be allocated.

#### From a total of 95 works carried out by our bank;

- The projects of 10 works are carried out by our Bank and the Ministry, the projects of 12 works are carried out by our Bank and the projects of 73 works are carried out by the Municipality.
- Of these works; The construction of 28 works has been completed, 15 works are under construction, 7 works are at the tender stage, and the project studies of 45 works are continuing.

#### From a total of 122 works under construction by our bank;

- The construction of 40 works has been completed, 31 works are under construction, 10 works are at the tender stage, and the project studies of 41 works are continuing.



### Urban Information System:

This system aims for the association between city's geographical features, socio economical characteristics, infrastructure and superstructure, intelligent and layered maps, revenue and expenditure systems, determination of liabilities and subscriptions, creation of necessary personnel, computer hardware and software infrastructures, turning system into a living and continuously updated project, ensuring full coordination of data collection, providing information and knowledge generation for more accurate and faster decision and control mechanisms. In this context, the Municipalities and local governments are provided with loans and technical facilities by İller Bankası.



## Energy Efficiency and Renewable Energy

Scientific justifications and the Climate Change Framework Convention have revealed that the cause of Climate Change is "a hazardous human-based impact on the climate system". Science tells us that in order to respond to emergencies in the climate and avoid climate disaster, we must limit the global temperature rise to 2 °C if possible to 1.5 °C. Globally, the buildings and construction sector provide about 40 percent carbon emissions. Renovating existing buildings and building new ones with the highest energy efficiency standards will greatly reduce emissions and in a cost effective way.

Intergovernmental Panel on Climate Change (IPCC) analysis shows that more than 40 percent of the carbon reduction required to achieve the Paris Agreement's 2 °C target must come from energy efficiency. Under the light of these facts, İller Bankası was authorized by the Ministry of Energy and Natural Resources of the Republic of Türkiye on 04 December 2018 to provide Survey, Project and Consultancy services in the field of Energy Efficiency.

Presidential Circular on Energy Saving in Public Buildings (2019/18); In order to use public resources efficiently and reduce the burden of energy costs on the public sector, public buildings that are responsible for assigning an energy manager according to the Energy Efficiency Law (total annual energy consumption of 250 TEP and above or total construction area of 10,000 m2 and above) minimum% by the end of 2023. 15% entails the need to save energy.

With energy efficiency studies, energy consumption in buildings and treatment plants will be determined and this consumption will be reduced through necessary improvement activities. Reducing overall energy consumption will also ensure that renewable energy meets an even greater portion of the remaining energy requirement.

In this respect, our Bank; It is with Local Authorities with Energy Management

(ISO 50001) and Energy Efficiency, Renewable Energy, District Heating and Heat Pump and Heat Storage studies, feasibility and projects, as well as all technical and financial support required for the construction of these works.

The steps to be taken by our Local Authorities to meet their electricity consumption by producing them through clean and inexhaustible energy sources are among the most important investments. However, it should not be overlooked that reducing consumption by using our energy efficiently will also enable renewable energy to meet an even greater portion of the remaining energy requirement.

In the Presidential 5-year program; It contains the target that climate change adaptation strategy and action plans will be prepared for seven regions by 2023. In this context, one of the actions assigned in the Bank, all drinking water in Türkiye, wastewater treatment and waste storage, such as critical infrastructure facilities for disaster risk analysis (flood and landslide risk, etc.). Our Regional Directorate made by and if risks are identified measures and proposals to be taken The results were shared with our Ministry in terms of contributing to the action plans prepared on a regional scale.

Within the scope of the studies carried out by the Department of International Relations with the World Bank, a Technical Assistance Project has been prepared for the Development of our Bank's Climate and Disaster Risk Management Capacity. Within the scope of the project, a working group was formed to develop the capacity of our Bank's personnel to evaluate climate and disaster risk management issues and to include them in projects, trainings were received, a draft guide was prepared and the project in question has reached the completion stage. As a result of the project, it is aimed to work on the inclusion of climate and disaster risks in investment projects and to provide support for the acquisition of climate co-benefits associated with project-level interventions.



Our Bank contributes to the structuring of climate-friendly cities struggling with climate change in terms of both reducing greenhouse gases that cause global warming and adapting to changing climate, as well as realizing the projects of infrastructure and superstructure facilities that it has made on the basis of sector by local governments. If we look at the detailed descriptions of some of the studies in terms of examples; By integrating solar panels on the wastewater treatment units of our Bank, meeting the energy consumption of such facilities with renewable energy sources makes a significant contribution to the fight against climate change. By granting loans to public transportation, metro and light rail systems of local governments, our Bank reduces the consumption of fossil fuels, encourages the use of public vehicles instead of using individual vehicles, which contributes to both cost, energy consumption and CO2 emissions to nature.

## Board of Directors



**Ertan YETİM**  
Chairman of the Board

Ertan YETİM was born in Trabzon in 1966. In 1988, he completed his undergraduate education at Karadeniz Technical University Engineering Faculty Civil Engineering Department. He completed his master's degree in Urban Transformation at Okan University in 2017. He graduated from Atatürk University, Department of Business Administration in 2020. Between 1988 and 1997, he served as Civil Engineer, Site Manager and Technical Manager in the private sector. Between 1997-2004, he worked as the Anatolian and European Side Site Control Supervisor at KIPTAŞ, a subsidiary of Istanbul Metropolitan Municipality. Between 2004-2005, he served as General Manager at Real Estate Marketing Construction Company, a subsidiary of TOKİ. Between 2005 and 2011, he served as Vice Chairman and Executive Member at Emlak Konut REIT Inc. In 2007, he started to work as a specialist in TOKİ and served as the First Degree Department Head. Between 2011 and 2018, he served as Chairman of the Board of Emlak Konut REIT Inc. He was appointed as a Member of the Board of Directors at İller Bankası A.Ş. with the approval of the Minister of Environment, Urbanization and Climate Change dated 16 July 2018 and numbered 123820. He has been serving as the Chairman of the Board of Directors since 20 July 2018, and also serves as the Head of the High School of Science of the Ministry of Environment and Urbanization.



**Dr. İlker EREN**  
Vice Chairman of the Board  
Chairman of the Audit Committee

Dr. İlker EREN was born in 1966 in İspir district of Erzurum province. He graduated from Anadolu University, Department of Economics in 1989. He completed his education life with the title of (pHD) by completing his master's degree in the Department of Money-Banking of the Faculty of Economics of Istanbul University between 1989-1990 and his doctorate in the department of Money-Banking at the same university between 1992-2000. Between 1995 and 2016, he worked as the Finance and Financial Affairs Coordinator for a long time in the group companies that are among the top 500 companies of ISO from time to time in the private sector. Currently, Istanbul-based Beşiktaş Tersane A.Ş. He continues to serve as the Finance Manager. EREN, who was appointed as a Member of the Board of Directors of İller Bankası A.Ş. with the approval of the TR Ministry of Environment, Urbanization and Climate Change dated 10 August 2018 and numbered 141256, is still in office after being reappointed on 16 August 2021. He was elected as the Deputy Chairman of the Board of Directors with the Decision of the Board of Directors dated 11 April 2019 and numbered 12/189, and the Chairman of the Audit Committee with the Decision of the Board of Directors dated 11 April 2019 and numbered 12/190.



**Yusuf BÜYÜK**  
General Manager  
Board Member

Yusuf BÜYÜK was born in Rize in 1968. In 1994, he graduated from Istanbul Technical University Civil Faculty Civil Engineering. He completed his master's degree in Business Administration Department of the Institute of Social Sciences University of the Turkish Aeronautical Association in 2013. He worked as an engineer in the private sector for a while. He did Control Engineering in Rize Municipality. Ankara Metropolitan Municipality BUGSAŞ Inc. Technical Manager at the General Directorate, Ankara Başkent Doğalgaz Dağıtım Inc. Assistant General Manager at the General Directorate, Ankara Metropolitan Municipality PORTAŞ Inc. He served as Deputy General Manager at the General Directorate. He started to work at İller Bankası A.Ş. as Head of Department on 15 January 2013. He was appointed as Assistant General Manager at İller Bankası A.Ş. on 8 February 2013. Having been appointed as the Deputy General Manager on 8 August 2016, Mr. BÜYÜK was originally appointed as the General Manager with the approval of the TR Minister of Environment, Urbanization and Climate Change dated 22 December 2016 and numbered 13562 and still continues this duty. He also served in the establishment and management of many non-governmental organizations.



**Mücahit DEMİRTAŞ**  
Board Member

Mücahit DEMİRTAŞ was born in 1959 in Refahiye. In 1982, he completed his undergraduate education at Istanbul Technical University Sakarya Engineering Faculty Civil Engineering Department. Between 1982-2009, he worked at various levels in Sümerbank General Directorate, Bursa Provincial Directorate of National Education and Istanbul Metropolitan Municipality. DEMİRTAŞ, who served as the Member of the Board of Directors of İG-DAŞ between 2005 and 2009, has been serving as the Istanbul Provincial Directorate, the General Directorate of Construction Affairs and Deputy Undersecretary since 2009 and has been serving as the Deputy Minister since June 2018. He was appointed as a Member of the Board of Directors at İller Bankası A.Ş. with the Approval of the Minister of Environment, Urbanization and Climate Change, dated 29 September 2016 and numbered 9687. Mücahit DEMİRTAŞ, who left the position of Chairman of the Board of Directors on 20 July 2018 and still serves as a Member of the Board of Directors, was reassigned to the Board of Directors by the TR Minister of Environment, Urbanization and Climate Change. He speaks English and Arabic.

## Board of Directors



**Tufan BÜYÜKUZUN**  
Vice Chairman of the Board  
Chairman of the Audit Committee

Tufan BÜYÜKUZUN was born in 1975 in Gaziantep. He completed his primary, secondary and high school education in Gaziantep. He graduated from Ankara University, Faculty of Political Sciences, Department of Labor Economics and Industrial Relations in 1996. He served as National Real Estate Controller between 1997-2004, Head of Department between 2004-2012, and Deputy General Manager between 2012-2014 in the Ministry of Finance. Between 2014 and 2016, he served as the General Manager of the State Supply Office and the Chairman of the Board of Directors. He was appointed to the General Directorate of National Real Estate in 2016 and continues to work. He was appointed as a Member of the Board of Directors of İller Bankası A.Ş. with the approval of TR Ministry of Environment, Urbanization and Climate Change dated 25 March 2022 and numbered 3287301. He started his duty on 29 March 2022. He was elected as a Member of the Audit Committee with the decision of the Board of Directors dated 7 April 2022 and numbered 14/385.



**Rahmi METİN**  
Board member\*

Rahmi METİN was born in Rize in 1969. He completed his primary and secondary education in Rize. He graduated from Atatürk University, Department of Sociology in 1993. He worked as a philosophy teacher in a private classroom in Rize between 1993-2004 and also served as the General Manager of the private teaching institutions. In 2004, he was elected Rize Provincial Council Member in the Local Elections, and he served as the President of the Assembly until 2009. In the 2009 Local Administrations Elections, the Provincial General Assembly Member was re-elected and served as the Speaker of the Assembly until 2011 and until 2014 as a Member of the Assembly. He served as president for 3 terms at Rize University Alumni Association (RÜDER) and between 2009-2014 at University Development Association in Rize. Rahmi METİN, who was the founding member of the Development Foundation and Chairman of the Supervisory Board at Recep Tayyip Erdoğan University, was elected Mayor of Rize in the 31 March 2019 Local Administrations Elections. İller Bankası A.Ş. was held on 27 June 2019. METİN, who was elected as a Member of the Board of Directors on behalf of the Municipalities at the Ordinary General Assembly meeting, was re-elected on 24 March 2022 and still continues this duty.



**Hakan AKKAŞ**  
Board member\*

Hakan AKKAŞ was born in Sivas in 1967. He graduated from Dokuz Eylül University Faculty of Law in 1991. After his internship and military service, he started to work as a lawyer under the Sivas Bar Association since 1994. During his military service, he contributed to his directive on the "Trial of Soldiers, Hiring a Lawyer and Paying the Wages", which he has contributed greatly in writing. He worked as a Member of the Board of Directors of Sivas Demir Çelik Enterprise between 1996-1997 and as Manager of the Sivas Bar Association between 1999-2003. Hakan AKKAŞ, who was elected as Sivas Provincial Council Member in the Local Elections held in 2019, also fulfills his duty as the President of the Assembly. İller Bankası A.Ş. was held on 27 June 2019. AKKAŞ, who was elected as a Member of the Board of Directors on behalf of Special Provincial Administrations at the Ordinary General Assembly Meeting, was re-elected on 24 March 2022 and still continues this duty.

- Within the framework of Article 7 of the Law on İller Bankası Joint Stock Company numbered 6107, the Board of Directors of the Bank consists of 7 members, together with the General Manager. Four of the members of the Board of Directors are appointed by the Minister of Environment, Urbanization and Climate Change, and two are elected by the General Assembly among the two candidates proposed by the Ministry of Internal Affairs among the Mayors and Provincial Special Administration representatives who attended the General Assembly to represent Municipalities and Special Provincial Administrations. At the first meeting following the oath ceremony, the Board of Directors elects a member from among them as the chairman and vice chairman. The term of office of the Members of the Board of Directors is three years, and those whose term of office expires can be reassigned.
- The Board of Directors must convene at least once a month in order to fulfill its duties and responsibilities assigned by İller Bankası A.Ş. Law and İller Bankası A.Ş. Main Contract. 59 Ordinary Meetings were held by the Board of Directors in 2022 and a total of 2517 decisions were taken at these meetings.
- Paragraph (1) of article 12 of İller Bankası A.Ş. Law No. 6107 states that "monthly fees and other payments may be made to the members of the Board of Directors in an amount not exceeding the amount determined by the High Planning Board every year and determined by the General Assembly". Apart from paying wages, financial benefits such as the right to peace, premium and profit share are not provided.
- Our Bank does not have a Credit Committee, which is one of the committees that can be established to assist the Board of Directors and the Audit Committee.

## Information on the Assets and Liabilities Committee

### Chairman

**Yusuf BÜYÜK,**  
General Manager and  
Member of Board of Directors

### Members

**Salih YILMAZ,** Vice General Manager  
**Onuray GÖZÜTOK,** Vice General Manager V.

The Asset-Liability Committee of the Bank was established with the Board of Directors' decision dated 19 March 2014 and numbered 3/28. The Committee, which meets at least once a month, manages the Bank's financial structure, portfolio, loan rates, developments in money and capital markets and other banks, manages the Bank's assets and liabilities and determines the policies regarding fund movements, and executes the related units for the management of the Bank's balance sheet. follows the decisions to be taken and the implementation of the decisions taken.

**The Asset-Liability Committee held 12 meetings in 2022 and made 12 decisions.**

## Audit Committee

### Dr. İlker EREN

Chairman of the Audit Committee

Mr. EREN's Resumé is found on page 50

### Tufan BÜYÜKUZUN

Audit Committee Member

Mr. BÜYÜKUZUN's Resumé is found on page 51

The Audit Committee, established on 22 February 2008 with the decision of the Board of Directors No. 8/92, on behalf of the Board of Directors, to monitor the effectiveness and adequacy of the internal systems of the Bank, the functioning of these systems and accounting and reporting systems within the framework of laws and related regulations, and independent audit. is responsible and responsible for conducting preliminary assessments in the election of its institutions by the Board of Directors, and regularly monitoring the activities of these organizations selected by the Board of Directors. While carrying out its works within the framework of the "Regulation on the Working Procedures and Principles of the Audit Committee" approved by the Board of Directors' decisions dated 25 June 2008 and numbered 21/298, the Board of Directors dated 23 July 2011 and numbered 23/286 after the Law on İller Bankası A.Ş. The İller Bankası A.Ş. Audit Committee Regulation, which was adopted with the decisions of the Board of Directors, has been repealed and continues to be executed within the framework of the İller Bankası A.Ş. Audit Committee Regulation adopted by the Board of Directors' resolutions dated 27 September 2012 and numbered 29/520.

**The Audit Committee held 32 meetings in 2022 and 59 topics were discussed at these meetings.**

## Information On Audit Committee



**Turan KONAK**  
Audit Board Member

Turan KONAK was born in 1973 in Vakfikebir. After completing his primary and secondary education in Trabzon, he graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration in 1994 with the first rank. Later, he completed his master's degree in the Public Administration Department at the same university. Later, he completed the MBA program in the Department of Business Administration at Beykent University. He started his business life in 1995 in Istanbul Metropolitan Municipality, Directorate of Council. He worked as an Assistant Manager and Manager in the same unit. Later, he served as the Head of the Registry and Resolutions Department. In addition to being a member of the Municipal Council, he served as a Board Member and Chairman of the Board of Inspectors and affiliates of Istanbul Metropolitan Municipality. He served as a member of the Istanbul Provincial Human Rights Board. During this period, he gained experience in the Municipal Council and the council, tender legislation, zoning plans and zoning applications, electronic correspondence and digital archive, and auditing in local governments, attended many seminars and gave seminars on these topics. Between 2016 and 2018, he served as the Head of Department and then as the Head of Administrative and Financial Affairs at the Prime Ministry and was appointed as the Director General of Local Governments on 6 August 2018. Mr. KONAK was appointed as a Member of the Audit Board at İller Bankası AŞ with the Approval No. 141256 dated 10 August 2018 of the Ministry of Environment, Urbanization and Climate Change of the Republic of Turkey.



**Fatih ÖZGÖKÇEN**  
Audit Board Member

Fatih ÖZGÖKÇEN was born in Konya in 1977. He completed his primary, secondary and high school education in Konya. In 2002 he graduated from Çankaya University Faculty of Law, Selçuk University Faculty of Law, Department of private law. He has been working as a freelance lawyer in Konya since 2003. He has worked as legal advisor of various commercial companies, businesses and public institutions during the free advocacy period. Between 2002 and 2017, he served as the Vice President and member of the Board of directors at various associations and Konyaspor Football Club. ÖZGÖKÇEN, who was elected as a council member of Konya Metropolitan Municipality in the March 31 local elections, also undertook the duty of Deputy Mayor of Konya Metropolitan Municipality. Mr. ÖZGÖKÇEN was appointed as a Member of the Audit Board at İller Bankası AŞ with the Approval No. 141256 dated 10 August 2018 of the TR Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye, and he was reappointed on 15 August 2021 and continues his duty.



**Tuncay İNCİ**  
Audit Board Member

Tuncay İNCİ was born in Ankara in 1982. He completed his primary, secondary and high school education in Ankara. He graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics in 2005. He completed his master's degree in International Business Administration (MBA) at the University of East London. Starting his professional career as Assistant Tax Inspector in 2011, Mr. İNCİ was appointed as Tax Inspector in 2014 and Chief Tax Inspector in 2022. Between 2017-2018, he worked in an administrative position in the strategy and business development unit within the Presidency of the Tax Inspection Board. Between 2019-2020, he served as Group Head at the Capital Group Presidency of the Tax Inspection Board, and between 2020-2021, he served as Head of Department at the Ankara Tax Refunds Audit Department of the Presidency of the Tax Inspection Board. During this period, he served as a member of the Central Report Evaluation Commission of the Tax Audit Board, as a member of the Competence and Qualification Commission and as a member of the R&D Evaluation and Audit Commission of the Ministry of Industry and Technology. He was appointed as a member of the Board of Auditors of İller Bankası A.Ş. by the Ministry of Treasury and Finance on 29 September 2022.

- Pursuant to Article 9 of Law No. 6107 on İller Bankası A.Ş. Two members are appointed by the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change and one member is appointed by the Republic of Türkiye Ministry of Treasury and Finance. Members of the Audit Board must meet the requirements for the members of the Bank's Board of Directors.
- Article 9, paragraph (2) of Law No. 6107 on İller Bankası A.Ş. stipulates that "Members of the Audit Board shall be paid a monthly salary and other financial rights in an amount to be determined by the General Assembly, not exceeding the salary and other financial rights determined by the High Planning Council for the membership of the Audit Board each year." No financial benefits other than salary payments are provided.



## Information on General Manager and Assistant General Managers



**Yusuf BÜYÜK**  
General Manager  
Board Member

Mr. BÜYÜK's Resumé is found on page 42



**Salih YILMAZ**  
General Manager Deputy

Salih YILMAZ, was born in Kemalîye in 1966. After graduating from Vefa High School, in 1988, he graduated from Istanbul University, Faculty of Economics. He worked for a while in the private sector, and in the period 1995-2007, as a Public Accountant. Mr. Yılmaz was appointed as an Auditor of İller Bankası in 2006. During his tenure at that position, he was appointed to the Board of Directors of İller Bankası through the Joint Decree dated 22 March, 2007. Thereafter he served as a Member of the Audit Committee, Chairman of the Audit Committee, Deputy Chairman of the Board of Directors, and a Consultant. Since 17 April, 2014, he continues to serve as a Vice President. He studied on Project Finance and Credit Analysis at the Banking Formation Institute of Luxembourg (IFBL). He holds Islamic Finance and Sukuk Training Certificates (from INCEIF and Capital Market Licensing Registry and Training Agency), Expert Witness Certificate, Independent Auditor License for Capital Markets, Credit Rating Expert License, Corporate Governance Rating Expert License, and Advanced Capital Market Operations License. Türkiye and Middle East Public Administration Institute in the Top 52. Period for Public Diplomacy Training Program (KADEP) completed. Furthermore, he is an Independent Auditor accredited by Public Oversight, Accounting, and Audit Standard Agency.



**Selahattin ÖZSOY**  
General Manager Deputy

Selahattin ÖZSOY was born in 1964 in Palu province of Elazığ. He completed his primary, secondary and high school education in Elazığ Palu. He graduated from Istanbul Technical University İ.T.Ü, Faculty of Engineering, Department of Civil Engineering in 1988. In 2015 he completed his master's degree in business administration at Okan University. He is married and father of two children. Between 1988-1989 he worked as a freelance engineer. In 1989 he began his career at İller Bankası of Elazığ District Directorate as a Civil Engineer. Between 1989-1991, he has completed his military service in Ankara. At İller Bankası; Between 1989 and 2008, he worked as Construction Engineer, Chief Engineer and Production - Project Branch Manager. In 2008, he was appointed as Elazığ Regional Manager. While he was working as İzmir Regional Director since 2014, he was appointed as Assistant General Manager on 6 March 2017.



**Emrah BAYDEMİR**  
General Manager Deputy

Emrah BAYDEMİR was born in 1979 in Elbistan/Kahramanmaraş. He completed his high school education at Istanbul Atatürk Science High School. In 2002 he completed his undergraduate studies at Istanbul Technical University Faculty of Business Administration Engineering. Between 2002 and 2018, he worked as an office Engineer, Control Engineer, Business Development Manager, Technical Coordination Manager (World Bank Purchasing consultant) in national and international projects in various private sector companies. He served as senior manager and general manager in the energy and urban infrastructure sector in institutions that fulfill professional technical and financial consultancy services and commitment services and provide international services. Minister of Environment, Urbanization and Climate Change 26 April 2018 date and 17591 numbered with the İller Bankası A.Ş. he has been appointed as assistant general manager and is currently in charge of this position. Speaks English at an advanced level.



**Volkan BEKTAŞ**  
General Manager Deputy

Volkan BEKTAŞ was born in 1974 in Vakfıkebir, Trabzon. He graduated from Karadeniz Technical University, Department of Mechanical Engineering in 1998. In 2013, he completed his master's degree at Avrasya University, Department of Business Administration. He worked as Mechanical Engineer at İller Bankası Erzurum Regional Directorate between 1998-2001, Engineer at İller Bankası Trabzon Regional Directorate between 2001-2011, Technical Specialist at İller Bankası Trabzon Regional Directorate between 2011-2013, Construction Implementation Manager at Trabzon Regional Directorate in 2013, Gaziantep Regional Manager between 2013-2018, Trabzon Regional Manager between 2018-2019. He was appointed as Acting Assistant General Manager with the approval of the General Directorate Authority dated 18 January 2019 and numbered 6247. With the Presidential Decree dated 15 May 2019 and numbered 30775 published in the Official Gazette, he was appointed as Deputy General Manager and he is still serving in this position. He speaks English at intermediate level.



**Erdoğın TOPCU**  
General Manager Deputy

Erdoğın TOPCU was born on 5 October 1966 in Ardanuç district of Artvin. He completed his primary, secondary and high school education in Ardanuç. In 1987, he graduated from Fırat University, Faculty of Engineering, Department of Civil Engineering. In 2015, he graduated from Anadolu University (AÖF) Faculty of Business Administration, Department of Business Administration. In 2019, he completed his master's degree in Real Estate Development and Management at Ankara University Institute of Science and Technology. In 1988, he started working as a Civil Engineer at Trabzon Regional Directorate of İller Bankası. He completed his military service as a reserve officer in Ankara between 1991-1992. After working as a Civil Engineer, Branch Manager and Manager at İller Bankası between 1988 and 2016, he served as the Head of Investment Coordination Department, Trabzon Regional Manager and Head of Infrastructure Implementation Department between 2016 and 2020 (April). On 22 April 2020, Mr. TOPCU was appointed as Acting Deputy General Manager and continues his duty as a principal with the Presidential Decree No. 2022/499 published in the Official Gazette dated 2 October 2022 and numbered 31971.



**Onuray GÖZÜTOK**  
General Manager Deputy

Onuray GÖZÜTOK was born in Istanbul in 1976. He graduated from Ondokuz Mayıs University, Faculty of Engineering, Department of Electrical Engineering in 1998. In 2013, he completed his master's degree in Business Administration at Hoca Ahmet Yesevi International Turkish-Kazakh University. In 1998, he started to work as an Engineer at the Department of Drinking Water of İller Bankası A.Ş. After working as an Engineer and Manager at İller Bankası A.Ş. between 1998-2018, he served as the Head of Department at the Investment Evaluation Department between 2018-2020. On 22 April 2020, Mr. GÖZÜTOK was appointed as Acting Deputy General Manager and has been serving as a principal since 2 October 2022 with the Presidential Decree No. 2022/499 published in the Official Gazette No. 31971 dated 2 October 2022.

- The Bank's General Manager and Assistant General Managers are appointed by the President of the Republic in accordance with the Presidential Decree No. 3 "Presidential Decree on the Procedures for Appointment of Senior Public Executives and Public Institutions and Organizations".
- Paragraph (2) of Article 12 of the Law No. 6107 on İller Bankası AŞ stipulates that "The monthly salary, bonus and other financial and social rights of the Bank's personnel and the contractual principles shall be determined by the proposal of the General Manager and the decision of the Board of Directors. However, the monthly average of all payments made under the names of monthly salary, all kinds of social benefits, increase, compensation, allowance or other names cannot exceed the upper limit to be determined by the High Planning Council for the Bank."

## Information On Internal Systems Unit Directors



**Yılmaz ÖZTÜRK**

Vice Head of the Inspection Board

Yılmaz ÖZTÜRK was born in Kayseri in 1966. He graduated from Ankara Gazi University, Faculty of Economic Sciences, Department of Finance in 1988. In 1990, he worked as Assistant Inspector at Etibank General Directorate, Inspector in 1993, Senior Auditor and Ankara Central Branch Manager at İhlas Finance Institution between 1997-2001. In 2001, Mr. ÖZTÜRK was appointed as Inspector at İller Bankası and served as Chief Inspector and Deputy Chairman of the Inspection Board between 2005 and 2021. In 2021, Mr. ÖZTÜRK was appointed as the acting Chairman of the Board of Inspectors and in 2022 he was appointed as the acting Chairman of the Board of Inspectors. He speaks intermediate level English and German.



**Nuran BÜYÜKÖZDEMİR**

Internal Control Department Director

Nuran BÜYÜKÖZDEMİR was born in Bolu/Mengen in 1970. She completed her undergraduate education at Anadolu University, Faculty of Economics, Department of Economics in 1996. Between 1989 and 1995, she worked as a civil servant at the Ministry of Labor and Social Security, General Directorate of Social Security Institution. Since 1995, she has worked as a Civil Servant, Chief, Branch Manager, Specialist and Manager at İller Bankası AŞ, and was appointed as the Head of Department at the Internal Control Department with the Decision of the Board of Directors dated 24 May 2018 and numbered 10/230.

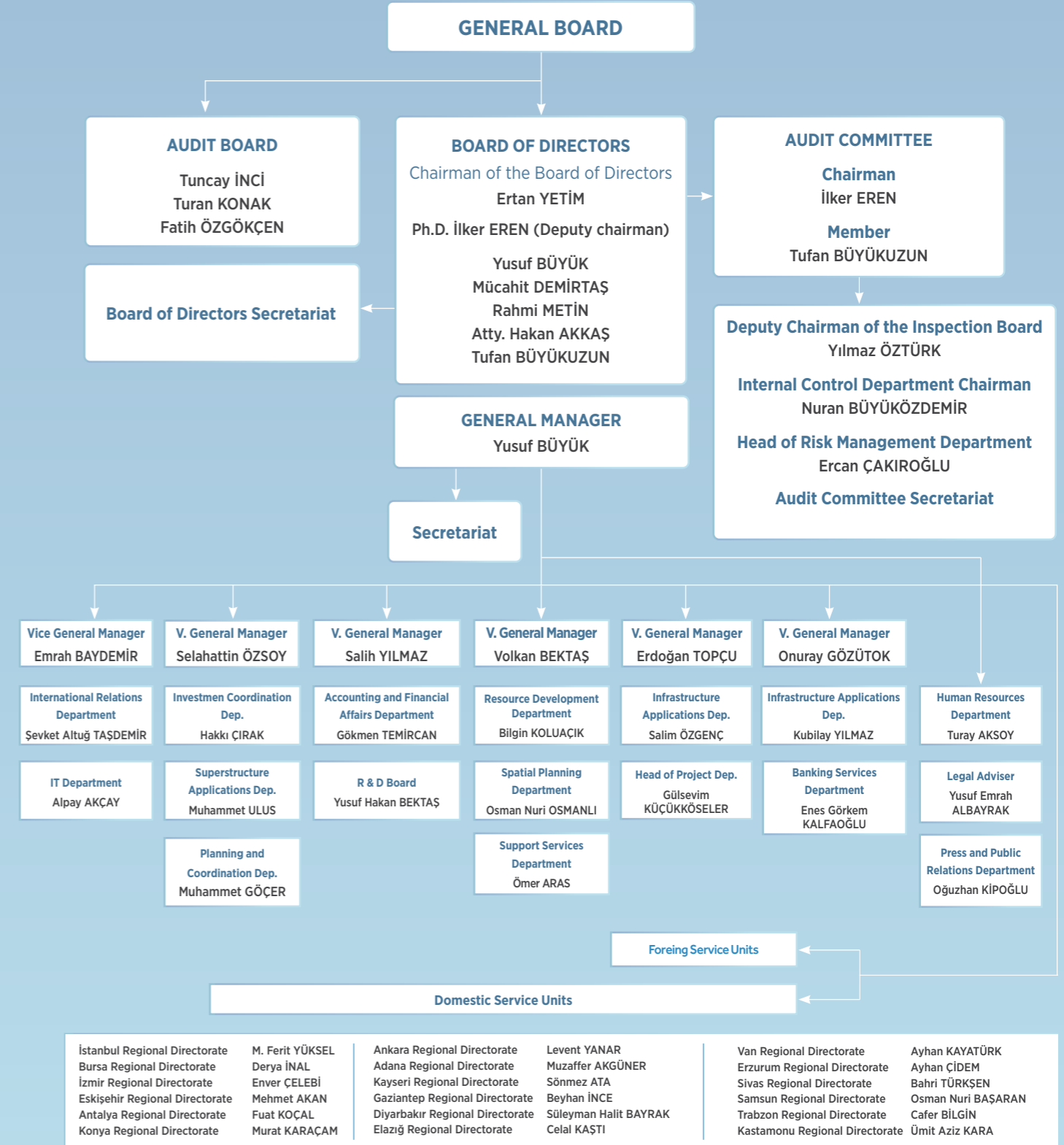


**Ercan ÇAKIROĞLU**

Risk Management Department Director

Ercan ÇAKIROĞLU, was born in Sürmene in 1974. He graduated from Ankara University School of Political Science, Department of Labor Economics and Industrial Relations. In 1996, his career began at T.C. Ziraat Bank, as a Junior Inspector under the Board of Inspectors. After service as a Junior Inspector and Inspector, he was appointed Inspector in 2004, at İller Bankası Board of Inspectors. His tenure at Inspector and Chief Inspector roles at İller Bankası was followed by his appointment to the post of Director of Internal Control Department through Board of Director resolution no. 9/190 dated 21 March, 2013. He was appointed the Director of Risk Management Department through the Board decision dated 17 July, 2014 nr. 17/245, and continues to serve in that role. Ercan ÇAKIROĞLU holds the Public Accountant License issued by the Turkish Association of Public Accountant and Certified Public Accountant Chambers, and the Independent Auditor License issued by the Public Oversight, Accounting and Audit Standards Agency of Türkiye.

## MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES



Note: Organization chart 08.03.2023 Presented as of the report date

## Summary Board of Directors Report

Our Bank, which is one of the oldest institutions in the history of the Republic and has taken its place as a unique institution in the history of development banking in the world, was established in 1933 under the name of "Municipalities Bank" with a capital of TL 15 million in order to provide services to municipalities. In 1945, its duties, powers and responsibilities were expanded and it was renamed as İller Bankası in order to provide services to local governments and it was restructured as a joint stock company with the "Law on İller Bankası Incorporated Company" numbered 6107, which entered into force after being published in the Official Gazette dated 8 February 2011 and numbered 27840 in order to increase its contribution to the modern structure needed in the urbanisation of the country.

Our Bank was established to meet the financing needs of Special Provincial Administrations, Municipalities and their affiliated organisations and local administration unions of which they are exclusively members, to develop projects related to local common services of the people living within the borders of these administrations, to provide consultancy services to these administrations, to assist in the construction of urban projects of technical nature and infrastructure and superstructure works and to perform all kinds of development and investment banking functions. It fulfils these duties by financing the projects of local governments developed to meet their urban needs from its own resources or from international sources under the most favourable conditions, by providing consultancy, by developing projects of optimum scale and state-of-the-art technology, by giving approval to such projects prepared by municipalities or by carrying out all these projects itself.

Our Bank, which has a strong shareholders' equity, transferred 19,794,308 thousand TL to local governments within the scope of investment and financing programme in 2022. Of this amount; 12,696,980 Thousand TL was utilised as loans from shareholders' equity and the remaining part was met from funds, grants and external loans and grants.

**Within the scope of the works carried out with the funds transferred to the Bank from the General Budget and funds allocated from the Bank's profit;**

From the funds transferred to the Bank from the "Water and Sewerage Infrastructure Project" (SUKAP) and Urban Infrastructure Equalization Allowance, TL 1,295,301 thousand was spent in 2022, excluding loans, for the works included in the project. Within the framework of the "Regulation on the Utilization of the 51% share allocated from the Bank's profit every year for Infrastructure Projects and Construction Works of Villages and Municipalities", TL 1,285,220 Thousand grant was allocated in 2022. In addition, a total of TL 5,252,775 thousand resources were used during the year from the funds transferred to the Bank within the scope of various protocols outside the 2022 investment program.

**Within the scope of the activities carried out with International Financial Institutions; regarding the projects carried out with the World Bank;**

- Loan utilization and repayments have been completed for Municipal Services Project I. Loan utilization has been completed and loan repayments are ongoing for Municipal Services Project II.
- Within the scope of Sustainable Cities Project I-II and additional financing of Project II, loan utilization is ongoing and loan repayments have started in Sustainable Cities Project I.

- The use of the grant financed from the European Union IPA2 fund for the Sustainable Cities Project, Component A "Sustainable Cities Planning and Management Systems" is ongoing.

**Regarding the projects carried out with the Japan International Cooperation Agency (JICA);**

- Loan utilization in the Municipal Sewerage Network and Wastewater Treatment Plants Development Project has been completed and loan repayments are ongoing.
- Loan utilization in the Local Governments Infrastructure Development and Local Governments Environmental Development Projects is ongoing and loan repayments have started in the Local Governments Infrastructure Development Project.

**Regarding the projects carried out with the European Investment Bank,**

- Loan disbursement for "Urban Infrastructure Projects I" has been completed and repayments are ongoing.
- Loan disbursement continues under the "İller Bankası Urban Transportation and Environment Loan".
- Grant disbursement continues under the "Municipal Resilience Program-I" Grant Agreement with the European Investment Bank (EIB) for the use of grant funds allocated under the European Union Regional Trust Fund (MADAD).

**Regarding the projects carried out with the Islamic Development Bank,**

- Loan utilization and loan repayments continue within the scope of "Urban Transportation Projects".

In relation to the Financial Assistance Program for Refugees in Türkiye (FRIT-II) Project, disbursements continue within the framework of loan and grant agreements between the Bank and the French Development Agency (AFD) and between the Bank and the World Bank.

Financing disbursement to local governments under the European Union Instrument for Pre-Accession Assistance (IPA II) Environment and Climate Action Program Budget Project continues.

In 2022, TL 3,655,410 thousand loans and TL 861,397 thousand grants were disbursed to Local Governments from international financial institutions.

Within the scope of Urban Transformation Projects and other projects carried out jointly by the Bank and the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change;

Within the scope of the protocols and assignments signed between the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change and our Bank regarding the Solid Waste Program (KAP), the Protocol for Supporting the Construction of 3,000 Km Bicycle and 3,000 Km Green Walking Paths, 60 Km Environmentally Friendly Streets and 60,000 m<sup>2</sup> Noise Barriers within the Scope of Greener and Livable Cities Target, the Protocol for Supporting the Urban Arrangements of Local Governments (KÖYDES), and the Protocol for Supporting the Urban Arrangements of Local Governments (KÖYDES) projects, work continues at full speed.

**In 2022, as a result of the activities carried out by our Bank with a total of 2577 personnel, including the Head Office and 18 Regional Directorates;**

**As of 31 December, 2022;**

- İller Bankası total assets grew by **47,49%** from **TL 62.935.996 thousand** to **TL 92.821.750 thousand**.
- İller Bankası total lending grew by **34,58%** from **TL 33.947.835 thousand** to **TL 45.687.549 thousand**.
- İller Bankası shareholders' equity grew by **24,78%** from **TL 28.381.473 thousand** to **TL 35.414.239 thousand**.

## Profit / Loss

The distribution of TL 3,204,003 Thousand, which is TL 3,204,003 Thousand after deducting the tax provision of TL 1,120,524 Thousand from the TL 4,324,527 Thousand remaining after deducting the revaluation difference and TL 126,895 Thousand not subject to distribution belonging to the revaluation difference and renewal fund within the scope of Provisional Articles 32 and 328 of the Tax Procedure Law No. 213 from the pre-tax commercial profit of TL 4,451,422 Thousand obtained as a result of the activities of our Bank in 2022, is shown below in accordance with the Bank's Law and Articles of Association.

(Thousand TL)	Required Allotment	Statutory Deductions	Required for Distribution
5% statutory reserves	216.226	56.026	160.200
5% discretionary statutory reserves	216.226	56.026	160.200
9% dividend	389.208	100.848	288.360
30% capital share	1.297.358	336.157	961.201
51% share for villages' and municipalities' project and construction works	2.205.509	571.467	1.634.042
<b>Total</b>	<b>4.324.527</b>	<b>1.120.524</b>	<b>3.204.003</b>

Within the scope of resource development activities, TL 1,415,129 Thousand resources were used in 2022, and urban transformation project activities and revenue sharing in return for land sales activities continue to be carried out in order to significantly increase the Bank's income by developing joint real estate projects with local governments and other public institutions and organizations. These activities yielded a net income of TL 902,033 thousand in 2022.

Our Bank carries out its activities in accordance with the Law No. 6107 on İller Bankası A.Ş. and other applicable legislation, and we would like to present the Audited Financial Statements and our summary report for the accounting period ending on 31 December 2022 for your appreciation, and we would like to extend our thanks to the Bank's employees.

Regards...

### İLLER BANKASI A.Ş. BOARD OF DIRECTORS



**Ertan YETİM**  
Yönetim Kurulu Başkanı

**Dr. İtker EREN**  
Yönetim Kurulu Başkan V.

**Yusuf BÜYÜK**  
Genel Müdür

**Mücahit DEMİRTAŞ**  
Üye

**Rahmi METİN**  
Üye

**Av. Hakan AKKAŞ**  
Üye

**Tufan BÜYÜKUZUN**  
Üye



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**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S  
REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH**

To the Shareholders of İller Bankası Anonim Şirketi

**Opinion**

We have audited the annual report of İller Bankası Anonim Şirketi (the "Bank") for the period between 1 January 2022 and 31 December 2022, since we have audited the complete set of consolidated financial statements for this period.

In our opinion, consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited consolidated financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

**Basis for Opinion**

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

**Auditor's Opinion on Complete Set of Unconsolidated Financial Statements**

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Bank for the period between 1 January 2022 and 31 December 2022 on 8 February 2023.



**Board of Directors' Responsibility for the Annual Report**

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

- The Bank's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the unconsolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's unconsolidated financial statements. The annual report shall also clearly indicate the details about the Bank's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- The annual report also includes the matters below:
  - Significant events occurred in the Company after the reporting period,
  - The Bank's research and development activities.
  - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

**Auditor's Responsibility for the Audit of the Annual Report**

Our objective is to express an opinion on whether the unconsolidated financial information included in the annual report in accordance with the TCC and the Regulation, and analysis of the Board of Directors by using the information included in the audited unconsolidated financial statements regarding the position of the Bank are consistent with the audited unconsolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that includes this opinion .

We conducted our audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the unconsolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited unconsolidated financial statements regarding the position of the Bank are consistent with the unconsolidated financial statements and the information obtained during the audit and provides a fair presentation.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Aslı Işık  
Engagement Partner, SMMM  
8 February 2023  
Ankara, Türkiye

## Human Resources Practices

These rules were changed by article 11 of "A law concerning İller Bankası Anonim Sirketi" (no. 6107), which was published in issue 27840 of the official gazette on 8 February 2011 and which contains two provisions concerning the matter. According to the first, "Duties necessitated by the Bank's services are performed by personnel who are not subject either to the State Civil Servants Law (no. 657 dated 14 July 1965) or to the provisions of other laws pertaining to contract employees." According to the second, matters related to "the hiring of the Bank's personnel, their qualifications, their appointments, their progression, their advancement, the ways in which they may be dismissed, their duties and authorities, their disciplinary principles, their obligations, their job positions, and their numbers are governed by regulations issued subject to the opinion of the State Personnel Ministry and pursuant to Board of Directors decision." (Amendment:16/05/2012-Law no. 6306/art. 21)

The gross salaries of the Bank's contracted personnel are determined by the General Management Authority, taking into account their position, education level, foreign language level and length of service, provided that they adhere to the base and ceiling salaries determined by the Board of Directors decision within the framework of the limits determined by the Presidential Decree No. 2393 "Regarding the determination of the base and ceiling salaries to be applied to the contracted and out-of-scope personnel and the salaries of the members of the management, audit and liquidation boards of some public institutions and organizations" published in the Official Gazette No. 31096 dated 11 April 2020.

İller Bankası A.Ş.'s personnel policy and the criteria, procedures and principles regarding the recruitment of personnel are set out in the "İller Bankası A.Ş. Human Resources Regulation" published in the Official Gazette No. 31414 dated 5 March 2021.

Type	Year-end 2021			Year-end 2022		
	Headquarters	Regional Offices	Total	Headquarters	Regional Offices	Total
Total Contractual Administrative Personnel	657	616	1.273	643	599	1.242
Total Contractual Technical Personnel	476	777	1.253	461	765	1.226
Total Personnel Subject To Law No. 657 Governing Civil Servants	49	63	112	47	62	109
<b>Total Blue-Collar Personnel</b>	<b>1.182</b>	<b>1.456</b>	<b>2.638</b>	<b>1.151</b>	<b>1.426</b>	<b>2.577</b>

1) The Chairman and Members of the Board of Directors and the Members of the Supervisory Board are not included.

2) Personnel on free leave are included in the table.

3) Personnel working in Technical Expert, Technical Expert Assistant, Engineer, Architect, Technician, Technician positions

## Transactions The Bank Enters Into With Members Of Its Own Risk Group

As required by İller Bankası A.Ş. Law, the Bank's capital consists of funds provided by local governments and from other sources mandated by law. For this reason, no member of the Bank's board, nor the general manager nor any vice president holds a share in the Bank's capital. The Bank's Law does not permit the Bank to extend credit to any individual or to any organization that is not a local government.

No credit is extended to members of the Board of Directors save for that which is allowed under article 50 of the Banking Law and whose amount must not exceed five times the recipient's total net monthly salary. There are no companies over which İller Bankası has direct control as defined in article 49 of the Banking Law.

## Activities For Which Support Services Are Outsourced

In order to ensure security at the Head Office and Regional Directorates of İller Bankası A.Ş., private security support services are provided in accordance with the provisions of Law No. 5188 on Private Security Services and the Regulation put into effect based on this Law.

## Audit Board Report

### To The 78th Annual General Assembly of İller Bankası A.Ş

The activities of İller Bankası A.Ş. for the year 2022 were audited in accordance with the provisions of the Bank's Law No. 6107 and Articles of Association, the Banking Law No. 5411, the Turkish Commercial Code No. 6102, and customary practices.

In 2022, the Bank's Board of Directors meetings were attended. The Bank's books and records were examined, the Bank's safe deposit box was checked by us at indefinite intervals, and a general count of the cash at the end of the year was made together with the Bank's officers. It has been determined that the cash and assets have been recorded in accordance with the provisions of the relevant legislation, the year-end counts and reconciliations have been carried out in accordance with the provisions of the Law and the Regulation, and the reconciliation documents related to this count have been signed jointly with the Bank officials.

The Bank's annual report and financial statements for 2022 submitted to the General Assembly have been reviewed, approved and deemed appropriate by the Bank's Board of Directors. İller Bankası financial statements dated 31 December 2022 have been checked by us for compliance with the general trial balance, and it has been determined that they accurately reflect the activities of the Bank in 2022.

There were no changes in the Bank's shareholding structure in 2022, the Bank's paid-in capital reached TL 28,538,677 thousand, and the Bank's total shareholders' equity increased by 24.78%

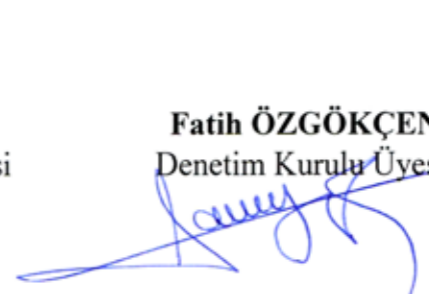
compared to the previous year and reached TL 34,414,239 thousand. The year-end capital adequacy ratio was realized as 34.70%, well above the limit set by the Banking legislation.

In 2022, the Bank's total assets increased by 47.49% and reached TL 92,821,750 thousand. Compared to the previous year, the Bank's total loan stock increased by 34.58% and reached TL 45,687,549 thousand. In 2022, the Bank distributed TL 103,715,239 thousand to municipalities and TL 9,666,071 thousand to special provincial administrations in accordance with Law No. 5779.

The Bank's Balance Sheet, Profit and Loss Statement (Income Statement) for the year 2022, which has been prepared in accordance with the Regulation on Procedures and Principles Regarding Banks' Accounting Practices and Safeguarding of Documents issued by the Banking Regulation and Supervision Agency and the Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority, and which has been examined and audited by us, is submitted for your approval.

We would like to express our gratitude to the Chairman and Members of the Board of Directors, the General Manager and all Bank employees who have contributed to the execution of the services, and submit the Annual Report, Balance Sheet and Income Statement of İller Bankası for 2022 for the acceptance and approval of the Honorable Delegates.

  
**Tuncay İNCİ**  
Denetim Kurulu Üyesi

  
**Fatih ÖZGÖKÇEN**  
Denetim Kurulu Üyesi

  
**Turan KONAK**  
Denetim Kurulu Üyesi

## Audit Committee's Assessment Of The Operation Of The Internal Control, Internal Audit, And Risk Management Systems and its Statement Concerning Activities in Year 2022

Duties and responsibilities related to Internal Systems are carried out by the Audit Committee in order to assist the Board of Directors in fulfilling its audit and supervision activities. "Internal Control, Internal Audit and Risk Management Activities" are organized in accordance with the provisions of the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" published in the Official Gazette No. 29057 dated 11 July 2014 by the Banking Regulation and Supervision Agency. The Audit Committee held 32 meetings in total between 1 January 2022 and 31 December 2022 to discuss 59 agenda items.

The Audit Committee, together with the Senior Management, Heads of Departments within the scope of Internal Systems and Inspectors, evaluated the functioning of internal systems, Unit Authorities within the scope of Banking Processes and Independent Audit Firm Authorities on the issues on the agenda. The Audit Committee Activity Reports, which include the activities of the Audit Committee during the period and its opinions on regulatory and remedial measures regarding the Bank's activities, were submitted to the Board of Directors for information. The Report on the Assessment of the Independence of Independent Audit Institutions in their Bank-related Activities and the Adequacy of the Resources Allocated was submitted to the Board of Directors on a quarterly basis. The Adequacy and Risk Assessment Report on the Support Services Received by the Bank was submitted to the Board of Directors.

For the 2021 BSD period (1 January - 31 December 2021), the Management Statement, Management Statement Report and Report Annexes were submitted to the Board of Directors for approval and submission to the Independent Audit Firm, and delivered to the Independent Audit Authorities by the Audit Committee. For the 2022 BSD period (1 January - 31 December 2022), efforts are being made to realize the Management Statement, which will be prepared by the Board of Directors and submitted to the Independent Audit Firm until the end of January 2023, in accordance with the principles set out in the relevant Regulation and Communiqué, and the Audit Committee is monitoring the activities.

2021 Information Systems and Business Processes Independent Audit Report and Details of Findings Classified as Control Weakness, Information Systems and Banking Processes Audit Report for the Period January 1-December 31, 2021 (Revised), Unconsolidated Financial Statements and Independent Audit Report for the Fiscal Year 2021 and Unconsolidated Financial Statements and Limited Independent Audit Reports for the Interim Fiscal Period 2022 were submitted to the Board of Directors by the Audit Committee.

The May/2022 and September/2022 Action Plans prepared for the findings in the 2021 Independent Audit Report on Information Systems and Business Processes and the findings of the previous period were submitted to the Board of Directors for approval and submitted to the Banking Regulation and Supervision Agency via BADES (Independent Audit Tracking System) in accordance with our notification obligation.

Annual Reports of the Internal Control Department, Risk Assessment Reports of the Risk Management Department, Market Risk Calculation Reports, Risk Limits Monitoring Reports, Credit Risk Analysis Reports

and Operational Risk Monitoring Reports prepared every 6 months were evaluated by the Audit Committee and submitted to the Board of Directors by the relevant Departments. "Internal Control Department 2021 Annual Activity Report" prepared by the Internal Control Department was evaluated by the Audit Committee and submitted to the Board of Directors by the relevant Department.

The "Risk Assessment and Internal Control Program for 2022" and "Internal Control Activity Calendar" prepared by the Internal Control Department were evaluated by the Audit Committee, and the said program and activity calendar were submitted to the Board of Directors for approval by the relevant Department. The "Risk Assessment and Internal Control Program for 2022", which was approved by the Board of Directors' Resolution No. 2/34 dated 13 January 2022, was submitted to the Board of Directors by the relevant Department for revision in order to remove the "monthly" reporting in the control frequencies under the heading "3.1.Control Period 3.1.1.1. In the Head Office Service Units;" where the internal control periods of the IT Department are determined, as of the September 2022 control period.

"Since the equity limit amount was updated on 3 January 2022 according to the article "4.3.2 Internal Market Risk Limits" of the "İller Bankası A.Ş. Risk and Authorization Limits Implementation Procedures", and since the limit exceedance disappeared in the Value at Risk / Present Value calculations made on 3 January 2022 for the foreign currency position, it was decided whether to establish a commission according to the article "4. 3.2.4 Exceeding Internal Market Risk Limits" of the "Risk and Authorization Limits Implementation Procedures" and whether the limits set in the Authorization Limits for total, discounted bonds, foreign exchange, money market and repo/reverse repo should be applied.

The "İller Bankası A.Ş. Risk Management Policy and Implementation Procedures", which was put into practice with the Board of Directors' Resolution No. 21/586 dated 23 June 2016, has been revised by the Risk Management Department in line with the provisions of the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and in order to ensure compliance with Basel regulations; and as a result of the Audit Committee's evaluation, it was submitted to the Board of Directors for approval by the relevant Department.

The quarterly Activity Evaluation Reports of the Board of Internal Auditors were submitted to the Board of Directors together with the opinion of the Audit Committee and sent to the Banking Regulation and Supervision Agency in accordance with our Notification Obligation. The Internal Audit Plan for 2023 prepared by the Board of Internal Auditors and the Risk Matrix and Risk Assessment Report with the data for the period 1 January 2022 - 30 September 2022 were examined and the said plan and report were submitted to the Board of Directors for approval to be put into effect and sent to the Banking Regulation and Supervision Agency in accordance with our Notification Obligation.

The Unit-Based and Process-Based Workflow Charts of the Bank's Units, prepared in accordance with the relevant provisions of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks and the Regulation on Independent

Audit of Information Systems and Business Processes, have been revised as a result of changes in the implementation of the business and transactions of some units and submitted to the Board of Directors by the Internal Control Department.

Pursuant to the relevant articles of the Business Continuity Plan of İller Bankası A.Ş., "Lists of Committees, Teams and Personnel in Charge of Recovery Procedures for Critical Business Processes in Business Continuity and Emergency Plans" were updated by the Support Services Department and submitted to the Board of Directors by the Risk Management Department as a result of the Audit Committee's assessment.

The revised version of "İller Bankası A.Ş. Internal Control Department Working Procedures and Principles" and its Annexes as of June 2022, which was prepared in order to clarify the working procedures and principles of the internal control personnel who will carry out internal control activities in all units of the Bank subject to control and the personnel responsible for standard control points, was reviewed and approved by the Audit Committee and submitted to the Board of Directors by the relevant Department.

Within the scope of Article 1 of Section Fifteen titled "Control Guidelines" of the "Working Procedures and Principles of the Internal Control Department of İller Bankası A.Ş.", the Control Guidelines were reviewed by the Internal Control Department, and the risk definitions, risk types and risk assessments regarding the control points in the Control Guidelines were reviewed together with the relevant service units and the Risk Management Department, and the necessary updates were agreed upon and presented to the Board of Directors by the Internal Control Department as a result of the Audit Committee's assessment. Pursuant to Article 1.9.3 of the İller Bankası A.Ş. Business Continuity Plan and Article 2.10.3 of the Emergency Plan, titled "Revision of the Plan", the İller Bankası A.Ş. Business Continuity Plan and its Annexes, updated by the Commission established with the approval of the Audit Committee, were presented to the Board of Directors.

The Bank issued Circular No. 2015/3 dated 14 January 2015 on the issues to be complied with in the tender procedures for support services to be procured within the scope of the "Regulation on the Procurement of Support Services by Banks". In this context, risk analysis reports, technical qualification reports and Risk Management Program related to the procurement of support services have been prepared, and the Audit Committee evaluates the service procurements based on these reports within the framework of the Regulation on the Procurement of Support Services by Banks, and the evaluations made are notified to the relevant service units of our Bank.

The "Support Services Risk Management Program" prepared by the Risk Management Department was reviewed and discussed by the Audit Committee, and it was submitted to the Board of Directors that the said program be submitted to the Board of Directors for approval, and that the Risk Management Department be assigned to inform the Senior Management and the relevant Service Units in the event that it is decided by the Board of Directors.

As a result of the notifications made to the Audit Committee by the relevant service units of our Bank as of the reporting period;

As a result of the evaluations made by the Audit Committee as a result of the assessments made by the Audit Committee, it was notified to the relevant service units to continue the transactions within the framework

of the "Regulation on Banks' Procurement of Support Services" with the Bank's Circular dated 14 January 2015 and numbered 2015/3, provided that risk mitigating measures are taken by taking into account the activities to be carried out by the Support Service Organization and Regional Directorates/Departments in managing the risks specified in the said "Risk Analysis Reports".

As a result of the notifications made to the Audit Committee by the relevant service units of our Bank, as of the reporting period; 5 opinions were given for service procurements within the scope of support services as a result of the evaluations made within the framework of the relevant legislation, and the evaluations made were notified to the relevant service units and the Support Services Department.

### Board Of Inspectors

The Internal Audit Department performs the internal audit of the Bank in accordance with the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks published by the BRSA and the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process published by the BRSA and the Regulation on the Board of Internal Auditors of our Bank with its staff consisting of 43 managers and personnel, including 1 Chairman of the Board of Internal Auditors, 2 Deputy Chairman of the Board of Internal Auditors, 14 Chief Inspectors, 11 Inspectors, 9 Assistant Inspectors, 1 Office Manager, 4 Specialists and 1 Management Personnel.

The Board of Internal Auditors carries out inspections, examinations, investigations and inquiries in relation to all activities and transactions of the Bank. In this context, the Board prepares the necessary proposals for the better realization of the Bank's objectives, to ensure that the Bank operates in accordance with the legislation, plans, projects and programs, and to make various researches and examinations on the Bank's business and operations in order to ensure more effective, efficient and high quality and coordinated execution of the Bank's business, and to make suggestions on issues that are in conflict with the Bank's legislation. The Board of Internal Auditors also evaluates the effectiveness and adequacy of the Bank's internal control and risk management systems within the scope of regular audits.

All units of the Bank are inspected every year according to risk priorities in line with the Internal Audit Plans. In this context, with regard to the inspection of Domestic Service Units planned to be carried out between June 1 and 30 November 2022 within the framework of the 2022 Internal Audit Plan, the reporting and approval processes of Bursa, Konya, Adana Regional Directorates, which were inspected in the previous reporting period, and Ankara and Gaziantep Regional Directorates, which were inspected in this reporting period, were completed. Thus, within the framework of the Internal Audit Plan, the audit activities of the Bank's Head Office Departments and Domestic Service Units were carried out in compliance with the annual audit plan and the audit activities of the Bank's Head Office Departments and Domestic Service Units were completed within the framework of the Internal Audit Plan for 2022.

Again in this reporting period; of the 3 reviews/investigations initiated on the issues referred to our Presidency; the review, reporting and approval process of 1 review/investigation was completed and transferred to the relevant authorities, and the audit activities of 2 reviews/investigations are still ongoing.

In addition, the "Risk Matrix and Risk Assessment Report with Data for

the Period 1 January 2022 - 30 September 2022" and the "Internal Audit Plan for 2023" were approved by the Board of Directors' resolution no. 53/2240 dated 24 November 2022, and the "Audit Program and Implementation Instruction for the 1st Period of 2023" was approved by the Audit Committee on behalf of the Board of Directors on 8 December 2022 and entered into force.

During this period, 1 Deputy Chairman of the Board of Internal Auditors, 2 Chief Inspectors, 11 Inspectors and 9 Assistant Inspectors from the Board of Internal Auditors participated in the training on "Adaptation and Development of Internal Control and Internal Audit Activities (Including Management Declaration Activities) within the Scope of Implementation of the Regulation on Information Systems and Electronic Banking Services of Banks" organized by ISACA Istanbul Chapter Academy between 6-9 December 2022 and received their certificates at the end of the training.

### Internal Control

Internal Control Department carries out its activities effectively in accordance with the provisions of the Banking Law No. 5411 and the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" published by the BRSA. The Internal Control Department aims to protect the Bank's assets, to carry out its activities in accordance with the legislation, regulations, internal policies, strategies and targets, to establish a secure accounting and recording system and financial reporting system, and to ensure the efficiency and productivity of operations with its staff consisting of a total of 38 people, including 20 personnel (1 Chairman, 3 Managers, 6 Technical Specialists, 7 Specialists, 2 Engineers and 1 Management Personnel) and 1 internal control personnel appointed to perform internal control activities in Regional Directorates.

In line with these objectives, at the Head Office and Domestic Service Units, whether the Bank's activities are carried out in accordance with the relevant standards, legislation and guidelines is monitored by the personnel carrying out operational activities designated as "Standard Control Points Responsible Personnel" and internal control personnel through reports prepared on a monthly basis in accordance with the sampling methodology on the "Standard Control Form and Explanations". The prepared reports are reviewed by the internal control personnel and regularly submitted to the Audit Committee, Board of Directors and Senior Management as monthly activity reports.

In order to ensure that the activities are carried out in a healthy manner, control points have been revised and the existing control points are re-evaluated primarily by taking into account the determinations, opinions and suggestions of the relevant process owners who carry out the activities.

The existing control points used in the internal control activities of the IT Department, based on COBIT (Control Objectives for Information Technologies) and within the scope of the "Regulation on Information Systems and Electronic Banking Services of Banks", were revised as a result of the 2022 Control Self-Assessment meeting held on 18 October 2022 with the participation of the IT Department and Internal Control Department personnel.

Within the scope of compliance with the "Regulation on Information Systems and Electronic Banking Services of Banks", the Internal Control framework was amended and control points were redesigned. Within the scope of the Regulation, 204 newly created control points were evaluated in terms of their frequency, their effectiveness in meeting

the needs of the organization and their applicability. The "new" control points planned to be used in the internal control activities of Information Systems were evaluated in terms of functionality and operational efficiency, and their control frequencies were categorized as quarterly, semi-annually and annually.

The control points of the Information Technologies Department, which were revised within the scope of compliance with the Regulation on Banks' Information Systems and Electronic Banking Services, started to be used in internal control activities as of October 2022, the September 2022 control period.

"Risk Assessment and Internal Control Program for 2022" was prepared and approved by the Board of Directors' decision dated January 13, 2022 and numbered 2/34. Pursuant to the "2022 Risk Assessment and Internal Control Program", the Internal Control Department carries out internal control activities for the Service Units of the General Directorate in May 2022, September 2022 and January 2023, with control periods of April 2022, August 2022 and December 2022. In this context, the internal control activities of the Head Office Service Units for the April 2022 control period were carried out in May 2022 and the internal control activities for the August 2022 control period were carried out in September 2022 by the internal control personnel assigned by the Presidency. The internal control activity for the December 2022 control period is carried out in January 2023.

The "Risk Assessment and Internal Control Program for 2022" was revised by the Board of Directors Decision No. 48/1938 dated 20 October 2022 as a result of the evaluation of the control frequencies under the heading "3.1. Control Period 3.1.1. In the Head Office Service Units;" which regulates the control periods of the IT Department in terms of functionality and operational efficiency of the control points prepared by taking into account their effectiveness and applicability in meeting the needs of the institution within the scope of compliance with the "Regulation on Information Systems and Electronic Banking Services of Banks".

During the control periods when no internal control personnel are assigned to the Head Office Service Units, internal control activities are carried out by two managers (one administrative, one technical) assigned as Standard Control Points Responsible Personnel in their Units through the control points included in the Standard Control Points Form of their Units. In the Domestic Service Units, an internal control personnel assigned to the Internal Control Department and two managers (one administrative, one technical) assigned as Standard Control Points Responsible Personnel report on the control points assigned to them on a monthly basis and are submitted to the Internal Control Department. The reports received from the Head Office and Domestic Service Units are reviewed and consolidated by the staff of the Internal Control Department and then submitted to the Audit Committee, Board of Directors and Senior Management as monthly activity reports.

The Internal Control Department, in accordance with the basic responsibility of the compliance function, ensures that the relevant units are informed in order to ensure that the necessary changes are made in the processes depending on the changes in legal regulations. If deemed necessary by the Internal Control Department, changes in legislation are also sent to the relevant units in writing. In addition, before obtaining the approval of the Board of Directors for new products and transactions and activities planned to be realized by the Head Office and Domestic

Service Units, the Internal Control Department is asked for its opinion on compliance with the Banking Law No. 5411, other relevant legislation, internal policies and banking customs, Circular No. 2013/8 has been issued to inform all units, and requests for opinions from the units for their new products and businesses as well as the activities they plan to realize are evaluated by the Department personnel, the opinion of the Risk Management Department is added and forwarded to the relevant unit through the Audit Committee.

In this context;

The Draft Loan Agreement prepared within the scope of the "Türkiye Earthquake, Flood and Fire Emergency Reconstruction Project" planned to be signed between the World Bank and our Bank with the instructions of the Audit Committee dated 21 July 2022 and numbered 31217070-730.06, within the scope of our Bank's Circular No. 2013/8, "Banking No. 5411 We have been requested to express our views on compliance with the Law and other relevant legislation, in-bank policies and rules and banking practices. The Draft Loan Agreement, prepared within the scope of the "Türkiye Earthquake, Flood and Fire Emergency Reconstruction Project" planned to be signed between the World Bank and our Bank, is subject to the Banking Law No. 5411 and other relevant legislation within the scope of the Circular No. With the Approval dated 28 July 2022 and numbered 77605251-612.99 received from the Audit Committee, which was evaluated by the Control Department and included the opinion of the Presidency on the subject, it is stated in subparagraph (ç) of the 40th article of the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Evaluation Process. In accordance with the provision, the opinion letter received from the Risk Management Department was added to the International Relations Department in the annex of our letter dated 28 July 2022 and E-77605251-8-612.99-79567.

### Risk Management

Risk Management activities are organized, taking into account the exceptions for the Development and Investment Banks specified in the Banking Law no. 5411 and exemptions specified in the Banking Law no. 6107, on the basis of regulations, communiqué, manual and other legislative provisions issued by BRSA for the execution of Banking Law no. 5411, and other legislative provisions, and the provisions of this regulation, in accordance with internal legislation provisions issued by the Board of Directors.

Risk Management Department, with a staff of 15 people, to design and implement the Risk Management system, to define, measure, analyze, monitor and report the risks faced by the Bank, to give warnings in order to reduce controllable and uncontrollable risks, Participating in

the design, selection, implementation and pre-approval process of risk measurement models, which are a basic tool in the Risk Management process, regularly review the models, perform scenario analysis and back-testing processes and make changes.

"Risk Assessment Report", "Market Risk Calculation Report", "Risk Limits Monitoring Report", "Credit Risk Analysis Report" and "Operational Risk Monitoring" prepared monthly in accordance with the 4th article of the Risk Management Department Regulation. Its report is submitted to the Board of Directors; Following the Decision of the Board of Directors, in accordance with the provisions of the 3rd paragraph of the 45th article of the "Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process", to obtain information from the aforementioned reports, to the Senior Management and the units responsible for the occurrence and monitoring of risk, İL-BİS, Management Information System. It is reported that it is saved in the module.

Required to be reported by the BRSA within the scope of Basel II; Interest Rate Risk Arising from Banking Accounts Standard Ratio Notification Schedule, Credit Risk Standard Approach Partial Use-King Simple Method Form, Operational Risk Analysis Form, Equity Analysis Form, Capital Adequacy Analysis Form are prepared and sent to the Department of Accounting and Financial Affairs to be submitted to the BRSA.

The Bank was exempted, as a response to the written re-quest for exemption filed with BRSA, from the obligations regarding the Stress Testing and Internal Capital Adequacy Evaluation Procedure (ISEDES) reporting it has before the BRSA as per articles 43 and 48 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Procedures, applicable at the end of the year.

The Risk Analysis Report of the Head Office and Regional Directorates is prepared and sent to the Audit Committee in accordance with the written request received from the Audit Committee in accordance with the Regulation Regarding Banks' Receiving Support Services by the Risk Management Department and Circular No: 2015/3 of 14 January 2015.

Risk Management Department maintains its efforts to enhance the contribution of the results of Risk Management activities in the Bank's decision-making processes, and its efficiency in terms of management processes.

  
Tufan RÜYÜKUZUN  
Denetim Komitesi Üyesi

  
Dr. İlker EREN  
Denetim Komitesi Başkanı



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

To the General Assembly of İller Bankası Anonim Şirketi

**A) Audit of Unconsolidated Financial Statements**

*Opinion*

We have audited the accompanying unconsolidated financial statements of İller Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2022 and the unconsolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of İller Bankası A.Ş. as at 31 December 2022, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by Banking Regulation and Supervision Agency ("BRSA") and requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

*Basis for opinion*

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

*Key Audit Matters*

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

Recognition of loans measured at amortized cost and interest income on loans

Refer to Section Three, Note IV to the unconsolidated financial statements relating to the details of accounting policies and significant accounting estimates related with loans measured at amortised cost and interest income on loans.



**Key audit matter**

As of 31 December 2022, the balance of the Bank's loans measured at amortized cost constitutes 49% of its total assets. Interests received from these loans are the main income item of the Bank.

In accordance with Law No. 6107 on İller Bankası A.Ş. ("Law"), the purpose of the Bank is; to meet the financing needs of special provincial administrations, municipalities and their subsidiaries and local administration unions of which they are exclusively members, to develop projects for the local joint services of the people living within the borders of these administrations, to provide consultancy services to these administrations, to assist in the execution of technical urban projects and infrastructure and superstructure works, and to fulfill all kinds of development and investment banking functions. Within this framework, the Bank provides loans to meet the financing needs of local governments and especially for infrastructure and superstructure projects.

Considering the Bank's financial statements as a whole, the key audit matter is the accounting of loans measured by amortized cost and the interest received from loans due to its size, large number of significant loans to local governments, complexity of collection and interest accrual process.

**How the matter is addressed in our audit**

Our audit procedures to audit the accounting for loans include the following:

- The design, implementation and operating effectiveness of the controls created for loan allocation, disbursement, collateralization, collection, follow-up, classification and interest calculation processes were tested together with information systems experts.
- The external confirmations obtained directly for the loan receivables that we have determined with the sample selection, the existence of the loans and the accuracy of the receivable balances have been checked.
- Interest income from loans has been tested by applying analytical procedures.
- The adequacy and appropriateness of the disclosures made in the footnotes of the unconsolidated financial statements regarding the loans have been evaluated.

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

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

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

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

*Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### B) Report on Other Legal and Regulatory Requirements

1. Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2022 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
2. Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Aslı Işık  
Engagement Partner  
8 February 2023  
Ankara, Türkiye

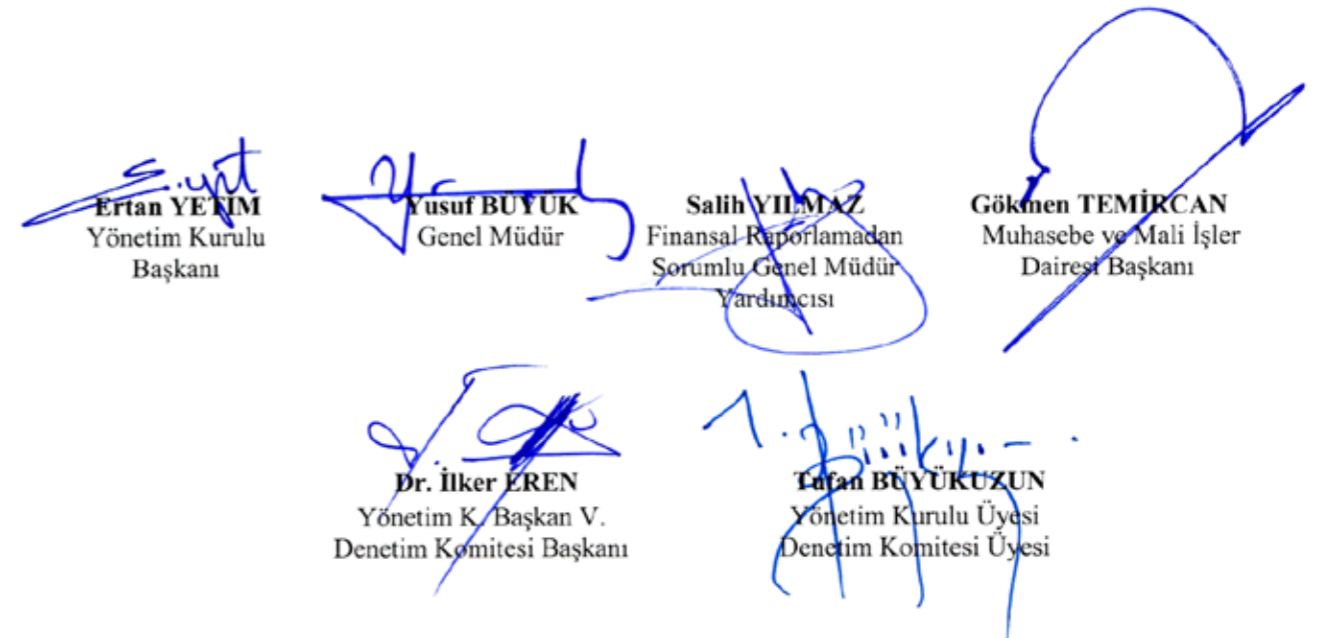
## THE UNCONSOLIDATED FINANCIAL REPORT OF İLLER BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2022

**Address** : Emniyet Mahallesi Hipodrom Caddesi No: 9/21 Yenimahalle / Ankara  
**Phone** : (312) 508 70 00  
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**E-mail** : muhasebe@ilbank.gov.tr

The unconsolidated financial report for the designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

1. GENERAL INFORMATION ABOUT THE BANK
2. UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
3. EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
4. INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
5. EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
6. OTHER DISCLOSURES
7. INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements for and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in Thousands of Turkish Lira, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

  
Ertan YEKİM  
Yönetim Kurulu Başkanı  
Yusuf BÜYÜK  
Genel Müdür  
Salih YILMAZ  
Finansal Raporlamadan Sorumlu Genel Müdür Yardımcısı  
Gökmen TEMİRCAN  
Muhasebe ve Mali İşler Dairesi Başkanı  
Dr. İlker EREN  
Yönetim K. Başkan V.  
Denetim Komitesi Başkanı  
Tufan BÜYÜKUZUN  
Yönetim Kurulu Üyesi  
Denetim Komitesi Üyesi

The contact details of the officer who will act as the contact person for the questions regarding this financial report:

**Full Name/ Title** : Mesut ÇELİK/Director & Ümit BİLGE/Specialist  
**Phone** : (0312) 508 74 07-0312 508 74 15  
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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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



### GENERAL INFORMATION REGARDING THE BANK

#### I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES

İller Bankası A.Ş. (“Bank”) was established as “Municipalities Bank” with the Law No. 2301 dated 11 June 1933. With the “İller Bankası A.Ş. Law” dated 13 June 1945 and numbered 4759, both the name of the Bank and the duties, powers and responsibilities of the Bank were changed and transformed into İller Bankası A.Ş.. With the “Law on İller Bankası Anonim Şirketi” (“The Bank’s Law”) numbered 6107, which was published in the Official Gazette dated 8 February 2011 and numbered 27840, it was transformed into İller Bankası Anonim Şirketi, by preserving its duties, authorities and responsibilities as the continuation of the Bank.

#### II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK, SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

Pursuant to the Bank’s governing Law No. 6107, the Bank’s capital consists of 2% monthly deductions to be made from the total shares of the tax revenues to be distributed every month by the Ministry of Finance and İller Bankası A.Ş. under the Law no. 5779 on Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities dated 2 July 2008, and of 30% of the Bank’s annual profits. For this reason, there is no capital group, which has either direct or indirect control over the Bank’s capital.

#### III. EXPLANATIONS REGARDING THE CHAIRMAN AND THE MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE, GENERAL MANAGER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES AND THEIR RIGHTS OF RESPONSIBILITY IN THE BANK

##### BOARD OF DIRECTORS

Full Name	Responsibility	Appointment Date	Departed from Office on	Education	Experience in Banking and Business Administration
Ertan YETİM(*)	Board Chairman	16 July 2018		Bachelor’s Degree	34 Years
Ph. İlker EREN(*)	Vice Board Chairman	10 August 2018		Ph. Degree	28 Years
Yusuif BÜYÜK	Board Member-General Manager	8 August 2016		Master’s Degree	25 Years
Mücahit DEMİRTAŞ(****)	Board Member	30 September 2019		Bachelor’s Degree	24 Years
Rahmi METİN(**)	Board Member	27 June 2019		Master’s Degree	27 Years
Atty. Hakan AKKAŞ(**)	Board Member	27 June 2019		Bachelor’s Degree	25 Years
Tufan BÜYÜKUZUN(***)	Board Member	25 March 2022		Bachelor’s Degree	14 Years
Hasan SUVER(***)	Board Member	14 July 2020	25 March 2022	Master’s Degree	20 Years

(\*) Ertan YETİM was re-elected as the Chairman of the Board of Directors and Dr. İlker EREN as the Vice Chairman of the Board of Directors with the resolutions of the Bank’s Board of Directors dated 30 June 2022 and numbered 13/309.

(\*\*) At the Bank’s Ordinary General Assembly for 2021 held on 24 March 2022, Rahmi METİN representing the Municipalities and Atty. Hakan AKKAŞ was re-elected as a Member of the Board of Directors.

(\*\*\*) Tufan BÜYÜKUZUN has been appointed as a Member of the Board of Directors, replacing Hasan SUVER, who resigned with the letter of the Ministry of Environment, Urbanization and Climate Change dated 25 March 2022 and numbered 3287301.

(\*\*\*\*) With the letter of the Ministry of Environment, Urbanization and Climate Change dated 5 September 2022 and numbered 4487287, our Bank’s Board Member Mücahit DEMİRTAŞ was reassigned to the Board of Directors following the end of his term.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### AUDIT COMMITTEE

Full Name	Responsibility	Appointment Date	Departed from Office on	Education	Experience in Banking and Business Administration
Ph. İlker EREN	Chairman/President of Auditing Committee Risk Management Department President Internal Audit Department President Auditing Committee Office Manager	11 April 2019		Ph.Degree	28 Years
Tufan BÜYÜKUZUN*	Member/President of Auditing Committee Risk Management Department President Internal Audit Department President Auditing Committee Office Manager	7 April 2022		Master’s Degree	14 Years
Hasan SUVER	Member	14 July 2020	25 March 2022	Master’s Degree	20 Years

(\*) Within the decision of Board of Directors dated 7 April 2022 and numbered 14/385, Tufan BÜYÜKUZUN, Member of the Board of Directors, was elected to the Audit Committee membership vacated by Hasan SUVER.

#### GENERAL MANAGER AND ASSISTANT GENERAL MANAGERS

Full Name	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Yusuif BÜYÜK	General Manager/legal consultancy Press and Public Relations Directorate Department of Human Resources	8 August 2016	Master’s Degree	25 Years
Salih YILMAZ	AGM/Accounting and Financial Affairs, R & D Board	17 April 2014	Bachelor’s Degree	30 Years
Selahattin ÖZSOY	AGM / Investment Coordination Dept. Planning and Coordination Dept. Superstructure Application Dept.	6 March 2017	Master’s Degree	31 Years
Emrah BAYDEMİR	AGM / International Relations Dept. - Information Technology Dept	26 April 2018	Master’s Degree	14 Years
Volkan BEKTAŞ	AGM / Resource Development Department. - Department of Spatial Planning. - Support Services Department	18 January 2019	Master’s Degree	25 Years
Erdoğan TOPÇU*	AGM (v.) / Department of Infrastructure Applications Project Dept.	22 April 2020	Master’s Degree	34 Years
Onuray GÖZÜTOK*	AGM (v.) / Capital Evaluation Department - Banking Services Dept.	22 April 2020	Master’s Degree	23 Years

(\*) With the Presidential decision numbered 2022/499 published in the Official Gazette dated 2 October 2022 and numbered 31971, they were originally appointed to the position of Vice General Manager, which they have been serving since 22 April 2022.

#### SUPERVISORY BOARD

Full Name	Responsibility	Appointment Date
Turan KONAK	Member	10 August 2018
Fatih ÖZGÖKÇEN	Member	10 August 2018
Tuncay İNCİ (*)	Member	27 September 2022

(\*) With the letter of the Ministry of Treasury and Finance dated 27 September 2022 and numbered 1540514, Tuncay İNCİ was appointed as a Member of the Audit Board, replacing Akın ATLAS, the member of the Audit Board.

The Bank’s chairman and members of the board of directors, general manager and assistant general managers do not have any shares in the Bank as required by the Bank’s establishment law.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

As per the Bank’s governing law no. 6107, the Bank’s capital consists of 2% monthly deductions from the total shares of the tax revenues to be distributed every month by the Ministry of Finance and İller Bank under Law no. 5779 on “Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities” dated 2 July 2008; out of the Bank’s nominal capital of TL 30.000.000, TL 28.538.677 had been paid-in as of 31 December 2022. The Bank’s capital consists of the deductions made from municipalities and special provincial authorities as per the legislation named above, and it is not divided into shares. The nominal capital of the bank was increased from TL 18.000.000 to TL 30.000.000 with the Decision of 1767, published in the Official Gazette dated 8 November 2019 and numbered 30942. It was increased to TL 45.000.000 with the Presidential decision numbered 6659 published in the Official Gazette dated 10 January 2023 and numbered 32069.

### V. EXPLANATIONS ON THE BANK’S FUNCTIONS AND LINES OF ACTIVITY

The Bank has the status of a development and an investment bank. Its fields of operations are defined in the Bank’s governing law no. 6107 as “satisfying the financing need of special provincial authorities, municipalities and their affiliated organizations and local administrative associations of which only these may be members; develop projects concerning locally-provided common services for the people dwelling within the boundaries of such administrations; providing such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works and performing any and all development and investment banking functions”. Within this framework, the Bank may do the following;

- Open all kinds of short, medium and long-term cash and non-cash loans to its partners.
- Provide research, project development and consultancy services on its activities or provide technical assistance.
- Establish and transfer companies under the leadership of the Bank,
- Act as an insurance agent,
- Open branches and representative offices in Türkiye and abroad, provided that necessary approvals are obtained,
- Cooperate with domestic and/or foreign financial institutions, become a member of national and international organizations of which they are members,
- Obtain resources from domestic and international financial institutions, money and capital markets, and any and all funds,
- Perform any and all development and investment banking transactions that would support the achievement of its objectives,
- Develop projects and construct special projects and urban infrastructure projects demanded by the Ministry, or arrange for the development and construction thereof,
- Execute, or arrange for the execution of, profit-making real estate investment projects and implementations in order to obtain funds for the Bank, provided that it shall not incur any debts or enter any conditional obligation in doing so,
- Carry out other activities set out in its Articles of Incorporation.

### VI. DIFFERENCES BETWEEN THE COMMUNIQUÉ ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

The Bank has no subsidiaries or affiliates.

### VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER’S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

None.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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



## UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of off-balance sheet items
- III. Statement of profit or loss
- IV. Statement of profit and loss and other comprehensive income.
- V. Statement of changes in shareholders’ equity
- VI. Statement of cash flows
- VII. Statement of profit distribution



## NOTES TO THE UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2022

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

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS			Audited Current Period 31.12.2022			Audited Prior Period 31.12.2021		
	Notes	TL	FC	Total	TL	FC	Total	
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>20.883.177</b>	<b>36.473.329</b>	<b>57.356.506</b>	<b>11.438.181</b>	<b>24.576.050</b>	<b>36.014.231</b>	
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>V-III-a</b>	<b>11.219.611</b>	<b>409.701</b>	<b>11.629.312</b>	<b>4.188.732</b>	<b>264.121</b>	<b>4.452.853</b>
1.1.	Letters of Guarantee	11.219.611	409.701	11.629.312	4.188.732	264.121	4.452.853	
1.1.1.	Guarantees Subject to State Tender Law	3	-	3	3	-	3	
1.1.2.	Guarantees Given for Foreign Trade Operations	-	-	-	-	-	-	
1.1.3.	Other Letters of Guarantee	11.219.608	409.701	11.629.309	4.188.729	264.121	4.452.850	
1.2.	Bank Acceptances	-	-	-	-	-	-	
1.2.1.	Import Letter of Acceptance	-	-	-	-	-	-	
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-	
1.3.	Letters of Credit	-	-	-	-	-	-	
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-	
1.3.2.	Other Letters of Credit	-	-	-	-	-	-	
1.4.	Guaranteed Prefinancings	-	-	-	-	-	-	
1.5.	Endorsements	-	-	-	-	-	-	
1.5.1.	Endorsements to the Central Bank of Türkiye	-	-	-	-	-	-	
1.5.2.	Other Endorsements	-	-	-	-	-	-	
1.6.	Purchase Guarantees for Securities Issued	-	-	-	-	-	-	
1.7.	Factoring Related Guarantees	-	-	-	-	-	-	
1.8.	Other Guarantees	-	-	-	-	-	-	
1.9.	Other Warrantees	-	-	-	-	-	-	
<b>II.</b>	<b>COMMITMENTS</b>	<b>V-III-a</b>	<b>9.663.566</b>	<b>36.063.628</b>	<b>45.727.194</b>	<b>7.249.449</b>	<b>24.311.929</b>	<b>31.561.378</b>
2.1.	Irrevocable Commitments	9.663.566	21.544.924	31.208.490	7.249.449	9.879.095	17.128.544	
2.1.1.	Asset Purchase and Sales Commitments	-	-	-	-	-	-	
2.1.2.	Deposit Purchase and Sales Commitments	-	-	-	-	-	-	
2.1.3.	Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-	
2.1.4.	Commitments for Loan Limits	9.663.566	21.544.924	31.208.490	7.249.449	9.879.095	17.128.544	
2.1.5.	Securities Issue Brokerage Commitments	-	-	-	-	-	-	
2.1.6.	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-	
2.1.7.	Commitments for Cheques	-	-	-	-	-	-	
2.1.8.	Tax and Fund Liabilities from Export Commitments	-	-	-	-	-	-	
2.1.9.	Commitments for Credit Card Limits	-	-	-	-	-	-	
2.1.10.	Promotion Commitments for Credit Cards and Banking Services	-	-	-	-	-	-	
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities	-	-	-	-	-	-	
2.1.12.	Payables for Short Sale Commitments of Marketable Securities	-	-	-	-	-	-	
2.1.13.	Other Irrevocable Commitments	-	-	-	-	-	-	
2.2.	Revocable Commitments	-	14.518.704	14.518.704	-	14.432.834	14.432.834	
2.2.1.	Revocable Commitments for Loan Limits	-	-	-	-	-	-	
2.2.2.	Other Revocable Commitments	-	14.518.704	14.518.704	-	14.432.834	14.432.834	
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>V-III-b</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
3.1.	Hedging Derivative Financial Instruments	-	-	-	-	-	-	
3.1.1.	Transactions for Fair Value Hedge	-	-	-	-	-	-	
3.1.2.	Transactions for Cash Flow Hedge	-	-	-	-	-	-	

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

## NOTES TO THE UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2022

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

		Audited Current Period 31.12.2022			Audited Prior Period 31.12.2021		
	Notes	TL	FC	Total	TL	FC	Total
3.1.3.	Transactions for Foreign Net Investment Hedge	-	-	-	-	-	-
3.2.	Trading Derivative Financial Instruments	-	-	-	-	-	-
3.2.1.	Forward Foreign Currency Buy/Sell Transactions	-	-	-	-	-	-
3.2.1.1.	Forward Foreign Currency Transactions-Buy	-	-	-	-	-	-
3.2.1.2.	Forward Foreign Currency Transactions-Sell	-	-	-	-	-	-
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates	-	-	-	-	-	-
3.2.2.1.	Foreign Currency Swap-Buy	-	-	-	-	-	-
3.2.2.2.	Foreign Currency Swap-Sell	-	-	-	-	-	-
3.2.2.3.	Interest Rate Swap-Buy	-	-	-	-	-	-
3.2.2.4.	Interest Rate Swap-Sell	-	-	-	-	-	-
3.2.3.	Foreign Currency, Interest Rate and Securities Options	-	-	-	-	-	-
3.2.3.1.	Foreign Currency Options-Buy	-	-	-	-	-	-
3.2.3.2.	Foreign Currency Options-Sell	-	-	-	-	-	-
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	-	-	-	-	-	-
3.2.4.1.	Foreign Currency Futures-Buy	-	-	-	-	-	-
3.2.4.2.	Foreign Currency Futures-Sell	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>	<b>11.710.196</b>	<b>2.756.916</b>	<b>14.467.112</b>	<b>7.825.182</b>	<b>2.083.368</b>	<b>9.908.550</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>10.029.246</b>	<b>2.745.688</b>	<b>12.774.934</b>	<b>6.561.913</b>	<b>2.075.319</b>	<b>8.637.232</b>
4.1.	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	-	-	-	-	-	-
4.3.	Cheques Received for Collection	-	-	-	-	-	-
4.4.	Commercial Notes Received for Collection	-	-	-	-	-	-
4.5.	Other Assets Received for Collection	-	-	-	-	-	-
4.6.	Assets Received for Public Offering	-	-	-	-	-	-
4.7.	Other Items Under Custody	9.978.843	2.745.688	12.724.531	6.511.328	2.075.319	8.586.647
4.8.	Custodians	50.403	-	50.403	50.585	-	50.585
<b>V.</b>	<b>PLEDGES RECEIVED</b>	<b>1.680.950</b>	<b>11.228</b>	<b>1.692.178</b>	<b>1.263.269</b>	<b>8.049</b>	<b>1.271.318</b>
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	1.680.950	11.228	1.692.178	1.263.269	8.049	1.271.318
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Immovable	-	-	-	-	-	-
5.6.	Other Pledged Items	-	-	-	-	-	-
5.7.	Pledged Items-Depository	-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>32.593.373</b>	<b>39.230.245</b>	<b>71.823.618</b>	<b>19.263.363</b>	<b>26.659.418</b>	<b>45.922.781</b>

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

## NOTES TO THE UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF 31 DECEMBER 2022

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

III. STATEMENT OF PROFIT OR LOSS INCOME AND EXPENSE ITEMS		Notes	Audited Current Period 31.12.2022	Audited Prior Period 31.12.2021
<b>I.</b>	<b>INTEREST INCOME</b>	<b>V-IV-a</b>	<b>6.871.460</b>	<b>5.317.473</b>
1.1	Interest on Loans		3.262.567	2.811.996
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks		3.364.052	2.319.986
1.4	Interest Received from Money Market Transactions		-	-
1.5	Interest Received from Marketable Securities Portfolio		-	-
1.5.1	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		-	-
1.5.3	Financial Assets Measured at Amortised Cost		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		244.841	185.491
<b>II.</b>	<b>INTEREST EXPENSE</b>	<b>V-IV-b</b>	<b>1.680.770</b>	<b>957.005</b>
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		906.104	528.541
2.3	Interest Expense on Money Market Transactions		-	-
2.4	Interest on Securities Issued		-	-
2.5	Interest on Leases		1.317	1.312
2.6	Other Interest Expenses		773.349	427.152
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>5.190.690</b>	<b>4.360.468</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>8.308</b>	<b>12.956</b>
4.1	Fees and Commissions Received		100.020	72.524
4.1.1	Non-cash Loans		96.098	70.587
4.1.2	Other		3.922	1.937
4.2	Fees and Commissions Paid		(91.712)	(59.568)
4.2.1	Non-cash Loans		-	-
4.2.2	Other		(91.712)	(59.568)
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>V-IV-c</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME / LOSS (Net)</b>	<b>V-IV-d</b>	<b>(14.542)</b>	<b>(38.392)</b>
7.1	Trading Gains/ Losses on Securities		-	-
7.2	Trading Gains/ Losses on Derivative Financial Instruments		-	-
7.3	Foreign Exchange Gains/ Losses		(14.542)	(38.392)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>V-IV-e</b>	<b>1.439.874</b>	<b>506.013</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>6.624.330</b>	<b>4.841.045</b>
<b>IX.</b>	<b>EXPECTED CREDIT LOSS (-)</b>	<b>V-IV-f</b>	<b>-</b>	<b>-</b>
<b>X.</b>	<b>PERSONEL EXPENSES (-)</b>		<b>(1.083.503)</b>	<b>(589.427)</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>V-IV-g</b>	<b>(1.089.405)</b>	<b>(688.972)</b>
<b>XII.</b>	<b>NET OPERATING INCOME/ LOSS (VIII-IX-X)</b>		<b>4.451.422</b>	<b>3.562.646</b>
<b>XIII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>INCOME/ LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME/ LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>INCOME/ LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>V-IV-h</b>	<b>4.451.422</b>	<b>3.562.646</b>
<b>XVII.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	<b>V-IV-i</b>	<b>(1.089.980)</b>	<b>(907.110)</b>
17.1	Current Tax Provision		(1.120.524)	(923.496)
17.2	Deferred Tax Income Effect (+)		(17.302)	(7.701)
17.3	Deferred Tax Expense Effect (-)		47.846	24.087
<b>XVIII.</b>	<b>NET INCOME/ LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>V-IV-j</b>	<b>3.361.442</b>	<b>2.655.536</b>
<b>XIX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
19.1	Income from Non-Current Assets Held for Resale		-	-
19.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other Income from Discontinued Operations		-	-
<b>XX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
20.1	Expense from Non-Current Assets Held for Resale		-	-
20.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
20.3	Other Expenses from Discontinued Operations		-	-
<b>XXI.</b>	<b>INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII -XIX)</b>		<b>-</b>	<b>-</b>
<b>XXII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>
22.1	Current Tax Provision		-	-
22.2	Deferred Tax Income Effect (+)		-	-
22.3	Deferred Tax Expense Effect (-)		-	-
<b>XXIII.</b>	<b>NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XX± XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIV.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>V-IV-j</b>	<b>3.361.442</b>	<b>2.655.536</b>
	Earnings / (Loss) Per Share		-	-

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

## NOTES TO THE UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited Current Period 31.12.2022	Audited Prior Period 31.12.2021
<b>I.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>3.361.442</b>	<b>2.655.536</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(181.880)</b>	<b>-</b>
<b>2.1</b>	<b>Other Income/Expense Items not to be Recycled to Profit or Loss</b>	<b>(181.880)</b>	<b>-</b>
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	Defined Benefit Plans' Actuarial Gains/Losses	(242.507)	-
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	60.627	-
<b>2.2</b>	<b>Other Income/Expense Items to be Reclassified to Profit or Loss</b>	<b>-</b>	<b>-</b>
2.2.1	Exchange Differences on Translation	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets at Fair Value through Other Comprehensive Income	-	-
2.2.3	Gains/Losses Cash Flow Hedges	-	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Reclassified to Profit or Loss	-	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>3.179.562</b>	<b>2.655.536</b>

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

## NOTES TO THE UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss					Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss					Total Shareholders' Equity			
		Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Revaluation Surplus on Tangible and Intangible Assets	Defined Benefit Plans' Actuarial Gains/Losses	Other	Exchange Differences on Translation	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value Through Other Comprehensive Income	Other		Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)
Audited Prior Period 31.12.2021															
I.	Balance at the beginning of period	19.278.132	-	-	1.109.344	-	-	-	-	-	-	1.641.739	2.102.662	-	24.131.877
II.	Adjustments in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	19.278.132	-	-	1.109.344	-	-	-	-	-	-	1.641.739	2.102.662	-	24.131.877
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	2.655.536	2.655.536
V.	Capital Increase by Cash	2.649.049	-	-	-	-	-	-	-	-	-	-	-	-	2.649.049
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	620.582	-	-	-	-	-	-	-	-	-	393.035	(2.068.606)	-	(1.054.989)
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(1.054.989)	-	(1.054.989)
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	393.035	(393.035)	-	-
11.3	Other	620.582	-	-	-	-	-	-	-	-	-	-	(620.582)	-	-
	Period-End Balance (I+II+III+...+XVI+XVII+XVIII)	22.547.763	-	-	1.109.344	-	-	-	-	-	-	2.034.774	34.056	2.655.536	28.381.473

## Audited Current Period 31.12.2022

I.	Balance at the beginning of period	22.547.763	-	-	1.109.344	-	-	-	-	-	-	2.034.774	2.689.592	-	28.381.473
II.	Adjustments in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	22.547.763	-	-	1.109.344	-	-	-	-	-	-	2.034.774	2.689.592	-	28.381.473
IV.	Total Comprehensive Income	-	-	-	-	-	(181.880)	-	-	-	-	-	-	3.361.442	3.179.562
V.	Capital Increase by Cash	5.199.169	-	-	-	-	-	-	-	-	-	-	-	-	5.199.169
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	791.745	-	-	-	-	-	-	-	-	-	501.439	(2.639.149)	-	(1.345.965)
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(1.345.965)	-	(1.345.965)
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	501.439	(501.439)	-	-
11.3	Other	791.745	-	-	-	-	-	-	-	-	-	-	(791.745)	-	-
	Period-End Balance (I+II+III+...+XVI+XVII+XVIII)	28.538.677	-	-	1.109.344	-	(181.880)	-	-	-	-	2.536.213	50.443	3.361.442	35.414.239

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



**NOTES TO THE UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2022**

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

VI. STATEMENT OF CASH FLOWS		Notes	Audited Current Period 31.12.2022	Audited Prior Period 31.12.2021
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating Profit/ (Loss) Before Changes in Operating Assets and Liabilities</b>		<b>2.552.856</b>	<b>2.489.219</b>
1.1.1	Interest Received		6.647.605	5.110.915
1.1.2	Interest Paid		(1.621.430)	(908.769)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		100.020	72.524
1.1.5	Other Income		386.096	145.907
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-	-
1.1.7	Payments to Personnel and Service Suppliers		(904.166)	(500.227)
1.1.8	Taxes Paid		(1.243.504)	(915.950)
1.1.9	Other	V-VI-I	(811.765)	(515.181)
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>		<b>8.323.610</b>	<b>4.063.549</b>
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.2	Net (increase) / decrease in Due from Banks and Other Financial Institutions		-	-
1.2.3	Net (increase) / decrease in Loans		(11.767.859)	(4.333.156)
1.2.4	Net (increase) / decrease in Other Assets	V-VI-I	(1.969.538)	(1.230.996)
1.2.5	Net increase / (decrease) in Bank Deposits		-	-
1.2.6	Net increase / (decrease) in Other Deposits		-	-
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		10.170.399	5.297.724
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	V-VI-I	11.890.608	4.329.977
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>10.876.466</b>	<b>6.552.768</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>		<b>61.381</b>	<b>(285.396)</b>
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(336.282)	(364.335)
2.4	Disposals of Property and Equipment		397.663	78.939
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.6	Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7	Cash Paid for Purchase of Financial Assets Measured at Amortized Cost		-	-
2.8	Cash Obtained from Sale of Financial Assets Measured at Amortized Cost		-	-
2.9	Other	V-VI-I	-	-
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>5.199.169</b>	<b>2.649.049</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Equity Investments		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other	V-VI-I	5.199.169	2.649.049
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>V-VI-I</b>	<b>249.735</b>	<b>184.420</b>
<b>V.</b>	<b>Net Increase/ (Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>16.386.751</b>	<b>9.100.841</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at Beginning of the Period</b>		<b>23.464.750</b>	<b>14.363.909</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at End of the Period</b>		<b>39.851.501</b>	<b>23.464.750</b>

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

**NOTES TO THE UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2022**

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

VII. PROFIT DISTRIBUTION STATEMENT		Audited Current Period 31.12.2022	Audited Prior Period 31.12.2021
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1	CURRENT YEAR PROFIT	4.451.422	3.562.646
1.2	TAXES AND DUTIES PAYABLE (-)	1.247.419	923.496
1.2.1	Corporate Tax (Income Tax)	1.120.524	923.496
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes and Duties	126.895	-
<b>A</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)(*)</b>	<b>3.204.003</b>	<b>2.639.150</b>
1.3	PRIOR YEAR LOSSES	-	-
1.4	FIRST LEGAL RESERVES (-)	160.200	131.958
1.5	OTHER STATUTORY RESERVES (-) (**)	961.201	791.745
<b>B</b>	<b>NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>2.082.602</b>	<b>1.715.447</b>
1.6	FIRST DIVIDENDS TO SHAREHOLDERS (-)	1.634.042	1.345.966
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares(**)	1.634.042	1.345.966
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)(***)	288.360	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	STATUS RESERVES (-)	160.200	369.481
1.11	EXTRAORDINARY RESERVES	-	-
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
<b>II.</b>	<b>DISTRIBUTION OF RESERVES</b>		
2.1	DISTRIBUTED RESERVES	-	-
2.2	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1	To Owners of Ordinary Shares	-	-
2.2.2	To Owners of Privileged Shares	-	-
2.2.3	To Owners of Preferred Shares	-	-
2.2.4	To Profit Sharing Bonds	-	-
2.2.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.3	DIVIDENDS TO PERSONNEL (-)	-	-
2.4	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III.</b>	<b>EARNINGS PER SHARE</b>		
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO PRIVILEGED SHAREHOLDERS	-	-
3.4	TO PRIVILEGED SHAREHOLDERS (%)	-	-
<b>IV.</b>	<b>DIVIDEND PER SHARE</b>		
4.1	4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2	4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	4.3 TO PRIVILEGED SHARES	-	-
4.4	4.4 TO PRIVILEGED SHARES (%)	-	-

(\*) Within the scope of Provisional Articles 32 and 328 of the Tax Procedure Law No. 213, a total of TL 126.895 revaluation difference and replacement fund amount has not been subject to profit distribution.

(\*\*) 30% of the Bank's net profit is transferred to the Bank's Capital as per the Article 4 of the "Law on İller Bankası Anonim Şirketi".

(\*\*\*) (Amended by Law No. 7161) According to the 13th of the "Law on İller Bankası Anonim Şirketi" no. 6107, 51% of the annual net profit is the financing of urban transformation applications, maps, zoning plans, infrastructure and superstructure projects and the construction works of these projects, it belongs to the part that will be used as a grant to finance the technical and social infrastructure services of the villages, or to support the interest arising from the financing, fulfilled by the special provincial administrations.

(\*\*\*\*) The decision regarding the profit distribution will be made at the General Assembly meeting. Dividends to personnel is provided based on article 27 of Bank's Articles of Incorporation. Board of Directors decide whether annual dividends will be distributed or not, and when and how much will be paid. The unpaid portion is allocated as reserves. There is no provision in the financial statements as at 31 December 2022.

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

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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



### ACCOUNTING POLICIES

#### I. EXPLANATIONS ON BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with other regulations published by the Banking Regulation and Supervision Agency regarding the reporting principles, the circular and explanations of the Banking Regulation and Supervision Agency, and the BRSA legislation and Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (“Turkish Financial Reporting Standards” or “TFRS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (collectively “BRSA Accounting and Financial Reporting legislation”).

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with “Communique on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 28 June 2012 and numbered 28337 and appendices and amendments to this communique. The Bank keeps its accounting records in Turkish currency in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The financial statements are prepared on historical cost basis except for financial assets measured at fair value through profit or loss.

The accompanying financial statements have been prepared in accordance with the “BRSA Accounting and Financial Reporting Legislation”. “TFRS 9 Financial Instruments” standard published in the Official Gazette dated 19 January 2017 and numbered 29953 by the Public Oversight Accounting and Auditing Standards Authority, effective from 1 January 2018, was started to be implemented instead of “TAS 39 Financial Instruments: Recognition and Measurement” standard. TFRS 9 standard mainly introduces new principles for the classification and measurement of financial instruments and the expected loss allowance to be calculated for financial assets. In accordance with Law No. 6107 on İller Bankası A.Ş., the Bank does not reserve provisions for loans and losses.

In the announcement dated 20 January 2022 made by the Public Oversight Authority, it was stated that the companies applying TFRS do not need to make any adjustments in their financial statements for 2022 within the scope of TAS 29 Financial Reporting in High Inflation Economies. Since no new announcement has been made by the Public Oversight Authority regarding the application of inflation accounting, no inflation adjustment was made according to TAS 29 while preparing the financial statements as of 31 December 2022.

The amounts shown in the financial statements and in their associated explanations and notes are denominated in thousand Turkish Liras unless otherwise indicated.

#### II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

Loans included in the liabilities of the Bank’s balance sheet within the scope of the “Municipal Services Project” and “Sustainable Cities Project” from the World Bank, within the scope of the “Municipal Sewerage and Wastewater Treatment Project Development Project” from the Japan International Cooperation Agency (“JICA”), within the scope of the “Urban Transport Project” It consists loans obtained from the Islamic Development Bank, the European Investment Bank (“EIB”) within the scope of the “Environmental Loan” and the World Bank under the European Union’s Financial Assistance Program for Refugees in Türkiye (“FRIT II”) and extended to municipalities. Exchange rate differences in loans are reflected to local governments using loans. Within the scope of the Municipality, Sewage and Wastewater Treatment Facilities Development Project, the exchange differences of the loans obtained from JICA under the name of “Consulting” belong to the Bank, and the items in the active and passive accounts at the end of the period within the scope of TAS 21 (Effects of Currency Changes). Monetary assets in foreign currency at the Central Bank’s buying rate as of the end of the reporting period; Monetary liabilities in foreign currencies are also converted into TL by being evaluated at the TC Central Bank selling rate as of the end of the reporting period.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

Asset and liability monetary items denominated in foreign currencies are valued according to the Central Bank of Türkiye exchange rates in effect on the balance sheet date. Foreign exchange losses/gains arising from the valuation of monetary items are accounted for in the statement of profit or loss as “Exchange rate losses/gains”.

*Exchange rates declared by the Central Bank of Türkiye at the balance sheet date:*

Date	USD Buying	USD Selling	EUR Buying	EUR Selling	100 JPY Buying	100 JPY Selling
31 December 2022	18,6983	18,7320	19,9349	19,9708	14,1301	14,2237
Date	USD Buying	USD Selling	EUR Buying	EUR Selling	100 JPY Buying	100 JPY Selling
31 December 2021	13,3290	13,3530	15,0867	15,1139	11,5502	11,6267

#### III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

The Bank had no forward and option contracts and derivatives as at the end of the reporting period.

#### IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized according to the effective interest method. Only loans granted by local governments in accordance with the Bank’s Law No. 6107. The interest on loans credit is accrued on a monthly basis.

In the case of foreign currency denominated loans, which are extended to local governments from funds secured from the World Bank under the “Municipal Services Project and Sustainable Cities Project” and from JICA under the Municipal Sewage and Waste Water Treatment Plants Development Project, monthly interest accrued and paid at six-month intervals as required by contractual agreements.

In accordance with Article 2 of the “Communiqué on the Amendment of the General Communiqué of Public Treasurership” published in the Official Gazette dated 28 February 2018 and numbered 30346 and the paragraph numbered 5 added to the 5th article of the communiqué “İller Bankası A.Ş. municipalities and special provincial administrations, which are shareholders, may use their financial resources at İller Bankası A.Ş.” As per its provision, the Bank obtains funds from its shareholders. Interest expenses related to the funds collected are also accounted according to the effective interest method.

#### V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

The Bank extends non-cash loans to local governments and earns commission income. In addition, the Bank Groupama Sigorta A.Ş., Bereket Sigorta A.Ş., Ankara Sigorta Insurance Inc. and Türkiye Sigorta A.Ş. of the type of securities and real estate agency and local government itself collects the insurance commissions arising from its insurance. A guarantee fee is paid to the Undersecretariat of Treasury for loans obtained from external financial institutions to be reflected on local governments. As commission expenses, there is a commitment commission paid to the Central Bank of the Republic of Türkiye for interbank money market transactions and to JICA due to the loans used from JICA for the portion corresponding to the Bank’s share . In addition, there are commissions paid for medium and long-term loans obtained from domestic banks.

#### VI. EXPLANATIONS ON FINANCIAL ASSETS

The Bank’s financial assets are classified and recognized as under the headings of “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” and “Financial assets measured at amortized cost.”

##### Financial Assets at Fair Value through Profit or Loss

“Financial assets at fair value through profit/loss” are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit/loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss.

Unless a financial asset is measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss. However, for certain investments in equity instruments that would normally be measured at fair value through profit or loss, it may irreversibly choose, at initial recognition, the recognition of subsequent changes in fair value through other comprehensive income.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

The Bank’s financial assets at fair value through profit or loss consist of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş, which has less than 10% of shares and votes and has no significant activity. Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş., which is traded in Borsa İstanbul (“BIST”), is valued with the prices formed in the BIST at the balance sheet date.

### Financial Assets at Fair Value Through Other Comprehensive Income

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to statement of profit or loss. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the statement of profit or loss of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the shareholders’ equity are reflected to the statement of profit or loss.

### Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss.

### Loans

Loans are financial assets created by providing money, goods or services to the borrower. Loans are financial assets that have fixed or determinable payments and are not traded in an active market. These loans are first recorded at the acquisition cost. As required by its governing law, the Bank extends loans only to local governments. Loans are recognized on the basis of their acquisition costs. Guarantees of loans, shares transferred to the bank to be distributed from the general budget tax revenues to the local administrations, and drinking water of municipalities, terminal, rent etc. their incomes. All loans of the Bank are monitored in the “Measured by Amortized Cost” account.

## VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Pursuant to paragraph 5 of article 13 of the Law No. 6107 on İller Bankası A.Ş., the provisions of the Banking Law No. 5411 regarding provisions are not applicable to the Bank. In accordance with this provision, the provisions of TFRS 9 regarding provisions are not applied.

## VIII. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and obligations are shown in the balance sheet on the basis of their net amounts only in situations where the Bank has the legal right and the power to compel such netting as well as the intention to collect on or to pay off such financial assets and liabilities at their net value or where the Bank has the right to simultaneously wind up such financial assets and obligations.

## IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

As of the end of the reporting period, the Bank had no transactions made under agreements calling for selling and buying back securities (repo) or transactions involving securities which had been purchased with sell-back commitment (reverse repo).

## X. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

The assets which meet the criteria for categorization as assets held for sale shall be recognized over their book values; application of depreciation for such assets shall be suspended. These assets shall be recognized separately on the balance sheet. In order for an asset to be considered as asset held for sale, the asset (or asset group to be disposed of) in question should be available for immediate sale under the conventional and frequently observed conditions applicable to the sale of such assets (or asset group to be disposed of), and should command a high likelihood of sale. In order for the asset to have a high likelihood of sale, a plan should be made by an appropriate management level for the sale of the asset (or the asset group to be disposed of), and an active program to conclude the plan through the identification of buyers should have been commenced. Furthermore, the asset (or the asset group to be disposed of) should be marketed actively at a price tag consistent with its fair value. A variety of incidents or circumstances may extend the term of completion of the sale to more than one year.

In case there is sufficient evidence to conclude that such delay arose due to incidents or circumstances outside the control of the enterprise, and that the enterprise’s sale plans regarding the sale of the asset (or the asset group to be disposed of), such assets shall remain in the assets held for sale category.

A discontinued operation is a part of the bank’s business categorized as disposed-of or held-for-sale.

The results regarding the discontinued operations are shown separately in the statement of profit or loss. The bank has no property or discontinued operations recognized under the assets held for sale account.

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

## XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, there is no goodwill items that needed to be shown in the financial statements.

Goodwill and other intangible assets are recognized at cost in accordance with the Standard Accounting Standard for Intangible Assets (“ TAS 38”).

The costs of intangible assets that were acquired before January 2005 were inflation-adjusted for the period until 31 December 2004, which is the date the period of high inflation was deemed to have ended by the authorities. Assets acquired thereafter were recognized in the financial statements on the basis of their initial acquisition cost.

Intangible assets are depreciated according to the straight-line method with an assumed useful life of three to five years. The useful lifetime of an asset is determined on the basis of a consideration of such issues as how long the asset can be expected to be useful; technical, technological, and other forms of obsolescence; and the maintenance costs that will be required to secure the economic benefit expected from the asset.

If there is an indication of impairment, the recoverable amount of the related asset is determined as (“TAS 36”) and the amount of the recoverable amount of the related asset If the carrying amount is less than the carrying amount, provision for impairment is booked.

## XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

The costs of tangible assets that were acquired before January 2005 were inflation-adjusted for the period until 31 December 2004, which is the date the period of high inflation was deemed to have ended by the authorities. Assets acquired thereafter were descended in the financial statements on the basis of their initial acquisition cost. Depreciation of tangible fixed assets is allocated over their costs using the straight-line depreciation method with equal amounts according to the useful lives of the assets.

In the case of an asset that was in the assets for less than a full fiscal year as of the end of the reporting period, the amount of depreciation that is set aside is determined by prorating the amount that would have been set aside for a full year according to the length of time that the asset was in the inventory.

If there is an indication of impairment, the Bank estimates the recoverable amount of the related asset in accordance with the “Turkish Accounting Standard for Impairment of Assets” (“TAS 36”) and allocates a provision for impairment if the recoverable amount is below the book value of the related asset.

The gain or loss that arises when a tangible fixed asset is disposed of is determined by subtracting the net book value of the asset concerned from the proceeds secured from its sale. The resulting difference is recognized in the statement of profit or loss.

There are no pledges, mortgages and other measures on tangible fixed assets or commitments made for the purchase of these or a major issue limiting the exercise of the disposal rights on them. There are no changes in accounting estimates that have a significant impact on the current period or are expected to have a significant impact on the following periods.

The Bank had a real estate appraisal company authorized by the BRSA in 2022 for its real estates registered in its name, and there are no impaired real estates. Depreciation rates and estimated useful lives of tangible fixed assets are as follows;

Tangible fixed assets	Estimated Useful Life (Years)	Depreciation Rate (%)
Buildings and cashboxes	50	2
Office machines, furniture, interior fittings, other movables	3-10	33,33-10
Transportation vehicles	4-10	25-10

### Investment properties

“Investment properties” are real estate properties that are held for the purpose of securing rental and/or appreciation income. Investment properties are recognized as an asset where the future economic benefits will probably be registered with the enterprise, and the cost of the investment property can be appraised reliably. Investment properties are recognized on the basis of their costs. Investment properties are presented in the balance sheet with their cost value after deducting accumulated depreciation and accumulated values, if any. If it meets the accepted criteria, the cost of replacing any part of the existing investment property is included in the balance sheet amount. The amount in question does not include daily maintenance to investment properties. The straight-line depreciation method is used in the depreciation of investment properties.

### Right of use assets

The right to use assets consist of service buildings and vehicle vehicles acquired through operating lease. Pursuant to TFRS 16, the real estates that are considered as the right of use at the date of rental actually are measured at the cost value of the right of use. The lease obligation is initially measured at the present value of the lease payments to be made during the lease period. In subsequent measurements, the book value of the liability is increased to reflect the interest on the lease obligation and decreased to reflect the lease payments made. While applying the cost method, the existence of the right to use; accumulated depreciation and accumulated impairment losses are measured at their adjusted costs based on reassessment of the lease obligation. Those which are considered as the right of use of real estates are subject to depreciation.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### XIII. EXPLANATIONS ON LEASING TRANSACTIONS

#### Bank as lessor

The Bank does not have any financial leasing transactions. There are leasing transactions arising from the leasing of real estates that are not used in banking transactions and excluding financial leasing transactions. Operating lease income is recorded in the statement of profit or loss on a straight-line basis during the lease period. As of the end of the reporting period, real estates leased out within the scope of the Bank’s operating lease are classified as investment properties in the balance sheet.

#### Bank as lessee

The lease obligation is measured at the present value of the lease payments that were not paid on the date that the lease actually started, in accordance with TFRS 16. Lease payments are discounted using an alternative borrowing interest rate. After the lease actually started, the book value of the lease obligation; It is re-measured to increase the interest in its lease obligation, to decrease the lease payments made, to reflect all reassessments and changes to the lease, or to reflect fixed lease payments in its revised core. The interest on the lease obligation for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease obligation. After the lease actually starts, the lease obligation is re-measured to reflect changes in lease payments. Gains or losses related to the partial or complete termination of the lease are recognized in profit or loss. For all other changes, correction is made on the right of use.

### XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provisions and contingent liabilities are accounted for in accordance with the communiqué on “Turkish Accounting Standard Concerning Provisions, Contingent Liabilities, and Contingent Assets” (“TAS 37”).

Provisions are entered into the accounts in situations where, as of the balance sheet date, there is an existing or pre-existing legal or structural obligation, there is a possibility of having to dispose of economically beneficial resources in order to fulfill the obligation, and it is possible to make a reliable estimate as to the amount of the obligation. For obligations that arise as a consequence of events transpiring in earlier reporting periods, provisions are set aside during the reporting period in which the obligations are incurred, in keeping with the principle of “periodicity”. In situations where the amount cannot be estimated, the obligation is treated as being “contingent”. A provision is set aside for a contingent liability only if the likelihood of the liability occurring is high and if it can be reliably quantified.

### XV. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE BENEFITS

Pursuant to Article 11/1 of the Law No. 6107 governing İller Bankası A.Ş. published in the Official Gazette issue 27840 dated 8 February 2011 and within the frame of the provision that reads “Duties required by the Bank’s services will be carried out via contractual personnel who are not subject to the Law 657 on Civil Servants dated 14 July 1965” and to the provisions of other laws governing contractual personnel; the Bank renders its services via white-collar employees, and blue-collar workers subject to the Labor Law in line with the “İller Bank Human Resources Regulation” published in the Official Gazette issue 28518 dated 04 January, 2013.

Pursuant to Article 4 (c), subparagraphs 1 and 2 of the Social Security and General Health Insurance Law no. 5510, retirement benefits for those contractual personnel who have started work prior to October, 2008 are subject to the requirements of the Civil Servants Pension Fund, whereas the same for those who have started work after October, 2008 are subject to the requirements of the Social Security Institution (for employees). As required by Article 1 of the Law No. 6107 governing İller Bankası A.Ş., the Bank is a “special budget” institution which is subject to the provisions of private law. In the aftermath of the enforcement of Law No. 6107 governing İller Bank, in the case of those bank personnel who wish to remain subject to the requirements of the Civil Servants Pension Fund with respect to their retirement benefits, or those who wish to work on a contract basis, the retirement bonuses are paid by the Civil Servants Pension Fund, after which the Fund makes a recourse to the Pension Fund of the pension bonus paid to the Bank.

In the case of those whose retirement benefits are subject to the requirements of the Social Security Institution (for employees), severance pays are paid by the Bank to the relevant personnel upon their retirement. Provisions are set aside for the relevant contractual personnel for retirement bonuses on the basis of actuarial calculations and within the framework of the “Turkish Accounting Standard concerning Employee Benefits” (“TAS 19”). In the case of personnel in “blue-collar worker” status who are employed by the Bank, provision is set aside on the basis of the net present value of the service award provision as required by the Labor Law, which is calculated on an actuarial basis, within the framework of the “Turkish Accounting Standard on Employee Benefits” (“TAS 19”).

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### XVI. EXPLANATIONS ON TAXATION

#### Corporate Income Tax

In Türkiye, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with tax laws to the commercial income of corporations in Türkiye and by deducting the exemptions in the tax laws was applied as 20% after 1 January 2021. However, the Law No. 7316 on the Collection Procedure of Public Receivables, which was published in the Official Gazette dated 22 April, 2021 and numbered 31462, article 11 of the Law on Amending Certain Laws, With the Provisional Article 13 added to the Corporate Tax Law No. 5520, the corporate tax rate has been regulated as 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period.

In addition, with the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette dated 15 April 2022 and numbered 31810, and the Law on Amendments to Some Laws and Decrees with the Force of Law, Article 26 With the sentence added to the first paragraph of the Provisional Article 13 added to the Corporate Tax Law No. 5520, banks, companies within the scope of the Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies will be able to operate in 2022. Corporate tax will be charged at the rate of 25% for corporate earnings for the taxation period. The tax rate change will be valid for corporate earnings for the taxation period starting from 1 January 2022, starting from the declarations that must be submitted as of 1 July 2022. In addition, with the Law No. 7417 on the Amendment of the Law on Civil Servants and Some Laws and the Decree Law No. 375, which was published in the Official Gazette dated 5 July 2022 and numbered 31887, the 25% rate determined within the scope of the Law No. 7394 was amended. Thus, the relevant regulation has been made to calculate the corporate tax rate of 25% on the corporate earnings of the above mentioned banks and financial institutions for the year 2023 and the following taxation periods. In the financial statements dated 31 December 2022, the Bank has used 25% as the tax rate in the calculations of current and deferred tax.

The corporate tax rate will be added to the commercial earnings of the corporations as a result of the addition of the expenses that are not accepted as per the tax laws, the exemption in the tax laws (such as the subsidiary earnings exception) and the deduction of the discounts. Applied to tax base. Institutions calculate temporary tax on their quarterly financial profits at the current Corporate Tax rate and declare it until the 17th day of the second month following that period and pay until the evening of the 17th day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. In case of remaining temporary tax amount despite the offset, this amount may be refunded or offset against other financial liabilities to the government.. Under the Bank’s governing statute, 10% withholding tax is accrued on the 51% portion allocated from the Bank’s profit for infrastructure and superstructure needs of municipalities and villages, which is paid during the relevant period.

50% of the profits arising from the sale of participation shares and real estate held for at least two years are exempt from tax, provided that they are added to the capital as stipulated in the Corporate Tax Law or kept in a special fund account for 5 years. However, institutions dealing with securities and immovable trade and leasing are exempted for this purpose (It is the article amended by Article 89 of Law No. 7061 and entered into force as of 5 December 2017, according to Article 3 of the Communiqué No. 14 of K.V.K. dated 23 December 2017, 75% will be applied to sales made until 5 December 2017 for 2017, will be applied as 50% thereafter).

There is no practice in Türkiye to reach an agreement with the tax authority regarding the taxes to be paid. Corporate tax returns are submitted to the relevant tax office until the evening of the 25th day of the fourth month following the month in which the accounting period is closed. However, the tax inspection authorities can examine the accounting records within 5 years and the tax amounts to be paid may change if an erroneous transaction is detected.

As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. However, with the regulation made with the Law No. 7352 dated January 20, 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this; TPL financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, will not be subject to inflation adjustment, and for the 2023 accounting period; It will not be subject to inflation adjustment as of the temporary tax periods, but the TPL financial statements as of 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions have been met. Profit/loss difference arising from inflation adjustment in TPL financial statements will be shown in previous years’ profit/loss accounts and will not affect the corporate tax base.

#### Deferred Taxes

The Bank calculates and reflects deferred tax in accordance with the provisions of “Turkish Accounting Standard for Income Taxes” (“TAS 12”) for taxable temporary differences that arise between the book value of an asset or liability and its tax basis determined in accordance with the tax legislation.

In the calculation of deferred tax, in accordance with the current tax legislation, the legal tax rates valid as of the end of the reporting period are used. While the deferred tax liability is calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated on the condition that it is highly likely to benefit from these differences by obtaining taxable profit in the future. Deferred tax is calculated over the tax rates (2022: 25%) valid in the period when assets are created or liabilities are fulfilled, and are recorded as expense or income in the statement of profit or loss.

If transactions and other events are recognized in profit or loss, the related tax effects are also recognized in profit or loss. If transactions and other events are recognized directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity. Calculated deferred tax assets and deferred tax liabilities are netted off in the financial statements. In the event that the income balance remains as a result of deferred tax asset and net offsetting, deferred tax income is not subject to profit distribution and capital increase. In accordance with the related circular of BRSA, deferred tax income is not taken into consideration in profit distribution.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

All lendings are made from the Bank's own equity resources. The Bank also acts as an intermediary in the lending of a variety of funds that are made available as budget grants. In case of liquidity insufficiency in the balance of income and expenditure, the bank borrows from domestic banks as needed.

Article 2 of the "Communiqué on the Amendment of the General Communiqué of Public Treasurership" published in the Official Gazette dated 28 February 2018 and numbered 30346 and 5th paragraph of the communiqué added to the 5th article of the "İller Bankası A.Ş. Municipalities and special provincial administrations, which are their shareholders, can use their financial resources in İller Bankası A.Ş.". In accordance with its provisions, the Bank obtains funds from its shareholders.

The external resources that the Bank currently has obtained from abroad consist of long-term credits that it has received from the World Bank to make available to municipalities under the "Municipal Services Project" and from the Japan International Cooperation Agency ("JICA") under the Municipal Sewage and Waste Water Treatment Plants Development Project, from European Investment Bank ("EIB") under the "Urban Infrastructure Project" and "Urban Transportation and Environment Loan" and from Islamic Development Bank under the "Urban Transportation Projects". These are entered into the Bank's records on the date on which the credit agreements are signed.

### XVIII. EXPLANATIONS ON ISSUED STOCKS

The Bank's capital is collected in the manner mandated by the Bank's own governing statute and no shares whatsoever are issued for capital collection purposes.

### XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

There are no endorsements or acceptances which are shown as obligations owed on assets

### XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

The Bank is a subsidiary of the special budget does not receive any incentives from the state budget.

### XXI. EXPLANATIONS ON SEGMENT REPORTING

The scope of İller Bank's activities is defined as "satisfying the financing need of special provincial authorities, municipalities, their affiliated organizations and of local administrative associations of which only these may be members; develop projects concerning locally-provided common services for the people dwelling within the boundaries of such administrations; providing such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works, and performing any and all development and investment banking functions". The Bank pursues its activities in the status of a development and investment bank under Article 77 of the Banking Law no. 5411. The Bank's activities mainly focus on investment banking.

### XXII. EXPLANATIONS ON OTHER MATTERS

None.



## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

### I. INFORMATION ON SHAREHOLDER'S EQUITY

The capital adequacy standard ratio calculated within the framework of the "Regulation on the Equity of Banks" and the "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks" is 34.70% as of 31 December 2022 (31 December 2021: 40.60%).

#### Information on Shareholder's Equity:

	Amount	Amounts Related to treatment before 1/1/2014(*)
<b>Current Period (31.12.2022)</b>		
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	28.538.677	
Share issue premiums	-	
Reserves	3.645.557	
Gains recognized in equity as per TAS	(181.880)	
Profit	3.411.885	
Current Period Profit	3.361.442	
Prior Period Profit	50.443	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>35.414.239</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-
Improvement costs for operating leasing (-)	-	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
The portion exceeding 10% of the Bank's core capital of the total net long positions of investments made in the equity elements of unconsolidated banks and financial institutions in which 10% or less of the partnership shares are held	-	-
The portion exceeding 10% of the core capital of the net long positions of the investments made in the core capital elements of the unconsolidated banks and financial institutions in which more than 10% of the partnership shares are owned	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
The excess amount arising from the net long positions of the investments made in the core capital elements of the unconsolidated banks and financial institutions in which more than 10% of the partnership shares are held	-	-
Excess amount arising from the rights to provide mortgage services	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>-</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>35.414.239</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital + Additional Tier I Capital)</b>	<b>35.414.239</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
<b>Tier II Capital Before Deductions</b>	<b>-</b>	
<b>Deductions from Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>-</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>35.414.239</b>	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	-	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>TOTAL CAPITAL</b>		
Total Capital (The sum of Tier I Capital and Tier II Capital)	35.414.239	-
Total risk weighted amounts	102.048.800	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	34,70	-
Tier 1 Capital Adequacy Ratio (%)	34,70	-
Capital Adequacy Ratio (%)	34,70	-

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (a+b+c)	2,500	-
a) Capital protection buffer ratio (%)	2,500	-
b) Bank-specific cyclical capital buffer ratio (%)	0,00	-
c) Systemically significant bank buffer ratio (%) **	0,00	-
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 (%)	26,70	-
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Remaining Mortgage Servicing Rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(\*) Amounts to be considered within the scope of transitional provisions.

(\*\*) Systemically important bank buffer ratio has been shown as "0,00" in the unconsolidated financial report since it has to be filled by systemically important banks that are not obliged to prepare consolidated financial statements within the scope of paragraph 4 of article 4 of the "Regulation on Systemically Important Banks".

### Information on Shareholder's Equity

	Amount	Amounts Related to treatment before 1/1/2014(*)
<b>Prior Period (31.12.2021)</b>		
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	22.547.763	
Share issue premiums	-	
Reserves	3.144.118	
Gains recognized in equity as per TAS	-	
Profit	2.689.592	
Current Period Profit	2.655.536	
Prior Period Profit	34.056	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>28.381.473</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-
Improvement costs for operating leasing (-)	-	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
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	-	-

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
The portion exceeding 10% of the Bank's core capital of the total net long positions of investments made in the equity elements of unconsolidated banks and financial institutions in which 10% or less of the partnership shares are held	-	-
The portion exceeding 10% of the core capital of the net long positions of the investments made in the core capital elements of the unconsolidated banks and financial institutions in which more than 10% of the partnership shares are owned	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
The excess amount arising from the net long positions of the investments made in the core capital elements of the unconsolidated banks and financial institutions in which more than 10% of the partnership shares are held	-	-
Excess amount arising from the rights to provide mortgage services	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	-	-
<b>Total Common Equity Tier I Capital<sup>1)</sup></b>	<b>28.381.473</b>	-
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>28.381.473</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
<b>Tier II Capital Before Deductions</b>	-	-
<b>Deductions from Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	-	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>28.381.473</b>	-
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA	-	-
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>TOTAL CAPITAL</b>		
Total Capital (The sum of Tier I Capital and Tier II Capital)	28.381.473	-
Total risk weighted amounts	69.902.980	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	40,60	-
Tier 1 Capital Adequacy Ratio (%)	40,60	-
Capital Adequacy Ratio (%)	40,60	-
<b>BUFFERS</b>		
Bank specific total Common Equity Tier 1 Capital requirement (a+b+c)	2,500	-
a) Capital protection buffer ratio (%)	2,500	-
b) Bank-specific cyclical capital buffer ratio (%)	0,00	-
c) Systemically significant bank buffer ratio (%) **	0,00	-
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 (%)	32,60	-
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Remaining Mortgage Servicing Rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(\*) Amounts to be considered within the scope of transitional provisions.

(\*\*) Systemically important bank buffer ratio has been shown as "0,00" in the unconsolidated financial report since it has to be filled by systemically important banks that are not obliged to prepare consolidated financial statements within the scope of paragraph 4 of article 4 of the "Regulation on Systemically Important Banks".

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### II. EXPLANATIONS ON CREDIT RISK

Credit risk refers to the probability that the Bank shall suffer loss caused by the credit customer's lack of compliance with the agreement requirements thus partial or complete inability to fulfill its responsibilities.

Provided that it is in accordance with the legal regulations, credit extension authority in the Bank belongs to the Board of Directors. The Board of Directors is obliged to establish the policies related to accreditation, approval and other administrative principals, ensure implementation and monitoring of those and take the necessary precautions. The Board of Directors can transfer its rights to accredit to the Loans Committee and/or Headquarters. Headquarters can use this transferred accreditation authority through its affiliated units or regional directorates. Written recommendation of the Headquarters is necessary for the accreditation by the Board or transferal of authority. The Board determines the credit policies and limits on macro levels, establishes the policies related to accreditation, approval and other administrative principals.

Since the Bank is not engaged in banking operations other than lending to local governments, it is not subjected to the vendor and sectorial risk concentration limitation.

Credit Risk is monitored in accordance with the Lending Regulations and Risk and Authority Limits Application Methods. Also, credit risk is monitored by being calculated with the standard method at the forms prepared for Credit Risk management under Base II standards. There is no other internal method is used in order to calculate the credit risk.

Loans made by the bank to local governments, secured, structured, etc. credit concentration, guarantees, return and follow-up of loans are presented to the senior management with monthly Risk Assessment Reports in terms of credit risk.

Income from drinking water, rent, terminal, parking, harbor and other business costs of the local governments who currently wants to use credit in the bank are taken as a collateral and credit is granted in return of these collateral. In the application in subject, Bank debits the local governments using credit, makes payment to contractor company and income regarding the collateral are gathered in an account and put in pledge with a pledge agreement on the account. The bank concludes a collateral account agreement with the bank branch with a protocol in the location of the local governments. According to the agreement, local government opens a new secured account in the bank branch in its region and collects all the drinking water, rent, terminal, parking, harbor and other business incomes pledged as collateral in this account. Even though the Bank has a robust collateral structure, the assets comprising the collateral for the credits extended do not fit into the collateral categories provided in Basel II criteria. For these reasons, no rating-scoring application can be made for credit risk measurements in the Bank.

Non-cash loans that are compensated have the same risk weight as the mature unsettled credits.

The Bank observes best practices within the frame of BRSA regulations and restrictions, and thus ensures management of credit risk in accordance with its volume, quality and complexity of its lending. The Amount Subject to Credit Risk at the Bank is calculated within the framework of statutory reporting, using the “Standard Method” on a monthly basis; it is included in the calculation of the Bank's Capital Adequacy Standard Ratio. The Bank submits reports on its credit risk exposure to the BRSA under applicable legislation.

The Bank's activities are governed by article 77 of the Banking Law no 5411, and it is not subject to the general credit limits defined in Article 54 of that act. However, the Bank extends credit in accordance with the Statute on Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities and municipal revenues are recorded as collateral.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

	Current Period (31.12.2022) Risk Amount(*)	Current Period Average Risk Amount	Prior Period (31.12.2021) Risk Amount(*)	Prior Period Average Risk Amount
Conditional and unconditional receivables from central governments and Central Banks	32	44	48	60
Conditional and unconditional receivables from regional or local governments	57.118.955	44.320.203	38.215.557	34.700.570
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	39.851.264	31.377.071	23.464.580	17.615.359
Conditional and unconditional receivables from corporates	-	-	-	-
Conditional and unconditional receivables from retail portfolios	91.378	90.824	50.458	50.849
Conditional and unconditional receivables secured by mortgages	-	-	-	-
Past due receivables	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Equity securities	-	-	-	-
Other receivables	30.253.030	24.735.994	21.438.895	15.223.749
<b>TOTAL</b>	<b>127.314.659</b>	<b>100.524.136</b>	<b>83.169.538</b>	<b>67.590.587</b>

(\*) Includes the total amounts prior to the consideration of Credit Risk Reduction impacts.

The top 100 and top 200 cash loans extended by the Bank correspond respectively to 75,71% (31 December 2021: 76,76%) and 85,67% (31 December 2021: 86,18%) of its total cash loans.

The top 100 and top 200 non-cash loans extended by the Bank correspond respectively to 95,34% (31 December 2021: 93,39%) and 99,30% (31 December 2021: 98,81%) of its total non-cash loans.

An assessment of the Bank's cash and non-cash credits based on their dimensions shows that the combined value of the 100 and 200 biggest clients' accounts respectively make up 43,19% (31 December 2021: 43,45%) and 48,37% (31 December 2021: 48,89%) of all cash and non-cash loans.

According to the 5th paragraph of the 13th article of the “Law on İller Bankası A.Ş.” numbered 6107, the Bank has no obligation to set aside provisions for its loans.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### II. EXPLANATIONS ON CREDIT RISK (continued)

#### Profile of the significant exposures in major regions

Current period (31.12.2022)	Risk classifications <sup>(1)</sup>																	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		
Domestic	32	57.118.955	-	-	-	39.851.264	-	91.378	-	-	-	-	-	-	-	-	-	30.253.030	127.314.659
European Union countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD Countries <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coastal Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>32</b>	<b>57.118.955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39.851.264</b>	<b>-</b>	<b>91.378</b>										<b>30.253.030</b>	<b>127.314.659</b>

Prior period (31.12.2021)	Risk classifications <sup>(1)</sup>																	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17		
Domestic	48	38.215.557	-	-	-	23.464.580	-	50.458	-	-	-	-	-	-	-	-	-	21.438.895	83.169.538
European Union countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD Countries <sup>(2)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Coastal Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>48</b>	<b>38.215.557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23.464.580</b>	<b>-</b>	<b>50.458</b>										<b>21.438.895</b>	<b>83.169.538</b>

1- Contingent and non-contingent receivables from central governments or central banks

2- Contingent and non-contingent receivables from regional or local governments

3- Contingent and non-contingent receivables from Administrative Units and Non-Commercial Enterprises

4- Contingent and non-contingent receivables from multilateral development banks

5- Contingent and non-contingent receivables from international organizations

6- Contingent and non-contingent receivables from banks and intermediary institutions

7- Contingent and unconditional corporate receivables

8- Contingent and unconditional retail receivables

9- Receivables secured by contingent and non-contingent real estate mortgages

10- Overdue receivables

11- Receivables determined as high risk by the Board

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

12- Mortgage-backed securities

13- Securitization positions

14- Short-term receivables from banks and intermediary institutions and short-term corporate receivables

15- Investments a collective investment institution

16- Equity securities,

17- Other receivables

(1) Refers to the risk classes stipulated in the Regulation regarding the Measurement and Assessment of Capital Adequacy of Banks.

(2) EU countries, OECD countries other than USA and Canada

(3) Assets and liabilities which cannot be distributed to regions on the basis of a consistent method

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### II. EXPLANATIONS ON CREDIT RISK (continued)

#### Risk profile according to the geographical concentration

#### Risk profile by sector or counterparty

Current Period (31.12.2022)		Risk classifications <sup>(1)</sup>																					
	1	2	3	4	5	6	7	8	9			10	11	12	13	14	15	16	17	TL	FC	Total	
Agriculture																							
Farming and Livestock	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing Industry	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Electricity, Gas, Water	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Hotel and Restaurant Services	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Transportation And communication	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Real Estate and Rent. Ser.	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Self Service	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Other	32	57.118.955	-	-	-	39.851.264	-	91.378	-			-	-	-	-	-	-	-	30.253.030	93.683.083	33.631.576	127.314.659	
<b>Total<sup>(1)</sup></b>	<b>32</b>	<b>57.118.955</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39.851.264</b>	<b>-</b>	<b>91.378</b>	<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30.253.030</b>	<b>93.683.083</b>	<b>33.631.576</b>	<b>127.314.659</b>	

Prior Period (31.12.2021)		Risk classifications <sup>(1)</sup>																					
	1	2	3	4	5	6	7	8	9			10	11	12	13	14	15	16	17	TL	FC	Total	
Agriculture																							
Farming and Livestock	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing Industry	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Electricity, Gas, Water	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Hotel and Restaurant Services	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Transportation And communication	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Real Estate and Rent. Ser.	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Self Service	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-			-	-	-	-	-	-	-	-	-	-	-	-
Other	48	38.215.557	-	-	-	23.464.580	-	50.458	-			-	-	-	-	-	-	-	21.438.895	60.884.230	22.285.308	83.169.538	
<b>Total<sup>(1)</sup></b>	<b>48</b>	<b>38.215.557</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23.464.580</b>	<b>-</b>	<b>50.458</b>	<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21.438.895</b>	<b>60.884.230</b>	<b>22.285.308</b>	<b>83.169.538</b>	

(1) Contingent and non-contingent receivables from central governments or central banks

(2) Contingent and non-contingent receivables from regional or local governments

(3) Contingent and non-contingent receivables from Administrative Units and Non-Commercial Enterprises

(4) Contingent and non-contingent receivables from multilateral development banks

(5) Contingent and non-contingent receivables from international organizations

(6) Contingent and non-contingent receivables from banks and intermediary institutions

(7) Contingent and unconditional corporate receivables

(8) Contingent and unconditional retail receivables

(9) Receivables secured by contingent and non-contingent real estate mortgages

(10) Overdue receivables

(11) Receivables determined as high risk by the Board

(12) Mortgage-backed securities

(13) Securitization positions

(14) Short-term receivables from banks and intermediary institutions and short-term corporate receivables

(15) Investments in the nature of a collective investment institution

(16) Equity securities,

(17) Other receivables

(1) Represents the risk classes included in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### II. EXPLANATIONS ON CREDIT RISK (continued)

#### Term distribution of risks with term structure

Current period (31.12.2022)	Time to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over a year
Conditional and unconditional receivables from central governments and Central Banks	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	905.752	1.219.685	1.863.596	3.574.086	38.033.052
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	37.967.412	-	82.609	-	-
Conditional and unconditional receivables from corporates	-	-	-	-	-
Conditional and unconditional receivables from retail portfolios	8.674	16.105	23.395	30.602	12.602
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Other receivables	2.095.817	172.247	215.760	1.327.516	13.277.375
<b>Grand Total</b>	<b>40.977.655</b>	<b>1.408.037</b>	<b>2.185.360</b>	<b>4.932.204</b>	<b>51.323.029</b>

Prior Period (31.12.2021)	Time to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over a year
Conditional and unconditional receivables from central governments and Central Banks	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	878.780	846.811	1.535.793	2.848.281	32.002.737
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	21.793.450	-	72.426	-	-
Conditional and unconditional receivables from corporates	-	-	-	-	-
Conditional and unconditional receivables from retail portfolios	4.790	8.454	12.084	17.050	8.080
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Other receivables	1.698.567	32.979	52.443	268.682	2.048.395
<b>Grand Total</b>	<b>24.375.587</b>	<b>888.244</b>	<b>1.672.746</b>	<b>3.134.013</b>	<b>34.059.212</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### Risk amounts according to risk weight

The total risk amount before and after credit risk mitigation corresponding to each risk weight defined in Annex-1 of the Regulation on Measurement and Evaluation of Banks' Capital Adequacy and the amounts deducted from equity are given below.

#### Current Period (31.12.2022)

Risk Weight		0%	10%	20%	50%	75%	100%	150%	200%	1250%	Discounts on Shareholders' Equity
1	Amount Before Credit Risk Mitigation	147.985	-	39.928.391	-	-	87.238.283	-	-	-	-
2	Amount after Credit Risk Mitigation (*)	147.985	-	39.928.391	-	-	87.238.283	-	-	-	-

#### Prior Period (31.12.2021)

Risk Weight		0%	10%	20%	50%	75%	100%	150%	200%	1250%	Discounts on Shareholders' Equity
1	Amount Before Credit Risk Mitigation	45.759	-	23.505.115	-	-	59.618.664	-	-	-	-
2	Amount after Credit Risk Mitigation(*)	45.759	-	23.505.115	-	-	59.618.664	-	-	-	-

(\*) Due to the loan guarantee structure, the Bank does not apply credit risk mitigation techniques.

#### Miscellaneous information regarding important sectors or counterparty type

Its fields of operations are defined in the Bank's governing law no. 6107 as "satisfying the financing need of special provincial authorities, municipalities and their affiliated organizations and local administrative associations of which only these may be members; develop projects concerning locally-provided common services for the people dwelling within the boundaries of such administrations; providing such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works and performing any and all development and investment banking functions". Within this framework, The Bank is not involved in banking activities oriented towards free market in institutional and commercial terms. The Bank, which consists mostly of project loans, is not profit-oriented and supports social projects of local governments without regard to credibility. In the event that the repayments of the loans provided by the bank cannot be made at the time of return, principal instalment amount that cannot be collected is added to balance principal amount and it is capitalized at the end of each month and extended to remained maturity so as to be redeemed. Uncollected interest installments are spread over the residual interest without interest accruing by adding it over the residual interest sum. Therefore, there is no default on loans extended by the Bank.

#### Information on value adjustments and change in loan provisions

Under the provision that the requirement to set aside provisions made in the Banking Law no 5411 is not applicable to İller Bankası A.Ş. as per Article 13 (5) of the Law no. 6107 governing İller Bankası A.Ş., specific provisions set aside by the Bank pertain to the Bank's receivables other than those arising from lending transactions that are in litigation.

#### Exposures subject to countercyclical capital buffer

Within the scope of Regulation and sub-regulations on Capital Protection and Cyclical Capital Buffers published in the Official Gazette dated 5 November 2013 and numbered 28812, there are no receivables from the private sector considered in the calculation of the bank-specific cyclical capital buffer.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### III. EXPLANATION ON CURRENCY RISK

Currency risk expresses the possibility of loss that banks may be exposed to as a result of changes in foreign exchange rates due to foreign currency assets and liabilities. In order to ensure that the Bank maintains a foreign currency position in line with its own funds, the relations and balances between foreign currency assets and liabilities are provided in accordance with the provisions of the “Regulation on Calculation and Application of Foreign Currency Net General Position/Equity Standard Ratio by Banks on a Consolidated and Unconsolidated Basis”. The exchange rate risk regarding the foreign currency loans extended to the Municipalities from international institutions such as the World Bank, JICA, EIB and the Islamic Development Bank belongs to the municipalities that use the loans pursuant to the contracts. The exchange differences for the portion of these loans used by the Bank under the name of “Corporate Empowerment” belong to the Bank; Within the scope of TAS 21 (Effects of Currency Changes), the items in the asset and liability accounts at the end of the period are foreign currency denominated monetary assets over the TC Central Bank buying rate as of the end of the reporting period; Monetary liabilities in foreign currency are also evaluated at the TC Central Bank selling rate as of the end of the reporting period and foreign exchange Profit/Loss is calculated.

The primary goal of the currency risk policy is to keep Foreign Currency Net General Position/ Equity Standard Ratio within legal limits within the frame of the Bank’s financial standing, current economic developments and recent trends in the market, while observing profitability and productivity. The Bank calculates and reports RMD for its foreign currency position daily, Limits concerning foreign currency risk are set and monitored within the framework of the “Risk and Authority Limits Application Methods” approved by the Board of Directors.

The chart below shows the Turkish lira-value of the current exchange rates (foreign currency buying rates) publicly announced by the CBRT on the Bank’s balance sheet date and during the five days preceding it:

	1 USD Buying	1 USD Selling	1 EUR Buying	1 EUR Selling	100 JPY Buying	100 JPY Selling
<b>Fx rate on 30.12.2022</b>	18,6983	18,732	19,9349	19,9708	14,1301	14,2237
<b>Before the balance sheet date:</b>						
Fx rate on 30.12.2022	18,6966	18,7303	19,8816	19,9175	13,9478	14,0401
Fx rate on 29.12.2022	18,6964	18,7301	19,8946	19,9304	13,9238	14,016
Fx rate on 28.12.2022	18,6813	18,715	19,9087	19,9446	14,0034	14,0962
Fx rate on 27.12.2022	18,6649	18,6986	19,8324	19,8681	14,0059	14,0987
Fx rate on 24.12.2022	18,6592	18,6928	19,8044	19,8401	14,0355	14,1285
	1 USD Buying	1 USD Selling	1 EUR Buying	1 EUR Selling	100 JPY Buying	100 JPY Selling
Simple arithmetic thirty-day average	18,6406	18,6741	19,7344	19,7699	13,7930	13,8843

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

Current Period – 31.12.2022	EUR	USD	Other FC	Total
<b>Assets</b>				
Cash and Balances with The Central Bank of Türkiye	-	-	-	-
Banks	1.460.819	-	461.138	1.921.957
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Loans	6.595.450	-	6.645.004	13.240.454
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	-
Financial assets measured at amortized cost	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	27.268	-	382	27.650
<b>Total Assets</b>	<b>8.083.537</b>	<b>-</b>	<b>7.106.524</b>	<b>15.190.061</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds from interbank money market	-	-	-	-
Funds Provided from Other Financial Institutions	8.057.886	-	7.154.837	15.212.723
Marketable securities issued	-	-	-	-
Miscellaneous Payables	1.204	-	-	1.204
Hedging derivative financial liabilities	-	-	-	-
Other Liabilities	545	65	-	610
<b>Total Liabilities</b>	<b>8.059.635</b>	<b>65</b>	<b>7.154.837</b>	<b>15.214.537</b>
<b>Net On Balance Sheet Position</b>	<b>23.902</b>	<b>(65)</b>	<b>(48.313)</b>	<b>(24.476)</b>
<b>Net Off-Balance Sheet Position</b>				
Financial derivative assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans (*)	390.485	19.216	-	409.701
<b>Prior Period (31.12.2021)</b>				
Total Assets	5.369.784	-	4.495.438	9.865.222
Total Liabilities	5.344.385	60	4.537.530	9.881.975
<b>Net On Balance Sheet Position</b>	<b>25.399</b>	<b>(60)</b>	<b>(42.092)</b>	<b>(16.753)</b>
<b>Net ‘Off-Balance Sheet’ Position</b>				
Financial derivative assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans (*)	246.667	17.454	-	264.121

\* There is no effect on net off-balance sheet position.

### Currency Risk Sensitivity

The chart below shows the Bank’s sensitivity to 10% changes in US Dollar, Euro, and other foreign currency exchange rates. The 10% margin used here also represents the estimated change in exchange rates, A negative value shows the loss that a 10% depreciation of the Turkish lira against the US Dollar, Euro or other foreign currencies would cause in the Bank’s pretax profit/loss or equity.

	Current Period 31.12.2022		Prior Period 31.12.2021	
	Statement of Profit or Loss	Equity(*)	Statement of Profit or Loss	Equity(*)
USD	(6,5)	(6,5)	(6,0)	(6,0)
EUR	2.390,2	2.390,2	2.539,9	2.539,9
Other Currencies	(4.831,3)	(4.831,3)	(4.209,2)	(4.209,2)
<b>Total</b>	<b>(2.447,6)</b>	<b>(2.447,6)</b>	<b>(1.675,3)</b>	<b>(1.675,3)</b>

(\*) Includes profit / loss effects excluding tax effect.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### IV. EXPLANATIONS ON INTEREST RATE RISK

The interest rate risk refers to the probability that the Bank shall suffer loss due to its exposure to changes in interest rates regarding financial instruments. The interest rates are set by the Board of Directors, in consideration of the mission and vision of the bank as well as the prevailing conditions of the day, or by the Assets and Liabilities Committee, which sets the rates in any case at a level not less than the interest rates established by the Board of Directors. The interest rate risk caused by the banking accounts is calculated and monitored at the Bank, to see compliance with the limits established under the Risk Authority Limits Application Methods, as per the provisions of the "Regulation on the Assessment and Evaluation of Interest Rate Risk Caused by Banking Accounts Using the Standard Shock Method". Furthermore, the assets and liabilities sensitive to interest rates are compared with reference to their maturity, and interest rate sensitive GAP analysis is applied.

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

Current Period – 31.12.2022	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Non-Interest Bearing (*)	Total
<b>Assets</b>							
Cash and Balances with The Central Bank of Türkiye	-	-	-	-	-	237	237
Banks	37.967.412	-	82.609	-	-	1.878.370	39.928.391
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-	-	5	5
Money Market Placements	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Loans	825.271	1.222.135	5.487.961	21.788.645	16.257.009	106.528	45.687.549
Financial assets measured at amortized cost	-	-	-	-	-	-	-
Other Assets	18.357	35.965	175.949	623.054	-	6.352.243	7.205.568
<b>Total Assets</b>	<b>38.811.040</b>	<b>1.258.100</b>	<b>5.746.519</b>	<b>22.411.699</b>	<b>16.257.009</b>	<b>8.337.383</b>	<b>92.821.750</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds from interbank money market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	103.354	103.354
Marketable securities issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions (**)	316.019	668.825	3.085.298	8.467.300	11.030.448	26.831.173	50.399.063
Other Liabilities	3.404.109	1.000.539	236.667	-	-	37.678.018	42.319.333
<b>Total Liabilities</b>	<b>3.720.128</b>	<b>1.669.364</b>	<b>3.321.965</b>	<b>8.467.300</b>	<b>11.030.448</b>	<b>64.612.545</b>	<b>92.821.750</b>
<b>Balance Sheet Long Position</b>	<b>35.090.912</b>	<b>(411.264)</b>	<b>2.424.554</b>	<b>13.944.399</b>	<b>5.226.561</b>	<b>-</b>	<b>56.242.226</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56.242.226)</b>	<b>(56.242.226)</b>
<b>Off-Balance Sheet Long Position</b>	<b>3.871</b>	<b>68.141</b>	<b>981.640</b>	<b>8.716.794</b>	<b>1.858.866</b>	<b>-</b>	<b>11.629.312</b>
<b>Off-Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Position</b>	<b>35.081.264</b>	<b>(347.324)</b>	<b>3.390.978</b>	<b>22.661.193</b>	<b>7.085.427</b>	<b>(56.242.226)</b>	<b>11.629.312</b>

(\*) Accruals, deferred tax assets, fixed assets, other assets, equity total, provisions, other liabilities and tax liabilities are presented in "non-interest bearing" in the column in order to ensure that the total amount of asset and liability accounts are compatible with the balance sheet.

(\*\*) Funds and discount impacts amounting to TL 4.631.315 provided by the shareholders of the Bank which are included in the funds in the balance sheet are shown in other liabilities line in the table.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

Prior Period – 31.12.2021	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Non-Interest Bearing (*)	Total
<b>Assets</b>							
Cash and Balances with The Central Bank of Türkiye	-	-	-	-	-	170	170
Banks	21.793.450	-	72.426	-	-	1.639.239	23.505.115
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-	-	1	1
Money Market Placements	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Loans	877.401	833.802	4.155.126	15.876.974	12.069.859	134.673	33.947.835
Financial assets measured at amortized cost	-	-	-	-	-	-	-
Other Assets	2.774	7.095	28.632	78.697	-	5.365.677	5.482.875
<b>Total Assets</b>	<b>22.673.625</b>	<b>840.897</b>	<b>4.256.184</b>	<b>15.955.671</b>	<b>12.069.859</b>	<b>7.139.760</b>	<b>62.935.996</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds from interbank money market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	657.833	657.833
Marketable securities issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions (**)	175.272	360.681	2.056.280	3.846.877	6.958.569	15.764.323	29.162.002
Other Liabilities	1.971.628	949.119	487.807	-	-	29.707.607	33.116.161
<b>Total Liabilities</b>	<b>2.146.900</b>	<b>1.309.800</b>	<b>2.544.087</b>	<b>3.846.877</b>	<b>6.958.569</b>	<b>46.129.763</b>	<b>62.935.996</b>
<b>Balance Sheet Long Position</b>	<b>20.526.725</b>	<b>(468.903)</b>	<b>1.712.097</b>	<b>12.108.794</b>	<b>5.111.290</b>	<b>-</b>	<b>38.990.003</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38.990.003)</b>	<b>(38.990.003)</b>
<b>Off-Balance Sheet Long Position</b>	<b>6.169</b>	<b>21.463</b>	<b>238.034</b>	<b>3.723.237</b>	<b>463.950</b>	<b>-</b>	<b>4.452.853</b>
<b>Off-Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Position</b>	<b>20.532.894</b>	<b>(447.440)</b>	<b>1.950.131</b>	<b>15.832.031</b>	<b>5.575.240</b>	<b>(38.990.003)</b>	<b>4.452.853</b>

(\*) Accruals, deferred tax asset, fixed assets, other assets, total equity, provisions, other liabilities, and tax liabilities are shown in the "non-interest bearing" column to ensure that the total amount of asset and liability accounts are compatible with the balance sheet.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### IV. EXPLANATIONS ON INTEREST RATE RISK *(continued)*

#### Average interest rates applied to monetary financial instruments by the Bank (%)

<b>Current Period - 31.12.2022</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash and Balances with The Central Bank of Türkiye	-	-	-	-
Banks	-	-	0,25	15,07
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Loans	4,06	-	0,90	12,83
Financial assets measured at amortized cost	-	-	-	-
Other Assets	-	-	-	1,48
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds from interbank money market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds Provided from Other Financial Institutions	3,11	-	0,47	14,65
Other Liabilities	-	-	-	13,89
<b>Prior Period – 31.12.2021</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash and Balances with The Central Bank of Türkiye	-	-	0,25	18,72
Banks	-	-	-	-
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	1,66	-	0,87	12,70
Loans	-	-	-	-
Financial assets measured at amortized cost	-	-	-	1,11
Other Assets	-	-	-	-
<b>Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds from interbank money market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds Provided from Other Financial Institutions	0,71	-	0,42	16,31
Other Liabilities	-	-	-	11,75

### V. EXPLANATIONS ON EQUITY STOCK POSITION RISK

<b>Equity Investments (Current Period 31.12.2022)</b>		<b>Comparative</b>		
		<b>Balance Sheet Value</b>	<b>Fair Value</b>	<b>Market Value</b>
1	Securities (*)	5	5	5
	Traded in the Exchange	5	5	5
2	Affiliates	-	-	-
	Traded in the Stock Exchange	-	-	-
3	Subsidiaries	-	-	-
	Traded in the Stock Exchange	-	-	-
<b>Equity Investments (Prior Period 31.12.2021)</b>		<b>Comparative</b>		
		<b>Balance Sheet Value</b>	<b>Fair Value</b>	<b>Market Value</b>
1	Securities (*)	1	1	1
	Traded in the Exchange	1	1	1
2	Affiliates	-	-	-
	Traded in the Stock Exchange	-	-	-
3	Subsidiaries	-	-	-
	Traded in the Stock Exchange	-	-	-

(\*) All of the financial assets of the Bank whose fair value difference is reflected in profit and loss are Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. It consists of (A group).

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

Liquidity risk is defined as the risk of the Bank not being able to fulfill its payment obligations in a timely manner, as a result of the imbalance in the cash flows, due to not having enough cash or cash inflows to meet the cash outflows fully and on time. Problems such as refinancing, delays in collections and unexpected fund withdrawals are generally effective in banks' insufficiency of liquidity.

The Liquidity Risk at the Bank is managed in accordance with the Regulation on the Measurement and Evaluation of Liquidity Adequacy of Banks published in the Official Gazette No. 26333 dated 01.11.2006, the Regulation on the Calculation of Banks' Liquidity Coverage Ratio published in the Official Gazette No. 28948 dated 21.03.2014, the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks published in the Official Gazette No. 29057 dated 11.07.2014 and the Guide on Liquidity Risk Management that entered into force with the BRSA decision numbered 6827 dated 31.03.2016; Risk Management Policy and Implementation Procedures, Risk and Authority Limits and Basel II standards are followed by forms prepared for Liquidity Risk management.

The Banking Department Treasury Management group, operating under the Banking Services Department, is responsible for liquidity management at the Bank. In addition, internal liquidity assessment is carried out daily and monthly by the Risk Management Department.

It is essential to place the excess liquidity in the Bank by considering alternative returns and to meet the liquidity need with the most cost-effective resources.

Financial resources of the Bank; Liquidity inflows consisting of interest income, loan principal and interest collections, capital collections obtained as a result of the evaluation of the legal shares transferred from the General Budget Tax Revenues to the Bank at the end of each month and distributed to local governments until the evening of the 10th day of the following month, loan disbursements, It monitors the liquidity outflows consisting of payments related to taxes and other legal liabilities and current payments with weekly, monthly and annual reports. The Bank meets its liquidity needs by obtaining funds from local governments, which are its partners, within the scope of paragraph 4 of Article 60 of the Banking Law, by using medium and long-term loans from interbank free money markets and other banks. The loans used by the bank from foreign banks are provided for municipal investments.

The Bank was exempted based on his written request to the decision of the Banking Regulation and Supervision Agency dated 25.09.2014 and numbered 6025 from the Stress Test and Internal Capital Adequacy Assessment Process (“ISEDES”) reports, which the Bank is obliged to calculate and report to the BRSA as of the end of the year, pursuant to Articles 43 and 48 of the “Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process”.

The Assets and Liabilities Committee was established with the decision of the Bank's Board of Directors dated 19.03.2014 and numbered 3/28. The duties of the committee; By evaluating the Bank's financial structure, portfolio, loan rates, developments in money and capital markets, and the developments in the Bank and other banks, the management of the Bank's assets and liabilities and determination of policies regarding fund movements in this context, and the management of the Bank's balance sheet. It is defined as the taking of decisions and the follow-up of the implementation of the decisions taken.

“Liquidity Risk Management Emergency Plan Procedure” in the Bank, with the decision of the Board of Directors dated 23.06.2016 and numbered 21/585, İller Bankası A.Ş. It has been put into practice as an annex to the Emergency Plan. The purpose of this procedure; In case the Bank experiences a possible liquidity shortage.

*Ensuring timely diagnosis of possible crisis,*

*To determine the necessary strategies and procedures to manage risks,*

*In this context, to end the crisis at the lowest cost as soon as possible by taking the necessary measures,*

*To consider the interests of the partners providing funds to the bank in the actions to be taken.*

In case of exceeding the early warning limits, the relevant units inform the Deputy General Managers they are affiliated with. After the Deputy General Managers inform the General Manager, the General Manager convenes the Assets and Liabilities Committee if deemed necessary. As a result of the Committee's evaluations, it may request from the relevant units to take the necessary measures regarding the issue.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

#### Liquidity coverage ratio

		Total unweighted value (*)		Total weighted value (*)	
		TL+FC	FC	TL+FC	FC
<b>Current Period 31.12.2022</b>					
<b>HIGH-QUALITY LIQUID ASSETS</b>				<b>191</b>	<b>-</b>
1	Total high-quality liquid assets (HQLA)	191	-	191	-
<b>CASH OUTFLOWS</b>					
2	Real person and retail deposits	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured funding other than real person and retail deposits	7.413.063	361.428	3.170.204	349.550
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Other unsecured debt	7.413.063	361.428	3.170.204	349.550
9	Secured funding			-	-
10	Other cash outflows of which:	-	-	-	-
11	Derivative exposures and collateral completion liabilities	-	-	-	-
12	Payables due to structured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other contractual funding obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet liabilities	30.732.240	19.650.670	2.864.348	1.624.821
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>			<b>6.034.552</b>	<b>1.974.371</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Unsecured lending	21.764.999	61.582	21.225.216	30.791
19	Other cash inflows	-	-	-	-
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>21.764.999</b>	<b>61.582</b>	<b>21.225.216</b>	<b>30.791</b>
Upper Limit Applied Values					
<b>21</b>	<b>TOTAL HQLA</b>			<b>191</b>	<b>-</b>
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>			<b>1.508.638</b>	<b>493.593</b>
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>0,01</b>	<b>-</b>

\* Average of consolidated liquidity payment ratio calculated for the last three months by calculating the simple monthly arithmetic mean

The lowest highest and average Liquidity Cover Ratio in the last three months of 2022 are shown in the table below.

	Highest	Date	Lowest	Date	Average
TL+FC	0,02	23.12.2022	0,01	28.10.2022	0,01

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

		Total unweighted value (*)		Total weighted value (*)	
		TL+FC	FC	TL+FC	FC
<b>Prior Period 31.12.2021</b>					
<b>HIGH-QUALITY LIQUID ASSETS</b>				<b>196</b>	<b>-</b>
1	Total high-quality liquid assets (HQLA)	196	-	196	-
<b>CASH OUTFLOWS</b>					
2	Real person and retail deposits	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured funding other than real person and retail deposits	3.247.941	103.872	1.399.243	94.881
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Other unsecured debt	3.247.941	103.872	1.399.243	94.881
9	Secured funding			-	-
10	Other cash outflows of which:	-	-	-	-
11	Derivative exposures and collateral completion liabilities	-	-	-	-
12	Payables due to structured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other contractual funding obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet liabilities	27.795.063	20.091.087	2.206.780	1.385.025
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>			<b>3.606.023</b>	<b>1.479.906</b>
<b>CASH INFLOWS</b>					
17	Secured lending	-	-	-	-
18	Unsecured lending	16.499.756	80.916	15.915.548	40.458
19	Other cash inflows	-	-	-	-
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>16.499.756</b>	<b>80.916</b>	<b>15.915.548</b>	<b>40.458</b>
Upper Limit Applied Values					
<b>21</b>	<b>TOTAL HQLA</b>			<b>196</b>	<b>-</b>
<b>22</b>	<b>TOTAL NET CASH OUTFLOWS</b>			<b>901.506</b>	<b>369.977</b>
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>0,02</b>	<b>-</b>

\* Average of consolidated liquidity payment ratio calculated for the last three months by calculating the simple monthly arithmetic mean

The lowest highest and average Liquidity Cover Ratio in the last three months of 2021 are shown in the table below.

	Highest	Date	Lowest	Date	Average
TL+FC	0,04	15.10.2021	0,01	10.12.2021	0,03

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO *(continued)*

#### a. Important factors affecting the outcome of the liquidity coverage ratio and the change of the items considered in this ratio

Banks' Liquidity Coverage Ratio pursuant to paragraph 5 of Regulation 4 of article related to the calculation of the Banking Regulation and Supervision Board for the 12 December 2016 dated and 7123 numbered decision in accordance with the development and investment banks, consolidated and unconsolidated total, and foreign currency liquidity coverage ratio determined 0% until otherwise determined. but to continue reporting the said rates to the BRSA by ensuring that another rate can be determined for the said banks.

The important factors affecting the Bank's liquidity coverage ratio are the miscellaneous debts followed in other unsecured debts, the funds obtained from foreign financing institutions followed in secured debts and made available to local governments, and the cash available in banks followed in unsecured receivables. The increase in bank assets affects the liquidity coverage ratio, especially with the use of foreign funds and the legal shares transferred to the Bank at the end of each month from the General Budget Tax Revenues and distributed to local governments until the evening of the 10th day of the following month.

#### b. Items establishing high quality liquidity assets

High quality liquidity assets of the banks are comprised of the following items for calculating the Liquidity Payment Ratio.

Cash and balances, accounts at the central banks form the Top-Quality Liquidity Assets.

#### c. Items forming the fund resources and their concentration within all the funds

The Bank does not receive deposits and operates under article 77 of the Banking Law numbered 5411. Bank only mediates the funds provided by the foreign financing organizations for local governments to use only.

In addition, the Communiqué Amending the General Communiqué on the Public Treasurer was published in the Official Gazette dated 28 February 2018 and numbered 30346, and article 5 of the communiqué is referred to as “(5) İller Bankası A.Ş. municipalities and special provincial administrations, which are their partners, can use their financial resources at İller Bankası A.Ş. Within the scope of this article, the Bank obtains funds from its partners, municipalities and special provincial administrations.

#### d. Information about the cash outflow caused by derivative transactions and transactions with the possibility of completion

The Bank which do not receive deposits and operates under article 77 of the Banking Law numbered 5411, has no derivative transactions.

#### e. Concentration limits regarding the fund resources and collateral based on the counterparties and the product:

Bank was exempted, as a response to the written request for exemption filed with BRSA, from the obligations regarding the Stress Testing and “Internal Capital Adequacy Evaluation Procedure (“ISEDES”)” reporting it has before the BRSA as per articles 43 and 48 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Procedures, applicable at the end of the year.

Loans, guaranteed, structured, etc. in the Bank. It is presented to the Senior Management in Risk Assessment Reports, which are prepared monthly, in terms of credit concentration, collateral, collateral, return and follow-up of credit risk.

#### f. Liquidity at risk and funding need on the basis of bank itself, its branch abroad and its consolidated partnerships when the operational and legal factors preventing the liquidity transfer are taken into consideration:

The Bank does not have branches abroad or consolidated partnership.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### g. Information about other cash flow and cash outflow items thought to be related to liquidity profiles of banks, and which takes part in the calculation of liquidity payment ratio and not in the public disclosure template in the second paragraph:

All the items found in the liquidity payment ratio calculation are included in the calculation by being aggregated in the related table. Within this framework, there is no disclosure that took part in the calculation of the liquidity payment ratio and not in the public disclosure template.

#### Breakdown of assets and liabilities according to their outstanding maturities

Current Period End (31.12.2022)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistrib- ted <sup>(*)</sup>	Total
<b>Assets</b>								
Cash and Balances with the Central Bank of Türkiye	237	-	-	-	-	-	-	237
Banks	1.878.370	37.967.412	-	82.609	-	-	-	39.928.391
Financial Assets at Fair Value through Profit/Loss	-	-	-	-	-	-	5	5
Money Market Placements	-	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Loans	-	914.426	1.235.790	5.491.679	21.788.645	16.257.009	-	45.687.549
Financial assets measured at amortized cost	-	-	-	-	-	-	-	-
Other Assets	-	21.115	35.965	332.187	623.054	-	6.193.247	7.205.568
<b>Total Assets</b>	<b>1.878.607</b>	<b>38.902.953</b>	<b>1.271.755</b>	<b>5.906.475</b>	<b>22.411.699</b>	<b>16.257.009</b>	<b>6.193.252</b>	<b>92.821.750</b>

<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds from Other Financial Institutions	-	20.607.304	729.163	3.355.298	14.676.850	11.030.448	-	50.399.063
Funds from interbank money market	-	-	-	-	-	-	-	-
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	11.042	13.976	525	314	77.497	-	-	103.354
Other Liabilities	-	3.557.612	1.441.007	247.659	1.175.430	-	35.897.625	42.319.333
<b>Total Liabilities</b>	<b>11.042</b>	<b>24.178.892</b>	<b>2.170.695</b>	<b>3.603.271</b>	<b>15.929.777</b>	<b>11.030.448</b>	<b>35.897.625</b>	<b>92.821.750</b>

<b>Liquidity deficit/surplus</b>	<b>1.867.565</b>	<b>14.724.061</b>	<b>(898.940)</b>	<b>2.303.204</b>	<b>6.481.922</b>	<b>5.226.561</b>	<b>(29.704.373)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Derivative financial assets	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	431.035	3.871	68.141	981.640	8.716.794	1.427.831	-	11.629.312

<b>Prior Period (31.12.2021)</b>								
Total Assets	1.598.874	22.832.327	840.897	4.444.205	15.968.089	12.069.859	5.181.745	62.935.996
Total Liabilities	12.760	11.987.517	1.700.373	3.373.238	10.358.165	6.958.569	28.545.374	62.935.996
<b>Net Liquidity deficit</b>	<b>1.586.114</b>	<b>10.844.810</b>	<b>(859.476)</b>	<b>1.070.967</b>	<b>5.609.924</b>	<b>5.111.290</b>	<b>(23.363.629)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Derivative financial assets	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	123.203	6.169	21.463	238.034	3.723.237	340.747	-	4.452.853

(\*) The accounts included here consist of balance sheet items such as fixed assets, equity stakes, goods on hand, prepaid expenses, nonperforming receivables and other asset accounts and equity items which are necessary for the conduct of banking activities and whose conversion to cash in a short time is not possible.

(\*\*) Funds and discount impacts amounting to TL 4.631.315 provided by the Bank's partners, which are included in the funds in the balance sheet liabilities, and their rediscounts are shown in the other liabilities line in the table.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### VII. EXPLANATIONS ON LEVERAGE RATIO

The table concerning to leverage ratio calculated in accordance with “Regulation About Measuring and Evaluating the Leverage Levels of Banks” published on 5 November 2013 dated and 28812 numbered Official Gazette is as below. The leverage ratio calculated based on the arithmetical average of the values of the Bank as of the end of the month in the last three months period as of the balance sheet date is 25,84% (31 December 2021: 30,59%).

The reason of the difference between current period and prior period leverage rates is resulted from the increase in loan commitments within off-balance sheet transactions.

		Current Period* (31.12.2022)	Prior Period* (31.12.2021)
<b>On-balance sheet items</b>			
1	On-balance sheet exposures (excluding derivatives and credit derivatives including collateral)	85.086.294	58.611.970
2	Asset deducted from core capital	-	-
3	The total amount of risk on-balance sheet exposures (1+2)	85.086.294	58.611.970
<b>Derivative financial instruments and credit derivative exposures</b>			
4	Replacement cost associated with derivative financial instruments and credit derivatives	-	-
5	The potential credit risk amount of derivative financial instruments and credit derivatives	-	-
6	The total risk amount of derivative financial instruments and credit derivatives (4+5)	-	-
<b>Securities or commodity guaranteed financing transactions</b>			
7	Risk amount of securities or commodity collateral financing transactions (excluding on balance sheet items)	-	-
8	Risk amount of exchange brokerage operations	-	-
9	The total risk amount of securities or commodity collateral financing transactions (7+8)	-	-
<b>Off-balance sheet items</b>			
10	Gross notional amount for off-balance sheet items	50.567.843	33.142.997
11	Adjustments for conversion to credit equivalent amounts	-	-
12	The total amount of risk for off-balance sheet items (10+11)	50.567.843	33.142.997
<b>Capital and total exposures</b>			
13	Core capital	34.892.316	27.972.147
14	Total risks (3+6+9+12)	135.654.137	91.754.967
<b>Leverage ratio</b>			
15	Leverage ratio	25,84	30,59

(\*) Amounts in the table represent the average of the last three months of the related period.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period (31.12.2022)	Prior Period (31.12.2021)	Current Period (31.12.2022)	Prior Period (31.12.2021)
<b>Financial Assets</b>	<b>85.615.945</b>	<b>57.456.146</b>	<b>85.615.945</b>	<b>57.456.146</b>
Money Market Placements	-	-	-	-
Banks	39.928.391	23.505.115	39.928.391	23.505.115
Financial assets measured at fair value through other comprehensive income	5	1	5	1
Financial assets measured at amortized cost	-	3.195	-	3.195
Loans	45.687.549	33.947.835	45.687.549	33.947.835
<b>Financial Liabilities</b>	<b>56.288.042</b>	<b>33.936.320</b>	<b>56.288.042</b>	<b>33.936.320</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds from Other Financial Institutions	55.040.378	32.570.556	55.040.378	32.570.556
Securities issued	-	-	-	-
Other Liabilities	1.247.664	1.365.764	1.247.664	1.365.764

### IX. EXPLANATIONS ON TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

The Bank does not provide purchase, sale, custody and consultancy services for these transactions on behalf of others. The Bank does not make fiduciary transaction contracts. However, the taxes of the Municipalities and Special Provincial Administrations within the scope of the “Law on the Collection of Public Claims” numbered 6183, the SGK, the Pension Fund and various institutions and the tax debts within the scope of the Law numbered 4811, and the “Metropolitan Municipality Law” numbered 5216 and the “Municipal Law” numbered 5393”, the debts within the scope of reconciliation are deducted from the shares of the Municipalities and Special Provincial Administrations distributed by the Bank in accordance with Article 7 of the Law No. 5779 and paid to the relevant institutions.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### X. EXPLANATIONS ON RISK MANAGEMENT

On 23 October 2015 published in the Official Gazette No. 29 511 “Banks will be made public on Risk Management Disclosures Statements” and related notes prepared in accordance with explanations are provided in this section.

#### 1. The Bank’s risk management approach

Risk management in the bank is carried out in accordance with the provisions of the legislation issued by the Board of Directors; Considering the exceptions specified for Development and Investment Banks in the Banking Law No. 5411 and the exemptions in the Bank Law No. 6107, the Banking Law No. 5411, the regulations, communiqués, guides and other legislative provisions issued by the BRSA in order to enforce this law and the provisions of this legislation.

The risks that the Bank may incur as a result of its strategies and activities are determined by the strategies, policies, limits, and practices determined to monitor, control and, where necessary, change the risk / return structure of the Bank’s future cash flows, are monitored, and controlled by means of procedures. It establishes written policy and implementation procedures to manage all risks arising from the Bank’s operations. The Board of Directors or the relevant internal systems officer regularly assesses their adequacy and makes any necessary changes.

In this context, it is the basic principle to ensure that the risks to be taken are defined and manageable risks. In addition, it is possible to measure the current and future potential effects of the risks involved, as well as the risk measurement and reporting techniques. The Bank establishes written limits within the framework of Article 5 of the “Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process” issued by the BRSA for the risks arising from its activities and these limits are approved by the Board of Directors and are regularly audited.

Based on Bank’s written request, The Bank has been exempted from the (“ISEDES”) report which must be calculated and reported to the BRSA as of the end of the year in accordance with Articles 43 and 48 of “Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks”.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### 1.a. Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period (31.12.2022)	Prior Period (31.12.2021)	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	95.223.961	64.319.687	7.617.917
2	Standardized approach (SA)	95.223.961	64.319.687	7.617.917
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	-	-	-
5	Standardized approach for counterparty credit risk (SACCR)	-	-	-
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal model’s equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SFA)	-	-	-
16	Market risk	-	-	-
17	Standardized approach (SA)	-	-	-
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	6.824.839	5.583.293	545.987
20	Basic Indicator Approach	6.824.839	5.583.293	545.987
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
<b>25</b>	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>102.048.800</b>	<b>69.902.980</b>	<b>8.163.904</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### X. EXPLANATIONS ON RISK MANAGEMENT (continued)

#### 2. Links between financial statements and risk amounts

##### a. Differences between accounting consolidation and legal consolidation scope and matching

Current Period (31.12.2022)	Amount valued in accordance with TAS as reported in financial statements	Valued amount of the items in accordance with TAS				
		Subject to Credit Risk	Subject to Counterparty Risk	Securitization positions	Subject to Market Risk (*)	Not subject to Capital Liability or deducted from Capital
<b>Assets</b>						
<b>Financial Assets (Net)</b>	<b>39.928.633</b>	<b>39.928.633</b>	-	-	-	-
Cash and Cash Equivalents	39.928.628	39.928.628	-	-	-	-
Cash and Central Bank	237	237	-	-	-	-
Banks	39.928.391	39.928.391	-	-	-	-
Receivables from Money market	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	5	5	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Financial assets measured at amortized cost	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-
<b>Loans (Net)</b>	<b>45.687.549</b>	<b>45.687.549</b>	-	-	-	-
Loans	45.687.549	45.687.549	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Non-Performing Loans	-	-	-	-	-	-
Special Provisions (-)	-	-	-	-	-	-
<b>Tangible Assets held for sale and discontinued operations (net)</b>	<b>-</b>	<b>-</b>	-	-	-	-
<b>Partnership Investments</b>	<b>-</b>	<b>-</b>	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Affiliates (net)	-	-	-	-	-	-
Jointly controlled entities (Joint ventures) (net)	-	-	-	-	-	-
<b>Tangible fixed assets (net)</b>	<b>1.141.128</b>	<b>1.141.128</b>	-	-	-	-
<b>Intangible fixed assets (net)</b>	<b>24.537</b>	<b>24.537</b>	-	-	-	-
<b>Real estate for investment purpose (net)</b>	<b>3.393.729</b>	<b>3.393.729</b>	-	-	-	-
<b>Current Tax Asset</b>	<b>-</b>	<b>-</b>	-	-	-	-
<b>Deferred Tax Asset</b>	<b>133.906</b>	<b>133.906</b>	-	-	-	-
<b>Other Assets</b>	<b>2.512.268</b>	<b>2.512.268</b>	-	-	-	-
<b>Total Assets</b>	<b>92.821.750</b>	<b>92.821.750</b>	-	-	-	-
<b>Liabilities</b>						
Deposit	-	-	-	-	-	-
Loans received	23.568.228	-	-	-	-	-
Debts to money markets	-	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-	-
Funds	31.472.150	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Factoring Liabilities	-	-	-	-	-	-
Leasing Liabilities	6.747	-	-	-	-	-
Provisions	742.315	-	-	-	-	-
Current Tax Liability	370.407	-	-	-	-	-
Liabilities for assets held for sale and discontinued	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-
Other Liabilities	1.247.664	-	-	-	-	-
Equity	35.414.239	-	-	-	-	-
<b>Total Liabilities</b>	<b>92.821.750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### X. EXPLANATIONS ON RISK MANAGEMENT (continued)

#### 2. Links between financial statements and risk amounts

##### a. Differences between accounting consolidation and legal consolidation scope and matching

Prior Period (31.12.2021)	Amount valued in accordance with TAS as reported in financial statements	Valued amount of the items in accordance with TAS				
		Subject to Credit Risk	Subject to Counterparty Risk	Securitization positions	Subject to Market Risk (*)	Not subject to Capital Liability or deducted from Capital
<b>Assets</b>						
<b>Financial Assets (Net)</b>	<b>23.505.286</b>	<b>23.505.286</b>	-	-	-	-
Cash and Cash Equivalents	23.505.285	23.505.285	-	-	-	-
Cash and Central Bank	170	170	-	-	-	-
Banks	23.505.115	23.505.115	-	-	-	-
Receivables from Money market	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	1	1	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Financial assets measured at amortized cost	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-
<b>Loans (Net)</b>	<b>33.951.030</b>	<b>33.951.030</b>	-	-	-	-
Loans	33.947.835	33.947.835	-	-	-	-
Leasing receivables	3.195	3.195	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Non-Performing Loans	-	-	-	-	-	-
Special Provisions (-)	-	-	-	-	-	-
<b>Tangible Assets held for sale and discontinued operations (net)</b>	<b>-</b>	<b>-</b>	-	-	-	-
<b>Partnership Investments</b>	<b>-</b>	<b>-</b>	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Affiliates (net)	-	-	-	-	-	-
Jointly controlled entities (Joint ventures) (net)	-	-	-	-	-	-
<b>Tangible fixed assets (net)</b>	<b>962.967</b>	<b>962.967</b>	-	-	-	-
<b>Intangible fixed assets (net)</b>	<b>2.747</b>	<b>2.747</b>	-	-	-	-
<b>Real estate for investment purpose (net)</b>	<b>2.935.546</b>	<b>2.935.546</b>	-	-	-	-
<b>Current Tax Asset</b>	<b>-</b>	<b>-</b>	-	-	-	-
<b>Deferred Tax Asset</b>	<b>42.735</b>	<b>42.735</b>	-	-	-	-
<b>Other Assets</b>	<b>1.535.685</b>	<b>1.535.685</b>	-	-	-	-
<b>Total Assets</b>	<b>62.935.996</b>	<b>62.935.996</b>	-	-	-	-
<b>Liabilities</b>						
Deposit	-	-	-	-	-	-
Loans received	13.397.679	-	-	-	-	-
Debts to money markets	-	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-	-
Funds	19.172.877	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Factoring Liabilities	-	-	-	-	-	-
Leasing Liabilities	11.320	-	-	-	-	-
Provisions	289.783	-	-	-	-	-
Current Tax Liability	317.100	-	-	-	-	-
Liabilities for assets held for sale and discontinued	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-
Other Liabilities	1.365.764	-	-	-	-	-
Equity	28.381.473	-	-	-	-	-
<b>Total Liabilities</b>	<b>62.935.996</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### X. X. Explanations on Risk Management (continued)

#### 2. Links between financial statements and risk amounts (continued)

##### b. The main sources of the differences between the risk amounts and the amounts in the financial statements valued in accordance with TAS

Current Period (31.12.2022)		Total	Subject to Credit Risk	Securitization Positions	Subject to counterparty credit risk	Subject to Market Risk
1	Valued amounts of assets in accordance with TAS (as in template B1)	92.821.750	92.821.750			
2	Valued amounts of liabilities in accordance with TAS (as in template B1)	92.821.750	-	-	-	-
<b>3</b>	<b>Total net amount</b>	<b>-</b>	<b>92.821.750</b>	<b>-</b>	<b>-</b>	<b>-</b>
4	Off-balance sheet amounts	57.356.506	34.492.909	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the Institution	-	-	-	-	-
<b>9</b>	<b>Risk Amounts</b>	<b>150.178.256</b>	<b>127.314.659</b>	<b>-</b>	<b>-</b>	<b>-</b>

Due to the loan guarantee structure, the Bank does not apply credit risk mitigation techniques.

Prior Period (31.12.2021)		Total	Subject to Credit Risk	Securitization Positions	Subject to counterparty credit risk	Subject to Market Risk
1	Valued amounts of assets in accordance with TAS (as in template B1)	62.935.996	62.935.996			
2	Valued amounts of liabilities in accordance with TAS (as in template B1)	62.935.996	-	-	-	-
<b>3</b>	<b>Total net amount</b>	<b>-</b>	<b>62.935.996</b>	<b>-</b>	<b>-</b>	<b>-</b>
4	Off-balance sheet amounts	36.014.231	20.233.542	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the Institution	-	-	-	-	-
<b>9</b>	<b>Risk Amounts</b>	<b>98.950.227</b>	<b>83.169.538</b>	<b>-</b>	<b>-</b>	<b>-</b>

Due to the loan guarantee structure, the Bank does not apply credit risk mitigation techniques.

##### c. Explanations on the differences between the amounts valued and the risk amounts in accordance with TAS

The difference between the amounts assessed in accordance with TAS and the risk amounts subject to Loan risk arises from intangible assets that are not subject to Loan risk and deferred tax assets. The difference between the off-balance sheet amounts and the risk amounts subject to Loan risk arises from the application of the Loan conversion ratios to off-balance sheet amounts in accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### 3. Credit Risk Explanations

#### a. Issues to be disclosed to the public on credit risk

##### a.1. General qualitative information on loan risk

Credit risk is measured as described in the BRSA Regulation on Measurement and Assessment of Banks' Capital Adequacy dated 23 October 2015. This approach corresponds to the Simplified Standard Method in Basel II documents.

Similar to the Basel I method with the Simplified Standard Method, the values subject to credit risk are calculated by grouping the loans according to their collateral and by giving them different risk weights. Simplified standard method is used in the Bank, but since the Bank's customers are composed of local governments, different risk weights are not given, and all customers are evaluated at 100% risk weight.

In calculations it is essential to consider the guarantees Basel II has adopted as acceptable in the reduction of risk. There is no risk reducing effect of other guarantees. There are no guarantees that can be valued within the scope of Basel II criteria in the Bank. The Basel II standard method is used to calculate the bank's loan risk weighted asset amount, in which case transactions are carried out in accordance with the initiative of the national authority, the BRSA.

The risk, concentration, collateral, return and follow-up of the loans by the Risk Management Department, whether there is an excess of the limits determined according to the Bank's general loan policies, are subject to Article 45 of the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Evaluation Process and the Bank Organization Risk Evaluation Reports prepared monthly in accordance with Article 23, in which the duties of the Risk Management Department are specified in the Duties and Authorization Directive, are submitted to the Board of Directors, the Senior Management and the units responsible for risk formation and monitoring. Particular attention is paid to credit concentration reporting, and this issue is monitored periodically by grouping loans according to different criteria. When necessary, the bank can take decisions based on these concentrations.

The authority to extend a loan in the bank belongs to the Board of Directors. The Board of Directors may delegate its authority to extend credit to the Credit Committee and/or the General Management. Written proposal of the General Directorate is sought in the opening of a loan or transfer of authority by the Board of Directors. The Board of Directors determines the credit policies and limits at the macro level, establishes the policies regarding credit opening, approval and other administrative principles.

Regarding all Local Authorities requesting a loan from the Bank, even if it varies according to the type and maturity of the loan requested, the Bank's authorized bodies decide whether to enter a loan relationship or not, according to the result obtained within the framework of the credit evaluation procedures and principles. The Board of Directors of the Bank is authorized to determine the credit risk limits, considering the counterparty risk. Credit transactions are carried out by the Board of Directors, the credit committee and/or the Head Office. The General Management may also use its authority to extend credit, through its other units or regional directorates. In determining the credit limit to be extended to a credit user, the Board of Directors may delegate its authority to extend a credit amounting to 10% of its own funds to the Credit Committee and 1% to the General Management.

Portfolio based returns of the loans provided, and their performances are monitored by the Risk Management Department. Risk management activities are carried out by the Risk Management Department, such as the introduction of new limits for the measurement of loan risk, monitoring, analysis and prevention of concentration.

In the context of loan risk measurement, information on the subjects to be monitored based on local government is aggregated and the concentration on the loans is followed by making the analysis suitable. Concentration analyzes are used by the Senior Management to decide on the structure of the loans to be given in the following periods. The objective of loan risk management is to optimize the risk adjusted income of the bank by managing the risks that the bank may be exposed to, within the appropriate parameters, in accordance with the relevant legislation. Credit risk management is not under the responsibility of a single department.

Regular audits and supervisions are carried out to ensure that loan processes are maintained in accordance with the bank's loan policies and procedures, that the loans are issued within the framework of the procedures and principles set by the board of directors, and that the terms, amounts and qualifications of the loan are accurately reported to senior management. Activities carried out by the units within the internal systems are used to identify weaknesses in loan risk management processes, policies and procedures and to identify transactions that are contrary to such limits, policies and procedures. As a result of the reviews, the matters identified are shared regularly with senior management and audit committee.

Board of Directors; loan risk management is ultimately the responsibility of the Board of Directors. This responsibility is to monitor the effectiveness of the loan risk management system, to determine loan risk management policies and implementation procedures by taking risk management strategies as a basis, to determine risk appetite, to assign risk limits, to ensure that credit risk management policy and implementation procedures are followed and adhered to, to ensure that risks are understood and adequately assessed before an action is entered, to participate in the process of designing, selecting, implementing and approving loan risk measurement models.

Audit Committee's duty on credit risk management to receive and evaluate the opinions and recommendations of the Senior Management regarding loan risk management systems, to evaluate whether there is any necessary infrastructure to manage the loan risk effectively and to take the necessary precautions.

General Manager is the highest authorized authority of the Bank after the Board of Directors among the lenders authorized by the Bank and approves the loan within the framework of the authorization of the Board of Directors in accordance with the provisions of the Bank Loan Policy.

The senior management is responsible for the implementation of the loan risk strategy and policy approved by the Board of Directors and the development of policies and procedures for the identification, measurement, monitoring and control of the loan risk.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### X. Explanations on Risk Management (continued)

#### a.1. General qualitative information on loan risk (continued)

The Risk Management Department is responsible for implementing the loan risk management policies approved by the Board of Directors in relation to loan risk; for identification, measurement and reporting of loan risk; for ensuring that these risks are coordinated among the various parts of the bank that are exposed to loan risk. A suitable environment is created for the processing of the loan function in a healthy and efficient manner. Adequate staff and software are provided, authorities, roles, limits are clearly defined, and necessary controls are established. Loan risk is measured, analyzed and reported periodically.

In order to determine the maximum exposure to a loan relationship, the loans are combined and monitored.

The country, sector, borrower / counterparty, product, concentration, risk group and individual based loan limits and loan limits specified in the loan policies are recorded in information systems; if these limits and boundaries are approached, information systems are provided to produce stimulus information and timely reporting of over rights is provided, including those relating to exceptional operations. Information systems are structured flexibly so that intra bank and legal reporting can be done at the desired level and speed. Manual practices are avoided as much as possible.

Audit of loan risk refers to the independent monitoring of the nature of the loans and the compliance of the loaning process with the Bank’s policy and implementation principles through legal regulations and the assessment of the adequacy of loans and other receivable provisions.

The credit risk control and evaluation process consist of the steps of the quality and trend of the loan portfolio, the effectiveness of the overall risk management and processes, whether timely action is made for retrograding loans, the management of the problematic loans, informing the Bank’s management and the Board of Directors and the measures to be taken.

The loaning process is monitored continuously by the loan allocation authority and bodies. In addition to the supervision of the loaning process, audits based on the Borrower Local Administration and Regional Directorate are also carried out in the Internal Audit System. The Risk Management Department monitors and evaluates the loan risk on a portfolio basis. Loan risk audit performed in the Internal Audit System is determined according to the annual audit plans determined by the Board of Directors.

#### a.2. Assets credit quality

Current Period (31.12.2022)		a	b	c	d
		Defaulted	Not defaulted	Provisions /amortization and impairment	Net Values (a+b-c)
		Gross carrying values of (according to TAS)			
1	Credits	-	45.687.549	-	45.687.549
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	57.356.506	-	57.356.506
4	<b>Total</b>	-	<b>103.044.055</b>	-	<b>103.044.055</b>

Prior Period (31.12.2021)		a	b	c	d
		Defaulted	Not defaulted	Provisions /amortization and impairment	Net Values (a+b-c)
		Gross carrying values of (according to TAS)			
1	Credits	-	33.947.835	-	33.947.835
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	36.014.231	-	36.014.231
4	<b>Total</b>	-	<b>69.962.066</b>	-	<b>69.962.066</b>

#### a.3. Changes in stock of defaulted loans and debt securities

Its fields of operations are defined in the Bank’s governing law no. 6107 as “satisfying the financing need of special provincial authorities, municipalities and their affiliated organizations and local administrative associations of which only these may be members; develop projects concerning locally provided common services for the people dwelling within the boundaries of such administrations; providing such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works and performing any and all development and investment banking functions”. Within this framework, the Bank is not involved in banking activities oriented towards free market in institutional and commercial terms. The Bank, which consists mostly of project loans, is not profit oriented and supports social projects of local governments without regard to credibility. In paragraph 5 of Article 13 of Banking Law No. 6107, it has been decided that the obligation to allocate provision for loans and other receivables will not apply to Bank. In the event that the repayments of the loans provided by the bank cannot be made at the time of return, principal instalment amount that cannot be collected is added to balance principal amount and it is capitalized at the end of each month and extended to remained maturity so as to be redeemed. Uncollected interest installments are spread over the residual interest without interest accruing by adding it over the residual interest sum. For this reason, the Bank does not have a default receivable due to the default in loans extended.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### a.4. Additional information on credit quality of assets

None.

#### Breakdown of receivables by geographical regions\*

	Current Period Total	Prior Period Total
Domestic	57.316.861	38.400.688
USA, Canada	-	-
EU Countries	-	-
OECD Countries	-	-
Other countries	-	-
<b>Total</b>	<b>57.316.861</b>	<b>38.400.688</b>

(\* The distribution of cash and non-cash loans according to geographical area is provided.

#### Sectoral distribution of receivables \*

	Current Period Total	Prior Period Total
Agriculture	-	-
Farming and Livestock	-	-
Forestry	-	-
Fishery	-	-
Manufacturing	-	-
Mining and Quarrying	-	-
Manufacturing Industry	-	-
Electricity, Gas, Water	-	-
Construction	-	-
Services	-	-
Wholesale and Retail Trade	-	-
Hotel and Restaurant Services	-	-
Transportation and Communication	-	-
Financial Institutions	-	-
Real estate and lending service	-	-
Self-employment service	-	-
Education Services	-	-
Health and Social Services	-	-
Other	57.316.861	38.400.688
<b>TOTAL</b>	<b>57.316.861</b>	<b>38.400.688</b>

(\* Distribution of cash and non-cash loans by sectors is provided.

The loans extended by the Bank, the shares of local governments distributed by the Bank and some revenues of municipalities are given as collateral. The Bank collects its other receivables through legal means, and from time to time, considering the situation of the debtor and the expenses to be incurred for the collection, the General Assembly performs the cancellation process within the framework of the Bank Law.

### b. Credit risk mitigation techniques

Drinking water, rent, terminal, parking lot, port and other operating income of the local governments that want to use credit in the current situation in the bank are taken as collateral and credit is provided for these guarantees. In this application, the bank borrows the local governments that use credits and makes payments to the contractor firms based on the project, and the revenues related to the guarantees are collected in an account and pledged by the pledge contract on the account.

This structure does not comply with the collateral types in the Basel II criteria, although the bank has a quality collateral structure. According to the legislation of the Bank, mortgage can be used as collateral. In practice, however, mortgage is not usually taken as a guarantee. If the counterparty credit risk reduction in the bank is utilized, the calculations will be verified to comply with the principles and procedures for credit risk mitigation before the acceptance of the collateral effect. The Bank does not apply credit risk mitigation techniques due to its loan collateral structure.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**X. Explanations on Risk Management (continued)****3. Credit Risk Explanations (continued)****c. Credit Risk if Standard Approach is Used****c.1. Qualitative explanations to be made about the rating grades used by banks when calculating the credit risk with the standard approach**

The Bank does not have any credit rating transactions with its customers and local governments which are also partners.

**c.2. Standard Approach Exposure to credit risk and credit risk mitigation effects**

Current Period (31.12.2022)	Credit conversion rate and credit amount before credit risk mitigation		Credit conversion rate and credit amount after credit risk mitigation		Risk weighted amount and risk weighted amount density	
	On-balance Sheet Amount	Off-balance Sheet Amount	On-balance Sheet Amount	Off-balance Sheet Amount	RWA	RWA density
Claims on sovereigns and Central Banks	32	-	32	-	-	-
Claims on regional governments or local authorities	45.489.643	11.629.312	45.489.643	11.629.312	57.118.955	%100
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	39.851.264	-	39.851.264	-	7.970.253	%20
Claims on corporates	-	-	-	-	-	-
Claims on retails	91.378	-	91.378	-	91.378	%100
Claims secured by residential property	-	-	-	-	-	-
Claims secured by commercial property	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other receivables	7.389.433	45.727.194	7.389.433	22.863.597	30.043.375	%99,31
<b>Total</b>	<b>92.821.750</b>	<b>57.356.506</b>	<b>92.821.750</b>	<b>34.492.909</b>	<b>95.223.961</b>	<b>%74,79</b>

(\*) All of these loans are extended to the Bank's personnel.

Prior Period (31.12.2021)	Credit conversion rate and credit amount before credit risk mitigation		Credit conversion rate and credit amount after credit risk mitigation		Risk weighted amount and risk weighted amount density	
	On-balance Sheet Amount	Off-balance Sheet Amount	On-balance Sheet Amount	Off-balance Sheet Amount	RWA	RWA density
Claims on sovereigns and Central Banks	48	-	48	-	-	-
Claims on regional governments or local authorities	33.762.704	4.452.853	33.762.704	4.452.853	38.215.557	%100
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	23.464.580	-	23.464.580	-	4.692.916	%20
Claims on corporates	-	-	-	-	-	-
Claims on retails	50.458	-	50.458	-	50.458	%100
Claims secured by residential property	-	-	-	-	-	-
Claims secured by commercial property	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other receivables	5.658.206	31.561.378	5.658.206	15.780.689	21.360.756	%99,64
<b>Total</b>	<b>62.935.996</b>	<b>36.014.231</b>	<b>62.935.996</b>	<b>20.233.542</b>	<b>64.319.687</b>	<b>%77,34</b>

(\*) All of these loans are extended to the Bank's personnel.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**c.3. Standard Approach: Receivables according to risk classes and risk weights**

Current Period (31.12.2022)		a	b	c	d	e	f	g	h	i	j	k	l
Risk classifications/ Risk weight		0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Ot- hers	Total risk amount (KDO) and KRA post)
1	Claims on central governments and Central Banks	32	-	-	-	-	-	-	-	-	-	-	32
2	Claims on regional governments or local authorities	-	-	-	-	-	-	-	57.118.955	-	-	-	57.118.955
3	Claims on administrative bodies and other noncommercial Undertakings	-	-	-	-	-	-	-	-	-	-	-	-
4	Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Claims on banks and intermediary institutions	-	-	39.851.264	-	-	-	-	-	-	-	-	39.851.264
7	Claims on corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Claims on retails	-	-	-	-	-	-	-	91.378	-	-	-	91.378
9	Claims secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-
10	Claims secured by commercial property	-	-	-	-	-	-	-	-	-	-	-	-
11	Past due loans	-	-	-	-	-	-	-	-	-	-	-	-
12	Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14	Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-
15	Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
17	Equity securities	147.953	-	77.127	-	-	-	-	30.027.950	-	-	-	30.253.030
<b>18</b>	<b>Total</b>	<b>147.985</b>	<b>-</b>	<b>39.928.391</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87.238.283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127.314.659</b>

Prior Period (31.12.2021)		a	b	c	d	e	f	g	h	i	j	k	l
Risk classifications/ Risk weight		0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Ot- hers	Total risk amount (KDO) and KRA post)
1	Claims on central governments and Central Banks	48	-	-	-	-	-	-	-	-	-	-	48
2	Claims on regional governments or local authorities	-	-	-	-	-	-	-	38.215.557	-	-	-	38.215.557
3	Claims on administrative bodies and other noncommercial Undertakings	-	-	-	-	-	-	-	-	-	-	-	-
4	Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Claims on banks and intermediary institutions	-	-	23.464.580	-	-	-	-	-	-	-	-	23.464.580
7	Claims on corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Claims on retails	-	-	-	-	-	-	-	50.458	-	-	-	50.458
9	Claims secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-
10	Claims secured by commercial property	-	-	-	-	-	-	-	-	-	-	-	-
11	Past due loans	-	-	-	-	-	-	-	-	-	-	-	-
12	Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14	Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-
15	Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
17	Equity securities	45.711	-	40.435	-	-	-	-	21.352.649	-	-	-	21.438.895
<b>18</b>	<b>Total</b>	<b>45.759</b>	<b>-</b>	<b>23.505.115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59.618.664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83.169.538</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### X. Explanations on Risk Management (continued)

#### 4. Explanations on Counterparty Credit Risk (CCR)

Within the scope of paragraph 8 of Article 4 of the Regulation on Measurement and Evaluation of Banks' Capital Adequacy, the counterparties arising from the following transactions in the banking and trading accounts shall calculate the capital liability for the counterparty credit risk. The risk exposure calculation for counterparty credit risk for collateralized derivative financial instruments in trading accounts is the same for collateralized counterpart derivative instruments in banking accounts.

The risk exposure calculation for the counterparty loan risk for the repo transactions in the trading accounts is also made within the framework of the principles and procedures stated in the Communiqué on Loan Risk Reduction Techniques and the Annex-2 for the repurchase transactions in the banking accounts.

- a) Derivative transactions,  
b) Repo transactions,  
c) Securities or commodity loan transactions,  
d) Credit securities transactions,  
e) Transactions with long clearing times.

The risk weights related to the transactions listed above in the banking accounts are considered in the same way for the transactions in the trading accounts. The capital obligation for the counterparty loan risk and counterparty loan risk is not calculated because the bank does not perform such transactions.

##### 4.1. Credit derivatives

None.

##### 4.2. Risks available to Central Counter Party

None.

#### 5. Explanations on securitization positions

There are no issues to be disclosed to the public regarding securitization.

#### 6. Explanations on market risk

Market risk includes the risks of loss that the Bank may be exposed to due to general market risk, exchange rate risk, specific risk, commodity risk, swap risk and counterparty credit risk in trading accounts. The amount subject to market risk at the Bank is calculated monthly using the Standard Method within the scope of legal reporting and is included in the total capital liability by taking into account the calculation of the Bank's Capital Adequacy Standard Ratio. In addition, the Bank calculates the amount subject to market risk with the "Internal Model" within the framework of the provisions of the "Communiqué on Calculation of Market Risk with Risk Measurement Models and Evaluation of Risk Measurement Models" at its own discretion and the results are reported to the Senior Management by the Risk Management Department in monthly periods.

The Bank, which does not accept deposits, operates within the scope of article 77 of the Banking Law No. 5411, to use cash and non-cash loans and intermediary in insurance transactions in exchange for the shares to be transferred from the Bank to municipalities and special provincial administrations, whose banking function is capitalists, as a guarantee. and interest rates are determined by the Asset-Liability Committee provided that they do not fall below the interest rates set by the Board of Directors or the Board of Directors in accordance with the conditions of the day.

Market risk instruments are as follows.

Stocks

Government and private sector bonds and bills and other debt instruments

Repo / Reverse repo

Currency position

Derivative products specified in the Capital Market Law

Other capital market instruments Other accounts arising from banking accounts and for which interest rate risk is calculated.

Except for the foreign currency position, the Bank does not have the above mentioned instruments. According to the 22nd article of the "Regulation on Measurement and Evaluation of the Capital Adequacy of Banks", if the net foreign currency position is below 2% of the equity, 0 will be taken; Since the bank's net foreign currency position is below this ratio, capital requirement is not calculated for exchange rate risk.

In the calculations made with the Internal Method, the Value at Risk (VaR) estimations are made on a daily basis using Parametric, Monte Carlo and Historical Simulation Methods; Marginal and Incremental VaR calculations and advanced VaR analyzes are performed on a weekly basis, and backtesting is applied daily to test the reliability of the results of the models used. While the bank is exempt from the preparation and reporting of stress tests and scenario analyzes to the BRSA, it internally conducts stress tests and scenario analyzes for market risks. VaR based limits have been determined within the scope of "Risk and Authority Limits Implementation Procedures", which was put into effect with the decision of the Board of Directors regarding market risk in the Bank.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### 7. Explanations on operational risk

Amount subject to operational risk is calculated with the fundamental indicator method according to the Article 25 of the Regulation regarding the Measurement and Assessment of Capital Adequacy of Banks. It is calculated by deducting, the profit/loss from marketable securities recognized as financial assets measured at fair value through profit or loss ,extraordinary income, and amounts compensated from the insurance, from total of net amounts of annual gross income, interest income and non-interest income.

Current Period	31.12.2019	31.12.2020	31.12.2021	Total / Positive GI Number of Years	Ratio (%)	Total
Gross Income	3.025.458	3.407.064	4.487.220	3.639.914	15	545.987
<b>Amount Subject to Operational Risk (Total x12.5)</b>						<b>6.824.839</b>

Prior Period	31.12.2018	31.12.2019	31.12.2020	Total / Positive GI Number of Years	Ratio (%)	Total
Gross Income	2.500.746	3.025.458	3.407.064	2.977.756	15	446.663
<b>Amount Subject to Operational Risk (Total x12.5)</b>						<b>5.583.293</b>

#### 8. Issues to be disclosed to the public regarding interest rate risk in banking accounts

Interest Rate Risk Arising from Banking Accounts is calculated and reported on a monthly basis within the scope of the Regulation on Measurement and Evaluation of the Interest Rate Risk Arising from Banking Accounts with Standard Shock Method.

Differences in economic value arising from fluctuations in interest rates in accordance with the related regulation

Current Period (31.12.2022)		Applied shock (+ / -x basis points)	Gains / Losses	Gains / Equity (Losses) / Equity
Currency unit				
1	TL	+500 / (400) basis points	(3.402.182) / 3.640.323	(%9,61) / %10,28
2	EUR	+200 / (200) basis points	153.049 / (210.112)	%0,43 / (%0,59)
3	USD	+200 / (200) basis points	0 / 0	%0 / %0
<b>Total (For Negative Shocks)</b>			<b>3.430.211</b>	<b>%9,69</b>
<b>Total (For Positive Shocks)</b>			<b>(3.249.133)</b>	<b>%(9,18)</b>

Prior Period (31.12.2021)		Applied shock (+ / -x basis points)	Gains / Losses	Gains / Equity (Losses) / Equity
Currency unit				
1	TL	+500 / (400) basis points	(2.119.514) / 2.215.935	(%7,47) / %7,81
2	EUR	+200 / (200) basis points	223.877 / (37.378)	%0,79 / (%0,13)
3	USD	+200 / (200) basis points	0 / 0	%0 / %0
<b>Total (For Negative Shocks)</b>			<b>2.178.557</b>	<b>%7,68</b>
<b>Total (For Positive Shocks)</b>			<b>(1.895.637)</b>	<b>%(6,68)</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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



### DISCLOSURES AND FOOTNOTES ON FINANCIAL STATEMENTS

#### I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS

##### a. Cash and balances with Central Bank

###### a.1. Information on Cash and Balances with the Central Bank of Türkiye

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	205	-	122	-
Central Bank of Türkiye	32	-	48	-
Others	-	-	-	-
<b>Total</b>	<b>237</b>	<b>-</b>	<b>170</b>	<b>-</b>

###### a.1.1. Explanations on Required Reserves:

It is not subject to the Central Bank of the Republic of Türkiye Communiqué on Required Reserves No. 2005/1, since deposits are not accepted by the bank and fund collection is not carried out.

###### a.2. Balances with the Central Bank of Türkiye

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	32	-	48	-
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
<b>Total</b>	<b>32</b>	<b>-</b>	<b>48</b>	<b>-</b>

##### b. Financial assets at fair value through profit or loss

###### b.1. Financial assets at fair value through profit or loss

The Bank's financial assets, whose fair value difference is reflected in profit / loss, are composed of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş., whose share and voting rate is below 10% and has no significant control. As of 31 December 2022, its net value is TL 5 (31 December 2021: TL 1).

###### b.2. Information about financial assets subject to repo transactions given as collateral/blocked

The Bank has no securities measured at fair value through profit or loss which are given as collateral / blocked or subject to repo transactions.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

##### c. Statement of positive differences on derivative financial assets at fair value through profit or loss

The bank has no derivative financial assets at fair value through profit or loss

##### d. Information on banks:

###### d.1. Banks account

	Current Period		Prior Period	
	TL	FC	TL	YP
Banks	38.006.434	1.921.957	21.862.286	1.642.829
Domestic banks	38.006.434	1.921.957	21.862.286	1.642.829
Foreign banks	-	-	-	-
Foreign head offices and branches	-	-	-	-
Other Financial Institutions	-	-	-	-
<b>Total</b>	<b>38.006.434</b>	<b>1.921.957</b>	<b>21.862.286</b>	<b>1.642.829</b>

##### e. Financial assets at fair value through other comprehensive income

###### e.1. Information on financial assets subject to repo transactions, given as collateral / blocked, at fair value through other comprehensive income

The Bank does not have financial assets subject to repo transactions, given as collateral / blocked, at fair value through other comprehensive income.

##### f. Information on financial assets at fair value through other comprehensive income

The Bank does not have financial assets at fair value through other comprehensive income.

##### g. Information on financial assets measured at amortized cost (Net)

###### g.1. Loans

###### g.1.1 Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	TL	FC	TL	YP
Direct Loans Granted to Shareholders	45.596.171	11.629.312	33.897.377	4.452.853
Corporate Shareholders	45.596.171	11.629.312	33.897.377	4.452.853
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	91.378	-	50.458	-
<b>Total</b>	<b>45.687.549</b>	<b>11.629.312</b>	<b>33.947.835</b>	<b>4.452.853</b>



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### g.1. Information on Loans (continued)

#### g.1.2. Information on Standard Loans and Closely Monitored Loans and Restructured Closely Monitored Loans

Current Period	Standard Loans	Loans Under Close Monitoring		
		Not Included in Restructured Loans	Restructured Loans	
Cash Loans				Changes in Conditions of Contract
<b>Non-specialized Loans</b>	<b>91.378</b>	-	-	-
Corporate Loans	-	-	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Commercial Loans	-	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	91.378	-	-	-
Specialized Loans	45.596.171	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>45.687.549</b>	-	-	-

Prior Period	Standard Loans	Loans Under Close Monitoring		
		Not Included in Restructured Loans	Restructured Loans	
Cash Loans				Changes in Conditions of Contract
<b>Non-specialized Loans</b>	<b>50.458</b>	-	-	-
Corporate Loans	-	-	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Commercial Loans	-	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	50.458	-	-	-
Specialized Loans	33.897.377	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>33.947.835</b>	-	-	-

In accordance with paragraph 5 of the 13th article of Law No. 6107 on İller Bankası A.Ş., no provision is made for loans by the Bank. Due to the structure of the Bank's loans, there is no loan whose payment schedule is extended.

The Bank has a standard loan with payment plan extension amounting to TL 135.513.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### g.1.3. Information on distribution of cash loans according to maturity structure

Current Period	Standard Loans	Loans Under Close Monitoring	
		Not Restructured	Restructured
<b>Short-Term Loans</b>	<b>135.775</b>	-	-
Non-Specialized Loans	32.162	-	-
Specialized Loans	103.613	-	-
<b>Medium and Long-Term Loans</b>	<b>45.551.774</b>	-	-
Non-Specialized Loans	59.216	-	-
Specialized Loans	45.492.558	-	-

Prior Period	Standard Loans	Loans Under Close Monitoring	
		Not Restructured	Restructured
<b>Short-Term Loans</b>	<b>93.293</b>	-	-
Non-Specialized Loans	15.974	-	-
Specialized Loans	77.319	-	-
<b>Medium and Long-Term Loans</b>	<b>33.854.542</b>	-	-
Non-Specialized Loans	34.484	-	-
Specialized Loans	33.820.058	-	-

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### g.1. Information on Loans (continued)

#### g.1.4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards

Current Period	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TL</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>32.162</b>	<b>59.216</b>	<b>91.378</b>
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	32.162	59.216	91.378
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TP (Real Person)</b>	-	-	-
<b>Overdraft Account - FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>32.162</b>	<b>59.216</b>	<b>91.378</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

Prior Period	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TL</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>15.974</b>	<b>34.484</b>	<b>50.458</b>
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	15.974	34.484	50.458
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TP (Real Person)</b>	-	-	-
<b>Overdraft Account - FC (Real Person)</b>	-	-	-
<b>Total</b>	<b>15.974</b>	<b>34.484</b>	<b>50.458</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### g.1. Information on Loans (continued)

#### g.1.5. Installment-based commercial loans and corporate credit cards

There are no installment-based commercial loans or corporate credit cards.

#### g.1.6. Loan concentration according to counterparty

	Current Period	Prior Period
Public	45.596.171	33.897.377
Private (*)	91.378	50.458
<b>Total</b>	<b>45.687.549</b>	<b>33.947.835</b>

(\*) Salary loans made available to bank personnel.

#### g.1.7. Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	45.687.549	33.947.835
Foreign Loans	-	-
<b>Total</b>	<b>45.687.549</b>	<b>33.947.835</b>

#### g.1.8 Loans granted to subsidiaries and associates

None

#### g.1.9. Specific provisions for loans or default (Third Stage) provisions

No provision is made by the Bank for loans within the framework of the 5th paragraph of the 13th article of the “Law on İller Bankası A.Ş.” numbered 6107, “The provisions of the Banking Law numbered 5411 regarding provisions shall not apply to the Bank”.

#### g.1.10. Information on non-performing loans (Net)

##### g.1.10.i. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled:

There are no loans or other receivables included in non-performing loans, which are restructured or rescheduled by the Bank.

##### g.1.10.ii. Movement of total non-performing loans

None

##### g.1.10.iii. Non-performing loans arising from loans extended in foreign currency

None.

##### g.1.10.iv. Gross and net non-performing loans and receivables as per customer categories borrowers

##### g.1.11.-12.Explanations on the liquidation policy and write-off policies for the loans and other receivables in the nature of loss

Loans provided by the bank are given by the shares of the local governments distributed by the Bank and some of the municipalities as warranty. For the other receivables of the Bank, the proceeds from the legal remedies are applied, and from time to time, the General Assembly deletes within the framework of the Bank’s Law, taking into consideration the state of the debtor and the costs to be collected.

### h. Financial assets at amortized cost

#### h.1. Information on net values and comparative, subject to repo transactions and given as collateral/blocked

The Bank has no investments which are the subject of repo transactions or which have been otherwise posted as guarantees or blocked

#### h.2. Information on government debt securities valued at amortized cost

There are no government debt securities valued at amortized cost.

#### h.3. Information on financial assets carried at amortized cost

There are no financial assets valued over their amortized cost.

#### h.4. The movements of financial assets valued over their amortized cost

The financial assets carried at amortized cost have no movement during the year.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### i. Information on subsidiaries (Net)

None

### j. Information on associates (Net)

None

### k. Information on Joint Ventures (Net)

None

### l. Finance Lease receivables (Net)

The Bank has no finance lease transactions (December 31, 2021: TL 3.195).

### m. Positive differences related to hedging derivative financial assets

None

### n. Tangible assets (Net):

	Real estate	Real Estates with Right of Use	Securities with Right of Use	Tangible Fixed Assets Acquired through Leasing vehicles	vehicles	Other Tangible Fixed Assets	Total
<b>Current Period</b>							
<b>Prior Period's End (31.12.2021)</b>							
Cost	942.726	7.676	12.742	-	4.235	100.458	1.067.837
Accumulated Depreciation	(49.153)	(5.068)	(4.031)	-	(1.956)	(44.662)	(104.870)
<b>Net Book Value</b>	<b>893.573</b>	<b>2.608</b>	<b>8.711</b>	<b>-</b>	<b>2.279</b>	<b>55.796</b>	<b>962.967</b>

<b>Current Period's End (31.12.2022)</b>							
<b>Cost at the Beginning of the Period</b>	<b>942.726</b>	<b>7.676</b>	<b>12.742</b>	<b>-</b>	<b>4.235</b>	<b>100.458</b>	<b>1.067.837</b>
Acquired	315.206	1.788	6.283	-	4.776	94.170	422.223
Disposed	(181.265)	(7.798)	(3.629)	-	(759)	(16.415)	(209.866)
<b>Period End Cost</b>	<b>1.076.667</b>	<b>1.666</b>	<b>15.396</b>	<b>-</b>	<b>8.252</b>	<b>178.213</b>	<b>1.280.194</b>

<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>49.153</b>	<b>5.068</b>	<b>4.031</b>	<b>-</b>	<b>1.956</b>	<b>44.662</b>	<b>104.870</b>
Current Period Depreciation	18.598	2.197	7.931	-	778	27.126	56.630
Disposal Depreciation	(5.334)	(6.262)	(2.650)	-	(589)	(7.599)	(55.774)
<b>End of Period Accumulated Depreciation</b>	<b>62.417</b>	<b>1.003</b>	<b>9.312</b>	<b>-</b>	<b>2.145</b>	<b>64.189</b>	<b>139.066</b>
<b>Closing Net Book Value</b>	<b>1.014.250</b>	<b>663</b>	<b>6.084</b>	<b>-</b>	<b>6.107</b>	<b>114.024</b>	<b>1.141.128</b>

	Real estate	Real Estates with Right of Use	Securities with Right of Use	Tangible Fixed Assets Acquired through Leasing vehicles	vehicles	Other Tangible Fixed Assets	Total
<b>Prior Period</b>							
<b>Prior Period's End (31.12.2020)</b>							
Cost	148.058	6.970	7.102	-	4.235	56.965	223.330
Accumulated Depreciation	(46.720)	(4.711)	(5.083)	-	(1.536)	(35.710)	(93.760)
<b>Net Book Value</b>	<b>101.338</b>	<b>2.259</b>	<b>2.019</b>	<b>-</b>	<b>2.699</b>	<b>21.255</b>	<b>129.570</b>

<b>Current Period's End (31.12.2021)</b>							
<b>Cost at the Beginning of the Period</b>	<b>148.058</b>	<b>6.970</b>	<b>7.102</b>	<b>-</b>	<b>4.235</b>	<b>56.965</b>	<b>223.330</b>
Acquired	809.645	8.571	15.687	-	-	45.044	878.947
Disposed	(14.977)	(7.865)	(10.047)	-	-	(1.551)	(34.440)
<b>Period End Cost</b>	<b>942.726</b>	<b>7.676</b>	<b>12.742</b>	<b>-</b>	<b>4.235</b>	<b>100.458</b>	<b>1.067.837</b>

<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>46.720</b>	<b>4.711</b>	<b>5.083</b>	<b>-</b>	<b>1.536</b>	<b>35.710</b>	<b>93.760</b>
Current Period Depreciation	2.433	7.934	5.004	-	420	10.396	26.187
Disposal Depreciation	-	(7.577)	(6.056)	-	-	(1.444)	(15.077)
<b>End of Period Accumulated Depreciation</b>	<b>49.153</b>	<b>5.068</b>	<b>4.031</b>	<b>-</b>	<b>1.956</b>	<b>44.662</b>	<b>104.870</b>
<b>Closing Net Book Value</b>	<b>893.573</b>	<b>2.608</b>	<b>8.711</b>	<b>-</b>	<b>2.279</b>	<b>55.796</b>	<b>962.967</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### o. Information on intangible fixed assets:

Current Period	Software
<b>Prior Period's End (31.12.2021)</b>	
Cost	14.678
Accumulated Depreciation	(11.931)
Net Book Value	2.747
<b>Current Period's End (31.12.2022)</b>	
<b>Cost at the Beginning of the Period</b>	<b>14.678</b>
Acquired	34.513
Disposed	(6.007)
<b>Period End Cost</b>	<b>43.184</b>
<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>(11.931)</b>
Current Period Depreciation	(7.191)
Disposal Depreciation	475
<b>End of Period Accumulated Depreciation</b>	<b>(18.647)</b>
<b>Closing Net Book Value</b>	<b>24.537</b>

Prior Period	Software
<b>Prior Period's End (31.12.2020)</b>	
Cost	12.649
Accumulated Depreciation	(9.735)
<b>Net Book Value</b>	<b>2.914</b>
<b>Current Period's End (31.12.2021)</b>	
<b>Cost at the Beginning of the Period</b>	<b>12.649</b>
Acquired	2.394
Disposed	365
<b>Period End Cost</b>	<b>14.678</b>
<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>(9.735)</b>
Current Period Depreciation	(2.196)
Disposal Depreciation	-
<b>End of Period Accumulated Depreciation</b>	<b>(11.931)</b>
<b>Closing Net Book Value</b>	<b>2.747</b>

### p. Information on investment property

As of 31 December 2022, the Bank has investment properties amounting to TL 3.393.729, which consists entirely of land, that it has acquired pursuant to subparagraphs (h) and (i) of paragraph 2 of article 3 of the Bank's Law. As of 31 December 2022, the fair value of investment properties is TL 5.807.086 (31 December 2021: TL 3.895.908).

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

<b>Prior Period End (31.12.2021)</b>	
Cost	2.960.339
Accumulated Depreciation	(196)
Provision for Impairment	(24.597)
<b>Net Book Value</b>	<b>2.935.546</b>
<b>Current Period's End (31.12.2022)</b>	
<b>Cost at the Beginning of the Period</b>	<b>2.960.339</b>
Acquired	1.140.025
Disposed	(706.635)
<b>Period End Cost</b>	<b>3.393.729</b>
<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>(196)</b>
Current Period Depreciation	(6)
Disposal Depreciation	202
<b>End of Period Accumulated Depreciation</b>	<b>-</b>
<b>Provision for Impairment</b>	<b>-</b>
<b>Closing Net Book Value</b>	<b>3.393.729</b>
<b>Prior Period's End (31.12.2020)</b>	
Cost	2.130.780
Accumulated Depreciation	(181)
<b>Net Book Value</b>	<b>2.130.599</b>
<b>Current Period's End (31.12.2021)</b>	
<b>Cost at the Beginning of the Period</b>	<b>2.130.780</b>
Acquired	1.488.927
Disposed	(659.368)
<b>Period End Cost</b>	<b>2.960.339</b>
<b>Accumulated Depreciation at the Beginning of the Period</b>	<b>(181)</b>
Current Period Depreciation	(15)
Disposal Depreciation	-
<b>End of Period Accumulated Depreciation</b>	<b>(196)</b>
<b>Provision for Impairment</b>	<b>24.597</b>
<b>Closing Net Book Value</b>	<b>2.935.546</b>

### q. Information on deferred tax assets

Deductible temporary differences, financial losses, tax deductions and exemptions.

Deferred Tax Assets	Current Period	Prior Period
Reserves for Employee Entitlements	120.847	33.126
Other	19.986	13.216
Tax Procedure Law-TAS Depreciation Differences	(6.927)	(3.607)
<b>Total</b>	<b>133.906</b>	<b>42.735</b>

As of 31 December 2022, the Bank does not have any deferred tax asset calculated over tax deductions and exceptions. In addition, deferred tax assets amounting to TL 140.833 (31 December 2021: TL 45.982) and deferred tax liabilities amounting to TL 6.927 (31 December 2021: TL 3.607), which are calculated over the amounts to be taken into account in the financial profit/loss calculation in the following periods, which arise between the book value of the assets or liabilities in the balance sheet and the tax base value determined in accordance with the tax legislation, are netted and recorded as TL 133.906 (31 December 2021: TL 42.735).

### r. Information on fixed assets held for sale and associated with discontinued operations

The Bank has no fixed assets held for sale or which are associated with discontinued operations.

### s. Information on other assets

As at 31 December 2022 and 31 December 2021, other assets item of the balance sheet does not exceed 10% of total assets, except for the commitments shown in off-balance sheet accounts.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### II. EXPLANATION AND NOTES RELATED TO THE LIABILITIES

#### a. Information on the maturity structure of deposits

##### a.1.1. Information on maturity structure of deposits

İller Bankası A.Ş. is a development and investment bank whose activities are governed by Article 77 of the Banking Law no 5411. The Bank is not authorized to accept deposits.

##### a.1.2. Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance

The Bank operates within the framework of article 77 of the Banking Law No. 5411 and is a development and investment bank that does not have deposit acceptance.

##### a.1.3. Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Türkiye are under the guarantee of saving deposit insurance in that country abroad

İller Bankası A.Ş. is a development and investment bank whose activities are governed by Article 77 of the Banking Law no 5411. The Bank is not authorized to accept deposits.

##### a.1.4. Retail deposits not guaranteed by insurance

İller Bankası A.Ş. is a development and investment bank whose activities are governed by Article 77 of the Banking Law no 5411. The Bank is not authorized to accept deposits.

#### b. Information on derivative financial liabilities at fair value through profit or loss

*Table of negative differences related to derivative financial liabilities at fair value through profit or loss*

None.

#### c. Information on banks and other financial institutions

##### c.1. Banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Türkiye	-	-	-	-
Domestic Banks and Institutions	9.126.663	-	4.044.140	-
Foreign Banks, Institutions and Funds	-	14.441.565	-	9.353.539
<b>Total</b>	<b>9.126.663</b>	<b>14.441.565</b>	<b>4.044.140</b>	<b>9.353.539</b>

##### c.2. Maturity analysis of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	-	-	-
Medium and Long-term	9.126.663	14.441.565	4.044.140	9.353.539
<b>Total</b>	<b>9.126.663</b>	<b>14.441.565</b>	<b>4.044.140</b>	<b>9.353.539</b>

(\*) Medium and long-term loans from Foreign Banks, Institutions and Funds from the World Bank as part of the Municipal Services Project, Sustainable Cities Project and FRIT II Municipal Services Development Project, from JICA (Japan International Cooperation Agency) as part of the project for the development of Municipal Sewerage, Network and Wastewater treatment plants, and the Project for the Development of Infrastructures of Local Governments. It belongs to the amounts allocated to the municipalities from the European Investment Bank (EIB) within the scope of its Environment Loan and from the Islamic Development Bank and FRIT II Municipal Services Project from AFD (French Development Agency) under the Urban Transport Project.

##### c.3. Funds

	Current Period		Prior Period	
	TL	FC	TL	FC
Other (*)	30.700.992	771.158	18.645.151	527.726
<b>Total</b>	<b>30.700.992</b>	<b>771.158</b>	<b>18.645.151</b>	<b>527.726</b>

(\*) Fund provided from other financial institutions amounting to TL 31.472.150 comprised of, TL 20.291.285 will be transferred to local governments by the Bank, transferred by the Ministry of Treasury and Finance pursuant to the “Law No. 5779 on Giving Shares to Special Provincial Administrations and Municipalities from General Budget Tax Revenues”, TL 2.420.726 of the fund transferred to the Bank for Water and Sewerage Infrastructure Projects (SUKAP), TL 1.621.244 of the funds allocated from the Bank’s profits to the infrastructure and superstructure needs of municipalities and villages, TL 29.581 to the amount transferred to the Bank within the scope of the IPA Project, TL 620.037 Disaster and Emergency Management. Presidency, TL 16.259 of the funds transferred to the Bank for urban infrastructure services, TL 36.905 of the funds transferred to the Bank for the Solid Waste Program, TL 57.445 of the funds transferred to the Bank within the scope of the 100-Day Action Plan Bicycle and Green Walkway project, TL 4.641.315 of the funds obtained from the Bank’s partners and borrowers, TL 407.173 to the fund transferred to the Bank for the KÖYDES Project, TL 89.314 to the fund transferred to the Bank by the TR Ministry of Environment, Urbanization and Climate Change within the scope of flood and landslide disasters, TL 462.460 for the amount transferred within the scope of the protocol signed with the Ministry of National Defense, TL 280.541 to the EIB Municipality Resilience Project-I MADAD Grant, TL 39.247 to the grant funds provided by the World Bank within the scope of the Sustainable Cities Project and TL 319.701 of the FRIT II Municipal Services Development Project, TL 131.669 belongs to the French Development Agency FRIT II grant and TL 7.248 belongs to other funds.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### d. If other liabilities exceed 10% of the balance sheet total, names and amounts of the accounts constituting at least 20% of grand totals

Other liabilities do not exceed 10% of the balance sheet total

#### e. Lease payables (Net)

##### Explanations on liabilities arising from financial leasing transactions

The Bank has no debts due to financial leasing transactions.

##### Explanations on liabilities arising from operating lease transactions

	Current Period		Previous Period	
	Gross	Net	Gross	Net
Less than 1 Year	7.251	5.726	9.562	8.188
Between 1-4 Years	1.491	1.021	4.302	3.132
More than 4 Years	-	-	-	-
<b>Total</b>	<b>8.742</b>	<b>6.747</b>	<b>13.864</b>	<b>11.320</b>

#### f. Information on derivative financial liabilities for hedging purposes

*Table of negative differences for derivative financial liabilities for hedging purposes*

None.

#### g. Information on Provisions

##### g.1. General provisions

Pursuant to Article 13 (5) of the Law No. 6107 governing İller Bankası A.Ş., the reserve requirements of the Banking Law No. 5411 do not apply to İller Bankası A.Ş.

##### g.2. Provisions for foreign exchange losses on foreign currency indexed loans and finance leases

Pursuant to Article 13 (5) of the Law no. 6107 governing İller Bankası A.Ş., the reserve requirements of the Banking Law No. 5411 do not apply to İller Bankası A.Ş.

##### g.3. Special provisions for non-compensated and non-cash loans

Pursuant to Article 13 (5) of the Law no. 6107 governing İller Bankası A.Ş., the reserve requirements of the Banking Law No. 5411 does not apply to İller Bankası A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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### g.4.1. Other provisions

There is a provision amounting to TL 214.890 related to the amounts foreseen to be distributed to the personnel in accordance with Article 30 of the Bank's articles of association from the supervision income and insurance income from the consultancy services provided to local governments (December 31, 2021: TL 108.000).

As of 31 December 2022, there is a provision amounting to TL 44.039 for the litigation provisions of which the Bank's litigation process continues (31 December 2021: TL 14,687).

### g.4.2. Provisions for employee benefits

As of 31 December 2022, the Bank has set aside an employee rights provision amounting to TL 483.386 as retirement bonus for contracted personnel and severance pay for worker personnel within the framework of the provisions specified in the “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) (31 December 2021: TL 163.901).

*Movement of employee termination indemnity for the current and prior period*

	Current Period	Prior Period
Opening balance, January 1	163.901	118.293
Period Expense	89.574	57.414
Payments Made	(12.596)	(11.806)
Actuarial loss/(gain)	242.507	-
<b>Closing Balance, December 31</b>	<b>483.386</b>	<b>163.901</b>

In accordance with the current labor law in Türkiye, the Bank is obliged to pay severance pay in the amount it deserves to the personnel who quit their job due to retirement or who are dismissed for reasons other than resignation and bad behavior. These compensations are equal to the 30-day gross wage for each year worked, based on the wage on the date of dismissal or dismissal. As of 31 December 2022 and 31 December 2021, the maximum severance pay is TL 19.982,83 (full TL) and TL 10.848,59 (full TL). Contract personnel working in the Bank under the Law No. 6107 are paid end-of-work compensation calculated within the framework of the procedures and principles regarding those employed within the scope of subparagraph (B) of the first paragraph of Article 4 of the Civil Servants Law.

In the financial statements dated 31 December 2022 and 31 December 2021, the Bank calculates the severance pay by discounting using the anticipated annual inflation and interest rates. The inflation and interest rate used are as follows:

	Current Period	Prior Period
Inflation Rate	%10,00	%17,20
Interest Rate	%10,96	%21,10

## h. Tax liability

### h.1. Information on current tax liability

	Current Period	Prior Period
Corporate Tax Payable	247.697	237.178
Income Tax Withholding	34.874	15.971
Securities Capital Income Tax	17.965	17.704
Real Estate Capital Income Tax	-	-
Banking Insurance Transaction Tax (BITT)	7.232	12.799
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	39.206	17.555
Other	3.423	5.109
<b>Total</b>	<b>350.397</b>	<b>306.316</b>

### h.2. Information on premiums

	Current Period	Prior Period
Social Security Premiums-Employees	7.149	3.754
Social Security Premiums-Employer	10.472	5.501
Bank Pension Fund Premium-Employees	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	512	269
Unemployment Insurance-Employer	1.023	537
Others	854	723
<b>Total</b>	<b>20.010</b>	<b>10.784</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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### h.3. Deferred tax liability

The Bank has no deferred tax liabilities as of 31 December 2022 (see footnote V-I-n).

### i. Explanations on property and equipment held for sale and related to discontinued operations and on payables regarding these assets

None.

### j. Explanations on the number of subordinated debt instruments used by the Bank, maturity, interest rate, the creditor of the debt instrument and the option to convert into stock, if any, and information on subordinated loans

None.

### k. Information on shareholders' equity

#### k.1. Paid-in capital

	Current Period	Prior Period
Common Stock (*)	28.538.677	22.547.763
Preferred Stock	-	-

(\*) Pursuant to the Bank's governing statute, İller Bankası A.Ş.'s capital is not divided into shares and no share certificates have been issued.

#### k.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital

The Bank is not subject to registered share capital system.

#### k.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

No capital increase was made in the current period, and a capital collection of TL 5.990.914 was made during this period. TL 5.199.169 of this collection is the 2% deducted monthly from the total of the tax revenue shares to be distributed by the Ministry of Treasury and Finance and İller Bankası A.Ş. every month, according to the Law No. 5779 on “Authorization of Special Provincial Administrations and Municipalities from General Budget Tax Revenues”. It consists of 30% of the shares, TL 791.745 of this amount which is allocated from the profit of 2021, to be added to the capital in accordance with the Bank's Law.

#### k.4. Information on the portion of capital reserves added to the capital in the current period

None.

#### k.5. 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

The Bank's governing law does not permit it to enter into capital commitments. The Bank's capital consists of the 2% monthly deductions made from the total shares of the tax revenues to be distributed every month by the Ministry of Finance and İller Bankası A.Ş. under the Law No. 5779 on Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities and capital shares set aside at the ratio of 30% from the Bank's distributable profit.

#### k.6. The estimated effects of the predictions on the equity, taking into account the previous period indicators of the Bank's income, profitability and liquidity, and the uncertainties in these indicators

The Bank has defined a lending and interest rate policy that can minimize the losses from which it may suffer. In accordance with the Bank's establishment law, according to the Law No. 5779 on “Paying Shares from General Budget Tax Revenues to Special Provincial Administrations and Municipalities”, the Ministry of Treasury and Finance and the İller Bankası A.Ş. will be distributed every month with the capital collections at the rate of 2% per month over the total of the tax revenues shares. loan principal and interest collections, In case of liquidity insufficiency in the balance of the Bank's income and expense balance, the funds collected from domestic banks, borrowing as needed and from shareholders in accordance with the provisions of the “Public Treasury General Communiqué”, provide the Bank's cash inflows.

#### k.7. Information on the privileges given to shares representing the capital

The capital of the Bank is not represented by shares

#### k.8. Explanations on the securities value increase fund

The Bank does not have marketable securities value increase fund.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET ACCOUNTS

#### a. Explanation on liabilities in off-balance sheet accounts

##### a.1. Types and amounts of irrevocable loan commitments

Loans promised by the bank and to be extended to local governments in accordance with the guarantee and loan agreements signed with the World Bank on 26 December 2016 within the scope of the “Sustainable Cities Project” is TL 391.307, within the scope of “Sustainable Cities Project II”, loans promised by the bank and to be extended to local governments as per the guarantee and loan agreements signed on 16 May 2018 and additional loan agreements signed on 10 July 2019 is TL 10.787.124, as per the guarantee and loan agreement signed on 17 March 2021 within the scope of the European Union’s Financial Assistance Program for Refugees in Türkiye (FRIT-II), the loans committed by the bank and to be extended to local governments is TL 2.620.165 and within the scope of the Türkiye Earthquake, Flood and Fire Emergency Reconstruction Project (TEFWER), the loans promised by the bank as per the guarantee and loan agreement signed on 30.12.2022 and to be extended to local governments is TL 8.372.658, total of all is TL 22.171.254, (31 December 2021: TL 11.253.306).

The Japan International Cooperation Agency (“JICA”) and “Infrastructure of Local Governments”. within the scope of the “Development Project”, the loans promised by the bank in accordance with the guarantee and loan agreements signed on 15 May 2015 and entered into force on 14 August, 2015, and the loans to be extended to local governments is TL 1.093.280 and the loans provided under the “Local Governments Environmental Development / Development Project” (Phase II) in accordance with the guarantee and loan agreements signed in 20 August 2021, the loans committed by the bank and to be extended to local governments is TL 5.822.710. total of all is TL 6.915.990 (31 December 2021: TL 7.422.676).

The total of loans to be extended to Municipalities committed by the Bank in accordance with the guarantee and loan agreements signed on 28 June 2012 within the scope of “Urban Infrastructure Projects” with the European Investment Bank is TL 60.948 and within the scope of the “Urban Transport and Environment Loan”, the total of the loans to be extended to the Municipalities committed by the Bank in accordance with the guarantee protocol signed on 6 October 2015 is TL 3.589.907 a total of TL 3.650.855 (31 December 2021: TL 2.990.637).

Within the context of “Urban Transportation Projects” with the Islamic Development Bank, the total amount of credits to be used for the Municipalities that are committed to guarantee and loan agreements signed on 29 August, 2016 is TL 2.069.630 (31 December 2021: TL 1.694.848).

In accordance with the Loan Agreement signed with the French Development Agency on 6 December 2021 within the scope of the “Municipal Services Project”, the total amount of loans committed by the Bank and to be extended to local governments is TL 1.255.899 (31 December 2021: TL 950.462).

The total value of all lending underwritten by the Bank for municipalities’ infrastructure and superstructure services is TL 9.663.566 (31 December 2021: TL 7.249.449). The Bank’s total credit commitment exposure amounts to TL 45.727.194 (31 December 2021: TL 31.561.378).

##### a.2. The type and amount of probable losses and commitments resulting from off-balance sheet items, including those below

###### a.2.i. Guarantees, bank endorsements and acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit

As of the balance sheet date the Bank had no guarantees, bank endorsements or acceptances, or collaterals that qualify as financial guarantees or non-cash loans including other letters of credit.

###### a.2.ii. Performance bonds, bid bonds, sureties and similar transactions

As of the balance sheet date, the total value of letters of guarantee issued by the Bank amounted to TL 11.629.312 (31 December 2021: TL 4.452.853).

###### a.3.i. Non-cash loans

	Current Period	Prior Period
Non-Cash loans given against cash loan	11.629.309	4.452.850
With Original Maturity of 1 Year or Less Than 1 Year	1.053.652	265.666
With Original Maturity of More Than 1 Year	10.575.657	4.187.184
Other Non-Cash Loans	3	3
<b>Total</b>	<b>11.629.312</b>	<b>4.452.853</b>

###### a.3.ii. Information on sectoral risk concentrations of non-cash loans

There is no sectoral risk concentration in the non-cash loans account, and the Bank provides all its non-cash loans to local governments.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### a.3.iii. Non-cash loans classified under Group I and II

Current period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loan	11.219.611	409.701	-	-
Letters of Guarantee	11.219.611	409.701	-	-
Aval and Acceptance Credits	-	-	-	-
Letters of Credit	-	-	-	-
Turnovers	-	-	-	-
Our Purchase Guarantees in the Issuance of Securities	-	-	-	-
Factoring Guarantees	-	-	-	-
Other	-	-	-	-

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loan	4.509.884	105.533	-	-
Letters of Guarantee	4.509.884	105.533	-	-
Aval and Acceptance Credits	-	-	-	-
Letters of Credit	-	-	-	-
Turnovers	-	-	-	-
Our Purchase Guarantees in the Issuance of Securities	-	-	-	-
Factoring Guarantees	-	-	-	-
Other	-	-	-	-

#### b. Information on derivative financial instruments

None.

#### c. Explanations on credit derivatives and the risks they are exposed to

None.

#### d. Information on contingent liabilities and assets

As of 31 December 2022, the Bank has set aside a provision amounting to TL 44.039 for contingent liabilities that are highly probable, for lawsuits filed against and still pending. (31 December 2021: TL 14.687).

Although there are other lawsuits filed and pending against them, the probability of these lawsuits to result in negative results is not considered high and cash outflows are not expected regarding these lawsuits.

The Bank has no contingent assets.

In the current period, the amount of the Bank’s revocable commitments is TL 14.518.704 (31 December 2021: TL 14.432.834). The Bank has no contingent liabilities and assets.

#### e. Information on transactions carried out on behalf

The Bank does not provide purchase, sale, custody and consultancy services on behalf of others. However, the debts of Municipalities and Special Provincial Administrations to public institutions and their debts within the scope of reconciliation are deducted from the shares of these administrations distributed by the Bank and paid to the relevant institutions in accordance with Article 7 of the Law No. 5779.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### IV. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF PROFIT OR LOSS

#### a. Interest Income:

##### a.1. Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	10.948	-	8.515	-
Medium and long-term loans	3.175.891	75.728	2.746.495	56.986
Loans under follow-up	-	-	-	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>3.186.839</b>	<b>75.728</b>	<b>2.755.010</b>	<b>56.986</b>

##### a.2. Information on Interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Türkiye	-	-	-	-
Domestic Banks	3.354.008	10.044	2.312.748	7.238
Foreign Banks	-	-	-	-
Foreign Head offices and Branches	-	-	-	-
<b>Total</b>	<b>3.354.008</b>	<b>10.044</b>	<b>2.312.748</b>	<b>7.238</b>

##### a.3. Information on Interest income received from marketable securities

None.

##### a.4. Interest income received from associates and subsidiaries

None.

#### b. Interest Expenses:

##### b.1. Information on Interest expenses related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	900.698	4.364	523.154	4.495
Central Bank of Türkiye	-	-	-	-
Domestic Banks	900.698	-	523.154	-
Foreign Banks	-	4.364	-	4.495
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	1.042	-	892
<b>Total</b>	<b>900.698</b>	<b>5.406</b>	<b>523.154</b>	<b>5.387</b>

The Bank gave interest of TL 711.492 (31 December 2021: TL 373.598) to the short-term funds obtained from the local governments.

##### b.2. Interest expenses paid to associates and subsidiaries

None.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

##### b.3. Information on interest expenses on securities issued

None.

##### b.4. Maturity structure of the interest expense on deposits

None.

#### c. Explanations on dividend income

None.

#### d. Trading income/losses (Net)

	Current Period	Prior Period
<b>Gains</b>	<b>5.011</b>	<b>16.498</b>
Gains on capital market transactions	-	-
Gains on derivative financial instruments	-	-
Gains on foreign exchange transactions	5.011	16.498
Losses (-)	(19.553)	(54.890)
Losses on capital market transactions	-	-
Losses on derivative financial instruments	-	-
Losses on foreign exchange transactions	(19.553)	(54.890)
<b>Total</b>	<b>(14.452)</b>	<b>(38.392)</b>

#### e. Information on other operating income:

	Current Period	Prior Period
<b>Income from Asset Sales</b>	<b>1.028.931</b>	<b>353.825</b>
From the Sale of Subsidiaries and Affiliates	-	-
From the Sale of Securities	3	1
From the Sale of Real Estate	1.028.928	353.824
Leasing Income	2.301	1.958
Real Estate Lease Incomes	2.301	1.958
Operating Lease Income	-	-
Other (*)	408.642	150.230
<b>Total</b>	<b>1.439.874</b>	<b>506.015</b>

(\*) Revenues of TL 315.000 from the consultancy and control services provided by the Bank to local governments, and the amount collected from local governments for guarantee and loan fees deposited on behalf of local governments in accordance with loan agreements with foreign financial institutions includes TL 29.021 and also includes TL 37.225 from adjustments to previous years' expenses.

#### f. Expected credit loss provisions of the Bank

In accordance with 5th paragraph of the 13th article of the Law No. 6107 on İller Bank A.Ş., the provisions of the Banking Law No. 5411 on expected loan loss provisions are not applicable to the Bank.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### IV. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF PROFIT OR LOSS (continued)

#### g. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	89.574	57.414
Bank Pension Fund Deficit Provisions	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	56.474	25.701
Impairment Losses on Intangible Assets	-	-
<i>Impairment Losses on Goodwill</i>	-	-
Amortization Expenses of Intangible Assets	7.191	2.196
Impairment Losses on Share of Participations Accounted for Using the Equity Method	-	-
Impairment Losses on Marketable Securities to be Disposed	-	-
Depreciation Expenses of Marketable Securities to be Disposed	-	-
Impairment Losses on Assets Held for Sale and Associated with Discontinued Operations	-	-
Other Operating Expenses	711.428	431.195
<i>Repair and Maintenance Expenses</i>	23.062	6.303
<i>Cleaning Costs</i>	90.923	56.178
<i>Membership Expenses</i>	190.204	127.749
<i>Transportation vehicle Expenses</i>	22.399	10.437
<i>Service Procurement Expenses</i>	109.563	66.667
<i>Heating, Lighting and Water Costs</i>	39.555	11.414
<i>Small Fixtures Expenses</i>	13.955	689
<i>Computer Operating Expenses</i>	29.966	11.257
<i>Advertisement Expenses</i>	7.271	3.342
<i>Communication Expenses</i>	3.545	3.335
<i>Printing Paper and Office Supplies</i>	5.025	1.333
<i>Help and Donations</i>	108.405	107.004
<i>Other Expenses</i>	67.555	25.487
<i>Loss on Sale of Assets</i>	-	-
Other (*)	224.738	172.466
<b>Total</b>	<b>1.089.405</b>	<b>688.972</b>

(\*) Includes tax dues and fees amounting to TL 140.551 (31 December 2021: TL 102.673), other expenses and losses amounting to TL 18.003 (31 December 2021: TL 11.713) and depreciation of operating leases amounting to TL 5 (31 December 2021: TL 16) and payment of inspection and insurance revenues planned to be made to the personnel and provisions for lawsuits filed against the Bank amounting to TL 66.179 (31 December 2021: TL 58.064).

#### h. Information on profit/loss from continued and discontinued operations before taxes

The total interest income of the Bank is TL 6.871.460 (31 December 2021: TL 5.317.473), net fee and commission income is TL 8.308 (31 December 2021: TL 12.956), dividends and other operating income is TL 1.439.874 (31 December 2021: TL 506.013), commercial profit/loss is TL (14.542) (31 December 2021: TL (38.392)), interest expense is TL 1.680.770 (31 December 2021: TL 957.005), total personnel and other operating expenses are TL 2.172.908 (31 December 2021: TL 1.278.399), Continuing operations profit of TL 4.451.422 (31 December 2021: TL 3.562.646) after deduction. The Bank does not have any discontinued operations.

#### i. Information on tax provision for continuing and discontinued operations

Regarding continuing operations, after deduction of net deferred tax income of TL 30.544 (31 December 2021: TL 16.386) from continued operations from TL 1.120.524 for current tax (31 December 2021: TL 923.496), TL 1.089.980 continued operations tax provision has been calculated (31 December 2021: TL 907.110).

#### Information on deferred tax income or expense arising from origination or reversal of temporary differences

Deferred Tax Income/Expense Resulting from Origination/Reversal of Temporary Differences	Current Period	Prior Period
From the origination of deductible temporary differences (+)	-	-
From the reversal of deductible temporary differences (-)	-	-
From the origination of taxable temporary differences (+)	47.846	24.087
From the reversal of taxable temporary differences (-)	(17.302)	(7.701)
<b>Total</b>	<b>30.544</b>	<b>16.386</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### j. Explanations on net profit/loss from continuing and discontinued operations

Profit before tax from continuing operations is TL 4.451.422 (31 December 2021: TL 3.562.646) remaining after deduction of TL 1.089.980 (31 December 2021: TL 907.110) tax provision from continuing operations TL 3.361.442 (31 December 2021: TL 2.655.536) profit for the period has been made from continuing operations. The Bank has no discontinued operations.

#### k. Explanations on net profit and loss for the period

**k.1. If disclosure of the nature, size and recurrence rate of income and expense items arising from ordinary banking transactions is necessary to understand the Bank's performance during the period, the nature and amount of these items are disclosed.**

The Bank has earned TL 6.871.460 interest income (31 December 2021: TL 5.317.473), TL 1.680.770 interest expenses (31 December 2021: TL 957.005), net fee and commission income of TL 8.308 due to ordinary banking transactions (31 December 2021: TL 12.956).

**k.2. The effect of a change in an estimation on financial statement items on profit/loss is stated in a way to cover those periods if it is probable that it will affect subsequent periods as well.**

There is no change in the estimates made regarding the financial statement items.

#### k.3. Profit/loss of minority shares

None.

**l. If the other items in the profit or loss statement exceed 10% of the total profit or loss statement, the sub-accounts that make up at least 20% of these items are shown:**

The “Other operating income” item in Section Four, sub-paragraph d above and the “Other operating expenses” item in Section Four, sub-paragraph f above account for more than 10% of the income statement total. Information about these are provided in the same notes. In addition, there are no other items that exceed 10% of statement of profit or loss.

### V. EXPLANATION AND NOTES RELATED TO THE STATEMENT OF CHANGES IN EQUITY

#### 1. Information on capital

As per the Bank's governing Law No. 6107, the Bank's capital consists of 2% monthly deductions from the total shares of the tax revenues to be distributed every month by the Ministry of Finance and İller Bankası A.Ş. under Statute 5779 on “Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities” dated 2 July 2008; out of the Bank's nominal capital of TL 30.000.000, as of 31 December 2022 TL 28.538.677 had been paid-in as of (31 December 2021: TL 22.547.763).

During the reporting period, the Bank has made TL 5.990.914 (31 December 2021: TL 3.269.631) in capital collections; TL 5.199.169 of this amount, (31 December 2021: TL 2.649.049) consisted of the 2% monthly deductions made from the total shares of the tax revenues distributed every month by the Ministry of Finance and İller Bankası A.Ş. and TL 791.745 consisted of 30% portion retained from the Bank's profit for 2021 to be added to the capital as per the Bank's governing law (31 December 2021: TL 620.582).

#### 2. Capital Reserves

At the end of the reporting period, the Bank's capital reserves is TL 1.109.344; TL 876.514 of this amount consisted of inflation adjustment to paid-in capital and TL 232.830 consisted of revaluation difference on tangible assets.

#### 3. Profit Reserves

As of the beginning of the period legal reserves, which was TL 2.034.774; with TL 263.916 transferred from the profits of 2021 to its reserves and TL 237.523 transferred from the profits of 2021 to be distributed to the Bank personnel, but not distributed and transferred to legal reserves, as per the decision of the Board of Directors of the Bank, the Bank has reached a total of TL 2.536.213 legal reserves.

#### 4. Net Profit/Loss for the Period

In the current period, a period profit of TL 3.361.442 has been realized. TL 2.639.150 of the profit of 2021 was subject to profit distribution in the period.

#### 5. Profits/Loss for Previous Periods

Paragraph 3 of Article 13 of the Law No. 6107 on İller Bank A.Ş. “states that The Bank is responsible for fifty-one percent of the net profit generated by the balance sheet approved by the General Assembly; urban regeneration practices of local administrations, map, zoning plan, infrastructure and superstructure projects and financing of construction works of these projects, it shall be used as a grant to finance the technical and social infrastructure services of the villages carried out by the special provincial administrations or to support the interest arising from the financing. The procedures and principles regarding the implementation of this paragraph shall be regulated by a regulation to be issued by the Board of Directors” provision of TL 1.345.966, including 10% Income Tax Withholding, from the 2021 profit.

#### 6. Other Explanations

The Bank has recorded actuarial difference amounting to TL 242.507 resulting from the changes in actuarial assumptions used in the calculation of the provision for employment termination benefits and deferred tax expense of TL 60.622 calculated on this amount under total comprehensive income.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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### VI. EXPLANATION AND NOTES RELATED TO THE STATEMENT OF CASH FLOWS

#### 1. Explanations on the “Other” and the “Effect of change in foreign exchange rates on cash and cash equivalents” items in the statement of cash flows

TL 811.765 decrease (31 December 2021: TL 515.181 decrease) in the “Other” item shown in operating profit prior to changes in the assets and liabilities related to the Bank’s business activities mainly consists of current expenditures (electricity, water, gas, maintenance and repairs, rent, advertising and announcements, stationery and office supplies, and membership fees paid to a variety of organizations).

TL 1.969.538 increase (31 December 2021: TL 1.230.996 increase) in the “Other increases / decreases in assets” item included among the changes taking place in the Bank’s business activity assets and liabilities consists of prepaid taxes, goods on hand, and miscellaneous receivables and payables.

“Increase / Decrease in Other Liabilities” item, amounting to an increase of TL 11.890.608 (31 December 2021: TL 4.329.977), which is included in the change in the assets and liabilities in the banking field of activity, is mainly consists of shares sent to the Bank in order to be distributed from the General Budget to the municipalities and special provincial administrations the following month and money to be transferred and the amounts to be paid to the contractors.

TL 5.199.169 (31 December 2021: TL 2.649.049) shown in “Net cash flow secured from financing activities” pertains to the cash capital receipts from financial activities, which İller Bankası A.Ş. collects within the framework of its governing law and which are not represented by shares.

The net effect of movements in foreign exchange rates on cash and cash equivalents increased by TL 249.734 as of 31 December 2022 (31 December 2021: TL 184.420 increase).

#### 2. Cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
<b>Cash</b>	<b>23.464.750</b>	<b>14.363.909</b>
Cash in Vault	122	121
Central Bank of Türkiye	48	31
Banks	23.505.115	14.379.897
Rediscounts on Interest Income from Banks	(40.535)	(16.140)
<b>Cash Equivalents</b>	<b>-</b>	<b>-</b>
Interbank money market	-	-
Rediscounts on Interest Income from Receivables from Interbank Money Market	-	-
Bank Bonds	-	-
Interest Income Rediscounts on Bank Bonds	-	-
	<b>23.464.750</b>	<b>14.363.909</b>

#### 3. Cash and cash equivalents at the end of the period

	Current Period	Prior Period
<b>Cash</b>	<b>39.851.501</b>	<b>23.464.750</b>
Cash in Vault	205	122
Central Bank of Türkiye	32	48
Banks	39.928.391	23.505.115
Rediscounts on Interest Income from Banks	(77.127)	(40.535)
<b>Cash Equivalents</b>	<b>-</b>	<b>-</b>
Interbank money market	-	-
Rediscounts on Interest Income from Receivables from Interbank Money Market	-	-
Bank Bonds	-	-
Interest Income Rediscounts on Bank Bonds	-	-
	<b>39.851.501</b>	<b>23.464.750</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP

#### a) Information on loans belonging to the Bank’s risk group

Risk Group of the Bank	Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		The Bank’s Direct and Indirect Shareholders		Included in the Risk Group Other Real and Legal Persons	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	-	-	33.897.377	4.452.853	157	-
Balance at the End of the Period	-	-	45.596.171	11.629.312	340	-
Interest and Commission Income	-	-	3.257.721	96.098	9	-

#### Prior Period

Risk Group of the Bank	Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		The Bank’s Direct and Indirect Shareholders		Included in the Risk Group Other Real and Legal Persons	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	-	-	29.591.425	4.615.417	134	-
Balance at the End of the Period	-	-	33.897.377	4.452.853	157	-
Interest and Commission Income	-	-	2.808.992	70.587	8	-

#### b) Information on deposits belonging to the Bank’s risk group

Risk Group of the Bank	Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		The Bank’s Direct and Indirect Shareholders		Included in the Risk Group Other Real and Legal Persons	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits (*)						
Balance at the Beginning of the Period	-	-	3.450.775	1.795.433	-	-
Balance at the End of the Period	-	-	4.641.315	3.450.775	-	-
Interest Expense on Deposits	-	-	711.492	373.598	-	-

(\*) These are the funds collected by the Bank from its partners within the scope of the Public Treasurer’s Communiqué.

#### c) Information on forward and option agreements and other similar agreements with the Bank’s risk group

The Bank is not included in any risk group.

#### d) Information on remuneration paid to the Bank’s top management

Benefits provided to key management personnel for the period ended 31 December 2022 amounted to TL 4.599 (31 December 2021: TL 3.825).

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFFSHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

#### 1. Information on the Bank’s domestic and foreign representatives

	Number	Number of Employees			
Domestic branch	19	2.577			
			Country		
Overseas Representations			1-		
			2-		
			3-		
				Total Assets	Legal Capital
Overseas Branch			1-		
			2-		
			3-		
Coastal Bank. Blg. branches			1-		
			2-		
			3-		

#### 2. Explanations on the Bank’s opening and closing of branches or representative offices in Türkiye and abroad, and significant changes in its organization

None.

#### IX. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR / INDEPENDENT AUDIT FIRM

The Bank’s statement regarding the fees for services rendered by independent audit firms (VAT excluded) prepared by the POA pursuant to the Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the POA letter dated 19 August 2021 are as follows:

	Current Period	Prior Period
Independent audit fee for the reporting period	1.529	694
	<b>1.529</b>	<b>694</b>

#### X. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

The nominal capital of the Bank, which was TL 30.000.000, was increased to TL 45.000.000 with the President’s decision numbered 6659 published in the Official Gazette dated 10 January 2023 and numbered 32069.

Due to the earthquakes centered in Kahramanmaraş, affecting many of our provinces and affecting our whole country, a state of emergency was declared including 10 provinces in the region. The developments regarding this natural disaster are being closely monitored and studies are continuing to determine the impact of the situation.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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



### INDEPENDENT AUDITORS’ REPORT

#### I. INFORMATION ON THE INDEPENDENT AUDITORS’ REPORT

The unconsolidated financial statements of the Bank as of 31 December 2022, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s report dated 8 February 2023 is presented in the introduction.

#### II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

## FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

### FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

As a result of 2022 operations, the Bank's total assets increased by 47.49% from TL 62.935.996 thousand to TL 92.821.750 thousand. Among the total assets, loans ranked first with TL 45.687.549 thousand and 49.22% of the total assets, while banks ranked second with TL 39.928.391 thousand and 43.02% of the total assets. Property, plant and equipment, investment properties, tax assets and other assets amounted to TL 7.205.810 thousand, representing 7.76% of total assets.

The Bank's liabilities consist of shareholders' equity amounting to TL 35.414.239 thousand or 38.15%, liabilities and liabilities amounting to TL 57.407.511 thousand or 61.85%. TL 20.291.285 thousand of the funds amounting to TL 31.472.150 thousand in the liabilities of the balance sheet are the shares transferred to the Bank from the General Budget in December 2022 to be transferred to Municipalities and Special Provincial Administrations on January 10, 2023 in accordance with Law No. 5779 on the allocation of shares from General Budget Tax Revenues to municipalities and special provincial administrations. TL 4.582.829 thousand belongs to the funds obtained from the Bank's shareholders pursuant to paragraph 5 added to article 5 of the communiqué with article 2 of the "Communiqué Amending the General Communiqué on Public Treasurership" published in the Official Gazette dated 28 February 2108 and numbered 30346, and the remaining TL 6.598.036 thousand belongs to the shares allocated from the Bank's profit, funds transferred to the Bank by the central administration, rediscount amounts of the funds obtained from the shareholders and grant funds obtained from foreign financial institutions.

TL 14.441.565 thousand of the TL 23.568.228 thousand in loans received belongs to loans obtained from foreign financial institutions and extended to local governments and TL 9.126.663 thousand belongs to loans obtained from domestic banks for liquidity supply. In the liabilities of the Bank, TL 370.407 thousand of Tax Liability belongs to corporate tax and other taxes payable in the current period, TL 742.315 thousand to Provisions, TL 1.254.411 thousand to Liabilities from Leasing Transactions and Other Liabilities.

#### Our Bank closed its operations in 2022 with a net profit of TL 3.361.442 thousand.

The Bank's most important income item is interest income amounting to TL 6.871,460 thousand and non-interest income amounting to TL 1.592.750 thousand, of which the largest items are income from real estate sales, income sharing income from land sales, commissions received from non-cash loans and income from consultancy, audit and technical services.

The Bank's expense items include interest expenses amounting to TL 1.680.770 thousand and non-interest expenses amounting to TL 3.421.998 thousand, of which TL 1.083.503 thousand is personnel expenses, TL 1.137.826 thousand is tax provision and deferred tax expense and the remaining TL 1.200.669 thousand is current expenses, provision expenses and other expenses.

#### Our Bank has high debt payment power with its strong equity structure. Our Bank's capital adequacy ratio is 34,70% and it has a strong capital structure.

#### As of 31 December, 2022; Cash and Banks

Financial Assets (Net) **TL 39.928.633 Thousand**

The total of cash and cash equivalents is **TL 39.928.628 Thousand** and its distribution is shown below.

**TL 38.006.434 Thousand** in Domestic Banks,

**TL 1.921.957 Thousand** in Domestic Banks (FC),

**TL 205 Thousand** in the Central and Regional Directorates of our Bank

**TL 32 thousand** in the Central Bank of the Republic of Türkiye The

financial assets whose fair value differences are reflected to profit and loss are **TL 5 Thousand**.

It consists of Emlak Gayrimenkul Yatırım Ortaklığı AŞ, in which our bank participates in the percentage of capital participation at a rate of 0,000032152%. The shares of Emlak Gayrimenkul Yatırım Ortaklığı AŞ, whose total registered value is TL 120 thousand, are traded on the BİST and a provision of TL 115 thousand has been established. As of the end of the year, TL 5 thousands of net balance was provided in our balance sheet.

## FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

### Financial Assets Measured at Amortized Cost (Net) TL 45.687.549 Thousand

#### LOANS

The year-end balance of the special loans extended to our Local Governments and non-specialized loans extended to the Bank personnel is **TL 45.687.549** Thousand, and the distribution is shown below.

#### SHORT TERM

TL 32.162 Thousand from Short-Term Specialization Loans

TL 103.613 Thousand from Other Short-Term Loans with Collateral

**TL 135.775 Thousand**

#### MEDIUM AND LONG-TERM

TL 59.216 Thousand from Medium and Long-Term Specialization External Loans

TL 32.252.104 Thousand from Medium and Long-Term Specialization Loans

TL 13.240.454 Thousand from Medium and Long-Term Specialization Loans (FC)

**TL 45.551.774 Thousand**

#### TANGIBLE, INTANGIBLE AND INVESTMENT ASSETS

These accounts are used for tracking all of İller Bankası real estates for its internal use as well as for investment purposes, in addition to furniture, furnishings, tools, equipment, vehicles, and licensed computer software. Information about the values of these assets, their depreciation and outstanding balances is presented in the chart below.

(Thousand TL)	Registered Active Value	Depreciations	Balance
Movables	163.338	43.324	120.014
Securities of Use	15.396	9.312	6.084
Real Estate	1.076.667	62.417	1.014.250
Real Estates to Use	1.666	1.003	663
Real Estate for Investment Purposes	3.393.729	0	3.393.729
Licensed Computer Software	31.607	7.070	24.537
Amortized Assets			
Movables	23.010	23.010	0
Licensed Computer Software	11.577	11.577	0
Movables in Inventory	117	0	117
<b>Total</b>	<b>4.717.107</b>	<b>157.713</b>	<b>4.559.394</b>

TL 952.295 thousand of the TL 1.076.667 thousand real estates in the table belongs to buildings and social facilities, TL 35.333 thousand to land, and TL 89.039 thousand to buildings under construction. For the year 2022, our real estates are insured for TL 1.553 thousand and our movables for TL 138 thousand.

## FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

### FUNDS

In accordance with various laws, the amount of funds collected by the Bank and the funds obtained from the Bank's partners and the year-end balance of the grant fund provided by the World Bank under the Sustainable Cities Project is **TL 31.472.150 Thousand**; this amount,

<b>26.059.677</b>	<b>Thousand TL</b>	<b>The funds allocated to the Bank</b>
20.291.285	Thousand TL	Shares of municipalities and special provincial administrations that must be transferred until 10 January 2023,
2.420.726	Thousand TL	The amount transferred to our Bank from the Ministry of Treasury and Finance within the scope of SUKAP project
1.621.244	Thousand TL	Municipality and Village share grant amount allocated from the Bank's profit as per the Bank Law,
620.037	Thousand TL	To the amount transferred by the Disaster and Emergency Management Presidency
462.460	Thousand TL	The amount transferred within the scope of the Protocol on the Ministry of National Defense Allocated Immovables,
407.173	Thousand TL	To the amount transferred to our Bank within the scope of the KÖYDES project,
89.314	Thousand TL	From the Budget of the ministry of environment, urbanism and climate change to the amount transferred to our Bank within the scope of Urban Infrastructure Services
57.445	Thousand TL	The amount transferred to our Bank within the scope of the 100-Day Action Plan Bicycle and Green Walkway project
36.905	Thousand TL	Amount of Solid Waste Program (KAP),
29.581	Thousand TL	To the amount transferred to the Bank within the scope of the IPA Project
16.259	Thousand TL	Urban Infrastructure Services Amount transferred under Çevkoryön project,
7.248	Thousand TL	to other funds
<b>771.158</b>	<b>Thousand TL</b>	<b>Grant funds provided from International Financial Institutions</b>
319.701	Thousand TL	To the amount of grant funding from the World Bank under the FRIT II Project
280.541	Thousand TL	To the grant fund amount provided under the EIB Municipal Resilience Project-I MADAD,
131.669	Thousand TL	The French Development Agency to the grant fund provided under the FRIT II Project
39.247	Thousand TL	To the grant fund amount provided by the World Bank within the scope of the Sustainable Cities Project
<b>4.641.315</b>	<b>Thousand TL</b>	<b>Funds provided by the Bank's partners</b>
4.515.827	Thousand TL	To the amount of funds provided by Municipalities and Provincial Private Administrations, which are the partners of the Bank
67.002	Thousand TL	To the borrower fund amount
58.486	Thousand TL	Interest and expense accruals,

### PROVISIONS

This account showed a year-end balance of **TL 742.315 Thousand** consisting of;

483.386	Thousand TL	Reserves for Employee Entitlements,
214.890	Thousand TL	Provision and other provision amount for control fund revenues and insurance revenues obtained in 2022,
44.039	Thousand TL	litigation provisions.

### CURRENT TAX LIABILITY

At the end of the year, the current tax liability is **TL 370.407 Thousand**.

247.697	Thousand TL	Payable Corporate Income Tax,
122.710	Thousand TL	Taxes, Dues, Fees and Premiums to be Paid

### LIABILITIES FROM LEASING TRANSACTIONS (NET)

Lease Liabilities (Net) with a year-end balance of **TL 6,747 thousand**;

**TL 8.742 thousand** belongs to the netting of Payables from Leasing Transactions and **TL 1.995 thousand** of Deferred Leasing Expenses.

## FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

### OTHER LIABILITIES

This account showed a year-end balance of **TL 1.247.664 thousand** consisting of:

**TL 103.354 Thousand** Miscellaneous Liabilities

69.807	Thousand TL	Definite and temporary cash guarantees,
13.904	Thousand TL	Amounts sent by local governments as contributions for the facilities of local governments built by our Bank,
7.009	Thousand TL	Internal Insurance Fund,
5.161	Thousand TL	The premium amount to be received from our Bank by Groupama AŞ, Türkiye Sigorta AŞ, Ankara Sigorta A.Ş and Bereket Sigorta A.Ş, of which we are the agency,
3.460	Thousand TL	The amount to be kept from the remuneration and sent to these administrations in accordance with the relevant communiqués of the Ministry of Finance and the Social Security Institution,
2.809	Thousand TL	Other debts of our bank,
1.204	Thousand TL	Balance amount under the World Bank Municipal Services Improvement Project (FRIT-II),

### 1.144.310 Thousand to Other Foreign Resources

889.595	Thousand TL	The amount belonging to the advance account of the lands in Istanbul Arnavutköy / Hadımköy, where the sales contract has been signed but the title deeds are not transferred,
192.771	Thousand TL	Amounts for progress payments to be made to contractors,
11.365	Thousand TL	Other debts belonging to our bank
25.751	Thousand TL	The advance commission amount received from the letters of guarantee given to the municipalities,
10.993	Thousand TL	Amounts to be liquidated in the following year,
10.703	Thousand TL	The amount of urban transformation projects,
3.132	Thousand TL	The amount of the execution collection,

### CAPITAL

The portion of our bank's nominal capital of **TL 30 Billion**, collected at the end of **2022**, is **TL 28.538.677 Thousand**.

22.953.190	Thousand TL	Held by Municipalities and subsidiaries of municipalities,
1.507.510	Thousand TL	Held by Special Provincial Administrations,
4.077.977	Thousand TL	Capital transfers from profits.

### CAPITAL RESERVES

This account with an end-of-year balance of TL 1.109.344 thousand consists of Capital Reserves Arising Inflation Accounting, amounting to TL 876.514 thousand, and TL 232.830 thousand 75% of the earnings from the sale of real estate and subsidiary shares as per sub-para graph (e), article 5 of the Corporate Income Tax Law numbered 5520.

### PROFIT RESERVES

The year-end balance of the legal reserves allocated in accordance with the Articles of Association of our Bank is TL 2.536.213 Thousand, TL 865.028 Thousand of the Legal Reserves is Legal Reserves, TL 92.066 Thousand of Contingent Reserves, TL 1.578.964 Thousand of the Shareholders' Equity, TL 155 Thousand portion belongs to the amounts transferred to the legal reserves within the framework of other legislation.

### OTHER COMPREHENSIVE INCOME OR EXPENSES NOT TO BE RECLASSIFIED TO PROFIT OR LOSS

There is a net actuarial loss of TL 181.880 Thousand as a result of netting off the actuarial loss of TL 242.507 Thousand and deferred tax of TL 60.627 Thousand related to the retirement pay and termination indemnity provisions based on actuarial calculations within the framework of "Turkish Accounting Standard for Employee Benefits" ("TAS 19").

## FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

### REVENUES AND EXPENDITURES

The Bank's revenues for 2022 amounted to TL 8.464.210 Thousand and its expenses were TL 5.102.768 Thousand and the profit after tax for the year 2022 was TL 3.361.442 Thousand.

### COMPARISON OF REVENUES

The chart below shows İller Bankası revenues generated in 2022 in comparison to those in 2021.

Type of Revenues	2022	2021	DIFFERENCE
<b>Interest Income</b>	<b>6.871.460</b>	<b>5.317.473</b>	<b>1.553.987</b>
Interest from Loans	3.262.567	2.811.996	450.571
Interest from Banks	3.364.052	2.319.986	1.044.066
Other Interest Revenues	244.841	185.491	59.350
<b>Fees and Commissions from Loans</b>	<b>1.592.750</b>	<b>619.122</b>	<b>973.628</b>
Fees and Commissions on Loans	96.098	70.587	25.511
Banking Services Income	3.922	1.937	1.985
Deferred Tax Assets and Liabilities Income	47.846	24.087	23.759
Foreign Exchange Gains	5.010	16.498	(11.488)
Profit Shares Received	-	-	-
Other Non-Interest Operating Income	1.439.874	506.013	933.861
<b>Total</b>	<b>8.464.210</b>	<b>5.936.595</b>	<b>2.527.615</b>

As the chart shows, the Bank's revenues increased by 42,58% in 2022 on a year-to-year basis.

### COMPARISON OF REVENUES

The chart below shows İller Bankası expenses incurred in 2022 in comparison to those in 2021.

Type of Expenses	2022	2021	DIFFERENCE
<b>Interest Expenses</b>	<b>1.680.770</b>	<b>957.005</b>	<b>723.765</b>
Interest Paid on Loans (FC)	906.104	528.541	377.563
Interest on money market transactions	-	-	-
Fund to Interest Expense	711.492	373.598	337.894
Rental Interest Expenses	1.317	1.312	5
Other Interest Expenses	61.857	53.554	8.303
<b>Non-interest Expenses</b>	<b>3.421.998</b>	<b>2.324.054</b>	<b>1.097.944</b>
Personnel Expenses	1.083.503	589.427	494.076
Taxes and Fees	140.551	102.673	37.878
Fees and Commissions Paid	91.712	59.568	32.144
Depreciation Costs	63.670	27.912	35.758
Foreign Exchange Losses	19.553	54.890	-35.337
Severance Benefit Provisions	89.574	57.414	32.160
Other Provisions	66.179	58.064	8.115
Tax Reserves	1.120.524	923.496	197.028
Deferred Tax Asset-Liability Expenses	17.302	7.701	9.601
Other non-Interest Expenses	729.430	442.909	286.521
<b>Total</b>	<b>5.102.768</b>	<b>3.281.059</b>	<b>1.821.709</b>

The chart reveals that the Bank's expenses increased by 55,52% compared to those of 2021.

## RISK MANAGEMENT POLICIES IMPLEMENTED PER RISK TYPE

### RISK MANAGEMENT POLICIES IMPLEMENTED PER RISK TYPE

Risk management in the Bank; Considering the exceptions specified for Development and Investment Banks in the Banking Law No. 5411 and the exemptions in the Bank Law No. 6107, the Banking Law No. 5411 is carried out in accordance with the provisions of the regulations, communiqués, guides and other legislation issued by the BRSA to implement this law, and the provisions of the internal legislation issued by the Bank's Board of Directors based on the provisions of this legislation.

The risks the Bank may incur with reference to its strategies and operations are assessed, monitored and kept under control using strategies, policies, limits and application methods to monitor, control, and where necessary alter the risk/return structure entailed by future cash flows of the bank, as well as the characteristics and level of its activities on the basis of the risk structure. Written policies and application methods are established to manage all the risks caused by the Bank's operations. The Board of Directors or relevant internal systems official shall regularly assess the adequacy of these, and shall effect necessary changes. Within the framework of establishing Risk Management Policies and Application Methods of the Bank, as a minimum, the strategies regarding the Bank's operations, compatibility with the volume, nature, and complexity of its operations, the level of risk it may assume, risk monitoring and management capacity, past experience and performance, the level of expertise the directors of the units carrying out the operations command in the relevant field, and the obligations stipulated in the Banking Law and other applicable regulations shall be taken into consideration.

As a rule of thumb, any risk to be taken within the frame described above should be defined and manageable. In addition, current and potential future impacts of the risk exposure are measured to the extent allowed by risk measurement and reporting techniques. The Bank establishes written limits for quantifiable risks arising from its activities within the frame of Article 5 of the BRSA's Regulation on Internal Systems of Banks, which limits are approved and regularly reviewed by the Board of Directors.

The Bank was exempted, as a response to the written request for exemption filed with BRSA from the obligations regarding the "Internal Capital Adequacy Evaluation Procedure (ISEDES)" preparation and submittal, it has before the BRSA as per article 43 and 48 of the "Regulation on the Internal Systems and Internal Capital Adequacy Assessment Procedures".

### CREDIT RISK

The Bank observes best practices within the frame of BRSA regulations and restrictions, and thus ensures management of credit risk in accordance with its volume, quality and complexity of its lending. As a rule of thumb, new products and services are evaluated with respect to credit risk. The Bank legally calculates the value at credit risk within the framework of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks issued by the BRSA. The credit risk is essentially managed so as to guarantee that it will remain above the minimum limit set for the legal capital adequacy standard ratio. The Bank submits reports on its credit risk exposure to the BRSA within the frame of applicable legislation. The Bank gets related units to monitor the credits and credit lines established.

### MARKET RISK

Market risk includes the interest rate risk, stock position risk and currency risks that arise from changes in interest rates, exchange rates and stock prices in financial markets, which are addressed individually. The Bank does not receive deposits and operate under article 77 of the Banking Law numbered 5411. Its banking functions, consist primarily of extending cash and non-cash credit to municipalities and to special provincial authorities (which are the Bank's shareholders) against collateral consisting of allotments of general budget revenues transfer red pursuant to Law no.5779 and of municipal local revenues, and secondly of mediating insurance. The Amount Subject to Market Risk at the Bank is calculated within the framework of statutory reporting, using the Standard Method on a monthly basis; it is taken into consideration in the calculation of the Bank's Capital Adequacy Standard Ratio, and is included within the grand total for Capital obligations.

In case of calculations using the Internal Method, on the other hand, the Risk Exposed Value (RMD) estimates are made on a daily basis using Parametric, Monte Carlo and Historical Simulation Methods, whereas Marginal and Incremental RMD calculations and advanced RMD analyses are carried out on a weekly basis. Retrospective back testing is applied on a daily basis to test the reliability of the results of the models utilized. With respect to the market risk, RMD based limits are set at the Bank, within the framework of the "Risk and Authority Limits Application Methods" published through Board of Directors resolution.

### INTEREST RATE RISK

Interest rate risk expresses the probability of loss that the Bank may be exposed to depending on the position of financial instruments due to the movements in interest rates. Local Governments are provided with fixed and variable interest loans by the Bank's Board of Directors. In accordance with the provisions of the Regulation on Measuring the Interest Rate Risk Arising from Banking Accounts with the Standard Shock Method, the interest rate risk arising from the banking accounts is calculated and it is monitored whether it is within the limits determined in the Risk and Authority Limits Implementation Procedures. In addition, interest-sensitive assets and liabilities are compared according to their maturities, and interest-sensitive GAP analysis is performed.

### CURRENCY RISK

The currency risk refers to the probability of suffering loss due to changes in exchange rates, with reference to the foreign currency assets and obligations the banks have. The Bank observes the provisions of the Regulation on the Calculation and Implementation of Foreign Currency Net General Position/Equity Standard Ratio by Bank son Consolidated and Non-consolidated Basis in maintaining the relation and balance among foreign currency assets and liabilities in order to secure a foreign currency position that is in line with its shareholders' equity. Currency risk regarding the foreign currency loans extended by the World Bank and JICA to municipalities shall be borne by the municipalities, as per the agreements. Currency conversion losses/gains sustained on the portions of such lendings that are used by the Bank under the rubric of "Strengthening Institutional Capacity" are to be borne by the Bank. Asset and liability account items appearing at the ends of fiscal periods evaluated on the basis of the exchange rates announced by the Central Bank of Türkiye (CBRT) and the exchange rate P/L is calculated thereon.

The primary goal of the currency risk policy is to keep Foreign Currency Net General Position/ Equity Standard Ratio within legal limits within the frame of the Bank's financial standing, current economic developments and recent trends in the market, while observing profitability and productivity. The Bank calculates and reports RMD for its foreign currency position on a daily basis. Limits concerning foreign currency risk are set and monitored within the framework of the "Risk and Authority Limits Application Methods" approved by the Board of Directors.

## RISK MANAGEMENT POLICIES IMPLEMENTED PER RISK TYPE

### LIQUIDITY RISK

Liquidity risk is the risk that the maturity mismatch between the Bank's assets and liabilities, increase in dull loans, problems in interest and principal collections, slow down in cash flow, decrease in profitability, increase in cash demand, and new cash inflows cannot meet their obligations due to reasons such as decrease in cash outflows. The structural problem, which is one of the main problems of the banking system, resulting from long-term loan utilization with short-term resources, is coupled with a financial crisis and liquidity risk is the most important risk factor. For this reason, the Bank's assets and liabilities are evaluated in terms of their maturities and their proforma cash flows are determined. It is essential that liquidity surplus be covered by taking alternative returns into consideration, and that liquidity needs are met with the most cost effective resources.

Pursuant to the 5th paragraph of Article 4 of the Regulation on Banks' Liquidity Coverage Ratio Calculation, for development and investment banks in accordance with the Decision of the Banking Regulation and Supervision Agency dated 12 December 2016 and numbered 7123, it has been decided that the consolidated and unconsolidated total and foreign currency liquidity coverage ratios will be applied as 0% until the contrary is determined, but the said ratios will continue to be reported to the Agency in order to determine another ratio for the said banks. Within this framework, the Bank calculates the Liquidity Coverage Ratio. In accordance with the "Regulation on the Measurement and Evaluation of the Liquidity Adequacy of Banks", the liquidity adequacy ratio is calculated by the Bank.

### OPERATIONAL RISK

Operational risk refers to the possibility of loss resulting from inadequate or failed internal processes, people and systems or external events, including legal risk. Within the framework of BRSB regulations, the Bank manages operational risk in accordance with the volume, nature and complexity of its operations and recognizes that all operational activities and operational risk management are a process involving employees. While fulfilling its duties, authorities and responsibilities, it is essential for the Bank's personnel to be aware of the operational risks and to evaluate their impacts, to take necessary measures to mitigate and / or prevent the risks, and to implement their activities in a conscious manner.

The Bank's main objective is to identify, report and evaluate risks prior to the emergence of risks in operational risk management policies. Accordingly, the basic principle in operational risk management policy is to take measures to prevent the realization of the risk. The intensification of controls on every stage of all business processes determined in the Bank constitutes the most effective policy tool in operational risk management. The amount subject to Operational Risk is calculated on an annual basis using the in Basic Indicator Method ve and included in the Standard Ratio of the Capital Adequacy Ratio of the Bank.

### MANAGEMENT OF INFORMATION SYSTEMS

The purpose of the Information Systems Risk Management Policy is to determine the principles to identify, assess, monitor, control, report, and manage the risks arising out of the use of information technologies, as well as the principles to constitute the basis of management of information systems used in the execution of the Bank's operations. This policy aims to ensure effective management of information technologies, which is a critical element in maintaining the operations of the Bank, by considering the management of information systems as part of corporate management practices. The provisions of this policy shall apply for the management of the information systems of the Bank, and all elements containing these systems. In principle, the risks arising out of information technologies shall be taken into consideration within the framework of the Bank's operational risk management. Considering that these risks may be factors in other risks arising out of the banking operations, it is elementary to maintain the assessment, close monitoring and supervision within the framework of integrated risk management for the Bank.

### INFORMATION ON RATINGS (RATING REGARDING BANK PARTNERS)

The bank does not offer banking services for the market, in enterprise and commercial settings. The majority of the credits extended by the bank are credits on projects. Article 13, paragraph 5 of the Bank's Governing Law nr. 6107 states that the provision of article 7, sub-paragraph(b), article 17, paragraph one, and provisions regarding reserves and other safeguard provisions of law no 5411 shall not apply for the Bank.

In accordance with the special law and regulations governing the Bank, its portfolio structure is characterized by a low risk of default. Even though the Bank enjoys a robust collateral structure, the assets comprising the collateral for the credits extended do not fit into the collateral categories provided in Basel II criteria. Therefore, no rating process was applied regarding the credit benchmarks at the Bank.

### RISK PROTECTION AND RISK MITIGATION POLICIES AND THEIR CONTINUOUS CONTROL OF ITS EFFECTIVENESS RELATED PROCESSES

Risk Protection And Risk Reduction Policies And The Processes Regarding Continuous Controls Of The Efficiency There of In order to preclude any significant effect adverse situations which may arise during the operations of the Bank, the risk levels should, as a rule, be subject to limits compatible with the risk profile and risk tolerance. The risk limits are established with reference to the views and opinions of the General Manager, Audit Committee, and relevant Senior Managers, and approved by the Board of Directors. The risk limits are set at levels compatible with the risk levels the Bank may assume, as well as its operations, the scale and complexity of its products and services.

The limits are reviewed on a regular basis, and are adopted to changes in the market conditions, the Bank's strategy and risk appetite, and is monitored at fixed intervals. Figures subject to credit risk, operational risk and market risk are calculated to determine the minimum capital requirement, and the capital adequacy ratio is calculated over these figures. The Bank does not have an internal risk position, nor does it carry a position to hedge against internal risk.

### AMENDMENTS TO THE ARTICLE AGREEMENT MADE IN 2022

No changes were made in the Bank's Articles of Association in 2022.

## RISK MANAGEMENT POLICIES IMPLEMENTED PER RISK TYPE

### SUMMARY FINANCIAL INFORMATION FOR THE PERIOD 2018-2022

ASSETS	2018	2019	2020	2021	2022
Liquid Assets	2.839.526	5.706.116	14.380.050	23.505.286	39.928.633
Loans	28.288.482	28.414.386	29.588.230	33.947.835	45.687.549
Tangible And Intangible Fixed Assets	871.919	1.733.466	2.263.083	3.901.260	4.559.394
Other Assets	220.993	233.550	647.967	1.581.615	2.646.174
<b>Total</b>	<b>32.220.920</b>	<b>36.087.518</b>	<b>46.879.330</b>	<b>62.935.996</b>	<b>92.821.750</b>

LIABILITIES	2018	2019	2020	2021	2022
Received Credits	3.749.653	3.922.790	8.099.955	13.397.679	23.568.228
Funds	8.241.642	10.235.636	13.546.126	19.172.877	31.472.150
Reserves And Tax Obligations	327.906	333.850	402.526	606.883	1.112.722
Other Liabilities	1.321.394	640.110	698.846	1.377.084	1.254.411
Shareholders' Equity	18.580.325	20.955.132	24.131.877	28.381.473	35.414.239
<b>Total</b>	<b>32.220.920</b>	<b>36.087.518</b>	<b>46.879.330</b>	<b>62.935.996</b>	<b>92.821.750</b>

PROFIT/LOSS	2018	2019	2020	2021	2022
Interest Revenues	2.326.957	3.460.661	3.559.376	5.317.473	6.871.460
Interest Expenses	328.586	544.787	283.239	957.005	1.680.770
Net Interest Revenues	1.998.371	2.915.874	3.276.137	4.360.468	5.190.690
Net Fee and Commission Revenues	16.235	35.271	33.085	12.956	8.308
Dividend Income	10	5	-	-	-
Foreign Currency Profits/Loses (Net)	(935)	(338)	508	(38.392)	(14.542)
Other Operating Incomes	750.383	224.162	289.060	506.013	1.439.874
Total Operating Incomes	2.764.064	3.174.974	3.598.760	4.841.045	6.624.330
Other Operating Expenses	657.944	892.132	939.154	1.278.399	2.172.908
Profits Before Tax	2.106.120	2.282.842	2.659.636	3.562.646	4.451.422
Tax Reserves	443.766	500.776	586.410	907.110	1.089.980
<b>Net Profits/Loss For The Period</b>	<b>1.662.354</b>	<b>1.782.066</b>	<b>2.073.226</b>	<b>2.655.536</b>	<b>3.361.442</b>

## CONTACT INFORMATION

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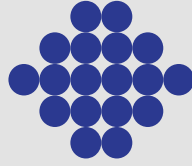
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**İL BANK**  
TURKEY'S CONSTRUCTIVE POWER

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